Azura Power West Africa Limited

Annual Report

31 December 2018

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Corporate information

Registration Number: RC. 916450

Directors:	Sundeep Bahanda - Chairman David Ladipo Opuiyo Oforiokuma Barry Lynch Alan Muir Emile Du Toit Enos Banda Simon Harford
Company secretary:	ALSEC Nominees Limited St. Nicholas House 10th Floor, Catholic Mission Street Lagos Nigeria
Solicitors:	Trinity International LLP Dashwood House 69 Old Broad Street London United Kingdom Templars (Barristers & Solicitors) 13A, A.J. Marinho Drive Victoria Island Annexe Lagos Nigeria
Registered office:	St. Nicholas House 10th Floor, Catholic Mission Street Lagos Nigeria
Auditor:	KPMG Professional Services KPMG Tower Bishop Aboyade Cole Street Victoria Island Lagos Nigeria
Principal bankers:	First City Monument Bank Plc Standard Chartered Bank Nigeria Limited Standard Chartered Bank UK Zenith Bank Plc

Directors' report

For the year ended 31 December 2018

The Directors present their report on the affairs of Azura Power West Africa Limited, together with the financial statements and auditor's report for the year ended 31 December 2018.

Principal Activity and Business Review

Azura Power West Africa Limited ("the Company" or "APWAL") was incorporated in Nigeria on 14 October 2010 as a limited liability company to generate power in Nigeria.

On 4 January 2016, the Company commenced the construction of the Azura-Edo Independent Power Plant (IPP) project upon achieving financial close on 28 December 2015. Construction of the power plant was executed under a fully wrapped, turnkey, engineering, procurement, and construction ("EPC") contract (signed on 29 April 2014) by a consortium comprised of Siemens AG, Siemens Limited Nigeria and Julius Berger Nigeria Plc ("The Contractors"). The Azura-Edo IPP is located in Edo State and comprises three (3) gas powered turbines with heavy-duty E-class Open Cycle Gas Turbines (OCGTs). Siemens also performs the long-term maintenance service under a Long-term maintenance agreement.

The Contractor mobilised to site on 4 January 2016 and completed construction on 1 May 2018. Upon reaching commercial operations date (COD) on 24 May 2018, the Company commenced the sale of power under a 20-year Power Purchase Agreement (PPA) to the Nigerian Bulk Electricity Trading PLC ("NBET"). The PPA was signed on 22 April 2013 (subsequently amended on 1 December 2014 and 25 November 2015 respectively).

The Company sources gas from nearby fields through a long-term Gas Sales Purchase Agreement (GSPA) signed on 14 April 2014 (subsequently amended on 1 December 2014 and 24 November 2015) with Seplat Petroleum Development Company PLC (Seplat), an indigenous independent oil and gas company and Nigerian Petroleum Development Company (NPDC). Seplat is the operator of the Oben Gas Plant located about 50km from the Project site. The gas is transported by the Nigerian Gas Company (NGC) under a gas transportation agreement signed on 22 July 2014 (subsequently amended on 28 September 2015).

The Company incurred a loss before taxation of ₦2.13 billion for the year ended 31 December 2018 (2017 : ₦12.18 billion).

Funding Arrangements

The Azura-Edo IPP funding structure is comprised of both equity and debt. The debt holders comprise sixteen (16) international and local lending institutions as well as shareholders. During the year under review, the Company drew down, through four disbursements, a total amount of ₦38.24 billion ($98.26 million) (2017: ₦36.39 billion ($114.48 million)) from Senior Loans, and ₦2.62 billion ($17.38 million) (2017: ₦5.53 billion ($17.386 million)) from its Local Loan Facility. These exclude the amount of $65m in Mezzanine Loans that were fully drawn down at financial close in the 2015. The amounts drawn down during the year were primarily used to pay for project costs consisting of EPC contractor milestone payments, financing costs, lender fees, professional fees, and operating costs.

Directors' report (cont'd)

Operating Results

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

	2018	2017
	₦'000	₦'000
Revenue	62,801,393	-
Loss before taxation	(10,157,593)	(12,177,671)
Taxation	7,276,987	5,276,392
Loss for the year	(2,880,606)	(6,901,279)

The directors have not recommended any dividend for the year ended 31 December 2018 (2017:Nil).

Directors and their Interests

The Directors who served during the year were as follows:

Name of Director	Nationality	Date (Resigned)/Appointed
Sundeep Bahanda- Chairman	British	
David Ladipo	Nigerian	
Opuiyo Oforiokuma	Nigerian	
Adrian Mucalov	British	
Alan Muir	British	
Olusola Lawson	Nigerian	
Sean MacDonald	British	
Crispin Holliday	British	
The following directors were appointed subsequent to year end:		
Emile Du Toit	South African	19 February 2019
Enos Banda	American	19 February 2019
Simon Harford	British	19 February 2019
Barry Lynch	Irish	19 June 2019
The following directors resigned subsequent to year end:		
Olusola Lawson	Nigerian	(21 January 2019)
Sean MacDonald	British	(17 January 2019)
Crispin Holliday	British	(6 February 2019)
Adrian Mucalov	British	(11 June 2019)

The directors do not have any interest required to be disclosed under Section 275 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004.

For the purpose of Section 277 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, none of the Directors has notified the Company of any declarable interests in the contracts with the Company.

Directors' report (cont'd)

Material Agreements

The Company has entered into the following material agreements:

1 *Gas Sales and Purchase Agreement (GSPA)*

The Company entered into an agreement with Seplat Petroleum Development Company Plc (Seplat) and Nigerian Petroleum Development Company Ltd (NPDC) on 14 April 2014 (subsequently amended on 1 December 2014 and 24 November 2015) for the supply of gas from nearby fields. The tenure of the GSPA is fifteen (15) years commencing from the date Seplat starts gas deliveries to the Company, with an option for a five year renewal after the initial tenor. The GSPA contains take or pay minimum quantities of gas off-take. The Company has an obligation to provide a $55 million irrevocable letter of credit (LC) as a security for its payment obligations which has been provided. See Note 13 to these financial statements for further information about the LC. The gas will be transported to the power plant under the Gas Transportation Agreement (GTA) signed on 22 July 2014 with the Nigerian Gas Company Limited.

2 *Engineering, Procurement and Construction (EPC) Contract*

Construction of the Power Plant was executed under a fully wrapped, turnkey, engineering, procurement and construction ("EPC") contract by a consortium comprising Siemens AG, Siemens Nigeria Limited and Julius Berger Nigeria Plc. The EPC contract was signed on 30 April 2014 and subsequently amended on 15 December 2014 and 19 November 2015. The EPC contract was wrapped up with the issue of the Take Over Date (TOD) certificate on 1 May 2018.

3 *Power Purchase Agreement (PPA)*

The Company entered into a 20-year Power Purchase Agreement (PPA) with the Nigerian Bulk Electricity Trading Plc (NBET) on 23 April 2013 (as subsequently amended on 1 December 2014 and 25 November 2015) to sell electric power (capacity and energy) generated from its planned Power Plant in Edo State at an agreed-upon pricing model and contract capacity. This agreement underlies the Company's revenue stream as it contains the terms upon which the Company's sole customer (NBET) will buy and pay for the electric energy generated from the plant after construction. It is fundamental to the project finance structure of the Company, since, without it, the Company could not have secured the requisite financing to construct the Plant. NBET is wholly owned by the Federal Government of Nigeria (FGN) and was established as part of the Nigeria power sector reforms.

NBET's obligation to pay the Company is supported by the Federal Government with underlying support which has been provided by the World Bank in the form of a Partial Risk Guarantee (PRG) and liquidity support. Multilateral Investment Guarantee Agency (MIGA) is also providing termination support to both debt and equity investors.

4 *Put Call Option Agreement (PCOA)*

The Put Call Option Agreement (PCOA) was executed on 22 October 2014 between the Company, Azura-Edo Limited, the Federal Government of Nigeria ("FGN"), and Nigerian Bulk Electricity Trading Plc ("NBET"). Should the PPA ever have to be terminated, the PCOA sets out the terms and conditions under which the FGN and/or NBET will have a right or an obligation (or both) to purchase the shares or the assets of the Company from its owners (Azura-Edo Limited); and in each case, the price that must be paid therefore.

Directors' report (cont'd)

5 *Common Terms Agreement and Loan Financing Agreements*

The Common Terms Agreement (CTA) was executed on 27 November 2014 and provides a common framework of understanding for the lender consortium. The CTA was amended and restated on 9 December 2015 principally to align the contractual timelines surrounding disbursements, interest payments and principal repayments with the realities in view of the unforeseen delay to financial close.

The lender consortium comprises CDC Group Plc; DEG – Deutsche Investitions – Und Entwicklungsgesellschaft Mbh; ICF Debt Pool LLP; International Finance Corporation; Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.; Société De Promotion et de Participation pour la Coopération Économique S.A.; Swedfund International AB; Overseas Private Investment Corporation; The Emerging Africa Infrastructure Fund Ltd; Firstrand Bank Limited (Acting through its Rand Merchant Bank Division); Siemens Bank GMBH; The Standard Bank of South Africa Limited; Standard Chartered Bank; First City Monument Bank Limited and KFW IPEX-Bank GMBH; Mauritius Commercial Bank Limited.

Sixteen (16) individual loan financing agreements between the Company and the above suite of lenders were also executed between 25-27 November 2014 and contain specific payment requirements and account funding requirements that are customary for power project financing transactions of this nature. Lenders will be providing $566.5 million and ₦24 billion of long-tenor senior and mezzanine financing for the project as follows:

- $501.5 million of offshore Senior Debt Facilities, which includes a $55 million of a GSPA Letter of Credit facility.
- $65 million of offshore USD Mezzanine Debt Facilities, which is funded by Development Finance Institutions (DFIs).
- ₦24 billion of an Onshore Senior Debt Facility, provided through the Bank of Industry (BOI) Power and Airline Intervention Fund (PAIF)) concessional window.

6 *Maintenance Contracts*

The maintenance contracts include the Operation and Maintenance Agreement signed on 5 May 2014 (as amended), which appoints PIC Group to operate and maintain the power plant. The Long Term Maintenance Contract (LTMC) was also executed on 24 July 2014 (as amended) between the Company, Siemens Limited Nigeria and Siemens AG. The LTMC sets out the terms for long term maintenance services comprising parts, repairs, and scheduled outages. These agreements became effective on 31 December 2015.

7 *Grid Connection and Ancillary Services Agreements*

On 24 June 2014, the Company entered into two agreements with the Transmission Company of Nigeria (TCN) Plc; Grid Connection Agreement which provides the terms and conditions for connection of the power plant with the Transmission Network System of TCN and Ancillary Services Agreement that provides for additional services.

Directors' report (cont'd)

As part of the Company's corporate governance activities, the Company set up the Board Audit and Risk Committee (BARC) on 13 May 2016. BARC is mainly responsible for the financial reporting matters of the Company which includes the review of the audited financial statements, review of the Company's budgets and recommendation of the financial statements to the Company's board of directors for approval, among others.
Members of the BARC are as follows:
(a) Opuiyo Oforiokuma
(b) Sean MacDonald (resigned 17 January 2019)

The following directors were appointed to the BARC subsequent to year end;
(a) Simon Harford
(b) Emile du Toit

Shareholding Structure
The shareholding structure of the Company is as follows:

	Ordinary Shares of ₦1 each			
	2018	%	2017	%
	Number		Number	
Azura-Edo Limited	3,777,564	97.5	3,777,564	97.5
Edo State Government	96,860	2.5	96,860	2.5
	3,874,424	100	3,874,424	100

Azura-Edo Limited has charged all its shares in the Company in favor of the Company's external lenders until all obligations to the lenders have been fully discharged.

Charitable Donations
During the year, the Company in pursuance of its corporate social responsibility, incurred expenses on capacity building and enhancement of mobility of stakeholders in the Nigerian power sector. Total amount spent was ₦137.34 million ($378,882) ((2017:₦105.3 million ($314,350)). This was included in profit or loss as part of donations. See Note 7(a) in these financial statements. The Company did not make any donation to any political association, or for any political purpose in the course of the year (2017: Nil).

Employment and Employees

(a) **Employee Consultation and Training**
The Company places considerable value on the involvement of its employees in major policy matters and keeps them informed on matters affecting them as employees and on various factors affecting the performance of the Company. This is achieved through regular meetings with employees and consultations with their representatives.

(b) **Dissemination of Information**
In order to maintain shared perception of our goals, the Company is committed to communicating information to employees in as fast and effective a manner as possible. This is considered critical to the maintenance of team spirit and high employee morale.

(c) **Employment of Physically Challenged**
The Company has no physically challenged persons in its employment (2017:Nil). However, the Company's employment policy does not discriminate against any individual for reasons of his/her infirmity as each employment case is purely treated on merit.

Directors' report (cont'd)

(d) **Employee Health, Safety and Welfare**

The Company places a high premium on the health, safety and welfare of its employees in their place of work. In order to protect staff and other persons against risk to health and safety hazards arising out of or in connection with the Company's planned construction activities, the Company has established an Environmental, Health, and Safety (EH&S) management system. The Company has also put in place various forms of insurance policies, including workmen compensation insurance and life insurance to adequately secure and protect its employees.

Property, Plant and Equipment

Information relating to changes in property, plant and equipment is disclosed in Note 11(a) to these financial statements.

Events after the reporting date

There are no significant events after the reporting date which could have had a material effect on the financial position of the Company as at 31 December 2018 and its financial performance for the year then ended which have not been provided for or disclosed in these financial statements.

Independent Auditor

Messrs. KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditors to the Company. In accordance with Section 357 (2) of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, therefore, the auditors will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

BY ORDER OF THE BOARD

ALSEC Nominees Limited
Company Secretary

Lagos, Nigeria
19 June 2019

Statement of directors' responsibilities in relation to the financial statements for the year ended 31 December 2018

The directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with International Financial Repoting Standards and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and 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, Cap C.20, Laws of the Federation of Nigeria, 2004 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

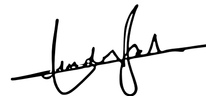
The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Signature

David Ladipo
FRC/2014/IODN/00000007487

19 June 2019
Date



Signature

Sundeep Bahanda
FRC/2014/IODN/00000007525

19 June 2019
Date

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **Azura Power West Africa Limited**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Azura Power West Africa Limited** ("the Company") which comprise the statement of financial position as at 31 December 2018 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 72.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Directors are responsible for the other information. The other information obtained at the date of this auditor's report are the Corporate information, Directors' report, Statement of directors' responsibilities and Other national disclosures, but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Registered in Nigeria No BN 986925

Partners:
[illegible]

KPMG

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 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.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board Audit and Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004.

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

Signed:

Ayodele A. Soyinka, FCA
FRC/2012/ICAN/00000000405
For: KPMG Professional Services
Chartered
Accountants
10 July 2019
Lagos, Nigeria

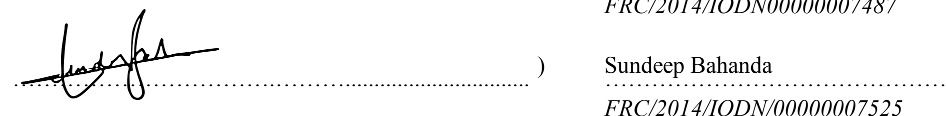
Statement of financial position

As at

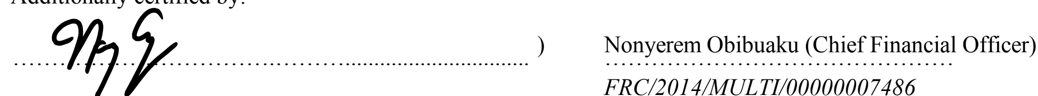
	Note	**31 December 2018**	**31 December 2017**
		₦'000	₦'000
ASSETS			
Property, plant and equipment	*11*	165,105,049	164,259,680
Contract cost	*16(c)*	20,228,335	-
Intangible assets	*12*	74,783	83,303
Deferred tax assets	*10(f)*	13,139,371	6,068,952
Interest rate swaps	*25*	608,836	-
Non-current assets		199,156,374	170,411,935
Contract cost	*16(c)*	1,103,125	-
Prepayments	*15*	4,022,904	9,244,509
Inventories	*14*	361,872	9,234
Trade and other receivables	*13*	37,049,922	12,271,483
Cash and cash equivalents	*17*	19,110,983	7,889,448
Current assets		61,648,806	29,414,674
Total assets		**260,805,180**	**199,826,609**
EQUITY			
Share capital	*18*	3,874	3,874
Share premium	*19*	33,998	33,998
Accumulated deficit		(13,639,561)	(10,758,955)
Hedging reserve	*20*	1,196,479	(260,006)
Translation reserve	*20(b)*	(2,582,090)	(2,358,077)
Total equity		(14,987,300)	(13,339,166)
Interest rate swaps	*25*	-	1,188,191
Loans and borrowings	*21(a)*	207,833,995	187,836,747
Deferred income	*22*	11,097,277	11,612,282
Non-current liabilities		218,931,272	200,637,220
Loans and borrowings	*21(a)*	43,545,347	11,171,721
Provisions	*23*	43,410	98,773
Trade and other payables	*24*	12,655,956	1,258,061
Deferred income	*22*	616,495	-
Current liabilities		56,861,208	12,528,555
Total liabilities		275,792,480	213,165,775
Total equity and liabilities		**260,805,180**	**199,826,609**

These financial statements were approved by the Board of Directors on 19 June 2019 and signed on its behalf by:

) David Ladipo
FRC/2014/IODN00000007487


) Sundeep Bahanda
FRC/2014/IODN/00000007525

Additionally certified by:


) Nonyerem Obibuaku (Chief Financial Officer)
FRC/2014/MULTI/00000007486

The notes on pages 16 to 72 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

For the year ended 31 December

	Notes	2018	2017
		₦'000	₦'000
Revenue	*6*	62,801,393	-
Direct costs	*7(a)*	(44,028,759)	-
Gross profit		18,772,634	-
Other income	*7(b)*	1,129,881	5,870
Administrative expenses	*7(a)*	(4,060,151)	(3,163,130)
Operating profit/ (loss)		**15,842,364**	**(3,157,260)**
Finance income	*8*	503,499	1,894,942
Finance costs	*8*	(26,503,456)	(10,915,353)
Net finance costs		(25,999,957)	(9,020,411)
Loss before taxation	*9*	**(10,157,593)**	**(12,177,671)**
Taxation	*10(a)*	7,276,987	5,276,392
Loss for the year		**(2,880,606)**	**(6,901,279)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Foreign currency translation difference		(224,013)	(1,573,757)
Items that are or may be reclassified subsequently to profit or loss:			
Cash flow hedges- effective portion of changes in fair value	20	1,804,838	751,917
Related tax	10(b)	(348,353)	102,778
Other comprehensive income		**1,232,472**	**(719,062)**
Total comprehensive income for the year		**(1,648,134)**	**(7,620,341)**

The notes on pages 16 to 72 are an integral part of these financial statements.

Statement of changes in equity

	Share capital	Share premium	Accummulated deficit	Hedging reserve	Translation reserve	Total equity
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Balance at 1 January 2018	3,874	33,998	(10,758,955)	(260,006)	(2,358,077)	(13,339,166)
Total comprehensive income:						
Loss for the year	-	-	(2,880,606)	-	-	(2,880,606)
Other comprehensive income	-	-	-	1,456,485	(224,013)	1,232,472
Total comprehensive income for the year	**-**	**-**	**(2,880,606)**	**1,456,485**	**(224,013)**	**(1,648,134)**
Balance at 31 December 2018	**3,874**	**33,998**	**(13,639,561)**	**1,196,479**	**(2,582,090)**	**(14,987,300)**

	Share capital	Share premium	Accummulated deficit	Hedging reserve	Translation reserve	Total equity
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Balance at 1 January 2017	3,874	33,998	(3,857,676)	(1,114,701)	(784,320)	(5,718,825)
Total comprehensive income:						
Loss for the year	-	-	(6,901,279)	-	-	(6,901,279)
Other comprehensive income	-	-	-	854,695	(1,573,757)	(719,062)
Total comprehensive income for the year	**-**	**-**	**(6,901,279)**	**854,695**	**(1,573,757)**	**(7,620,341)**
Balance at 31 December 2017	**3,874**	**33,998**	**(10,758,955)**	**(260,006)**	**(2,358,077)**	**(13,339,166)**

The notes on pages 16 to 72 are an integral part of these financial statements.

Statement of cash flows
For the year 31 December

	Notes	2018	2017
		₦'000	₦'000
Cash flows from operating activities			
Loss for the year		(2,880,606)	(6,901,279)
Adjustments for:			
- Net finance costs		25,181,455	9,829,516
- Write-off of property, plant and equipment	*7(a)*	-	3,819
- Government grant	*7(b)*	(612,608)	-
- Fair value gain recognised on PAIF loan	*21(b)*	(511,111)	-
- Taxation	*10(a)*	(7,276,987)	(5,276,392)
- Depreciation	*11(e)*	6,639,367	81,775
- Amortisation of contract costs	*16(b)*	730,780	-
- Amortisation of intangible assets	*12(b)*	15,587	6,635
		21,285,877	(2,255,926)
Changes in:			
-Trade and other receivables		(24,424,939)	4,448,436
- Prepayments		2,838,659	2,706,609
- Inventories		(350,165)	(8,273)
- Trade and other payables		12,023,068	(227,513)
Cash generated from operating activities		11,372,500	4,663,333
Resettlement costs paid	*23(a)*	(56,548)	(133,326)
Net cash generated from operating activities		11,315,952	4,530,007
Cash flows from investing activities:			
Acquisition of property, plant and equipment	*11(c)*	(19,015,097)	(53,723,680)
Additions to contract costs	*16(b)*	(1,634,467)	-
Acquisition of intangible assets	*12*	(6,162)	(8,273)
Net cash used in investing activities		(20,655,726)	(53,731,953)
Cash flows from financing activities:			
Proceeds from loans and borrowings	*21(b)*	38,243,420	41,917,759
Interest paid	*21(b)*	(13,766,645)	(6,838,754)
Transaction costs related to loans and borrowings	*21(b)*	(3,990,290)	(4,211,695)
Net cash generated from financing activities		20,486,485	30,867,310
Net increase/ (decrease) in cash and cash equivalents		11,146,711	(18,334,636)
Cash and cash equivalents at 1 January		7,889,448	32,994,360
Effects of exchange rate changes on cash and cash equivalents		74,824	(6,770,276)
Cash and cash equivalents at 31 December	*17*	19,110,983	7,889,448

The notes on pages 16 to 72 are an integral part of these financial statements.

Notes to the financial statements

1. **Reporting entity**

   Azura Power West Africa Limited ("the Company") was incorporated in Nigeria on 14 October 2010 as a limited liability company to generate power in Nigeria. The Company is a subsidiary of Azura-Edo Limited, a Company registered and domiciled in Mauritius.

   The Company is domiciled in Nigeria. The Company's registered office is at St Nicholas House, 10th Floor, Catholic Mission Street, Lagos.

2. **Basis for preparation**

   (a) **Basis of measurement and accounting**

   These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011.
   They have been prepared on the historical cost basis except for certain items of financial instruments that are measured at fair value (See Note 26(f) to these financial statements). These financial statements were authorised for issue by the Company's Board of Directors on 19 June 2019.

   Details of the Company's significant accounting policies are included in Note 4 and the methods used to determine fair values for initial recognition and disclosure purposes are discussed further in Note 3(iii).

   (b) **Functional and presentation currency**

   As a result of the ruling by the Financial Reporting Council of Nigeria stating that the presentation currency of entities operating in Nigeria is the Nigerian Naira, the Company has retained its presentation currency for its statutory financial statements as Nigerian Naira (₦). All financial information presented in Naira have been rounded to the nearest thousand (₦'000), except where otherwise indicated.

   Translation to the presentation currency

   The Company's functional currency (US Dollar) is different from the presentation currency (Nigerian Naira). The results and financial position of the Company are translated into the presentation currency as follows:

   - assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
   - income and expenses for each statement presenting profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
   - cash flows are translated at average exchange rate;
   - all resulting exchange differences are recognised as a separate component of equity through other comprehensive income.

3. Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(i) ***Judgments***

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 8(c) – Determination of borrowing costs eligible for capitalisation
- Note 10(e) – Recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised based on the financial model as adopted by the Company and its external lenders.
- Notes 24(b) and Note 27(c) – Significant judgment made with respect to the recognition of liabilities arising from the Integrated Service Agreement (ISA).

(ii) ***Assumptions and estimation uncertainties***

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2019 is included in the following notes:

- Notes 23 and 29: Recognition and measurement of provisions and contingencies: Key assumptions about the likelihood and magnitude of an outflow of resources.
- Note 7(a)(i) – Recognition of take-or-pay costs in profit or loss: Key assumptions about the utilization of take-or-pay costs incurred in accordance with the Gas Purchase and Sales Agreement (GSPA).

(iii) ***Measurement of fair values***

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both the financial and non-financial assets and liabilities.
The Company has an established control framework with respect to the measurement of fair values. The Chief Financial Officer (CFO) has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of Directors.

The Chief Financial Officer (CFO) regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the CFO assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market 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 techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. 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 the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

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

• Note 26(f)- Fair values

4. Changes in accounting policies

The Company has initially applied IFRS 15 and IFRS 9 from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Company's financial statements.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements have not been restated to reflect the requirements of the new standards.

A ***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time requires judgment.

The Company has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated as the Company commenced earning of revenue during the year upon reaching financial close on 24 May 2018.

The following table summarises the impact of adopting IFRS 15 on the Company's statement of financial position as at 31 December 2018. There was no material impact on the Company's statement of profit or loss and other comprehensive income as well as cash flows for the year ended 31 December 2018.

Impact on statement of financial position

As at 31 December 2018	*Note*	As reported	Adjustments	Amounts without adoption of IFRS 15
		₦'000	₦'000	₦'000
Contract costs	*4A(i)*	18,841,867	18,841,867	-
Property, plant and equipment	*4A(i)*	165,105,049	18,841,867	183,946,916

(i) The Company capitalises incremental costs incurred in the construction of certain assets which were transferred to both NGC and TCN as they were incurred because the Company entered into a Power Purchase Agreement with NBET. These costs incurred in the construction of these assets meets the capitalisation criteria of fulfilment cost in accordance with IFRS 15. The impact of this change on the statement of financial position is the recognition of contract costs and a decrease in property, plant and equipment.

B IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets (if any) to be presented in a separate line item in the statement of profit or loss and OCI.

Previously, the Company's approach was to include the impairment of trade receivables in other expenses. However, no impairment was recorded on the Company's receivables as at year end.

Additionally, the Company has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

There was no material impact on the Company's statement of financial position, statement of profit or loss and other comprehensive income and statement of cash flows for the year ended 31 December 2018.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.
The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments (for derivatives that are used as hedging instruments, see Note 4(B)(iii).
For an explanation of how the Company classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 4(B)(i).

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018.
The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

In thousand of dollars	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				₦'000	₦'000
Trade receivables	(a)	Loans and receivables	Amortised cost	38,303	38,303
Other receivables		Loans and receivables	Amortised cost	12,420,735	12,420,735
Cash and cash equivalents		Loans and receivables	Amortised cost	8,013,342	8,013,342
Interest rate swaps		Fair value- Hedging instrument	Fair value- Hedging instrument	-	-
Employee receivables		Loans and receivables	Amortised cost	730	730
Due from related parties		Loans and receivables	Amortised cost	2,189	2,189
Sundry receivables		Loans and receivables	Amortised cost	8,025	8,025
Total financial assets				20,483,323	20,483,323

In thousands of dollars	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial liabilities				₦'000	₦'000
Trade and other payables	(a)	Other financial liabilities	Other financial liabilities	1,030,897	1,030,897
Loans and borrowings		Other financial liabilities	Other financial liabilities	202,218,053	202,218,053
Interest rate swaps used for hedging		Fair value – hedging instrument	Fair value – hedging instrument	1,207,455	1,207,455
Total financial liabilities				204,456,405	204,456,405

(i) Classification and measurement of financial assets and financial liabilities (cont'd)

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. No impairment allowance was recorded in the opening retained earnings at 1 January 2018 on transition to IFRS 9.
The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

In thousands of dollars		IAS 39 carrying amount at 31 December 2017	Remeasurement	IFRS 9 carrying amount at 1 January 2018
Financial assets		₦'000	₦'000	₦'000
Amortised cost				
Cash and cash equivalents:				
	Brought forward: Loans and receivables	8,013,342		
	Remeasurement		-	
	Carried forward: amortised			8,013,342
Trade receivables:				
	Brought forward: Loans and receivables	37,517		
	Remeasurement		-	
	Carried forward: amortised			37,517
Other receivables:				
	Brought forward: Loans and receivables	12,420,735		
	Remeasurement		-	
	Carried forward: amortised			12,420,735
Employee receivables				
	Brought forward: Loans and receivables	730		
	Remeasurement		-	
	Carried forward: amortised			730
Due from related parties				
	Brought forward: Loans and receivables	2,189		
	Remeasurement		-	
	Carried forward: amortised			2,189
Sundry receivables				
	Brought forward: Loans and receivables	8,025		
	Remeasurement		-	
	Carried forward: amortised			8,025
Total amortised costs		20,482,537		20,482,537

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39 – see Note 5(e).

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 resulted in no additional allowance for impairment.

(iii) Hedge accounting

The Company has elected to continue to apply the existing hedge accounting requirements in IAS 39.

(iv) *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied as described below:

— The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

5. Significant accounting policies

The Company has consistently applied the following accounting policies to all years presented in these financial statements, except if mentioned otherwise (see also note 4)

(a) Finance income and finance costs

The Company's finance income and finance costs include:

• foreign currency gain or loss on financial assets and financial liabilities;
• interest expense on borrowings;
• unwinding of the discount on provisions and contingent settlements;
• interest on receivables

Except borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset which are capitalised as part of the related assets, finance costs 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 costs depending on whether foreign currency movement are in a net gain or net loss position.

(b) Foreign currency transactions

Transactions in foreign currencies are translated into the US Dollar at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance cost or income except where they are regarded as an adjustment to borrowing costs and as such capitalised as part of property, plant and equipment.

However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income:

- qualifying cash flow hedges to the extent that the hedges are effective.

(c) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI –debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
– how the performance of the portfolio is evaluated and reported to the Company's management
– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
– how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.
Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.
In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:
– contingent events that would change the amount or timing of cash flows;
– terms that may adjust the contractual coupon rate, including variable-rate features;
– prepayment and extension features; and
– terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).
A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see note 5(c)(v) for derivatives designated as hedging instruments.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets – Policy applicable before 1 January 2018

The Company classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
  - held for trading;
  - derivative hedging instruments; or
  - designated as at FVTPL.

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss. However, see note 5(c)(v) for derivatives designated as hedging instruments.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

See Note 5(c)(v) for financial liabilities designated as hedging instruments.

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

If there is a change in the timing or amount of estimated cash flows, then the amortised cost of the financial liability (or group of financial instruments) is adjusted in the period of change to reflect the revised actual and estimated cash flows, with a corresponding income or expense being recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) *Derivative financial instruments and hedge accounting*

The Company holds derivative financial instruments to hedge its interest rate risk exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.
The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates and certain derivatives.
At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cashflow Hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss.

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

(d) Share capital

The Company has only one class of shares, ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price is recorded in the share premium reserve.

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

(e) Impairment

Non-derivative Financial Assets - Policy applicable from 1 January 2018

Financial instruments and contract assets

The Company recognises loss allowances for ECLs on:
– financial assets measured at amortised cost;
– debt investments measured at FVOCI; and
– contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:
– debt securities that are determined to have low credit risk at the reporting date; and
– other receivables and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.
When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.
The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 15 business days past due.
The Company considers a financial asset to be in default when:

– the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
– the financial asset is more than 15 business days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.
12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).
The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).
ECLs are discounted at the effective interest rate of the financial asset. Financial assets not classified at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
– significant financial difficulty of the borrower or issuer;
– a breach of contract such as a default or being more than 51 days past due;
– the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
– it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
– the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.
For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off
The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. The Company makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(i) **Non-derivative financial assets** - Policy applicable before 1 January 2018
Financial assets not classified as fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.
Objective evidence that financial assets are impaired includes:
- default or delinquency by a debtor;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or

- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortised cost

The Company considers evidence of impairment for these assets at both an individual asset and collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on 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 is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospect of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(ii) **Non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets 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 Cash Generating Units (CGU).
The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. 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 recognised.

(f) Taxation

Income tax expense comprises current tax (company income tax and tertiary education tax) and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income. Tertiary education tax is assessed at 2% of assessable profit.

(i) ***Current tax***

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

(ii) ***Deferred tax***

Deferred tax is recognised 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 recognised for temporary differences on 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 assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the financial model as adopted by the Company and its external lenders. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.
The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.
Deferred tax assets and liabilities are offset only if certain criteria are met.

(g) Property, plant and equipment

Generation Assets

Generation assets include the operating assets which the Company uses in carrying out its normal course of business; generating power to Nigerian Bulk Electricity Trading PLC (NBET). These assets include the power plant equipment, plant spares, and the plant’s buildings.

The Company’s generating plants are stated at cost less accumulated depreciation and impairment losses.

Non-generation Assets

The Company's non-generation assets are all other assets other than generating assets. Non-generation assets include land, administrative office building, furniture and fittings, motor vehicles, etc. Depreciation is on a straight-line method over the estimated useful lives of the assets. Land is not depreciated.

(i) ***Recognition and measurement***

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses.

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

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) ***Subsequent expenditure***

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Company. When part of an asset is being replaced, the carrying amount of the replaced part is derecognized. Repairs and maintenance are charged to profit or loss during the financial period incurred.

(iii) ***Depreciation***

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, and is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset.

The Company's generating plants are generally depreciated using the unit of production method based on the machine usage hours over the estimated operating capacity of the assets.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

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

Spare parts and replacement materials of significant importance to the generation assets and whose useful lives are greater than one year (either utilised or not) are classified as part of generation assets in line with IAS 16 – Property, Plants and Equipment and are depreciated when they are available for use.

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

Type of Asset	**Basis**
Generation Assets	
Power plant equipment	Unit of Production method based on Equivalent Operating Hours of the plant (EOH)
Componentised replacement parts and spares	4 years
Generation plant building	20 years
Non Generation Assets	
Motor vehicles	4 years
Office equipment	4 years
Furniture and fittings	4-10 years
Computer equipment	3 years
Plant and machinery	4 years
Building and fixtures	20 years
Land	Non-depreciable

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.
Property, plant and equipment under construction 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.

(iv) **Capitalisation of borrowing costs**
Borrowing costs from specific and general borrowings as well as foreign exchange differences on foreign currency borrowings that are regarded as an adjustment to interest costs and are attributable to the construction of qualifying assets are capitalised as part of the cost of the qualifying assets over the period of construction, until the asset is substantially ready for its intended use, to the extent that there are qualifying assets and borrowing costs have been incurred.

(h) Intangible assets

Recognition and measurement

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

The Company’s intangible assets with finite useful lives comprise power generation licence cost and software.

Subsequent expenditure

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

Amortisation of intangible assets

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for acquired power generation licence and software are 10 years and 4 years respectively. Amortisation of the licence commenced on the power generation date till the date of expiry of the licence and as such will amortised effectively over 104 months.

(i) Leases

(i) ***Determining whether an arrangement contains a lease***

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease.

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

(ii) ***Leased assets***

Leases of property, plant and equipment that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

(iii) ***Lease payments***

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability.

The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(j) Provisions and contingent liabilities

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities

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

Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position.
If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

(k) 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. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for its employees. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is recognised in profit or loss as employee benefit expense in the periods during which services are rendered by employees. Employees contribute 8% each of their Basic salary, Transport and Housing Allowances to the Fund on a monthly basis. The Company's contribution is 10 % of each employee's Basic salary, Transport and Housing Allowances.

(ii) ***Termination benefits***

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be wholly settled within 12 months of the end of the reporting date, then they are discounted.

(iii) ***Short-term employee benefits***

Short-term employee benefit obligations are expensed as the related service is provided.

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

(l) Government grants

Gains on loan at an interest rate lower than the market rate (the difference between the fair value and face value of the loans) is recognised as government grants. Government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant, they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset they relate to.

(m) 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. Finance cost paid, including interest paid relating to property, plant and equipment, is included in financing activities while finance income received is included in investing activities.

(n) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition and is based on:

Product type	**Cost basis**
Spare parts and other consumables	Purchase cost on a weighted average basis
Natural gas	Purchase cost on a weighted average basis

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(o) Revenue

The Company has initially applied IFRS 15 from 1 January 2018.

Revenue from the sale of power in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of value added tax.

The Company currently generates its revenue from capacity generated, energy delivered, gas payments and the additional payment components.

Capacity generated

Capacity generated is the net generating capacity of the Plant at reference site conditions, measured in megawatts (MW) and available for dispatch at any given time in the absence of any availability event. Revenue is recognised for capacity based on a pre-agreed tariff set out in the Power Purchase Agreement and the megawatts available for each billing period.

Energy delivered

Energy delivered is the actual electricity delivered to NBET which is measured in kilowatt-hours (kWh). Revenue is recognised for energy shared based on a pre-agreed tariff set out in the Power Purchase Agreement and the net electrical output delivered to the customer at the delivery point as defined in the Power purchase Agreement. Revenue is recognised when title to, and control of the electricity is passed to the customer (NBET) i.e. when electricity is delivered to the delivery point in accordance with the Power Purchase Agreement

Reimbursable revenue

Reimbursable revenue represents Gas supply payments, Gas transport payments, Gas take or pay payments and license charges licence charges due to Nigerian Electricity Regulatory Commission (NERC) which are charged back to NBET. Reimbursable revenue is recognised based on the formulas described in the Power Purchase Agreement.

Take or pay costs and income are recorded in profit or loss because the Company has estimated that it will never utilise the take- or-pay gas which could only be carried forward for the next two years based on the Company's current and forecasted dispatch rate by Transmission Company of Nigeria (TCN).

Start up revenue

Start up revenue are amounts charged to NBET for the number of times the power plant's generating units are started in a billing period in excess of the agreed free starts in the Power Purchase Agreement.

(p) Contract costs

The Company capitalises incremental costs incurred in the construction of certain assets which were transferred to both NGC and TCN as they were incurred because of its Power Purchase Agreement with NBET. These capitalised contract costs are amortised over the life of the contracts signed with both NGC and TCN respectively.

(q) New standards and interpretations not yet adopted

A number of new Standards, Amendments to Standards, and Interpretations are effective for annual periods beginning on or after 1 January 2018. The Company has not applied the following new or amended standards in preparing these financial statements.

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

New or amended standards	Summary of requirements	Possible impacts on the financials
IFRS 16 *Leases*	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. The standard becomes effective for periods beginning on or after 1 January 2019.	The Company is assessing the potential impact on its financial statements resulting from the application of amendment to IFRS 16.

New or amended standards	Summary of requirements	Possible impacts on the financials
IFRIC 23- Uncertainty Over Income Tax Treatments	IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements. IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about: -Judgments made; -Assumptions and other estimates used; and -The potential impact of uncertainties that are not reflected. IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.	The Company is assessing the potential impact on its financial statements resulting from the application of amendment to IFRIC 23.
Amendments to IAS 1 and IAS 8- Definition of material	The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework. The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality.	The Company is assessing the potential impact on its financial statements resulting from the application of amendment to IAS 1 and IAS 8.

Notes to the financial statements

6 Revenue

	2018	2017
	₦'000	₦'000
Capacity made available	28,381,517	-
Energy delivered	1,323,089	-
Reimbursables	33,058,001	-
Start-up revenue	38,786	-
	62,801,393	-

The revenue above represents revenue generated from contract with customers and is earned at a point in time.

7 Expenses and other income

(a) **Expenses by nature**

Expenses by nature comprise:

	2018	2017
	₦'000	₦'000
Gas purchase and transport costs	27,642,762	-
Take or pay gas costs (Note 7(a)(i))	4,778,343	-
Regulatory charges (Note 7(a)(ii))	441,150	
Operations and maintenance expense	1,635,917	-
Technical service expense	192,845	-
Long term maintenance expense	1,409,361	-
Depreciation of generating assets (Note 11(e))	6,356,625	-
Amortization of operational insurance	836,989	
Amortisation of contract costs (Note 16(b))	730,780	-
Amortisation of generating license (Note 12(b))	3,987	-
Total direct costs	44,028,759	-
Bank charges	50,386	133,507
Transport and travel	274,405	161,927
Integrated service fees	214,594	-
Professional fees	264,618	68,889
Auditor's remuneration	55,000	40,000
Insurance (Note 7a(iii))	1,933,884	2,027,397
Employee benefit expense (Note 9(b)(i))	226,919	128,071
Depreciation of non generating assets (Note 11(e))	282,742	81,775
Amortisation (Note 12(b))	11,600	6,635
Community and public relations	239,968	125,475
Security expenses	114,909	98,625
Rent	23,199	29,263
Donations (Note 7a(iv))	194,657	117,401
Write-off of property, plant and equipment	-	3,819
Repairs and maintenance	17,762	18,111
Telephone and internet	19,937	20,769
Training and professional development	1,450	28,320
Other tax expenses	-	2,205
Office expenses	134,121	70,941
Total administrative expenses	4,060,151	3,163,130
Total expenses	**48,088,910**	**3,163,130**

Notes to the financial statements

(i) Amount represents take-or-pay costs of gas incurred in accordance with the Gas Purchase and Sales Agreement (GSPA). Take or pay costs are recorded in profit or loss because the Company has estimated that it will never utilise the take- or-pay gas based on the Company's forecast.

(ii) Amount represents regulatory charges due to the Nigerian Electric Regulatory Commission (NERC) under the provisions of the NERC (License and Operations fee) Regulations, 2010, and is calculated as 1.5% of licensee's charges/kWh over the period.

(iii) Included in insurance is the guarantee premium for Partial Risk Guarantee (PRG) and Multilateral Investment Guarantee Agency (MIGA) of ₦1.93 billion ($5.34 million) (2017: ₦2.01 billion ($6.32 million)) paid on the amounts drawn down as of the year end on the PRG and MIGA covered loan facilities. These are requirements of the Common Terms Agreement (CTA). See Note 21(a)(ii).

(iv) Included in current year donations is an amount of ₦137.34 million (2017: ₦59.36 million) spent on capacity building in the Nigerian power sector. Also, included in donations is an amount of ₦11.47 million (2017: ₦46.94 million) spent on purchase of one motor vehicle to enhance mobility of stakeholders in the Nigerian power sector (2017: Two motor vehicles).

(b) Other income

	2018	2017
	₦'000	₦'000
Insurance claims	-	5,870
Ancillary Services (Note 7(b)(i))	6,162	-
Government grant (Note 22)	612,608	-
Fair value gain on PAIF loan recognised in profit or loss (Note 21(b))	511,111	-
	1,129,881	5,870

(i) Ancillary services represents income earned from Transmission Company of Nigeria (TCN) for the maintenance of the Black Start Diesel Generators used to jumpstart the grid in the event of grid collapse in accordance with the Grid Connection and Ancillary Services Agreement signed on 24 June 2014 between the Company and TCN. The Company charges a fixed amount per month in accordance with the signed agreement.

8 Net finance costs

Finance income	**2018**	**2017**
	₦'000	₦'000
Net foreign exchange gain	380,977	1,894,942
Interest income on receivables (Note 8(a))	122,522	-
	503,499	1,894,942
Finance costs		
Interest costs (Note 21(b))	(29,517,198)	(8,663,323)
Less interest costs capitalised (Note 8(c) & 11(c))	4,270,857	-
Interest cost expensed	(25,246,341)	(8,663,323)
Other financing fees (Note 8(b))	(1,257,115)	(2,252,030)
	(26,503,456)	(10,915,353)
Net finance costs	**(25,999,957)**	**(9,020,411)**

Notes to the financial statements

(a) Interest income represents interest charged on late payment of energy invoices issued to Nigeria Bulk Electricity Trading Plc (NBET). The interest is charged at 2% plus 3-Months LIBOR per annum on the USD past due receivables and 2% plus 3-Months NIBOR per annum on the Naira past due receivables.

(b) Other financing fees represents costs incurred on commitment fees, monitoring fees, agency fees and other lender related fees incurred during the year as servicing fees for the Company's external loan facilities.

(c) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity’s general borrowings during the year, in this case 13.12% (2017 – 12.21%).

9 Loss before taxation

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

	2018	**2017**
	₦'000	₦'000
Depreciation of property, plant and equipment (Note 11(a))	6,639,367	81,775
Auditor's remuneration (Note 9(a)(ii))	55,000	40,000
Employee benefit expense (Note 9(b)(i))	226,919	128,071
Net foreign exchange gain (Note 8)	(380,977)	(1,894,942)

(ii) ***Auditor's remuneration***

	2018	2017
	₦'000	₦'000
Audit fees	44,145	40,000
Non-audit fees	10,855	-
	55,000	40,000

(b) Directors and employees

(i) Personnel expenses during the year comprise:

	2018	2017
	₦'000	₦'000
Salaries and allowances	178,345	117,857
Productivity bonus	35,887	-
Employer's pension contribution	12,687	10,214
	226,919	128,071

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

	2018	2017
	Number	Number
Finance	4	4
Commercial	2	2
Legal & Compliance	1	1
Community Relations	3	4
Administration	12	11
	22	22

Notes to the financial statements

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

	2018	2017
₦	Number	Number
1,000,001 - 3,000,000	12	10
3,000,001 - 5,000,000	4	4
5,000,001 - 7,000,000	1	2
7,000,001 - 9,000,000	1	2
9,000,001 - 11,000,000	-	2
Above 11,000,000	4	2
	22	22

(iv) The directors of the Company did not receive any remuneration as Directors during the year (2017: Nil).

10 Income taxes

Income tax credit/ (expense)

(a) Tax recognised in profit or loss

The Company is subject to corporate income tax under the Company Income Tax (CIT) Act as amended to date and Tertiary Education Tax (TET) Act. However, under the Gas Utilisation Incentive Scheme the Company is exempted from some income taxes for a period of five years.

	2018	2017
	₦'000	₦'000
Current tax expense		
Company income tax	-	-
Tertiary education tax	-	-
Charge for the year	-	-
Deferred tax credit		
Origination and reversal of temporary differences	(7,276,987)	(3,413,331)
Recognition of previously unrecognised tax losses	-	(2,651,242)
Recognition of previously unrecognised taxable differences	-	788,181
	(7,276,987)	**(5,276,392)**

(b) Tax recognised in other comprehensive income includes deferred tax arising on:

	2018	2017
	₦'000	₦'000
Cashflow hedges	348,353	(102,778)
	348,353	(102,778)

Notes to the financial statements

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

	2018	2017
	₦'000	₦'000
Loss before taxation	(10,157,593)	(12,177,671)
Taxation using the statutory tax rate (30%)	(3,047,453)	(3,653,301)
Tertiary education tax at 2%	(202,994)	(243,553)
Effect of:		
Tax incentives	(3,646,287)	(318)
Tax-exempt income	(163,483)	(636)
Non-deductible expenses	469,424	329,195
Impact of changes in prior year estimates	(686,194)	155,282
Recognition of tax effect of previously unrecognised tax losses	-	(2,651,242)
Recognition of tax effect previously unrecognised taxable differences	-	788,181
Total income tax expense in profit or loss	(7,276,987)	(5,276,392)

(d) The Company did not incur any tax liabilities as at 31 December 2018 (2017: Nil).

Notes to the financial statements (cont'd)

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

Deferred tax assets have been recognised in respect of the following items, because it is probable that future taxable profit will be available against which the Company can use the benefits therefrom based on the financial model as approved by the Company.

	Assets		Liabilities		Net	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	5,481,335	26,931	-	-	5,481,335	26,931
Unrelieved losses	9,874,865	6,784,655	-	-	9,874,865	6,784,655
Foreign exchange difference	-	-	(1,984,093)	(858,725)	(1,984,093)	(858,725)
Derivatives	-	116,091	(232,736)	-	(232,736)	116,091
	15,356,200	**6,927,677**	**(2,216,829)**	**(858,725)**	**13,139,371**	**6,068,952**

(f) Movement in temporary differences during the year:

	Balance 1 January 2017	**Recognized in profit or loss**	**Recognized in OCI**	**Translation difference**	**Balance 31 December 2017**	**Recognized in profit or loss**	**Recognized in OCI**	**Translation difference**	**Balance 31 December 2018**
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	-	23,865	-	3,066	26,931	5,419,588	-	34,816	5,481,335
Unrelieved losses	-	6,013,661	-	770,994	6,784,655	2,961,906	-	128,304	9,874,865
Foreign exchange difference	-	(761,134)	-	(97,591)	(858,725)	(1,104,507)	-	(20,861)	(1,984,093)
Derivatives	-	-	102,778	13,313	116,091	-	(348,353)	(474)	(232,736)
	-	**5,276,392**	**102,778**	**689,782**	**6,068,952**	**7,276,987**	**(348,353)**	**141,785**	**13,139,371**

Notes to the Financial Statements

11 Property, plant and equipment

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

	GENERATION ASSETS		NON-GENERATION ASSETS								
	Power generating equipments	**Buildings**	**Motor Vehicles**	**Office Equipment**	**Furniture & Fittings**	**Computer Equipment**	**Plant & Machinery**	**Buildings and fixtures**	**Land**	**Power plant under construction**	**Total**
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost:											
Balance at 1 January 2017	-	-	94,815	28,980	77,490	9,135	11,025	-	2,366,280	90,745,515	93,333,240
Additions	-	-	52,821	-	-	5,728	6,046	-	-	51,406,875	51,471,470
Disposals	-	-	(14,001)	-	-	-	-	-	-	-	(14,001)
Translation differences	-	-	18,450	4,149	10,528	1,926	2,293	-	330,641	19,267,014	19,635,001
Balance at 31 December 2017	**-**	**-**	**152,085**	**33,129**	**88,018**	**16,789**	**19,364**	**-**	**2,696,921**	**161,419,404**	**164,425,710**
Balance at 1 January 2018	-	-	152,085	33,129	88,018	16,789	19,364	-	2,696,921	161,419,404	164,425,710
Impact of adoption of IFRS 15 (Note 16(b))	-	-	-	-	-	-	-	-	(189,582)	(18,652,285)	(18,841,867)
Additions	1,907,785	-	206,619	2,175	19,937	6,162	6,162	-	-	22,991,653	25,140,493
Transfers	111,984,036	50,501,381	-	-	-	-	-	3,391,094	-	(165,876,511)	-
Translation Difference	722,643	320,432	3,532	445	1,847	396	375	21,516	42,179	117,739	1,231,104
Balance at 31 December 2018	**114,614,464**	**50,821,813**	**362,236**	**35,749**	**109,802**	**23,347**	**25,901**	**3,412,610**	**2,549,518**	**-**	**171,955,440**
Accumulated depreciation											
Balance at 1 January 2017	-	-	24,570	13,860	25,515	3,465	7,560	-	-	-	74,970
Charge for the year	-	-	45,168	7,876	20,635	4,570	3,526	-	-	-	81,775
Disposals	-	-	(10,182)	-	-	-	-	-	-	-	(10,182)
Translation Difference	-	-	7,563	2,810	6,040	1,407	1,647	-	-	-	19,467
Balance at 31 December 2017	**-**	**-**	**67,119**	**24,546**	**52,190**	**9,442**	**12,733**	**-**	**-**	**-**	**166,030**
Balance at 1 January 2018	-	-	67,119	24,546	52,190	9,442	12,733	-	-	-	166,030
Charge for the year (Note 11(e))	4,673,221	1,683,404	86,273	7,250	19,574	3,625	3,625	162,396	-	-	6,639,367
Translation difference	29,651	10,681	2,008	670	1,194	(300)	58	1,030	-	-	44,993
Balance at 31 December 2018	**4,702,872**	**1,694,085**	**155,400**	**32,466**	**72,958**	**12,767**	**16,416**	**163,426**	**-**	**-**	**6,850,391**
Carrying amounts											
At 1 January 2017	**-**	**-**	**70,245**	**15,120**	**51,975**	**5,670**	**3,465**	**-**	**2,366,280**	**90,745,515**	**93,258,270**
At 31 December 2017	**-**	**-**	**84,966**	**8,583**	**35,828**	**7,347**	**6,631**	**-**	**2,696,921**	**161,419,404**	**164,259,680**
At 31 December 2018	**109,911,592**	**49,127,728**	**206,836**	**3,283**	**36,844**	**10,580**	**9,485**	**3,249,184**	**2,549,518**	**-**	**165,105,049**

Notes to the financial statements

(b) **Power plant under construction**

	2018	2017
	₦'000	₦'000
Development costs*	12,735,135	12,735,135
Borrowing costs capitalised	31,035,239	26,313,038
Construction costs (including engineering, procurement and construction (EPC) contract costs)	140,664,306	117,926,452
Net commissioning costs	94,116	4,444,779
Reclassification to contract costs (Note 11(a))	(18,652,285)	-
Transfer to generation asset and non generation asset**	(165,876,511)	-
	-	161,419,404

*Development costs are costs incurred on professional, consultancy, advisory and legal services in connection with the design, development and procurement of the Company's power plant. The Company commenced the construction of its power plant on 4 January 2016, hence the capitalisation of all development costs ceased from that date. As such, there were no movements relating to this during the year.

**On 1 May 2018, the Company completed the construction of the Azura-Edo Independent Power Plant (IPP) and the asset became available for use. As a result, costs previously recorded as power plant under construction were componentised and transferred to the appropriate asset classes.

(c) **Reconciliation of additions to property, plant and equipment to statement of cash flows**

	2018	2017
	₦'000	₦'000
Additions per movement in Note 11(a)	25,140,493	51,471,470
Construction costs not paid	-	(619,535)
Prior year advance to contractors utilised during the year (Note 15)	(2,474,074)	-
Prior year construction costs paid during the year	619,535	17,169,738
Additions to capitalised borrowing costs (Note 21(b))	(4,270,857)	(14,297,993)
Cash paid for additions during the year (per statement of cashflows)	19,015,097	53,723,680

(d) **Collateral on loan security**

The Company has funding arrangements with sixteen (16) international and local lending institutions for a total facility amounting to $566.5 million and ₦24 billion ($120.3 million) under the Common Terms and Agreement. The Company has granted charge over its assets and claims as security for its obligation under the agreement. This arrangement continues until all obligations to the lenders have been fully discharged by the Company. See Note 21(a)(ii).

(e) Depreciation is allocated as follows:

	2018	2017
	₦'000	₦'000
Direct costs (Note 7(a))	6,356,625	-
Administrative expenses (Note 7(a))	282,742	81,775
	6,639,367	81,775

Notes to the financial statements

12 Intangible assets

	Licence costs	Software	Total
Cost	₦'000	₦'000	₦'000
Balance at 1 January 2017	51,660	26,145	77,805
Additions	-	8,273	8,273
Translation difference	7,211	4,985	12,196
Balance at 31 December 2017	58,871	39,403	98,274
Balance at 1 January 2018	58,871	39,403	98,274
Additions	-	6,162	6,162
Translation difference	955	399	1,354.47
Balance at 31 December 2018	59,826	45,964	105,790
Amortisation			
Balance at 1 January 2017	-	6,615	6,615
Charge for the year	-	6,635	6,635
Translation difference	-	1,721	1,721
Balance at 31 December 2017	-	14,971	14,971
Balance at 1 January 2018	-	14,971	14,971
Charge for the year (Note 12(b))	3,987	11,600	15,587
Translation difference	26	423	449
Balance at 31 December 2018	4,013	26,994	31,007
Carrying amounts			
At 1 January 2017	**51,660**	**19,530**	**71,190**
At 31 December 2017	**58,871**	**24,432**	**83,303**
At 31 December 2018	**55,813**	**18,970**	**74,783**

(a) Licence costs represents costs incurred in obtaining a power generation licence from the Nigerian Electricity Regulatory Commission (NERC) in 2011 for on-grid electricity generation. The licence was originally valid for 10 years (until November 2021). In 2012, the Company obtained an extension of the licence for an additional 5 years i.e. until November 2026.

ln accordance with the Company's policy, no amortization was charged on the licence until the power plant was available for use on 1 May 2018.

(b) Amortisation is allocated as follows:

	2018	2017
	₦'000	₦'000
Direct costs (Note 7(a))	3,987	-
Administrative expenses (Note 7(a))	11,600	6,635
	15,587	6,635

13 Trade and other receivables

	2018	2017
	₦'000	₦'000
Trade receivables	11,158,561	37,517
Accrued receivables	17,700,705	-
Other receivables (Note 13(a))	8,005,317	12,223,482
Employee receivables	-	648
Due from related parties (Note 13(b))	144,092	1,774
Sundry receivables	41,247	8,062
	37,049,922	12,271,483

Notes to the financial statements

(a) Other receivables comprises:

	2018	2017
	₦'000	₦'000
Gas Sales and Purchase Agreement (GSPA) Letter of Credit (in favour of Seplat) (Note 13(a)(i))	2,610,438	6,914,231
Gas Transportation Agreement (GTA) Letter of Credit (in favour of Nigerian Gas Company) (Note 13(a)(ii))	3,570,929	3,514,251
Power Purchase Agreement Letter of Credit (in favour of Nigerian Bulk Electricity Trading Company Plc) (Note 13(a)(iii))	1,823,950	1,795,000
	8,005,317	12,223,482

(i) Amount represents balance on an initial deposit of $55 million paid in 2015 to collateralise an irrevocable letter of credit (LC) issued in favour of Seplat Petroleum Development Company Plc (Seplat), the gas supplier under the Gas Sales and Purchase Agreement (GSPA). The deposit would be released to the Company over a period of 39 months initially estimated to be 36 months in 2017, with the final release scheduled for March 2019. As such, none of the amounts was classified as non-current as at year end.

(ii) These amounts represent cash deposits used to collateralise irrevocable standby letter of credit (L/C) issued in favour of the Nigerian Gas Company (NGC). The letter of credit were issued by a Nigerian commercial bank and is renewable annually. As such, the amount has been classified as current.

(iii) These amounts represent cash deposits used to collateralise irrevocable standby letters of credit (L/C) issued in favour of the Nigerian Bulk Electricity Trading Company Plc (NBET). The letter of credit was issued by a Nigerian commercial bank. The letter of credit was terminated having met conditions stated in the PPA at commercial operations, and these amounts were reclassified as receivable from the bank as at year end. As such, the amounts have been classified as current.

(b) Amount due from related parties comprises:

	2018	2017
	₦'000	₦'000
Azura Power Holdings Limited (APHL) (Note 26(c))	144,092	1,774
	144,092	1,774

Information about the Company's exposure to credit and market risks, and impairment losses for other receivables is included in Note 26(a).

14 Inventories

	2018	2017
	₦'000	₦'000
Unutilised gas	-	9,234
Spares (Note 14(a))	356,035	-
Others	5,837	-
	361,872	9,234

Notes to the financial statements

(a) Spares represents consumables and spare parts with useful lives less than one year, purchased for the day to day running of the power plant.

15 Prepayments

	2018	2017
	₦'000	₦'000
Rentals	2,189	14,001
Insurance	1,561,666	382,467
Transaction costs (Note 15(a))	2,459,049	6,371,813
Registration charges	-	2,154
Advances to contractors	-	2,474,074
	4,022,904	9,244,509

(a) Transaction costs
These are prepaid commitment fees, facility fees, monitoring fees and upfront fees that relate to the undisbursed loan facilities amounting to ₦24.2 billion ($58.09 million and ₦3.01 billion) (2017: ₦73.16 billion ($203.79 million)) at 31 December 2018. In the directors' view, there is a reasonable assurance that the undisbursed loan facilities will be fully drawn down by the Company within 12 months from the year end.

16 Contract costs

(a) Contract costs comprise:

	2018	2017
	₦'000	₦'000
Transmission Company of Nigeria (TCN) contract costs	17,200,695	-
Nigerian Gas Company (NGC) contract costs	4,130,765	-
	21,331,460	-

(b) Movement in contract costs during the year was as follows:

	2018	2017
	₦'000	₦'000
Balance as previously presented	-	-
Impact of adoption of IFRS 15 (Note 11)	18,841,867	-
Additions during the year	1,634,467	
Amortisation (Note 7(a))	(730,780)	-
Translation Difference	1,585,906	
Balance at 31 December	21,331,460	-

(c) Analysed into:

	2018	2017
	₦'000	₦'000
Non-current	20,228,335	-
Current	1,103,125	-
	21,331,460	-

Contract mobilisation costs represent upfront costs incurred by the Company on the construction of gas metering station, interconnection pipeline and substation that were transferred to TCN and NGC upon completion of construction on 1 May 2018 in accordance with the Supplemental agreement to the Gas Transport Agreement signed with NGC and the transmission line and substation extension agreement signed with TCN. These costs

Notes to the financial statements

are non-refundable and have been capitalised as contract costs as at year end. These costs are amortised over the life of the contracts signed with TCN and NGC.

17 Cash and cash equivalents

	2018	2017
	₦'000	₦'000
Bank balances	19,107,335	7,886,350
Cash in hand	3,648	3,098
	19,110,983	7,889,448

(a) Included in the Company's cash and cash equivalents is an amount of ₦83.9 million ($0.23 million) (2017: ₦103.55 million ($0.29 million)) set aside in a separate bank account for the purpose of paying compensation to the former occupants of the land transferred to the Company by the Edo State Government. The Company cannot make payments from this balance for any purpose other than payment of compensations. Also in the Company's cash and cash equivalents is an amount of ₦3.33 billion ($9.14 million) (2017: ₦5,99 billion ($16.43 million)) held in the Company's debt service accrual accounts for the purpose of settling interest, principal and other lender related obligations. The amount held in these accounts can be used for settling other obligations if conditions defined in the Onshore and Offshore Account Agreements are met by the Company.

18 Share capital

Share capital comprises:	2018	2017
	₦'000	₦'000
Authorised share capital:		
10,000,000 ordinary shares of ₦1 each converted at ₦199.5/$1	10,000	10,000
Allotted and called-up share capital paid:		
3,874,424 ordinary shares of ₦1 each converted at ₦199.5/$1	3,874	3,874

As at 31 December 2018, Azura-Edo Limited held 3,777,564 shares while Edo State Government held 96,860 shares.

All shares rank equally. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Azura-Edo Limited (the Company's parent) has charged all its shares in the Company in favor of the Company's external lenders until all obligations to the lenders have been fully discharged (Note 21(a)).

The Company is restricted from paying dividends until certain conditions in the Common Terms Agreement (CTA) with the external lenders have been fully satisfied.

19 Share premium

Share premium represents the excess paid by shareholders over the nominal value of the ordinary share capital.

	2018	2017
	₦'000	₦'000
3,777,564 ordinary shares of ₦1 each issued at a premium of ₦9 per share (₦10-₦1)	33,998	33,998

Notes to the financial statements

20 Nature and purpose of reserves

(a) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows or items affect profit or loss.

	2018	2017
	₦'000	₦'000
Balance as at 1 January	(260,006)	(1,114,701)
Cash flow hedges- effective portion of changes in fair value (Note 25 (a))	1,804,838	751,917
Related tax (Note 10 (b))	(348,353)	102,778
Balance as at 31 December	1,196,479	(260,006)

(b) Translation reserve

Translation reserve comprises all foreign currency differences arising from the translation of the financial statements prepared in the Company's functional currency (US Dollar) into these financial statements prepared in the Company's presentation currency (Nigerian Naira).

	2018	2017
	₦'000	₦'000
Balance as at 1 January	(2,358,077)	(784,320)
Exchange difference on translation of operations	(224,013)	(1,573,757)
Balance as at 31 December	(2,582,090)	(2,358,077)

21 Loans and borrowings

(a) Loans and borrowings comprise loans as shown below:

	2018	2017
	₦'000	₦'000
Azura-Edo Limited (Note 21(a)(i))	72,152,544	61,492,758
Foreign Loan (Senior) (Note 21(a)(ii))	131,875,233	96,317,321
Foreign Loan (Mezzanine) (Note 21(a)(ii))	32,066,865	29,098,628
Local Loan (PAIF) (Note 21(a)(ii))	13,678,166	10,842,310
Promissory Notes (Note 21(a)(iii))	1,606,534	1,257,451
	251,379,342	199,008,468

Loans and borrowings are analysed into current and non-current liabilities based on the timing of repayment obligation as follows:

	2018	2017
	₦'000	₦'000
Non-current liabilities	207,833,995	187,836,747
Current liabilities	43,545,347	11,171,721
	251,379,342	199,008,468

Notes to the financial statements

The profile of the Company's loans and borrowings as at year-end is as follows:

Fixed rate instruments:	*Currency*	*Remaining Tenor as at 31 December 2018*	*Nominal Interest Rate %*	*Carrying amounts* 2018	2017
				₦'000	₦'000
Project finance (Power and Airline Intervention Fund (PAIF))	₦	6.38 years	7.0%	13,678,166	10,842,310
Project finance (Azura- Edo Limited)	US$	9 years	20.02% till COD 15% from COD	72,152,544	61,492,758
Project finance (Promissory notes)	US$	5 years	20.2% till COD 15% from COD	1,606,535	1,257,451
Total fixed rate instruments				87,437,245	73,592,519
Variable rate instruments:					
Project finance (International Bank for Reconstruction and Development (IBRD) Covered Loans)	US$	8.88 years	5.25%+ 6 months USD-LIBOR	17,380,420	12,635,364
Project finance (Multilateral Investment Guarantee Agency (MIGA) Covered Loans)	US$	8.88 years	5.25%+ 6 months USD-LIBOR	33,389,958	24,299,633
Project finance (Mezzanine loans (Proparco and the Emerging Africa Infrastructure Fund Ltd)	US$	11 years	12.25%+ 6 months USD-LIBOR	9,783,668	8,876,993
Project finance (Mezzanine loans (Overseas Private Investment Corporation (OPIC))	US$	12 years	12.25%+ OPIC cost of fund**	7,566,109	6,866,593
Project finance (Mezzanine loans and International Finance Corporation (IFC))	US$	12 years	12.25%+ 6 months USD-LIBOR	14,717,088	13,355,159

Notes to the financial statements

Variable rate instruments: (Cont'd)	*Currency*	*Remaining Tenor as at 31 December 2018*	*Nominal Interest Rate %*	*Carrying amounts*	
				2018	2017
				₦'000	₦'000
Project finance (Development Finance Institutions)	US$	12 years	5.95%+ 6 months USD-LIBOR	35,444,091	25,887,131
Project finance (OPIC)	US$	12 years	5.95%+ OPIC cost of fund**	10,629,251	7,811,498
Project finance (Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V (FMO))	US$	12 years	5.95%+ Predetermined rate*	12,220,465	8,981,103
Project finance (ICF Debt Pool LLP (ICF))	US$	12 years	5.95%+ Predetermined rate*	7,591,280	5,578,860
Project finance (IFC)	US$	12 years	5.95%+ 6 months USD-LIBOR	15,219,768	11,123,615
Total variable rate instruments				163,942,097	125,415,949
Total Loans				**251,379,342**	**199,008,468**

* Predetermined rates are rates set by FMO and notified to the Company.

** OPIC Cost of funds are fixed rates of interest determined in accordance with the monthly average "U.S. Treasury Constant Maturity Yields" for relevant calendar month as published in statistical release of the Board of Governors of the Federal Reserve System.

Notes to the financial statements

(i) On 1 December 2014, the Company entered into a seven year shareholder loan agreement with Azura-Edo Limited (which extinguished the Development Cost Loan Agreement (DCLA) entered in 2013, as amended), with a facility amount of $118.71 million.

On 20 December 2015, the seven (7) year term loan of $118.71 million was extinguished and replaced by a loan facility of $129.73 million with a term not less than 8 years. The initial loan was derecognised as a result of the significant modification of the terms of the loan and the new loan was recognised at fair value resulting in a gain on extinguishment of $13.9 million and fair value gain of $1.6 million in 2015. Based on the new loan agreement, interest shall accrue on the entire loan from date of the loan agreement up to the final repayment date. Interest is set at 20.02% from loan agreement date to Commercial Operation Date (COD) and 15% from COD to final repayment date consistant with previous estimates used by the directors in estimating cashflows of the loan. On 24 May 2018, the Company attained Commercial Operation Date (COD). This loan is subordinated in favour of loans from the external lenders (Note 21(a)(ii)) and is unsecured. The principal and accumulated interest on the loan would not be repaid earlier than the eighth anniversary of the loan.

Repayment of interest and principal under the loan agreement are based on availability of surplus cash as defined in the shareholder loan agreement. During the year, the Company re-estimated the expected timing and amount of the cashflows under the loan agreement. The significant changes in the timing and amount of cashflows significantly affects the carrying amount of the loan (See Note 21(c)).

During the year, the total interest accrued on the loan amounted to ₦12.27 billion ($33.85 million) (2017: ₦7.83 billion ($24.62 million)) while a gain as a result of changes in the cashflows amounting to ₦2.66 billion ($7.35 million) was recorded during the year (2017: Nil). There were no drawdowns on the loan during the year as the total facility amount was fully drawn down in 2015. See Note 21(c).

(ii) On 9 December 2015, the Company entered into an amended and restated Common Terms Agreement (CTA) between the Borrower (the Company), the DFI Lenders, Original IBRD Covered Lenders, the Original MIGA Covered Lenders, the Original Local Lender (PAIF), the Mezzanine Lenders, the Global Mandated Lead Arranger and Structuring Bank, the Joint Mandated Lead Arranger, the Co-Lead DFI Arrangers, the Local Loan Arranger, the IBRD Facility Agent, the MIGA Facility Agent, the Local Facility Agent , the Intercreditor Agent and the Hedging Banks. Under the Senior Loan Agreements, Mezzanine Loan Agreements and the Local Loan Agreement, the amount committed by the various lenders are $501.5 million, $65 million and $150 million respectively. The Company has granted charge over its assets and claims as security for its obligation under the CTA and this arrangement continues until all obligations to these lenders have been fully discharged by the Company. Also, Azura-Edo Limited has charged all its shares in the Company in favor of these external lenders until all obligations to the lenders have been fully discharged.

Also, the PAIF loan was initially recognised at fair value, being the present value of the expected future cash flows discounted at market-related interest rates. The difference between the fair value and face value of the loans drawn down prior to completion of construction of the power plant amounting to ₦0.53billion ($1.45 million) (See Note 22) has been recorded as a government grant (deferred income)(2017: ₦2.48billion ($7.80 million)) while the difference between the fair value and face value of the loans drawn down subsequent to completion of construction of the power plant amounting to $1.41 million (See Note 7(b)) has been recorded in profit or loss as other income (2017: Nil).

Notes to the financial statements

(iii) On 23 December 2015, the Company issued a promissory note to Edo State Government with a nominal value of $3.33 million in accordance with the subscription agreement with the Company.

The amounts owed pursuant to this promissory note are unsecured. Interest shall accrue on this promissory note at 20.2% from the date of the promissory note up to the Commercial Operation Date (COD) and 15% from COD to final repayment date consistant with previous estimates used by the directors in estimating cashflows of the loan. On 24 May 2018, the Company attained Commercial Operation Date (COD).

The principal and accumulated interest on the loan would not be repaid earlier than the eighth anniversary of the loan

As at the year end, the carrying value of the promissory note was ₦1.61 billion ($4.40 million) (2017: ₦1.30 billion ($3.50 million)). Total interest accrued on the promissory note in the current year amounted to ₦362.24 million (($0.90 million) (2017: ₦210.8 million ($0.66 million)).

(b) The movement in loans during the year was as follows:

	2018	2017
	₦'000	₦'000
Balance at 1 January	199,008,468	127,949,535
Proceeds from loan drawn down during the year	38,243,420	41,917,759
Transaction costs on loans and borrowings	(3,990,290)	(4,211,695)
Accrued interest*	29,517,198	19,848,680
Interest paid	(13,766,645)	(6,838,754)
Fair value gain on PAIF loan recognised as deferred income (Note 22)	(527,060)	(2,482,915)
Fair value gain on PAIF loan recognised directly in profit or loss (Note 7(b))	(511,111)	-
Net foreign exchange difference	(114,184)	(1,091,107)
Translation difference	3,519,546	23,916,965
Balance at 31 December	251,379,342	199,008,468

As at year end, total interest accrued in the current year amounted to ₦29.52 billion ($81.43 million) (2017: ₦19.85 billion ($62.38 million)). During the year, ₦38.24 billion ($105.50 million) was drawn down on the loan (2017: ₦41.92 billion ($131.73 million)) and total amount of ₦3.99 billion ($11.01 million) was capitalised as transaction costs incurred on these loans (2017: ₦4.21 billion ($13.24 million)). As at year end, undisbursed loan facilities available to the Company amounted to ₦24.2 billion ($58.09 million and ₦3.01 billion).

*Total borrowing costs arising from loans and borrowings capitalised as additions to plant under construction during the year was $11.78 million (₦4.27 billion) (2017:$35.15 million (₦14.29 billion)) (see note 11(c)).

(c) **Change in estimate**

During the year, the directors re-estimated the timing and amount of the cashflows of the shareholder loan based on revised forecasts. In prior years, the directors estimated that the principal and interest on the loan would be fully repaid at the 8th anniversary of the loan in line with the signed agreement. Based on revised forecast, interest and principal on the loan is now expected to be fully repaid by the 12th anniversary of the loan. A gain amounting to ₦2.66 billion ($7.35 million) arising from the re-estimation of cashflows has been included as part of interest expense during the year. See Note 21(a)(i). The effect of these changes on actual and expected interest costs, included in interest expense, is as follows:

Notes to the financial statements

	2019	2020	2021	2022	Later
	₦'000	₦'000	₦'000	₦'000	₦'000
Increase in interest costs for shareholder loan	456,717	1,739,319	2,947,503	4,171,009	12,588,903

Information about the Company's exposure to interest rate, foreign currency and liquidity risks is included in Note 26.

22 Deferred income

The Company obtained a Naira denominated long term loan amounting to ₦20.99 billion ($104.95 million) from the Bank of Industry (BOI) through a commercial bank in Nigeria and facilitated by the CBN PAIF concessional window. The loan is to be repaid over a period of 10 years. Interest will be payable on outstanding loan balances at the rate of 7% per annum. The loan is secured on the Azura-Edo independent power plant and was obtained exclusively to finance the Azura- Edo independent power plant project. The loan was initially recognised at fair value, being the present value of the expected future cash flows discounted at the obtainable market-related interest rates on the drawdown dates ranging between 22% and 25%. The difference between the fair value and face value of the loan amounting to ₦0.53billion ($1.45 million) (2017: ₦2.48billion ($7.80 million)) has been recorded as a government grant (deferred income) during the year (see Note 21(b) to these financial statements). The grant is amortized over the economic useful life of the plant at same rate at which the plant is depreciated.

The movement in deferred income during the year is as follows:

	2018	2017
	₦'000	₦'000
Balance as at 1 January	11,612,282	7,731,360
Additions (Note 21(b))	527,060	2,482,915
Release to profit or loss	(612,608)	-
Translation difference	187,038	1,398,007.00
Balance as at 31 December	11,713,772	11,612,282
Analysed into:		
Non-current	11,097,277	11,612,282
Current	616,495	-
	11,713,772	11,612,282

23 Provisions

Provisions comprise:

	2018	2017
	$'000	$'000
Resettlement costs (Note 23(a))	43,410	98,773
	43,410	98,773

(a) Provisions of ₦43.4 million ($0.12 million) represents the Company's estimate of remaining costs that would be incurred to resettle the outstanding occupants of the land transferred from the Edo State Government in order to make it fully accessible to the Company for the construction of the power plant. The provision was computed in conformity with the requirements of the World Bank, pertaining to involuntary land acquisition and compensation processes. As the amounts represent costs relating to making the land available for use, the provisions have been included as part of PPE (Note 11).

Notes to the financial statements

The Directors have set aside adequate funds to fully resettle and pay-off the remaining occupants (Note 17). The provision has been classified as current in these financial statements.

The movement in provisions during the year is as follows:

	2018	2017
	₦'000	₦'000
Balance at 1 January	98,773	218,610
Payments made during the year	(56,548)	(133,326)
Translation difference	1,185	13,489
Balance at 31 December	43,410	98,773

24 Trade and other payables

	2018	2017
	₦'000	₦'000
Trade payables (Note 24(b))	10,775,897	51,881
Accrued expenses	204,943	272,563
Amount due to related parties (Note 24(a))	8,390	44,393
Other payables	1,593,403	646,973
	12,582,633	1,015,810
Statutory deductions	73,323	242,251
	12,655,956	1,258,061

(a) Amount due to related parties comprises ₦8.39 million ($0.023 million) due to Aldwych Azura Operations Ltd (2017: ₦44.39 million ($0.12 million)).

(b) In accordance with the provisions of the National Office for Technology Acquisition and Promotion (NOTAP) Act, the Integrated Service Agreement signed between the Company and APHL are required is required to be registered with NOTAP. The Company's NOTAP registration certificate for the contract expired on 30 September 2018. Also, in line with Rule 4 of the Financial Reporting (FRC) Act which stipulates that, all cost requiring NOTAP approval should not be recorded by a Nigerian entity except the NOTAP registration approval is in place, the Company did not record the costs incurred amounting to ₦108.74 million ($0.30 million) between the date of expiry of the NOTAP registration certificate and year end.

25 Interest rate swaps

(a) Interest rate swaps

The Company held an interest rate swap derivative asset instrument for risk management purposes. The Company entered into interest rate swap contracts with three counterparties, International Finance Corporation (IFC), Standard Chartered Bank (SCB) and Rand Merchant Bank (RMB) with an initial notional amount of $259.88 million with effect from 29 December 2015, whereby the Company pays a fixed rate of interest of 2.509% and receives a variable rate equal to 3 months/6 months USD-LIBOR-BBA. The derivative instrument was designated as a hedging instrument in qualifying hedging relationships. Based on the procedures performed, the reasonable fair values of the financial instruments have been established as an asset of ₦608.8million ($1.67 million) (2017: Liabilities of ₦1.18 billion ($3.31 million)) and the hedge has been determined to be effective as at 31 December 2018, hence, the effective portion of changes in the fair value of the derivative ₦1.81 million ($4.98 million) (2017: ₦750.95 million ($2.36 million)) was recognised in other comprehensive income and accumulated in the hedging reserve.

Notes to the financial statements

Retrospective Effectiveness Test

The Company will perform a retrospective effectiveness test on an ongoing basis for the purpose of determination of the continuance of cash flow hedge accounting designation and application or potential de-designation due to test failure. The test will be performed using the dollar offset method detailed above in the Prospective Effectiveness Test. Based on the procedures performed, the retrospective assessment of the hedge for the year was deemed to be effective.

(b) Cash flow hedges of US Dollar loans

The Company uses interest rate swaps to hedge the interest rate risks in respect of the benchmark interest rate (mainly LIBOR) from its floating-rate loans denominated in the US Dollar.

The Company's approach to managing market risk, including interest rate risk, is discussed in Note 26(c). The Company determines the amount of the exposure to which it applies hedge accounting by assessing the potential impact of changes in interest rates on the future cash flows from its floating-rate loans. This assessment is performed using analytical techniques, such as cash flow sensitivity analysis.

By using derivative financial instruments to hedge exposures to changes in interest rates, the Company exposes itself to credit risk of the derivative counterparties, which is not offset by the hedged items. The Company minimises counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties with good credit ratings and a history of strong financial performance.

The Company assesses whether the derivative designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in cash flows of the hedged item (prospectively and retrospectively) using the Dollar Offset Method (Sensitivity Analysis Approach). The Dollar offset method involves comparing the ratio of the change in the fair value or present value of future expected cash flows of the hedging instrument with the change in the fair value or present value of future expected cash flows of the hedged item attributable to the hedged risk.

Under the Company's policy, in order to conclude that a hedge relationship is effective, all of the following criteria should be met.

Prospective effectiveness test

For the hedge relationship to be considered highly effective, the dollar offset ratio should be within the range of negative 80% to 125% (the negative indicating the offset). Being a prospective hedge effectiveness test, simulation analysis will be used to demonstrate that the dollar offset ratio is expected to be effective under a series of reasonably likely/possible changes in the hedged risk. When the cumulative dollar offset ratio is within negative 80% and 125% under all scenarios, the relationship is considered to be highly effective on a prospective basis. Based on the procedures performed, the reasonable fair values of the financial instruments have been established (Note 26(f)) and the hedge has been determined to be effective as at 31 December 2018.

Retrospective Effectiveness Test

The Company will perform a retrospective effectiveness test on an ongoing basis for the purpose of determination of the continuance of cash flow hedge accounting designation and application or potential de-designation due to test failure. The test will be performed using the dollar offset method detailed above in the Prospective Effectiveness Test.

Information relating to the amount and timing of future cash flows of the hedging instrument has been disclosed in Note 26(d) of these financial statements.

Notes to the financial statements

26 Financial risk management and financial instruments

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

As part of the Company's corporate governance activities, the Company has a Board Audit and Risk Committee (BARC). BARC is mainly responsible for the integrity of the Company’s financial statements and budgets, and for monitoring the effectiveness and objectivity of the external auditors, as well as to ensure compliance with laws and regulations, and to ensure that risks affecting the Company are effectively managed. The Company's board audit and risk committee also oversees how management monitors compliance with the Company’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

(a) Credit risk

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

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.
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	Note	2018	2017
		₦'000	₦'000
Trade receivables	*13*	11,158,561	37,517
Accrued receivables	*13*	17,700,705	-
Interest rate swaps	*25*	608,836	-
Other receivables	*13(a)*	8,005,317	12,233,966
Cash and cash equivalents (excluding cash in hand)	*17*	19,107,335	7,886,350
Employee receivables	*13*	-	648
Due from related parties	*13(b)*	144,092	1,774
Sundry receivables	*13*	41,247	8,062
		56,766,093	20,168,317

Notes to the financial statements

The Company's exposure to credit risk is influenced mainly by the individual characteristics of the Company's single customer. However, management also considers the factors that may influence the credit risk of its customer, including the default risk associated with the industry in which customer operate. The risk management committee has established a credit policy under which the Company's customer is analysed for creditworthiness on an ongoing basis. The Company's review includes external ratings, if they are available, financial statements, credit agency information and industry information.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 15 business days to its sole customer.
The Company's exposure to credit risk is influenced mainly by the ability of Nigerian Bulk Electricity Trading Plc (NBET) to enforce payments from the distribution companies. The Company has trade receivable for which no loss allowance is recognised because of collateral.
Payments by NBET to the Company under the PPA are secured by a letter of credit amounting to ₦43.77 billion ($120 million) issued in favour of the Company by an international bank. In addition, the Company entered into a Partial Risk Guarantee contract (PRG) with International Bank for Reconstruction and Development (IBRD) under which IBRD provides additional guarantee on the letter of credit issued by the international bank in favour of the Company. On the basis of this, the directors believe that credit risk has been reduced to the barest minimum.

Comparative information under IAS 39

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and other related parties.
The trade receivables are collaterized by a letter of credit amounting to ₦43.77 billion ($120 million) issued in favour of the Company by an international bank.

Expected credit loss (ECL) assessment for the Company's customer as at 1 January and 31 December 2018

The Company uses an allowance matrix to measure the ECLs of trade receivables from its customer, which comprise a very small number of large balances.
Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated for exposures based on the common credit risk characteristics of the receivables.
The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018.

	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit Impaired
		NGN	NGN	
Current (not past due)	-	11,158,561	-	No
		11,158,561	-	

Loss rates are based on actual credit loss experience during the year. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

Notes to the financial statements

The scalar factor is based on actual and forecast unemployment rates and is 1.3% for Nigeria.

The Directors have applied judgment in the Company's assessment of the recoverability of its trade and other receivables which are past not past due. The significant judgment involved estimation of future cash flows and the timing of those cash flows. Based on the assessment of the Directors, these trade and other receivables were fully recoverable and accordingly no impairment has been recorded.

Other receivables

Other receivables represent cash deposits used to collateralise irrevocable standby letters of credit (L/C) issued in favour of Seplat Petroleum Development Company Plc (Seplat), Nigerian Gas Company (NGC) and the Nigerian Bulk Electricity Trading Company Plc (NBET). These letters of credit are held by banks and financial institutions in Nigeria. In the directors' view, all amounts are collectible. No impairment was recorded with respect to this amount in the current year as they are considered fully recoverable and thus have minimal credit risk (2017: Nil).

On initial application of IFRS 9, the Company has not recognised any impairment allowance as at 1 January 2018. No impairment allowance was recorded on the Company's other receivables during the year.

Cash and cash equivalents

The Company held cash and cash equivalents of ₦19.107 billion ($52.38 million) (excluding cash in hand) as at year end (2017: ₦7.89 billion ($21.97million)) which represents its maximum credit exposure on these assets. The cash and cash equivalents (with the exception of ₦3.65 million ($10,000) held as cash by the Company) are held by banks and financial institutions. The Company mitigates the credit risk exposure of its bank balances by selecting reputable banks with good credit ratings and a history of strong financial performance.
Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

On initial application of IFRS 9, the Company has not recognised any impairment allowance as at 1 January 2018. No impairment allowance was recorded on the Company's other receivables during the year.

Intercompany receivables

The Company has transactions with its related parties who are related by virtue of being members of the Azura Group. Payment terms are usually not established for transactions within the Group companies and amounts receivable from members of the Group are not impaired except the member is facing bankruptcy. In the directors view, all amounts are collectible. No impairment was recorded with respect to amounts due from related parties in the current year (2017: Nil).

Interest rate swaps

The Company held an interest rate swap derivative asset instrument for risk management purposes. The Company entered into interest rate swap contracts with three counterparties, International Finance Corporation (IFC), Standard Chartered Bank (SCB) and Rand Merchant Bank (RMB) with an initial notional amount of $259.88 million with effect from 29 December 2015, whereby the Company pays a fixed rate of interest of 2.509% and receives a variable rate equal to 6 months USD-LIBOR-BBA. The derivative instrument was designated as an hedging instrument in qualifying hedging relationships.

Notes to the financial statements

(b) ***Liquidity risk***

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

The Company has a clear focus on ensuring sufficient access to capital to finance growth. As a part of the liquidity management process, the Company has various credit arrangement with various financial institutions and its shareholders which can be utilised to meet its cash settlement requirements (See Note 21 to these financial statements).

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

			Contractual cash flows					
	Note	Carrying		2 months	2-12	1-2	2-5	More than 5
For the year ended 31 December 2018		amount	Total	or less	months	Years	Years	Years
Non-derivative financial liabilities		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Trade and other payables*	*24*	12,582,633	12,582,633	12,582,633	-	-	-	-
Loans and borrowings	*21*	251,379,342	454,794,996	-	47,319,829	89,583,669	147,350,354	170,541,144
		263,961,975	467,377,629	12,582,633	47,319,829	89,583,669	147,350,354	170,541,144
For the year ended 31 December 2017								
Trade and other payables*	*24*	1,015,810	1,015,810	1,015,810		-	-	-
Loans and borrowings	*21*	199,008,468	378,555,448	2,218,261	8,953,460	74,781,495	139,964,766	152,637,466
		200,024,278	379,571,258	3,234,071	8,953,460	74,781,495	139,964,766	152,637,466
Derivative financial liabilities								
Interest rate swaps used for hedging	*25*	1,188,191	1,231,011	221,144	277,148	537,782	196,014	(1,077)
		1,188,191	1,231,011	221,144	277,148	537,782	196,014	(1,077)

*Excluding statute based deductions.

The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change.

Notes to the financial statements

(c) **Market risk**

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

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

The Company uses derivatives to manage market risks. All such transactions are carried out within the guidelines set by the Board Audit and Risk Committee (BARC) and the Board of Directors. Generally, the Company seeks to apply hedge accounting to manage volatility in profit or loss.

Currency risk

The Company is exposed to currency risk on borrowings and certain contingent settlement obligations that are denominated in a currency other than the functional currency of the Company, which is the US Dollars (USD). The currency in which these transactions primarily are denominated is the Nigerian Naira and Euro. The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

In managing currency risk, the Company aims to reduce the impact of short-term fluctuations on earnings.

Although the Company has various measures to mitigate exposure to foreign exchange rate movement, over the longer term, permanent changes in exchange rates would have an impact on profit. The Company monitors the movement in the currency rates on an ongoing basis.

Exposure to currency risk

The Company's transactional exposure to the Nigerian Naira was based on notional amounts as follows:

	2018		2017	
	EUR'000	₦'000	EUR'000	₦'000
Financial assets				
Cash and cash equivalents	-	11,403,757	-	438,084
Trade receivables	-	4,249,547	-	-
Other financial liabilities				
Loans and borrowings	-	(13,678,241)	-	(10,842,310)
Trade and other payables	(1,641)	(1,004,843)	-	(681,205)
Net exposure	(1,641)	970,220	-	(11,085,431)

Notes to the financial statements

Sensitivity analysis

A strengthening of the USD, as indicated below against the Naira at 31 December would have affected profit or loss and equity by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period and has no impact on equity. The analysis assumes that all other variables, in particular interest rates, remain constant.

The analysis is performed on the same basis for 2017, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below:

	Increase in profit or loss and equity	
	2018	2017
	$'000	**$'000**
NGN (20 percent strengthening) (2017:(30 percent strengthening)	(532)	9,264
EUR (20 percent strengthening) (2017:(30 percent strengthening)	378	-

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

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2018	2017	2018	2017
	$	**$**	**$**	**$**
NGN	0.0028	0.0031	0.0027	0.0028
EUR	1.5152	Not applicable*	1.5152	Not applicable*

* The Company did not have Euro denominated financial assets and liabilities as at 2017 year end

Hedge accounting

Interest rate risk

The Company adopts a policy of ensuring that over 75% of its interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

The Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The Company assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the Dollar Offset Method (Sensitivity Analysis Approach).

In these hedge relationships, the main sources of ineffectiveness are:

— the effect of the counterparty and the Company's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and

— differences in repricing dates between the swaps and the borrowings.

Notes to the financial statements

Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments of the Company is as follows:

	Carrying amount	
	2018	2017
	₦'000	₦'000
Fixed rate instruments		
Financial liabilities	(87,437,245)	(73,592,519)
	(87,437,245)	(73,592,519)
	(87,437,245)	(73,592,519)

	Carrying amount	
	2018	2017
	₦'000	₦'000
Variable-rate instruments		
Financial liabilities	(163,942,097)	(125,415,949)
	(163,942,097)	(125,415,949)
Effect of interest rate swaps	608,836	(1,188,191)
	(163,333,261)	(126,604,140)

Interest is charged at 2% plus 3-Months LIBOR per annum on the USD due receivables and 2% plus 3-Months NIBOR per annum on the Naira due receivables. The Company's receivables are not past due as at year end, as such the Company does not have an interest rate risk exposure in respect of its receivables as at year end.

Fair value sensitivity analysis for fixed rate instruments.

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

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

	Profit or Loss	
	100 bp increase	**100 bp decrease**
	₦'000	₦'000
For the year ended 31 December 2018		
Variable-rate instruments	(1,639,421)	1,639,421
Interest rate swaps	6,088	(6,088)
Cash flow sensitivity	(1,633,333)	1,633,333
For the year ended 31 December 2017		
Variable-rate instruments	(1,254,159)	1,254,159
Interest rate swaps	(11,882)	11,882
Cash flow sensitivity	(1,266,041)	1,266,041

Notes to the financial statements

In managing interest rate risk, the Company aims to reduce the impact of short-term fluctuations in earnings. Dividend pay-out practices seek a balance between giving good returns to shareholders on one hand and maintaining a solid debt/equity ratio on the other hand.

(d) **Derivative assets designated as cash flow hedges**

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments.

		Expected cash flows		
	Carrying amount	Total	12 months or less	More than one year
	₦'000	₦'000	₦'000	₦'000
For the year ended 31 December 2018				
Interest rate swaps				
Assets	608,836	1,041	81	959
	608,836	1,041	81	959

		Expected cash flows		
	Carrying amount	Total	12 months or less	More than one year
	₦'000	₦'000	₦'000	₦'000
For the year ended 31 December 2017				
Interest rate swaps				
Liabilities	1,188,191	1,231,011	498,292	732,719
	1,188,191	1,231,011	498,292	732,719

(e) **Capital risk management**

The Company'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. The Company monitors capital using a ratio of 'adjusted net debt' to 'adjusted equity'. For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings, less cash and cash equivalents. Adjusted equity comprises all components of equity other than amounts accumulated in the hedging reserve.

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

	2018	2017
	₦'000	₦'000
Total liabilities	275,792,480	213,165,775
Less: Cash and cash equivalents	(19,110,983)	(7,889,448)
Adjusted net debt	256,681,497	205,276,327
Total equity	(14,987,300)	(13,339,166)
Adjust for: Hedging reserve	(1,196,479)	260,006
Adjusted equity	(16,183,779)	(13,079,160)
Adjusted net debt to adjusted equity ratio	(15.86):1	(15.69)

There were no changes in the Company's approach to capital management during the year. The Company is subject to externally imposed capital requirements for loan facilities obtained from it's external lenders.

Notes to the financial statements

(f) **Fair values**

(i) *Accounting classification and fair value*

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Financial asset at amortised costs	Fair value -hedging instruments	Other financial liabilities	Total
	₦'000	₦'000	₦'000	₦'000
For the year ended 31 December 2018				
Financial assets not measured at fair value				
Trade and other receivables	12,271,483	-	-	12,271,483
Cash and cash equivalents (excluding cash in hand)	7,886,350	-	-	7,886,350
	20,157,833	-	-	20,157,833
Financial assets measured at fair value				
Interest rate swaps used for hedging	-	1,188,191	-	1,188,191
	-	1,188,191	-	1,188,191

	Financial asset at amortised costs	Fair value -hedging instruments	Other financial liabilities	Total
	₦'000	₦'000	₦'000	₦'000
For the year ended 31 December 2018				
Financial liabilities not measured at fair value				
Trade and other payables	-	-	(12,582,633)	(12,582,633)
Loans and borrowings	-	-	(251,379,342)	(251,379,342)
	-	-	(263,961,975)	(263,961,975)

	Loans and receivables	Fair value -hedging instruments	Other financial liabilities	Total
	₦'000	₦'000	₦'000	₦'000
For the year ended 31 December 2017				
Financial assets not measured at fair value				
Other receivables	12,271,483	-	-	12,271,483
Cash and cash equivalents (excluding cash in hand)	104,741	-	-	104,741
	12,376,224	-	-	12,376,224

Notes to the financial statements

Fair values cont'd

Financial liabilities measured at fair value				
Interest rate swaps used for hedging	-	1,188,191	-	1,188,191
	-	1,188,191	-	1,188,191
Financial liabilities not measured at fair value				
Trade and other payables	-	-	1,015,810	1,015,810
Loans and borrowings	-	-	199,008,468	199,008,468
	-	-	200,024,278	200,024,278

Financial instruments measured at fair value – Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified interest rate swap into Level 2. An explanation of level 2 follows underneath the table.

	Note	Level 1	Level 2	Level 3	Total
		₦'000	**₦'000**	**₦'000**	**₦'000**
For the year ended 31 December 2018					
Derivatives used for hedging					
Interest rate swap	*24*	-	608,836	-	608,836
		-	608,836	-	608,836

	Note	Level 1	Level 2	Level 3	Total
		₦'000	**₦'000**	**₦'000**	**₦'000**
For the year ended 31 December 2017					
Derivatives used for hedging					
Interest rate swap	*24*	-	1,188,191	-	1,188,191
		-	1,188,191	-	1,188,191

Recognised fair value measurements

There were no transfers among levels 1,2 and 3 for recurring fair value measurements during the year.

Level 2 includes the fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Valuation techniques used to determine fair values

The fair value of interest rate swaps is calculated as the present value of the estimated future cashflows based on observable interest rate points along the yield curve.

Notes to the financial statements

27 Related party relationships and transactions

Parent and ultimate controlling party

The parent company of Azura Power West Africa Limited is Azura-Edo Limited incorporated in Mauritius. Azura-Edo Limited owns 97.5% of the issued share capital of Azura Power West Africa Limited, while 2.5% is held by Edo State Government. The ultimate parent Company, is Actis Energy Bedrock Mauritius Limited.

The Company had the following transactions with the under-listed related parties during the year:

(a) **Aldwych Azura Operations Ltd**

Aldwych Azura Operations Ltd ("AAOL") is a company incorporated under the laws of England and Wales with its registered office at 30 King Street, London, United Kingdom. AAOL is an affiliate of Aldwych Azura Limited, a project sponsor to the Azura Edo-IPP Project and one of the key shareholders of Azura-Edo Limited. The Company has a Technical Services Agreement (TSA) with AAOL (as the Service Provider) for the provision of technical services to the Company in relation to its power plant project. AAOL provided technical services to the Company amounting to ₦1.22 billion ($3.35 million) to AAOL during the year (2017: ₦509.1 million) ($1.60million)). The Company made payment for services and reimbursements of ₦1.22 billion ($3.35 million) to AAOL (2017: $2.24million). As at year end, the Company had an outstanding balance owed to AAOL of ₦8.39 million ($0.22 million) (2017: ₦44.39 million ($0.12million)). See Note 24(a).

(b) **Azura-Edo Limited (AEL)**

AEL is a subsidiary of Azura Power Holding Limited (APHL) and the immediate parent of the Company. On 1 December 2014, the Company entered into a seven year shareholder loan agreement with Azura-Edo Limited (which extinguished the Development Cost Loan Agreement (DCLA) entered in 2013, as amended, with a facility amount of $118.71 million).

On 1 December 2014, the Company entered into a seven year shareholder loan agreement with Azura-Edo Limited (which extinguished the Development Cost Loan Agreement (DCLA) entered in 2013, as amended). See Note 21(a)(i).

On 20 December 2015, the seven (7) year term loan of $118.71 million was extinguished and replaced by a loan facility of $129.73 million with a term not less than 8 years.

(c) **Azura Power Holdings Limited (APHL)**

APHL is a global business company organised and existing under the laws of Mauritius. It is an indirect parent of the Company. As part of the management structure of the Azura-Edo IPP Project, APHL provides integrated services to the Company under the Integration Services Agreement (ISA). The ISA amended and restated the Management Services Agreement which was executed between the parties prior to financial close.

In accordance with the provisions of the National Office for Technology Acquisition and Promotion (NOTAP) Act, the Integrated Service Agreement signed between the Company and APHL is required to be registered with NOTAP. Therefore, the Company's NOTAP registration certificate for the contract expired on 30 September 2018. Also, in line with Rule 4 of the Financial Reporting (FRC) Act which stipulates that, all cost requiring NOTAP approval should not be recorded by a Nigerian entity except the NOTAP registration approval is in place, the Company did not record costs incurred between the date of expiry of the NOTAP registration certificate and year end.

Notes to the financial statements

During the period to 30 September 2018, ISA costs amounting to ₦1.06 billion ($2.92 million) (31 Dec 2017: ₦410.48 million ($1.29 million)) were incurred and have been capitalised as part of construction costs until 1 May 2018 while ₦213.87 million ($0.59 million) was recorded in profit or loss for services provided subsequent to completion of the power plant. No amount was due to APHL as at year end in relation to the services rendered under the ISA contract (2017: Nil).
During the year, the Company incurred certain costs on behalf of APHL. Balance due from APHL as at year end amounted to ₦145.92 million ($0.40 million) (2017: 1.8 million ($6,000)).

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. There were no transactions with key management personnel during the year.

28 Capital commitments

The Company has no capital expenditure commitments relating to its independent power plant project as at 31 December 2018 (2017: $212.60 million) (₦ 76.32 billion).

29 Contingencies

Pending litigation and claims

On 20 February 2018, APWAL was joined as a defendant with NBET and three other defendants in a case brought against them by four successor Generating companies (Gencos). The plaintiffs sought to restrain NBET, CBN and the FG from applying or utilizing funds from the Payment Assurance Facilities (PAF) towards settling APWAL's invoices to NBET.
The Directors, based on independent legal advice from an external legal counsel, are of the view that the liability of APWAL in this case is very minimal because there is no special monetary claim against it. At the worst, FGN would be precluded from applying or utilizing the funds in the PAF towards settling invoices submitted to NBET by APWAL.

30 Put Call Option Agreement (PCOA)

A Put Call Option Agreement (PCOA) was executed on 22 October 2014 by APWAL, Azura-Edo Limited, the Federal Government of Nigeria ("FGN"), and Nigerian Bulk Electricity Trading Plc ("NBET"). Upon an early termination of the PPA, the PCOA sets out the terms and conditions under which the FGN and/or NBET will have a right or an obligation (or both) to purchase the shares or the assets of the Company from its owners (Azura-Edo Limited) at an agreed price.

Notes to the financial statements

31 Going Concern

As at that 31 December 2018, the Company's total liabilities exceeded its total assets by ₦14.99 billion (2017: ₦13.34 billion). Included in the Company’s liabilities as at 31 December 2018 is an amount of ₦72.15 billion in respect of a loan due to Azura Edo Limited (AEL) (the Company's parent).

The shareholders of AEL have undertaken not to demand repayment of the loan until such a time when the Company is in a position to make repayment in the normal course of business. In addition, to bridge the funding gap, the Company has an arrangement with a consortium of lenders for a loan facility of $566.5 million and ₦24 billion of which as at year end, the undisbursed amounts available to the Company amounted to$58.09 million and ₦3.01 billion.

Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern.

32 Events after the reporting date

There are no significant events after the reporting date which could have had a material effect on the financial position of the Company as at 31 December 2018 and its financial performance for the year then ended which have not been provided for or disclosed in these financial statements.

Other National Disclosures

Other National Disclosures

Value added statement

For the year ended 31 December

	2018	%	2017	%
	₦'000		₦'000	
Revenue	62,801,393		-	
Brought in materials and services				
- Local	(73,579,931)		(2,946,649)	
- Foreign	-		-	
	(11,908,419)		(2,946,649)	
Finance income	(503,499)		1,894,942	
Other income	1,129,881		5,870	
Value added	(11,282,037)	100	(1,045,837)	100
Distribution of Value Added:				
To Government as:				
Taxes and duties	(7,276,987)	65	(5,276,392)	505
To Employees:				
Salaries and wages	226,919	(3)	128,071	(13)
To Providers of finance:				
Finance costs	(26,503,456)	235	10,915,353	(1,044)
Retained in the Business				
To maintain and replace:				
- Property, plant and equipment	25,140,493	(223)	81,775	(8)
- Intangible assets	11,600	-	6,635	-
To deplete retained earnings	(2,880,606)	26	(6,901,279)	660
	(11,282,037)	100	(1,045,837)	100

Other National Disclosures

Five Year Financial summary

Statement of profit or loss and other comprehensive income

	2018	2017	2016	2015	2014
	₦'000	₦'000	₦'000	₦'000	₦'000
Revenue	62,801,393	-	-	-	-
Results from operating activities	11,315,952	(3,157,260)	(1,567,883)	(253,790)	(325,906)
Loss before income tax	(10,157,593)	(12,177,671)	(4,802,418)	(458,976)	(357,674)
Profit / (Loss) for the year	(2,880,606)	(6,901,279)	(4,802,418)	(458,976)	(357,674)

Statement of financial position

	31 December 2018	31 December 2017	31 December 2016	31 December 2015	31 December 2014
Employment of Funds	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	165,105,049	164,259,680	93,258,270	18,370,393	1,491,845
Deferred contract mobilisation costs	20,228,335	-	-		
Intangible assets	74,783	83,303	71,190	49,355	49,355
Deferred tax asset	13,139,371	6,068,952	-	-	-
Interest rate swap	608,836	-	-		
Trade and other receivables	-	-	6,066,270	6,616,037.97	-
Prepayments	-	-	10,185,210	7,840,850	462,029.00
Net current assets/ (liabilities)	4,787,598	16,886,119	17,175,246	15,443,585	(873,522)
Non-current liabilities	(218,931,272)	(200,637,220)	(132,475,011)	(48,513,756)	(2,337,312)
Net liabilities	**(14,987,300)**	**(13,339,166)**	**(5,718,825)**	**(193,535)**	**(1,207,605)**
Funds Employed					
Share capital	3,874	3,874	3,874	3,874	5,096
Share premium	33,998	33,998	33,998	33,998	866.00
Other reserves	-	-	-	0	438,015
Hedging reserves	1,196,479	(260,006)	(1,114,701)	(1,176,149)	-
Translation reserve	(2,582,090)	(2,358,077)	(784,319.60)		-
Retained earnings	(13,639,561)	(10,758,955)	(3,857,676)	944,742	(1,651,582)
	(14,987,300)	**(13,339,166)**	**(5,718,825)**	**(193,535)**	**(1,207,605)**