Azura Power West Africa Limited

Annual Report

31 December 2019

Contents

Corporate information

Registration Number: RC. 916450

Directors:	Alan Muir - Chairman Chinedu Okeke - Managing Director Crispin Holliday Emile Du Toit Simon Harford Maria Stratonova
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 2019

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 2019.

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 profit before taxation of ₦12.07 billion for the year ended 31 December 2019 (2018 : loss of ₦10.16 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, ₦15.16 billion ($41.88 million) was drawn down on the loan (2018: ₦38.24 billion ($105.50 million)) and total amount of ₦1.56 billion ($4.30 million) was recognised as transaction costs incurred on these loans (2018: ₦3.99 billion ($11.01 million)). These exclude the amount of $65m in Mezzanine Loans that were fully drawn down at financial close in the 2015. During the year, on 22 April 2019, the Company attained the cut-off date of disbursement in line with the provisions of the Common Terms Agreement (CTA). The remaining drawdown amount of ₦8.86 billion ($24.50 million) are no longer available for drawdown.

Directors' report (cont'd)

Operating Results

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

	2019	**2018**
	₦'000	₦'000
Revenue	122,246,080	62,801,393
Profit/(loss) before taxation	12,068,894	(10,157,593)
Taxation	1,060,174	7,276,987
Profit/(loss) for the year	13,129,068	(2,880,606)

The directors have not recommended any dividend for the year ended 31 December 2019 (2018:Nil).

Directors and their Interests

The Directors who served during the year were as follows:

Name of Director	**Nationality**	**Date (Resigned)/Appointed**
Sundeep Bahanda	British	
David Ladipo	Nigerian	
Opuiyo Oforiokuma	Nigerian	
Adrian Mucalov	British	(11 June 2019)
Alan Muir	British	
Olusola Lawson	Nigerian	(21 January 2019)
Sean MacDonald	British	(17 January 2019)
Crispin Holliday	British	(6 February 2019)
Emile Du Toit	South African	19 February 2019
Enos Banda	American	19 February 2019/(31 August 2019)
Simon Harford	British	19 February 2019
Barry Lynch	Irish	19 June 2019
Jason Pastorius	American	31 August 2019

The following directors were appointed subsequent to year end:

Crispin Holliday	British	01 January 2020
Chinedu Okeke	Nigerian	01 January 2020
Maria Stratonova	British	01 June 2020

The following directors resigned subsequent to year end:

Sundeep Bahanda	British	(01 January 2020)
David Ladipo	Nigerian	(01 January 2020)
Opuiyo Oforiokuma	Nigerian	(01 January 2020)
Barry Lynch	Irish	(01 January 2020)
Jason Pastorius	American	(01 June 2020)

On 1 January 2019, David Ladipo stepped down from the position of the Managing Director to take on a Strategic Advisor role and Chinedu Okeke was appointed as the Managing Director; however, Chinedu Okeke was only appointed to the board of directors on 1 January 2020.

Directors’ report (cont'd)

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.

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 *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.

3 *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)

4 *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.

5 *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.

6 *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 that served during the year are as follows:
(a) Opuiyo Oforiokuma (resigned 1 January 2020)
(b) Sean MacDonald (resigned 17 January 2019)
(c) Simon Harford
(d) Emile du Toit

Shareholding Structure

The shareholding structure of the Company is as follows:

	Ordinary Shares of ₦1 each			
	2019	**%**	**2018**	**%**
	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 incurred costs amounting to ₦114.48 million on corporate social responsibility programmes and ₦3.24 million on Christmas gifts. (2018: ₦137.34 million ($378,882). 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 (2018: 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

Coronavirus outbreak

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) pandemic. The COVID-19 outbreak in Nigeria has resulted in government mandating regional lockdowns and curfews, and the Country is beginning to feel the impact of the virus. As a result, economic uncertainties have arisen which may affect our future financial statements. See note 32 for additional details

Independent Auditor

Messrs. KPMG Professional Services will be serving out their tenor in office as independent auditors of the Company. In accordance with section 357(2) of the Companies and Allied Matters Act of Nigeria, the Board of Directors will propose for approval at the next shareholders' meeting the appointment of a new independent auditor for the Company.

BY ORDER OF THE BOARD

Alsec Nominees Limited

Lagos, Nigeria
26 June 2020

ALSEC Nominees Limited
Company Secretary

Statement of directors' responsibilities in relation to the financial statements for the year ended 31 December 2019

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	Okeke Signature
Alan Muir *FRC/2020/003/00000020821*	Chinedu Okeke *FRC/2020/003/00000020813*
26 June 2020 Date	26 June 2020 Date

KPMG

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

Telephone 234 (1) 271 8955
234 (1) 271 8599
Internet home.kpmg/ng

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, 2019, 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 notes, comprising significant accounting policies and other explanatory information, as set out on pages 12 to 61.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2019, 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 comprises the corporate information, directors' report, statement of directors' responsibilities in relation to the financial statements and other national disclosures, but does not include the financial statements and our auditor's 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.

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 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.

KPMG

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
29 June 2020
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0688324

Statement of financial position

As at

	Notes	**31 December 2019**	**31 December 2018**
		₦'000	₦'000
ASSETS			
Property, plant and equipment	*11*	154,627,991	165,105,049
Contract costs	*16(c)*	20,184,127	20,228,335
Intangible assets	*12*	53,399	74,783
Deferred tax assets	*10(e)*	15,223,610	13,139,371
Interest rate swaps	*25*	-	608,836
Non-current assets		190,089,127	199,156,374
Contract costs	*16(c)*	-	1,103,125
Prepayments	*15*	2,173,417	4,022,904
Inventories	*14*	350,236	361,872
Trade and other receivables	*13*	48,736,398	37,049,922
Cash and cash equivalents	*17*	33,599,539	19,110,983
Current assets		84,859,590	61,648,806
Total assets		**274,948,717**	**260,805,180**
EQUITY AND LIABILITIES			
Share capital	*18*	3,874	3,874
Share premium	*19*	33,998	33,998
Accumulated deficit		(510,493)	(13,639,561)
Hedging reserve	*20*	(631,949)	1,196,479
Translation reserve	*20(b)*	(2,482,940)	(2,582,090)
Total equity		(3,587,510)	(14,987,300)
Interest rate swaps	*25*	2,260,999	-
Loans and borrowings	*21(b)*	201,034,336	207,833,995
Deferred income	*22*	10,656,296	11,097,277
Non-current liabilities		213,951,631	218,931,272
Loans and borrowings	*21(b)*	46,258,212	43,545,347
Provisions	*23*	8,935	43,410
Trade and other payables	*24(a)*	17,661,347	12,655,956
Current tax liabilities	*24(b)*	16,658	-
Deferred income	*22*	639,444	616,495
Current liabilities		64,584,596	56,861,208
Total liabilities		278,536,227	275,792,480
Total equity and liabilities		**274,948,717**	**260,805,180**

These financial statements were approved by the Board of Directors on 26 June 2020 and signed on its behalf by:

Alan Muir
FRC/2020/003/00000020821

Chinedu Okeke
FRC/2020/003/00000020813

Additionally certified by:

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

The notes on pages 16 to 61 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income
For the year ended 31 December

	Notes	2019	2018
		₦'000	₦'000
Revenue	*6*	122,246,080	62,801,393
Direct costs	*7(a)*	(67,459,875)	(44,028,759)
Gross profit		**54,786,205**	**18,772,634**
Other income	*7(b)*	1,200,408	1,129,881
Administrative expenses	*7(a)*	(6,238,627)	(4,060,151)
Operating profit		**49,747,986**	**15,842,364**
Finance income	*8*	364,115	503,499
Finance costs	*8*	(38,043,207)	(26,503,456)
Net finance costs		(37,679,092)	(25,999,957)
Profit/(loss) before taxation		12,068,894	(10,157,593)
Taxation	*10(a)*	1,060,174	7,276,987
Profit/(loss) for the year		**13,129,068**	**(2,880,606)**
Other comprehensive income			
Items that will never be reclassified subsequently to profit or loss:			
Foreign currency translation difference		99,150	(224,013)
Items that are or may be reclassified subsequently to profit or loss:			
Cash flow hedges- effective portion of changes in fair value	20	(3,048,629)	1,804,838
Cash flow hedges reclassified to profit or loss		196,074	-
Cashflow hedges		**(2,852,555)**	**1,804,838**
Related tax	10(b)	1,024,127	(348,353)
Hedging reserve		**(1,828,428)**	**1,456,485**
Other comprehensive income, net of tax		**(1,729,278)**	**1,232,472**
Total comprehensive income for the year		**11,399,790**	**(1,648,134)**

The notes on pages 16 to 61 are an integral part of these financial statements.

Statement of changes in equity

	Share capital	Share premium	Retained earnings	Hedging reserve	Translation reserve	Total equity
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Balance at 1 January 2019	3,874	33,998	(13,639,561)	1,196,479	(2,582,090)	(14,987,300)
Total comprehensive income:						
Profit for the year	-	-	13,129,068	-	-	13,129,068
Other comprehensive income	-	-	-	(1,828,428)	99,150	(1,729,278)
Total comprehensive income for the year	**-**	**-**	**13,129,068**	**(1,828,428)**	**99,150**	**11,399,789**
Balance at 31 December 2019	**3,874**	**33,998**	**(510,493)**	**(631,949)**	**(2,482,940)**	**(3,587,511)**

	Share capital	Share premium	Retained earnings	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)**

The notes on pages 16 to 61 are an integral part of these financial statements.

Statement of cash flows
For the year 31 December

	Notes	2019	2018
		₦'000	₦'000
Cash flows from operating activities			
Profit/(loss) for the year		13,129,068	(2,880,606)
Adjustments for:			
- Net finance costs		33,746,442	25,181,455
- Write-off of property, plant and equipment		20,187	-
- Government grant	*7(b)*	(611,729)	(612,608)
- Fair value gain recognised on PAIF loan	*7(b)*	(521,158)	(511,111)
- Tax credit	*10(a)*	(1,060,174)	(7,276,987)
- Depreciation	*11(e)*	10,071,444	6,639,367
- Amortisation of contract costs	*16(b)*	1,094,812	730,780
- Amortisation of intangible assets	*12(b)*	21,319	15,587
		55,890,211	21,285,877
Changes in:			
-Trade and other receivables		(11,686,476)	(24,424,939)
- Prepayments		292,047	(1,151,631)
- Inventory		11,636	(350,165)
- Trade and other payables		5,005,391	12,023,068
- Deferred income		198,463	-
Cash generated from operating activities		49,711,272	7,382,210
Resettlement costs paid	*23(a)*	(34,189)	(56,548)
Net cash generated from operating activities		49,677,083	7,325,662
Cash flows from investing activities:			
Acquisition of property, plant and equipment	*11(c)*	(27,688)	(19,015,097)
Additions to contract costs	*16(b)*	-	(1,634,467)
Acquisition of intangible assets	*12*	-	(6,162)
Net cash used in investing activities		(27,688)	(20,655,726)
Cash flows from financing activities:			
Drawdown on loans and borrowings	*21(b)*	15,157,762	38,243,420
Interest paid	*21(b)*	(28,844,610)	(13,766,645)
Principal repaid	*21(b)*	(21,590,293)	-
Net cash generated (used in)/from financing activities		(35,277,141)	24,476,775
Net increase in cash and cash equivalents		14,372,254	11,146,711
Cash and cash equivalents at 1 January		19,110,983	7,889,448
Effects of exchange rate changes on cash and cash equivalents		116,302	74,824
Cash and cash equivalents at 31 December	*17*	33,599,539	19,110,983

The notes on pages 16 to 61 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 26 June 2020.

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 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) ***Judgements***

There were no significant judgements exercised during the year.

(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 20: Interest rate swap: Estimate of future cash flows of the hedged item and the hedging instrument based on the respective contract terms.
- Note 26(a) – Measurement of Expected Credit Loss (ECL) for assessment of trade receivables impairment allowance: key assumptions in determining the weighted-average loss rate.

Notes to the financial statements

- Note 10(d) – 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.

(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. Significant valuation issues are reported to the Board of Directors.

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

A number of new standards are effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

Notes to the financial statements

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 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
• reclassification of net gains/losses previously recognised in OCI on cashflow hedges

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

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.

Notes to the financial statements

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

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

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.

Notes to the financial statements

Financial assets – Subsequent measurement and gains and losses

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 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.

Notes to the financial statements

(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

Financial instruments and contract assets

The Company recognises loss allowances for ECLs on:

– financial assets measured at amortised cost; 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.

Notes to the financial statements

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 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.

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.

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.

Notes to the financial statements

(f) Taxation

Income tax expense comprises current tax (company income tax and tertiary education tax) and deferred tax.It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Company had determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

(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 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 and is assessed as follows:

- Company income tax is computed on taxable profits
- Tertiary education tax is computed on assessable profits
- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the company during the year

Total amount of tax payable under CITA is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and minimum tax. Taxes based on profit for the period are treated as income tax in line with IAS 12.

Minimum tax

Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, are not presented as part of income tax expense in the profit or loss.

Minimum tax is determined based on the sum of:

- 0.5% of revenue applicable to companies with no total profit or whose computed tax is less than the minimum tax. Franked investment income will be excluded for the purpose of the minimum tax computation.

Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognised in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as minimum tax.

The Company offsets the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would be realised

(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.
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Notes to the financial statements

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 business plans of the Company as approved by the shareholders. 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, and reflects uncertainty related to income taxes, if any.

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).

Notes to the financial statements

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 accordingly 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	Unlimited

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Property, plant and equipment under construction are 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. Borrowings costs incurred after the completion of construction of a qualifying asset is recognised as an expense.

(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

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

Notes to the financial statements

(i) **As a lessee**

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date discounted using the Company's incremental borrowing rate at the date of initial application.
The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.
The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.
When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:
– fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
– the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.
Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Notes to the financial statements

(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.

Notes to the financial statements

(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. Interest 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

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. Revenue (capacity and energy) is the total tariff price as indicated in the Power Purchase Agreement (PPA) with Nigeria Bulk Electricity Trading Plc (NBET) at the time the utility service is rendered.
The Company currently generates its revenue from various components of the tariff as follows; capacity generated, energy shared, reimbursables and the startup revenue.

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 delivered based on a pre-agreed tariff set out in the PPA and the net electrical output delivered to the customer at the delivery point as defined in the PPA. 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 PPA.

Performace obligations

On the basis that the customer, NBET cannot benefit from capacity payments on its own and capacity and energy delivered are not sold seperately in the electricity market in Nigeria, the Company has considered both to be a single performance obligation.

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 PPA.

The PPA with NBET is for a period of twenty (20) years (ending 23 May 2032) and cannot be unilaterally terminated by either party without paying a substantive peanalty to the other party. See note 30 for details of the PCOA relating to the PPA.

(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.

Notes to the financial statements

(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 2019. 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. The standards 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
Conceptual Framework amendments - Amendments to references to conceptual framework in the IFRS Standards	The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes: - A new chapter on measurement; - Guidance on reporting financial performance; - Improved definitions of an asset and a liability, and guidance supporting these definitions; and - Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. Although we expect this to be rare, some companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.	The Company is assessing the potential impact on its financial statements resulting from the application.
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

New or amended standards	Summary of requirements	Possible impacts on the financials
Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform	Amendments to IFRS 9, IAS 39 and IFRS 7 have now been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform. The amendments are effective from 1 January 2020. Early application is permitted.	The Company is assessing the potential impact on its financial statements resulting from the application of amendment to IFRS 9, IAS 39 and IFRS 7.

Notes to the financial statements

6 Revenue

	2019	2018
	₦'000	₦'000
Capacity made available	69,544,512	28,381,517
Energy delivered	2,048,824	1,323,089
Reimbursables	50,464,402	33,058,001
Start-up revenue	188,342	38,786
	122,246,080	62,801,393

The revenue above represents revenue generated from contract with a single customer and is earned over a period of time. All the revenue is earned in Nigeria. Invoices to the customer are payable within 15 business days and no discounts are provided.

7 Expenses and other income

(a) ***Expenses by nature***

Expenses by nature comprise:	2019	2018
	₦'000	₦'000
Gas purchase and transport costs	40,633,639	27,642,762
Take or pay gas costs (Note 7a(i))	7,617,176	4,778,343
Operations and maintenance expense	3,783,951	441,150
Technical service expense	10,218	1,635,917
Regulatory charges (Note 7a(ii))	1,109,162	192,845
Long term maintenance expense	2,128,398	1,409,361
Depreciation of generation assets (Note 11(e))	9,801,393	6,356,625
Amortization of operational insurance	1,274,162	836,989
Amortisation of contract costs (Note 16(b))	1,094,812	730,780
Amortisation of generation license (Note 12(b))	6,964	3,987
Total direct costs	67,459,875	44,028,759
Bank charges	83,604	50,386
Transport and travel	276,201	274,405
Integrated service fees	683,596	214,594
Professional fees	1,209,700	264,618
Auditors remuneration (Note 9(a)(ii))	59,169	55,000
Insurance (Note 7a(iii))	2,588,362	1,933,884
Employee benefit expense (Note 9(b)(i))	428,453	226,919
Depreciation of non generation assets (Note 11(e))	270,051	282,742
Amortisation (Note 12(b))	14,355	11,600
Community and public relations	191,035	239,968
Security expenses	88,054	114,909
Rent	12,414	23,199
Software licence cost	1,488	-
Donations (Note 7a(iv))	125,689	194,657
Repairs and maintenance	14,477	17,762
Telephone and internet	21,364	19,937
Training and professional development	4,984	1,450
Office expenses	165,631	134,121
Total administrative expenses	6,238,627	4,060,151
Total expenses	**73,698,502**	**48,088,910**

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 more likely than not, be unable to 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 ₦2.43 billion ($6.71 million) (2018: ₦1.93 billion ($5.34 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 ₦114.48 million spent on corporate social responsibility and ₦3.24 million spent on Christmas gifts. In prior year, included in donations is an amount of ₦137.34 million spent on capacity building in the Nigerian power sector and ₦11.47 million spent on purchase of one motor vehicle to enhance mobility of stakeholders in the Nigerian power sector.

(b) **Other income**	2019	2018
	₦'000	₦'000
Ancillary Services (Note 7(b)(i))	39,540	6,162
Government grant (Note 22)	611,729	612,608
Fair value gain on PAIF loan recognised in profit or loss (Note 21(b))	521,158	511,111
Rent of plant accomodation (Note 22)	27,981	-
	1,200,408	1,129,881

(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. In case of an actual black start, the Company also charges TCN.

8 Net finance costs

Finance income	2019	2018
	₦'000	₦'000
Net foreign exchange gain	-	380,977
Interest income on receivables (Note 8(a))	364,115	122,522
	364,115	503,499
Finance costs		
Interest costs	(35,531,453)	(29,517,198)
Less: Interest costs capitalised	-	4,270,857
Less: Cash flow hedge reclassified from OCI	196,074	-
Less: Effect of Change on Shareholder loans due to revised Cashflows	1,588,937	-
Interest cost expensed	(33,746,442)	(25,246,341)
Net foreign exchange loss	(1,485,643)	-
Transaction cost write off (Note 8(c))	(882,587)	-
Other financing fees (Note 8(b))	(1,928,535)	(1,257,115)
	(38,043,207)	(26,503,456)
Net finance costs	**(37,679,092)**	**(25,999,957)**

(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.

Notes to the financial statements

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

(c) Transaction cost represents unallocated prepaid transaction charges. On 22 April 2019, the Company attained the cut-off date of disbursement in line with the provisions of the Common Terms Agreement (CTA). The remaining undrawn amount of ₦8.86 billion ($24.50 million) are no longer available for drawdown.The outstanding amounts of ₦882.59 million ($2.44 million) in transaction cost was expensed at the cut-off date of disbursement.

9 Profit/(loss) before taxation

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

	2019	2018
	₦'000	₦'000
Depreciation of property, plant and equipment (Note 11(a))	10,071,444	6,639,367
Auditor's remuneration (Note 9(a)(ii))	59,169	55,000
Employee benefit expense (Note 9(b)(i))	428,453	226,919
Net foreign exchange loss/(gain) (Note 8)	1,485,643	(380,977)

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

	2019	2018
	₦'000	₦'000
Audit fees	44,524	44,145
Non-audit fees	14,645	10,855
	59,169	55,000

(b) Directors and employees

(i) Personnel expenses during the year comprise:

	2019	2018
	₦'000	₦'000
Salaries and allowances	275,153	178,345
Productivity bonus - COD	-	35,887
Annual Bonus	81,154	-
Relocation Allowances	51,280	-
Employer's pension contribution	20,866	12,687
	428,453	226,919

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

	2019	2018
	Number	Number
Finance	4	4
Commercial	2	2
Operations	1	-
Legal & Compliance	1	1
Community Relations	4	3
Administration	12	12
	24	22

(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:

	2019	2018
₦	Number	Number
1,000,001 - 3,000,000	10	12
3,000,001 - 5,000,000	2	4
5,000,001 - 7,000,000	4	1
7,000,001 - 9,000,000	-	1
9,000,001 - 11,000,000	1	-
Above 11,000,000	7	4
	24	22

(iv) The directors of the Company did not receive any remuneration as Directors during the year (2018: Nil).

Notes to the financial statements

10 Taxation

(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, the Company obtained a Gas Utilization Incentive (GUI) Certificate which exempts the Company from some income taxes on income generated from its principal business activity in the GUI period. The Company's GUI period commenced on 24 May 2018. Under the Gas Utilisation Incentive (GUI) Scheme, the Company is granted a tax holiday for an initial period of three tax years which may be extended for up to two years upon satisfaction of specified conditions.

	2019	2018
	₦'000	₦'000
Current tax expense		
Income tax	14,964	-
Tertiary education tax	998	-
Nigeria Police Trust Fund Levy	603	
Charge for the year	16,565	-
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	(1,076,739)	(7,276,987)
	(1,060,174)	**(7,276,987)**

The Company has a tax liabilty of ₦16.57 million as at 31 December 2019 (2018: Nil) resulting from income on non GUI activity being the lease of plant accommodation.

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

	2019	2018
	₦'000	₦'000
Cashflow hedges (Note 20)	(1,024,127)	348,353
	(1,024,127)	**348,353**

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

	2019	2018
	₦'000	₦'000
Profit/(loss) before taxation	12,068,894	(10,157,593)
Taxation using the statutory tax rate (30%)	3,620,668	(3,047,453)
Tertiary education tax at 2%	241,378	(202,994)
Effect of:		
Tax incentives	(9,140,089)	(3,646,287)
Tax-exempt income	(371,412)	(163,483)
Difference in CIT Rate and TET rate	185,747	-
Non deductible expenses	1,888,877	469,424
Impact of change in prior year estimates	2,514,657	(686,194)
Total income tax credit in profit or loss	(1,060,174)	(7,276,987)

Notes to the financial statements (cont'd)

(d) 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 and its lenders.

	Assets		Liabilities		Net	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Property, plant and equipment	7,315,473	5,481,335	-	-	7,315,473	5,481,335
Unrelieved losses	8,617,800	9,874,865	-	-	8,617,800	9,874,865
Deferred Income	-	-	(64,204)	-	(64,204)	-
Foreign exchange difference	-	-	(1,443,245)	(1,984,093)	(1,443,245)	(1,984,093)
Derivatives	797,786	-	-	(232,736)	797,786	(232,736)
	16,731,059	**15,356,200**	**(1,507,449)**	**(2,216,829)**	**15,223,610**	**13,139,371**

(e) Movement in temporary differences during the year:

	Balance 1 January 2018	Recognized in profit or loss	Recognized in OCI	Translation difference	Balance 31 December 2018	Recognized in profit or loss	Recognized in OCI	Translation difference	Balance 31 December 2019
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Property, plant and equipment	26,931	5,419,588	-	34,816	5,481,335	1,835,550	-	(1,412)	7,315,473
Unrelieved losses	6,784,655	2,961,906	-	128,304	9,874,865	(1,228,526)	-	(28,539)	8,617,800
Deferred Income	-	-	-	-	-	(63,707)	-	(497)	(64,204)
Foreign exchange difference	(858,725)	(1,104,507)	-	(20,861)	(1,984,093)	533,544	-	7,304	(1,443,245)
Derivatives	116,091	-	(348,353)	(474)	(232,736)	-	1,024,127	6,395	797,786
	6,068,952	**7,276,987**	**(348,353)**	**141,785**	**13,139,371**	**1,076,861**	**1,024,127**	**(16,749)**	**15,223,610**

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 equipment	**Buildings**	**Motor Vehicles**	**Office Equipment**	**Furniture & Fittings**	**Computer Equipment**	**Plant & Machinery**	**Buildings**	**Land**	**Power plant under construction**	**Total**
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost:											
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**
Balance at 1 January 2019	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
Additions	-	-	23,951	1,026	-	2,340	-	371	-	-	27,688
Write off	-	-	(40,548)	(3,854)	(1,718)	(381)	(11,382)	-	-	-	(57,883)
Translation Difference	(248,368)	(110,118)	(478)	140	1,915	(222)	(154)	(7,429)	(5,474)	-	(370,188)
Balance at 31 December 2019	**114,366,096**	**50,711,695**	**345,161**	**33,061**	**109,999**	**25,084**	**14,365**	**3,405,552**	**2,544,044**	**-**	**171,555,057**
Accumulated depreciation											
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**	**155,399**	**32,466**	**72,958**	**12,767**	**16,416**	**163,426**	**-**	**-**	**6,850,391**
Balance at 1 January 2019	4,702,872	1,694,085	155,399	32,466	72,958	12,767	16,416	163,426	-	-	6,850,389
Charge for the year (Note 11(e))	7,279,949	2,521,444	77,155	2,045	14,523	5,193	1,815	169,320	-	-	10,071,444
Write off	-	-	(22,230)	(3,525)	(1,718)	(381)	(9,842)	-	-	-	(37,696)
Translation Difference	30,714	10,447	(419)	(416)	(180)	623	1,729	432			42,930
Balance at 31 December 2019	**12,013,535**	**4,225,975**	**209,905**	**30,570**	**85,583**	**18,202**	**10,118**	**333,178**	**-**	**-**	**16,927,067**
Carrying amounts											
At 1 January 2018	**-**	**-**	**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**
At 31 December 2019	**102,352,560**	**46,485,721**	**135,256**	**2,491**	**24,416**	**6,883**	**4,247**	**3,072,374**	**2,544,044**	**-**	**154,627,991**

Notes to the financial statements

(b) **Power plant under construction**

	2019	2018
	₦'000	₦'000
Development costs	-	40,429
Borrowing costs capitalised	-	85,077
Construction costs (including engineering, procurement and construction (EPC) contract costs)	-	184,403,032
Net commissioning costs	-	258
Reclassification to contract costs	-	(18,652,285)
Transfer to generation asset and non generation asset*	-	(165,876,511)
	-	-

*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**

	2019	2018
	₦'000	₦'000
Additions per movement in Note 11(a)	27,688	25,140,493
Prior year advance to contractors utilised during the year	-	(2,474,074)
Prior year construction costs paid during the year	-	619,535
Additions to capitalised borrowing costs	-	(4,270,857)
Cash paid for additions during the year (per statement of cashflows)	27,688	19,015,097

(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 and has also assigned all present and future rights of it's offshore contracts as security to it's lenders. This arrangements 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:

	2019	2018
	₦'000	₦'000
Direct costs (Note 7(a))	9,801,393	6,356,625
Administrative expenses (Note 7(a))	270,051	282,742
	10,071,444	6,639,367

Notes to the financial statements

12 Intangible assets

	Licence costs	Software	Total
Cost	₦'000	₦'000	₦'000
Balance at 1 January 2018	58,871	39,403	98,274
Additions	-	6,162	6,162
Translation difference	955	399	1,354
Balance at 31 December 2018	59,826	45,965	105,790
Balance at 1 January 2019	59,826	45,965	105,791
Additions	-	-	-
Translation difference	(135)	(84)	(219)
Balance at 31 December 2019	59,691	45,881	105,572
Amortisation			
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
Balance at 1 January 2019	4,013	26,994	31,007
Charge for the year (Note 12(b))	6,964	14,355	21,319
Translation difference	112	(264)	(151)
Balance at 31 December 2019	11,089	41,085	52,174
Carrying amounts			
At 1 January 2018	**58,871**	**24,432**	**83,303**
At 31 December 2018	**55,813**	**18,971**	**74,783**
At 31 December 2019	**48,603**	**4,796**	**53,399**

(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.

(b) Amortisation is allocated as follows:

	2019	2018
	₦'000	₦'000
Direct costs (Note 7(a))	6,964	3,987
Administrative expenses (Note 7(a))	14,355	11,600
	21,319	15,587

13 Trade and other receivables

	2019	2018
	₦'000	₦'000
Trade receivables	19,212,585	11,158,561
Accrued receivables (Note 13(c))	21,081,696	17,700,705
Other receivables (Note 13(a))	6,279,093	8,005,317
Due from related parties (Note 13(b))	2,134,251	144,092
Sundry receivables	28,773	41,247
	48,736,398	37,049,922

Notes to the financial statements

	2019	2018
(a) Other receivables comprises:	₦'000	₦'000
Gas Sales and Purchase Agreement (GSPA) Letter of Credit (in favour of Seplat) (Note 13(a)(i))	2,715,897	2,610,438
Gas Transportation Agreement (GTA) Letter of Credit (in favour of Nigerian Gas Company) (Note 13(a)(ii))	3,563,196	3,570,929
Power Purchase Agreement Letter of Credit (in favour of Nigerian Bulk Electricity Trading Company Plc) (Note 13(a)(iii))	-	1,823,950
	6,279,093	8,005,317

(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 was released to the Company over a period of 39 months with January 2019 being the final release date. During the year, the Company started replenishing the LC account in line with the GSPA.

(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 letter 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 refunded to the Company during the year.

(b) Amount due from related parties comprises:	2019	2018
	₦'000	₦'000
Azura-Edo limited (AEL) (Note 27(a))	1,856,400	-
Azura Power Holdings Limited (APHL) (Note 27(b))	277,851	144,092
	2,134,251	144,092

(c) Accrued receivables represents revenue invoice accrued which was unbilled at year end.

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

14 Inventories	2019	2018
	₦'000	₦'000
Spares (Note 14(a))	343,977	356,035
Others	6,259	5,837
	350,236	361,872

There was no write down to net realisable value during the year.

(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.

Notes to the financial statements

15 Prepayments

	2019	2018
	₦'000	₦'000
Rentals	29,501	2,189
Insurance	2,139,259	1,561,666
Software licence cost	4,657	-
Transaction costs (Note 15(a))	-	2,459,049
	2,173,417	4,022,904

(a) Transaction costs

These are prepaid commitment fees, facility fees, monitoring fees and upfront fees that relate to the undisbursed loan facilities. During the year, on 22 April 2019, the Company attained the cut-off date of disbursement in line with the provisions of the Common Terms Agreement (CTA). The remaining drawdown amount of ₦8.86 billion ($24.50 million) are no longer available for drawdown.The outstanding amounts of ₦882.59 million ($2.44 million) in transaction cost was expensed at the cut-off date of disbursement.(Note 8(c))

16 Contract costs

(a) Contract costs comprise:

	2019	2018
	₦'000	₦'000
Transmission Company of Nigeria (TCN) contract costs	17,006,438	17,200,695
Nigerian Gas Company (NGC) contract costs	3,177,689	4,130,765
	20,184,127	21,331,460

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

	2019	2018
	$'000	$'000
Balance 1 January	21,331,460	-
Impact of adoption of IFRS 15 (Note 11(a))	-	18,841,867
Additions during the year	-	1,634,467
Amortisation (Note 7(a))	(1,094,812)	(730,780)
Translation Difference	(52,521)	1,585,906
Balance at 31 December	20,184,127	21,331,460

(c) Analysed into:

	2019	2018
	$'000	$'000
Non-current	20,184,127	20,228,335
Current	-	1,103,125
	20,184,127	21,331,460

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

Notes to the financial statements

17 Cash and cash equivalents

	2019	2018
	₦'000	₦'000
Bank balances	33,597,206	19,107,335
Cash in hand	2,333	3,648
	33,599,539	19,110,983

(a) Included in the Company's cash and cash equivalents is an amount of ₦4.26 billion ($11.71 million) (2018: ₦3.33 billion ($9.14 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 current obligations if conditions defined in the Onshore and Offshore Account Agreements are met by the Company.

18 Share capital

Share capital comprises:	2019	2018
	₦'000	₦'000
Authorised share capital:		
10,000,000 ordinary shares of ₦1 each converted at ₦199.5/$1	10,000	10,000
Allotted and fully paid share capital:		
3,874,424 ordinary shares of ₦1 each converted at ₦199.5/$1	3,874	3,874

As at 31 December 2019, 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.

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 Azura Edo Limited over the nominal value of the ordinary share capital.

	2019	2018
	₦'000	₦'000
3,777,564 ordinary shares of ₦1 each issued at a premium of ₦9 per share converted at ₦199.5/$1	33,998	33,998

20 (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.

	2019	2018
	₦'000	₦'000
Balance at 1 January	1,196,479	(260,006)
Cash flow hedges- effective portion of changes in fair value (Note 25(a))	(2,852,555)	1,804,838
Related tax (Note 10(b))	1,024,127	(348,353)
Balance at 31 December	(631,949)	1,196,479

Notes to the financial statements

(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).

	2019	2018
	₦'000	₦'000
Balance as at 1 January	(2,582,090)	(2,358,077)
Exchange difference on translation of operations	99,150	(224,013)
Balance as at 31 December	(2,482,940)	(2,582,090)

21 Loans and borrowings

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

	2019	2018
	₦'000	₦'000
Azura-Edo Limited (Note 21(a)(i))	73,884,237	72,152,544
Foreign Loan (Senior) (Note 21(a)(ii))	133,218,171	131,875,233
Foreign Loan (Mezzanine) (Note 21(a)(ii))	25,168,378	32,066,865
Local Loan (PAIF) (Note 21(a)(ii))	13,286,959	13,678,166
Promissory Notes (Note 21(a)(iii))	1,734,803	1,606,534
	247,292,548	251,379,342

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 2019*	*Nominal Interest Rate %*	*Carrying amounts* 2019 ₦'000	2018 ₦'000
Project finance (Power and Airline Intervention Fund (PAIF))	₦	5.38 years	7.0%	13,286,959	13,678,166
Project finance (Azura- Edo Limited)	US$	7 years	20.02% till COD 15% from COD	73,884,237	72,152,544
Project finance (Promissory notes)	US$	7 years	20.2% till COD 15% from COD	1,734,803	1,606,535
Total fixed rate instruments				88,905,999	87,437,245
Variable rate instruments:					
Project finance (International Bank for Reconstruction and Development (IBRD) Covered Loans)	US$	7.88 years	5.25%+ 6 months USD-LIBOR	17,420,676	17,380,420
Project finance (Multilateral Investment Guarantee Agency (MIGA) Covered Loans)	US$	7.88 years	5.25%+ 6 months USD-LIBOR	33,078,864	33,389,958
Project finance (Mezzanine loans (Proparco and the Emerging Africa Infrastructure Fund Ltd)	US$	10 years	12.25%+ 6 months USD-LIBOR	7,665,112	9,783,668
Project finance (Mezzanine loans (Overseas Private Investment Corporation (OPIC))	US$	11 years	12.25%+ OPIC cost of fund**	5,969,236	7,566,109

Notes to the financial statements

Variable rate instruments: (Cont'd)	*Currency*	*Remaining Tenor as at 31 December 2019*	*Nominal Interest Rate %*	*Carrying amounts* 2019 ₦'000	2018 ₦'000
Project finance (Mezzanine loans and International Finance Corporation (IFC))	US$	11 years	12.25%+ 6 months USD-LIBOR	11,534,030	14,717,088
Project finance (Development Finance Institutions)	US$	11 years	5.95%+ 6 months USD-LIBOR	35,954,095	35,444,091
Project finance (OPIC)	US$	11 years	5.95%+ OPIC cost of fund**	10,903,256	10,629,251
Project finance (Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V (FMO))	US$	11 years	5.95%+ Predetermined rate*	12,538,708	12,220,465
Project finance (ICF Debt Pool LLP (ICF))	US$	11 years	5.95%+ Predetermined rate*	7,787,780	7,591,280
Project finance (IFC)	US$	11 years	5.95%+ 6 months USD-LIBOR	15,534,792	15,219,768
Total variable rate instruments				158,386,549	163,942,097
Total Loans				**247,292,548**	**251,379,342**

* 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 24 May 2018, the Company attained Commercial Operation Date (COD) consistent with previous estimates used by the directors in estimating cashflows of the loan. This loan is subordinated in favour of loans from the external lenders (Note 21(a)(ii)) and is unsecured.

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 ₦13.51 billion ($37.58 million) (2018: ₦12.27 billion ($33.85 million)) while a gain as a result of changes in the cashflows amounting to ₦1.59 billion ($4.39 million) was recorded during the year. On 30 August 2019, the Company made it's first distribution payment on the shareholder loans amounting to ₦10.23 billion ($28.28 million. 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 favour 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 during the year amounting to ₦521.16 million ($1.44 million) has been recorded in expenses (See Note 7(b)) has been recorded in profit or loss as other income (2018: ₦511.11 million ($1.41 million)).

(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. On 24 May 2018, the Company attained Commercial Operation Date (COD) consistent with previous estimates used by the directors in estimating cashflows of the loan.

As at the year end, the carrying value of the promissory note was ₦1.73 billion ($4.77 million) (2018: ₦1.61 billion ($4.40 million)). Total interest accrued on the promissory note in the current year amounted to ₦394.22 million ($1.09 million) (2018: ₦362.24 million ($0.90 million)). Interest paid during the year amounted to ₦264.02 million ($0.73 million) (2018: Nil)

Notes to the financial statements

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

	2019	2018
	₦'000	₦'000
Balance at 1 January	251,379,342	199,008,468
Proceeds from loan drawn down during the year	15,157,762	38,243,420
Transaction costs on loans and borrowings	(1,557,440)	(3,990,290)
Accrued interest	35,531,453	29,517,198
Interest paid	(28,844,610)	(13,766,645)
Principal repaid	(21,590,293)	-
Fair value gain on PAIF loan recognised as deferred income (Note 22)	-	(527,060)
Fair value gain on PAIF loan recognised directly in profit or loss (Note 7(b))	(521,158)	(511,111)
Net foreign exchange difference	86,469	(114,184)
Effect of Change on Shareholder loans due to revised Cashflows	(1,588,937)	-
Translation difference	(760,042)	3,519,546
Balance at 31 December	247,292,548	251,379,342

As at year end, total interest accrued in the current year amounted to ₦35.53 billion ($98.16 million) (2018: ₦29.52 billion ($81.43 million)). During the year, ₦15.16 billion ($41.88 million) was drawn down on the loan (2018: ₦38.24 billion ($105.50 million)) and total amount of ₦1.56 billion ($4.30 million) was recognised as transaction costs incurred on these loans (2018: ₦3.99 billion ($11.01 million)).
During the year, on 22 April 2019, the Company attained the cut-off date of disbursement in line with the provisions of the Common Terms Agreement (CTA). The remaining drawdown amount of ₦8.86 billion ($24.50 million) are no longer available for drawdown.The outstanding amounts of ₦882.59 million ($2.44 million) in transaction cost was expensed at the cut-off date of disbursement.(Note 8(c))

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

	2019	2018
	₦'000	₦'000
Non-current liabilities	201,034,336	207,833,995
Current liabilities	46,258,212	43,545,347
	247,292,548	251,379,342

APWAL measures its compliance to financial covenants under the Common Terms Agreement (CTA) dated 27 November 2014 (as amended and restated on 9 December 2015). The financial covenants are set out in CTA Section 5.03(a)(iv) Negative Covenants, CTA Section 5.01(v) the Affirmative Covenants, and Project Completion Date definition requirement for Senior Debt to Equity Ratio. The major financial covenants cover historic and prospective debt service coverage ratios and debt to equity ratios. Measurements of compliance were performed at Calculation Dates of 15 May 2019 and 15 Nov 2019. The financial covenant ratios were met by the Company.

(c) **Change in estimate**

During the year, the directors re-estimated the amount of the cashflows on the shareholder loan based on revised available cash forecasts. A gain amounting to ₦1.59 billion ($4.39 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:

	2020	2021	2022	2023	Later
	₦'000	₦'000	₦'000	₦'000	₦'000
Increase in interest costs for shareholder loan	1,074,964	1,240,661	1,295,966	1,991,484	3,798,607

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

Notes to the financial statements

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 drawdowns on the loan were 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 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:

	2019	2018
	₦'000	₦'000
Balance as at 1 January	11,713,772	11,612,282
Additions *	249,430	527,060
Release to profit or loss - government grant (Note 7(b))	(611,729)	(612,608)
Release to profit or loss - rent of plant accomodation (Note 7b))	(27,714)	-
Translation difference	(28,019)	187,038
Balance as at 31 December	11,295,740	11,713,772
Analysed into:		
Non-current	10,656,296	11,097,277
Current	639,444	616,495
	11,295,740	11,713,772

* During the year, the Company leased its camp accommodation to the operations and maintenance contractor for a period of 10 years. The total amount paid amounted to $0.69 million. The amount is amortised over the period of the consideration.

23 Provisions

Provisions comprise:

	2019	2018
	₦'000	₦'000
Resettlement costs (Note 23(a))	8,935	43,410
	8,935	43,410

(a) Provisions of ₦8.94 million ($0.03 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).

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

The movement in provisions during the year is as follows:

	2019	2018
	₦'000	₦'000
Balance at 1 January	43,410	98,773
Payments made during the year	(34,189)	(56,548)
Translation difference	(286)	1,185
Balance at 31 December	8,935	43,410

Notes to the financial statements

24 (a) **Trade and other payables**

	2019	2018
	₦'000	₦'000
Trade payables (Note 24(a)(i))	14,240,513	10,775,897
Accrued expenses	1,960,977	204,943
Amount due to related parties (Note 24(a)(ii))	-	8,390
Other payables	724,436	1,593,403
	16,925,926	12,582,633
Statutory deductions	735,421	73,323
	17,661,347	12,655,956

(i) Trade payables represents amount due to Seplat for the gas supply under the Gas Supply and Purchase Agreement (GSPA) amounting to ₦10.77 billion ($29.58 million), gas transport cost payable to Nigeria Gas Company Limited (NGC) amounting to ₦2.17 billion ($5.97 million), Long Term Maintenance Contract (LTMC) cost payable to Siemens AG amounting to ₦1.06 billion ($2.91 million) and Operations and Maintenance Contract (O&M) cost payable to PIC Incorporated amounting to ₦242.89 million ($0.67 million).

(ii) Amount due to related parties is nil at year end (2018: ₦8.39 million ($0.023 million)).

(b) **Current tax liabilities**

The movement in provisions during the year is as follows:

	2019	2018
	₦'000	₦'000
Balance at 1 January	-	-
Additions during the year (Note 10(a))	16,565	-
Translation difference	93	-
Balance at 31 December	16,658	-

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 a liability of ₦2.26 billion ($6.21 million) (2018: Asset of ₦608.8 million ($1.67 million)) and the hedge has been determined to be effective as at 31 December 2019, hence, the effective portion of changes in the fair value of the derivative of ₦2.85 billion ($7.88 million) (2018: ₦1.80 billion ($4.98 million)) was recognised in other comprehensive income and accumulated in the hedging reserve.

(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 25(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.

Notes to the financial statements

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 2019.

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.

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.

	Note	2019	2018
		₦'000	₦'000
Trade receivables	*13*	19,212,585	11,158,561
Accrued receivables	*13*	21,081,696	17,700,705
Interest rate swaps	*25*	-	608,836
Other receivables	*13(a)*	6,279,093	8,005,317
Cash and cash equivalents (excluding cash in hand)	*17*	33,597,206	19,107,335
Due from related parties	*13(b)*	2,134,251	144,092
Sundry receivables	*13*	28,773	41,247
		82,333,603	56,766,093

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 operates. The Board of Directors have 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.

Notes to the financial statements

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 $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 as the year end receivables from NBET are less than the letter of credit amount.

Expected credit loss (ECL) assessment for the Company's customer

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 2019.

31 December 2019	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit Impaired
		₦'000	₦'000	
Current (not past due)	-	9,814,460	-	No
31–60 days past due	-	9,164,086	-	No
61–90 days past due	-	234,039	-	No
		19,212,585	-	

31 December 2018	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit Impaired
		₦'000	₦'000	
Current	-	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.

The scalar factor is based on actual and forecast unemployment rates and is 1.37% for Nigeria.

The Directors have applied judgment in the Company's assessment of the recoverability of its trade and other receivables. 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.

Notes to the financial statements

Accrued receivables

Accrued receivables represents receivables from sales of power, reimbursables and start up payments which are yet to be invoiced to NBET as at year end. The directors believe that the unbilled receivables are still collectible in full as the directors have evaluated NBET's ability to pay. 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 (2018: Nil).

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) and Nigerian Gas Company (NGC). 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 (2018: Nil).

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 ₦33.60 billion ($92.30 million) (excluding cash in hand) as at year end (2018: ₦19.11 billion ($52.38 million)) which represents its maximum credit exposure on these assets. The cash and cash equivalents (with the exception of ₦2.33 million ($6,000) 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.

No impairment allowance was recorded on the Company's other receivables during the year.

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 agreements:

			Contractual cash flows					
	Note	Carrying		2 months	2-12	1-2	2-5	More than 5
For the year ended 31 December 2019		amount	Total	or less	months	Years	Years	Years
Non-derivative financial liabilities		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Trade and other payables*	*24*	16,925,926	16,925,926	16,925,926	-	-	-	-
Loans and borrowings	*21*	247,292,548	409,361,680	-	46,258,212	82,616,352	161,169,736	119,317,380
		264,218,474	426,287,606	16,925,926	46,258,212	82,616,352	161,169,736	119,317,380
Derivative financial liabilities								
Interest rate swaps used for hedging	*25*	2,260,999	2,355,310	150,277	380,520	713,741	1,041,481	69,290
		2,260,999	2,355,310	150,277	380,520	713,741	1,041,481	69,290
For the year ended 31 December 2018								
Non-derivative financial liabilities								
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

*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 and Euros was based on notional amounts as follows:

	2019		2018	
	EUR'000	₦'000	EUR'000	₦'000
Financial assets				
Cash and cash equivalents	-	16,599,994	-	11,403,757
Trade receivables	-	7,877,512	-	4,249,547
Other financial liabilities				
Loans and borrowings	-	(13,273,191)	-	(13,678,241)
Trade and other payables	(2,586)	(1,819,720)	(1,641)	(1,004,843)
Net exposure	(2,586)	9,384,595	(1,641)	970,220

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 2018, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below:

	Increase in profit or loss and equity	
	2019	**2018**
	$'000	**$'000**
NGN (20 percent strengthening) (2018:(20 percent strengthening))	(5,156)	(532)
EUR (20 percent strengthening) (2018:(20 percent strengthening))	581	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**	
	2019	2018	2019	2018
	$	**$**	**$**	**$**
NGN	0.0028	0.0031	0.0027	0.0027
EUR	1.0791	1.5152	0.8898	1.5152

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	
	2019	2018
	₦'000	₦'000
Fixed rate instruments		
Financial liabilities	(88,905,999)	(87,437,245)
	(88,905,999)	(87,437,245)

	Carrying amount	
	2019	2018
	₦'000	₦'000
Variable-rate instruments		
Financial liabilities	(158,386,549)	(163,942,097)
Effect of interest rate swaps	(2,260,999)	608,836
	(160,647,548)	(163,333,261)

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 2019		
Variable-rate instruments	(1,583,865)	1,583,865
Interest rate swaps	(22,610)	22,610
Cash flow sensitivity	(1,606,475)	1,606,475
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

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 2019				
Interest rate swaps				
Liabilities	(2,260,999)	(2,355,310)	(455,159)	(1,900,151)
	(2,260,999)	(2,355,310)	(455,159)	(1,900,151)

		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

(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:

	2019	2018
	₦'000	₦'000
Total liabilities	278,536,227	275,792,480
Less: Cash and cash equivalents	(33,599,539)	(19,110,983)
Adjusted net debt	244,936,688	256,681,497
Total equity	(3,587,510)	(14,987,300)
Adjust for: Hedging reserve	631,949	(1,196,479)
Adjusted equity	(2,955,561)	(16,183,779)
Adjusted net debt to adjusted equity ratio	(82.87):1	(15.86):1

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 assets at amortised costs	Fair value -hedging instruments	Other financial liabilities	Total
	₦'000	₦'000	₦'000	₦'000
For the year ended 31 December 2019				
Financial assets not measured at fair				
Trade and other receivables	48,736,398	-	-	48,736,398
Cash and cash equivalents (excluding cash in hand)	33,597,206	-	-	33,597,206
	82,333,604	-	-	82,333,604
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	-	(2,260,999)	-	(2,260,999)
	-	(2,260,999)	-	(2,260,999)
Financial liabilities not measured at fair value				
Trade and other payables	-	-	(16,925,926)	(16,925,926)
Loans and borrowings	-	-	(247,292,548)	(247,292,548)
	-	-	(264,218,474)	(264,218,474)

	Financial assets 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				
Other receivables	37,049,922	-	-	37,049,922
Cash and cash equivalents (excluding cash in hand)	19,107,335	-	-	19,107,335
	56,157,257	-	-	56,157,257
Financial assets measured at fair value				
Interest rate swaps used for hedging	-	608,836	-	608,836
	-	608,836	-	608,836
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)

Notes to the financial statements

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 2019					
Derivatives used for hedging					
Interest rate swap	*25*	-	(2,260,999)	-	(2,260,999)
		-	(2,260,999)	-	(2,260,999)

	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	*25*	-	608,836	-	608,836
		-	608,836	-	608,836

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.

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) **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.

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.

Also, during the year, the company transferred ₦1.86 billion ($5.1 million) to Azura-Edo limited (AEL) representing loan payable to the mezzanine lenders. This amount would serve as a mitigating factor in future if shortage of liquidity arises in Nigeria. The amount has been recognised as amount receivable from AEL.

(b) **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.

During the year, the Company incurred certain costs on behalf of APHL. Balance due from APHL as at year end amounted to ₦277.85 million ($0.76 million) (2018: ₦145.92 million ($0.40 million)).

Notes to the financial statements

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 2019 (2018: Nil) .

29 Contingencies

Pending litigation and claims

(a) On 20 February 2018, APWAL was joined as a defendant, with NBET and four other defendants, in a case brought against them by Mainstream Energy Solutions Limited and three other electric generating companies. The plaintiffs sought to restrain the Federal Government of Nigeria (“FGN’), the Central Bank of Nigeria (“CBN”), Minister of Power, Works and Housing (the “Minister”), Nigerian Bulk Electricity Trading PLC (“NBET”), from applying or utilizing funds from the Payment Assurance Facilities (the “PAF”) towards settling APWAL’s (and Accugas Limited’s) invoices to NBET in a preferential manner

The proceedings relating to the case have been the subject of a number of adjournments, with the case expected to be heard on 20 May 2020 but was adjourned to 28 September 2020. The long adjournment is connected to the uncertainty arising from the COVID-19 pandemic. Currently, the reliefs sought by the plaintiffs have been declined by the Court; NBET is still able to apply the funds in PAF to settle invoices submitted by APWAL.

The Directors, based on independent legal advice obtained from external legal counsel, are of the view that APWAL’s associated liability, with respect to the case, is minimal as there is no special monetary claim being brought against APWAL itself. Thus, even if the action were to succeed, the only impact of such success on APWAL would be that the NBET would (a) at best, settle the invoices of the plaintiffs at the same percentages as APWAL’s invoices; or (b) at worst, be restrained from settling APWAL’s invoices from the PAF, but could settle the invoices from other sources available to it. In any case, given that the relevant PAF has now been exhausted, the claim, from APWAL’s perspective, has been overtaken by events.

(b) On 10 May 2019, APWAL was served with originating processes (bearing Suit No. HAB/22/2019) with HRH Vincent Nosa Ohenzuwa as claimant. By an 11-paragraph statement of claim, the claimant is essentially praying the Edo State High Court for orders that APWAL pays a total sum of N84,285,300, being alleged underpayment of the top-up compensation that was made to the claimant with respect to certain plots of land included in Plot A of APWAL’s Project Site. The top-up compensation was made by APWAL ex-gratia, following Edo State Government's revocation of title to the said plots in order to facilitate the Project.

Following receipt of the court papers, APWAL instructed its external counsel (Albert Akpomudje SAN and Partners) to provide a legal opinion on the suit’s chances and was advised that same was without merit. The said external counsel was further instructed to file defence processes and has since been representing APWAL in Court. Proceedings relating to the case have been the subject of a number of adjournments, with the last being the one adjourning the case to 2 April 2020. On that date, the Court did not convene owing to the Covid-19 pandemic. In the meantime, the claimant had filed a motion to discontinue the suit against APWAL which, when heard, is expected to terminate the suit against APWAL without any liability. The Court is expected to convene after the Covid-19 pandemic is over.

The Directors, based on an independent legal advice obtained from external legal counsel, are of the view that the suit is without merit and is therefore unsustainable. In any case, the claimant’s motion to discontinue, signals his unwillingness to proceed further with the suit.

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 mechanism for purchase price valuation dependent on reasons of early termination.

Notes to the financial statements

31 Going Concern

As at 31 December 2019, the Company's total liabilities exceeded its total assets by ₦3.59 billion (2018: ₦14.99 billion). A portion of the Company's liabilities as at 31 December 2019 is due to Azura Edo Limited (AEL), its parent company, in the form of loans and borrowings amounting to ₦73.88 billion (2018: ₦72.15 billion) as indicated in Note 21(a).

In accordance with the Common Terms Agreement (CTA) between the Company, its major shareholder (Azura-Edo Limited) and external lenders; the Shareholder has undertaken to subordinate the amount due to them in favor of the other creditors and will not call back the shareholder loans until such a time that the Company is in a position to make repayment in the normal course of business, without prejudice to the rights of other creditors

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

32 Events after the reporting date

(a) **Coronavirus outbreak**

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The COVID-19 outbreak in Nigeria has resulted in government mandating regional lockdowns and curfews, and the Ccountry is beginning to feel the impact of the virus. As a result, economic uncertainties have arisen which may affect our future financial statements.

As part of the country's essential commercial service providers, Power Plants have been exempted from the lockdown and APWAL continues to operate with all mitigation measures in place. Azura-Edo IPP has invoked a COVID-19 plant emergency response action plan and policies, and procedures have been implemented to ensure the health and safety of its personnel, mitigate infection risks and ensure plant operational continuity.

Azura-Edo IPP benefits from a PPA structure that enables repayment of debt and fixed costs by providing a fixed and predictable revenue stream, with a letter of credit in place for liquidity assurance. Our off-taker Nigeria Bulk Electricity Trading Plc (NBET), fully owned by the Nigerian government, may delay payment or may not be able to fulfil their obligations to us in a timely fashion as a result of business deterioration, cash flow shortages or difficulty obtaining financing due to macroeconomic conditions impacting commodity oil pricing, power sector problems, geopolitical disruptions, changes in law or other challenges affecting the strength of the Nigerian economy. Heightened dialogue is ongoing with all stakeholders; off taker, fuel and transport suppliers, operations and maintenance contractor, spare parts suppliers, Banks, Lenders and relevant Ministries to closely evaluate the evolution of the situation. Government has voiced commitment to support the energy sector during this crisis as an essential service.

A business risk assessment has been undertaken specific to the pandemic's possible effects and no significant adjustments have been deemed applicable to these financial statements to date.

(b) **Inconvertibility event**

We receive payments primarily in naira from NBET with certain true up options to help mitigate the effects of currency fluctuations between the date of APWAL invoicing NBET and the date of invoice settlement. Financial obligations to lenders, service providers, contractors, and Shareholders require us to convert naira to foreign currency to settle these obligations. We rely on foreign currency purchased from Central Bank of Nigeria authorized foreign exchange windows. Current foreign currency shortages exposes us to inconvertibility risks which may limit the Company's ability to make timely payments for contractual obligations in foreign currency as they arise; potentially impacting our financial condition. An instance of this is our current inability to, despite holding sufficient Naira cash balances, pay our mezzanine lenders in the loan's currency for the period ending 15 May 2020 due to an illiquid foreign exchange market. APWAL has submitted to lenders its interpretation of the applicable payment mechanics, in accordance with the financing documents, following an inconvertibility event. We await clarity from the lenders as to their preferred mechanics with respect to the payment of outstanding 15 May 2020 mezzanine amounts pending the resumption of the foreign exchange market.

We also face volatility risks in foreign exchange prices. APWAL has, with the pre-consent of our lenders, entered into foreign currency hedging forwards that will cushion the impact of such risks.

Other National Disclosures

Other National Disclosures
Value added statement
For the year ended 31 December

	2019	%	2018	%
	₦'000		₦'000	
Revenue	122,246,080		62,801,393	
Brought in materials and services				
- Local	(137,342,026)		(73,579,931)	
- Foreign	-		-	
	(16,296,354)		(12,191,725)	
Finance income	(364,115)		(503,499)	
Other income	1,200,408		1,129,881	
Value added	(15,460,061)	100	(11,282,037)	100
Distribution of Value Added:				
To Government as:				
Taxes and duties	(1,060,174)	7	(7,276,987)	65
To Employees:				
Salaries and wages	428,453	(3)	226,919	(3)
To Providers of finance:				
Finance costs	(38,043,207)	246	(26,503,456)	235
Retained in the Business				
To maintain and replace:				
- Property, plant and equipment	10,071,444	(65)	25,140,493	(223)
- Intangible assets	14,355	-	11,600	-
To deplete retained earnings	13,129,068	(85)	(2,880,606)	26
	(15,460,061)	100	(11,282,037)	100

Other National Disclosures

Five Year Financial summary

Statement of profit or loss and other comprehensive income

	2019	2018	2017	2016	2015
	₦'000	₦'000	₦'000	₦'000	₦'000
Revenue	122,246,080	62,801,393	-	-	-
Results from operating activities	49,677,083	7,325,662	(3,157,260)	(1,567,883)	(253,790)
Profit / (loss) before income tax	12,068,894	(10,157,593)	(12,177,671)	(4,802,418)	(458,976)
Profit / (loss) for the year	13,129,068	(2,880,606)	(6,901,279)	(4,802,418)	(458,976)

Statement of financial position

	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
Employment of Funds	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	154,627,991	165,105,049	164,259,680	93,258,270	18,370,393
Contract costs	20,184,127	20,228,335	-	-	
Intangible assets	53,399	74,783	83,303	71,190	49,355
Deferred tax asset	15,223,610	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
Net current assets/ (liabilities)	20,274,994	4,787,598	16,886,119	17,175,246	15,443,585
Non-current liabilities	(213,951,631)	(218,931,272)	(200,637,220)	(132,475,011)	(48,513,756)
Net liabilities	**(3,587,511)**	**(14,987,300)**	**(13,339,166)**	**(5,718,825)**	**(193,535)**
Funds Employed					
Share capital	3,874	3,874	3,874	3,874	3,874
Share premium	33,998	33,998	33,998	33,998	33,998
Hedging reserves	(631,949)	1,196,479	(260,006)	(1,114,701)	(1,176,149)
Translation reserve	(2,482,940)	(2,582,090)	(2,358,077)	(784,319.60)	
Retained earnings	(510,493)	(13,639,561)	(10,758,955)	(3,857,676)	944,742
	(3,587,511)	**(14,987,300)**	**(13,339,166)**	**(5,718,825)**	**(193,535)**