

Azura Power West Africa Limited
Annual Report
31 December 2023

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Corporate information

Registration Number: RC.916450

Directors:

Alan Muir - Chairman
Chinedu Okeke - Managing Director
Tanya Abdul Ahad
Patrick Afordofe
Babagbeminiyi Otudeko
Maria Stratonova
Junaid Dikko

Company secretary:

ALSEC Nominees Limited
St. Nicholas House
10th Floor Catholic Mission Street
Lagos
Nigeria

Solicitors:

Trinity International LLP
30 Crown Place
London EC2A 4EB
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:

PricewaterhouseCoopers Chartered Accountants
Landmark Towers
5B Water Cooperation Road
Victoria Island
P.O. Box 2419
Lagos
Nigeria

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 2023

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 2023.

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 Contract (LTMC).

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 NNPC Exploration & Production Limited (NEPL) (formerly 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 the Gas Transportation Agreement (GTA) signed on 22 July 2014 (subsequently amended on 28 September 2015).

The Company's profit before taxation amounted to ₦29.01 billion for the year ended 31 December 2023 (2022: ₦27.13 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. On 22 April 2019, the Company attained the cut-off date of disbursement in line with the provisions of the Common Terms Agreement (CTA).

Operating Results

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

| | 2023 | 2022 |
|------------------------|-------------------|-------------------|
| | ₦'000 | ₦'000 |
| Revenue | 238,643,896 | 158,441,919 |
| Profit before taxation | 29,006,059 | 27,126,797 |
| Taxation | (3,524,280) | 4,159,480 |
| Profit for the year | 25,481,779 | 31,286,277 |

The directors have not recommended any dividend for the year ended 31 December 2023 (2022:Nil).

Directors and their Interests

The Directors do not have any interest required to be disclosed under Section 301 of the Companies and Allied Matters Act, Laws of the Federation of Nigeria, 2020.

For the purpose of Section 303 of the Companies and Allied Matters Act, Laws of the Federation of Nigeria, 2020, none of the Directors has notified the Company of any declarable interests in the contracts with the Company.

Directors' report (cont'd)

Material Agreements

The Company has entered into the following material agreements:

1 *Gas Sales and Purchase Agreement (GSPA)*

The Company entered into an agreement with Seplat Petroleum Development Company Plc (Seplat) and NNPC Exploration & Production Limited (NEPL) (formerly Nigerian Petroleum Development Company (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 22 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.

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 and 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 provided \$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.

Directors' report (cont'd)

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.

Board Audit and Risk Committee (BARC)

As part of the Company's corporate governance activities, the Company set up the Board Audit and Risk Committee (BARC) on 13 May 2016. BARC is mainly responsible for the financial reporting matters of the Company which includes the review of the audited financial statements, review of the Company's budgets and recommendation of the financial statements to the Company's board of directors for approval, among others.

Members of the BARC are as follows:

- (a) Junaid Dikko
- (b) Patrick Afordofe
- (c) Tanya Abdul Ahad

Shareholding Structure

The shareholding structure of the Company is as follows:

| | Ordinary Shares of ₦1 each | | | |
|----------------------|-----------------------------------|------------|-------------------|------------|
| | 2023 | % | 2022 | % |
| | Number | | Number | |
| Azura-Edo Limited | 9,750,000 | 97.5 | 9,750,000 | 97.5 |
| Edo State Government | 250,000 | 2.5 | 250,000 | 2.5 |
| | <u>10,000,000</u> | <u>100</u> | <u>10,000,000</u> | <u>100</u> |

During the year 2022, the Company issued additional shares of 6,125,576 ordinary shares at ₦1 each from its share premium as bonus shares to its shareholders in line with section 124(3) and 124 (4) of the Companies and Allied Matters Act ("CAMA 2020")

Azura-Edo Limited has charged all its shares in the Company in favour 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 ₦227 million (2022: ₦473.88 million) on corporate social responsibility programmes and ₦19.29 million (2022: ₦3.18 million) spent on Christmas and branded gifts. 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 (2022: 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.

Directors' report (cont'd)

(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 (2022: 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.

(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.

Functional and presentation currency

The Company's functional currency is US Dollar which is different from the presentation currency in Nigerian Naira. Assets and liabilities for each statement of financial position presented are translated at the closing rate of \$1 - ₦885. Income and expenses for each statement presenting profit or loss and other comprehensive income are translated at an average rate for the period.

The source of the exchange rate is the Import and Export (I&E) window rate as advised by Standard Chartered Bank Limited.

Independent Auditor

Messrs. PricewaterhouseCoopers Chartered Accountants, having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditors to the Company. In accordance with Section 401 (2) of the Companies and Allied Matters Act, Laws of the Federation of Nigeria, 2020, therefore, the auditors will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

Lagos, Nigeria
3 July 2024

BY ORDER OF THE BOARD



DIYINDAMOLA EHIWERE
FRC/2013/PRO/ICSA/002/00000001651

ALSEC Nominees Limited
FRC/2024/GOY/119349
Company Secretary

Corporate governance report

For the year ended 31 December 2023

Azura Power West Africa Limited (“APWAL”) confirms its commitment to the implementation of effective corporate governance principles in its business operations. The Board of Directors has overall responsibility for ensuring that the highest standards of corporate governance are maintained and adhered to by APWAL. To achieve this objective, the structural framework outlined below has been put in place for the execution of APWAL's corporate governance strategy:

1. Board of Directors (the “Board”)
2. Board Committees - Board Audit and Risk Committee ("BARC"), Remuneration, Governance and Nomination Committee ("RemCom"), Environmental, Social & Governance Committee ("ESG")

The Board, headed by the Chairman, is comprised of one (1) Executive Director and six (6) Non-Executive Directors (one (1) of which is an Independent Non-Executive Director).

The Board perform its oversight function directly through the activities of the Board itself but also through the operation of the various Board Committees, each authorised, by the Board, to perform specified roles and functions in accordance with its relevant terms of reference. Please see the Board Committee section below for further details as to the roles and functions of each Board Committee.

The Board

The Company's Board is made up of seasoned professionals, who are exceling in their various professions. They possess the right balance of expertise, skills and experience, which translates to an effective Board and executive management team capable of steering the affairs of the Company in an ever changing and challenging environment.

There were seven (7) members of the Board as at 31 December, 2023, comprising one (1) Executive Director (the Managing Director) and six (6) Non-Executive Directors.

| Names of Board Members (as at FYE 2023) | Designation (Chairman, MD, INED, NED) | Sex | Cumulative Years of Service |
|---|---|-----|-----------------------------|
| Alan Muir | Chairman, Non-Executive Director (NED) | M | 7 |
| Chinedu Okeke | Managing Director (MD) | M | 4 |
| Tanya Abdul Ahad | Non-Executive Director (NED) | F | 3 |
| Patrick Maurice Afordofe ¹ | Non-Executive Director (NED) | M | 1 |
| Babagbeminiyi Otudeko ² | Non-Executive Director (NED) | M | 1 |
| Maria Stratonova | Non-Executive Director (NED) | F | 4 |
| Junaid Dikko | Independent Non-Executive Director (INED) | M | 3 |

¹ Emile Du Toit resigned from the Board of Directors on the 19 January, 2023 and was replaced by Patrick Afordofe.

² Simon Harford resigned from the Board of Directors on the 28 January, 2023 and was replaced by Gbemi Otudeko.

The Board ensures that an appropriate level of checks and balances is maintained, in order to ensure that decisions are taken with the best interest of the Company’s stakeholders in mind.

The Board meets quarterly each year and operates in accordance with the terms set out in the Board Charter. The Board, which met four (4) times in the 2023 financial year, has a formal schedule of matters specifically reserved for its decision. These matters include, but are not limited to, determining the strategy of APWAL, overseeing APWAL’s compliance with statutory and regulatory obligations and evaluating the activities of the management team of APWAL. Board Committee meetings are held as required (with further details of the regularity of such meetings set out in the table below).

Attendance of Board and Board Committee Meetings

The schedule of attendance by the directors at the Board/Committee meetings held in 2023 is as follows:

| Name of Board Director | No. of Board Meetings Held in the Reporting Year | No. of Board Meetings Attended in the Reporting Year | Membership of Board Committees | Designation (Member or Chairman) | Number of Committee Meetings Held in the Reporting Year | Number of Committee Meetings Attended in the Reporting Year |
|------------------------|--|--|--------------------------------|----------------------------------|---|---|
| Alan Muir | 4 | 4 | RemCom ESG | Member | 2 4 | 2 3 |

Corporate governance report (Cont'd)

| Name of Board Director | No. of Board Meetings Held in the Reporting Year | No. of Board Meetings Attended in the Reporting Year | Membership of Board Committees | Designation (Member or Chairman) | Number of Committee Meetings Held in the Reporting Year | Number of Committee Meetings Attended in the Reporting Year |
|-------------------------------|--|--|--------------------------------|--|---|---|
| Chinedu Okeke | 4 | 4 | None | N/A | N/A | N/A |
| Tanya Abdul Ahad ⁵ | 4 | 4 | BARC ESG | Member | 4 4 | 4 0* |
| Simon Harford ³ | 4 | Nil | RemCom, BARC | Chairman of RemCom, BARC and ESG Committees ³ | 2 RemCom meetings 4 BARC meetings ³ | Nil |
| Emile Du Toit | 4 | Nil | BARC | Member | 4 | Nil |
| Maria Stratonova | 4 | 4 | None | N/A | N/A | N/A |
| Patrick Afordofe ⁶ | 4 | 4 | BARC | Member | 4 | 3 |
| Babagbeminiyi Otudeko | 4 | 4 | None | N/A | N/A | N/A |
| Junaid Dikko ⁴ | 4 | 4 | RemCom, BARC | Member Chairman ⁴ | 2 RemCom meetings 4 BARC meetings | 2 RemCom meetings 4 BARC meetings |

³ Simon Harford resigned from the Board on the 28th of January 2023.

⁴ Upon Simon Harford's resignation, Junaid Dikko was appointed the Chairman of BARC.

⁵ Tanya Ahad Abdul was duly represented by an alternate, Jennifer Gladstone for all 4 ESG Committee Meetings.

⁶ Patrick Afordofe was duly represented by an alternate, Maria Stratonova for one (1) BARC Meeting.

Board Committees - BARC

The BARC is presently comprised of three (3) members as at year end:

- Junaid Dikko - Chairman
- Patrick Afordofe
- Tanya Abdul Ahad

The primary role of the BARC is to ensure the integrity of the audit process and financial reporting and to maintain a sound risk management and internal control system, as stipulated in Section 404(2) Companies and Allied Matters Act 2020 and the Nigerian Code of Corporate Governance 2018.

Board Committees - ESG Committee

The ESG Committee was formally set up and approved on 3 March 2022. It presently comprises two (2) members:

| Name of Director | Position |
|------------------|----------|
| Alan Muir | Member |
| Tanya Abdul Ahad | Member |

The primary purpose of the ESG Committee is to assist the Board in ensuring compliance with and implementation of our ESG principles, by way of example, this includes but is in no way limited to:

- monitoring the conduct of the Company's approach to health and safety and the implementation of health and safety management systems,
- monitor the impact of the Company's business and operations on the relevant local community and social groups; and
- seek to understand the views of key stakeholders of and ensuring that the Board is aware of the processes and mechanisms used by the Company to engage with stakeholders.

Corporate governance report (Cont'd)

Board Committees - RemCom

The Remuneration, Governance and Nomination Committee (RemCom) is presently comprised of two (2) members as at year end:

| Name of Director | Position |
|------------------|----------|
| Alan Muir | Member |
| Junaid Dikko | Member |

The purpose of the Committee is to:

- assist, advise and make recommendations to the Board in respect of the matters set out in the Terms of Reference of the RemCom and oversee the annual evaluation of the Board and its committees
- make recommendations on all matters concerning remuneration of and rewards of APWAL employees

RemCom also oversees the development, and periodic review, of Board charters, all Board committee terms of reference and other governance policies, all of which are made readily available to Board and committee members.

Director Nomination Process

RemCom ensures that there is a formal, rigorous and transparent procedure for any new proposed appointments to the Board. RemCom also then oversees the formal induction and training of Directors; a proforma induction programme has been developed which is reviewed for each Director being inducted to ensure a bespoke induction and training programme is provided, as required. The RemCom also reviews, as often as is necessary, the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and its committees, and makes recommendations to the Board with regard to its findings where required.

General Company Policies

Human Resources Policy

The Human Resources Policy reflects best practices and is in conformity with relevant statutes and regulations.

Equal Opportunity: APWAL recruits and promotes employees on the basis of their suitability for the job without discriminating on grounds of race, color, ethnic or national origin, gender, age, religion, marital status, or disability unrelated to the task.

Diversity and Inclusiveness: APWAL values diversity and inclusiveness and believes employees from varied backgrounds enrich its culture, thereby supporting business success through an inclusive workplace.

Pay, Benefits and Working Conditions: APWAL remunerates fairly according to skills and performance and with reference to competitive industry and market conditions. APWAL respects and protects the dignity of employees and do not employ forced labour under any circumstance.

Professional Development: APWAL recognizes the value that all employees create and provides opportunities for personal and career development.

Environment, Health & Safety Policy

APWAL is committed to best practice during the life cycle of its projects, and we work with our contractors to implement a robust Environmental, Health and Safety Management System that aligns with the requirements of national laws, IFC performance standards and international best practices to drive continual improvement of Environmental Health and Safety (EHS) performance.

The Company maintained in 2022 an injury free workplace by aligning with its Zero Harm policy, which drives the “No Wahala” programme aimed at nurturing a culture of safety, where everyone is responsible for their safety and the safety of others. At Azura - Edo safety is everyone’s responsibility.

The Company's key EHS performance target is zero injury/Illness and zero damage to the environment where we operate. The health and safety of our host communities is equally important to us and us such we have measures in place to monitor our emissions which are within national and international guidelines. We have mechanism in place to obtain feedback from our stakeholders to ensure these are incorporated in our continual improvement process.

Corporate governance report (Cont'd)

Community Relations Policy

Consideration of community relations and community needs forms an integral part of APWAL's business planning and decision-making process. We operate at all times in accordance with established Company standards and have formally communicated our commitment to compliance with all relevant legal requirements, the Equator Principles, the Sustainability Standards of the International Finance Corporation, the Operational Policies of the World Bank, the Nigerian Sustainable Banking Principles and the core standards of the International Labour Organization (ILO). We are committed to best practices during the design, development, construction and operation of projects.

Through ongoing engagement with local communities, we look to build deep and meaningful relationships based on mutual respect and trust. We endeavour to ensure we are responsive and considerate of the needs of our stakeholders and proactively contribute to the social, environmental and economic development of local communities, the Nigerian power sector. We prioritise early and appropriate consultation with local communities with the objective of transparent disclosure and reporting of Project activities and information.

Anti-Bribery and Corruption Policy

The Board Anti-Bribery and Corruption Policy demonstrates APWAL's zero tolerance approach to bribery and corruption. It prohibits payment or receipt of facilitation payments, kickbacks, and political donations. It also sets the parameters under which Directors and employees may give or receive gifts and hospitality, deal with public officials, and make charitable donations. The Policy includes reporting, documentation, and whistleblowing provisions as well as provisions regarding the Company's zero tolerance and disciplinary action for any violation. The Company's approach to bribery and corruption is communicated to suppliers, contractors, business partners, agents, representatives and affiliated third parties at the outset of our business relationship with them and as appropriate thereafter as we confirm their ongoing acceptance of this Anti- Corruption and Bribery Policy.

Our policies and relevant governance documents are made available to all directors, management, employees and contractors.

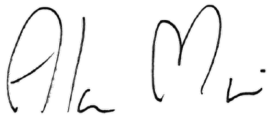
Statement of directors' responsibilities

The directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act, Laws of the Federation of Nigeria, 2020 and Financial Reporting Council of Nigeria (Amendment) Act, 2023.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, Laws of the Federation of Nigeria, 2020 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:

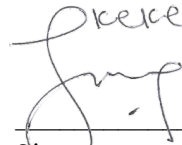


Signature

Alan Muir
FRC/2020/003/00000020821

3 July 2024

Date



Signature

Chinedu Okeke
FRC/2020/003/00000020813

3 July 2024

Date

Statement of corporate responsibility

The Chief Executive Officer and Chief Financial Officer of Azura Power West Africa Limited have reviewed the audited financial statements and accept responsibility for the financial and other information within the annual report. The following certifications and disclosures regarding the true and fair view of the financial statements as well as the effectiveness of the Internal Controls established within the Company are hereby provided below:

Financial Information

- i. The audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading.
- ii. The audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for the period ended 31 December 2023.

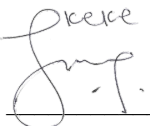
Effective Internal Controls

- i. Effective internal controls have been designed to ensure that material information relating to the Company are made known by the relevant staff, particularly during the period in which the audited financial statement is being prepared.
- ii. The effectiveness of the Company's internal controls have been evaluated within 90 days prior to 31 December 2023.
- iii. The Company's internal controls are effective as at 31 December 2023.

Disclosures

- i. There were no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data. Furthermore, there were no identified material weaknesses in the Company's internal control systems.
- ii. There were no fraud events involving Senior Management or other employees who have significant role in the Company's internal control.
- iii. There were no significant changes in internal controls or in other factors that could significantly affect internal controls.

SIGNED BY:



Signature

Managing Director
Chinedu Okeke
FRC/2020/003/00000020813

3 July 2024

Date



Signature

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

3 July 2024

Date



Independent auditor's report

To the Members of Azura Power West Africa Limited

Report on the audit of the financial statements

Our opinion

In our opinion, Azura Power West Africa Limited's ("the company's") financial statements give a true and fair view of the financial position of the company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

What we have audited

Azura Power West Africa Limited's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of material accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e., the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The directors are responsible for the other information. The other information comprises the Corporate information, Directors' report, Corporate governance report, Statement of directors' responsibilities, Statement of corporate responsibility, Value added statement and Five-year financial summary 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 an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.



Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria (Amendment) Act, 2023, 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.

Those charged with governance are responsible for overseeing the company's financial reporting process.

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 judgement and maintain professional scepticism 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 the 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Report on other legal and regulatory requirements

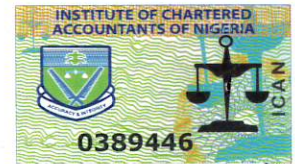
The Companies and Allied Matters Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) the company has kept proper books of account, so far as appears from our examination of those books;
- iii) the company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of accounts and returns.

A handwritten signature in blue ink, appearing to read 'Cyril Azobu', with a horizontal line underneath.

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

Engagement Partner: Cyril Azobu
FRC/2013/PRO/ICAN/004/0000000648



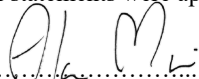
4 July 2024

Statement of financial position

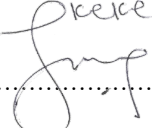
As at 31 December

| | <i>Notes</i> | <u>2023</u> | <u>2022</u> |
|--------------------------------------|------------------|---------------------------|---------------------------|
| | | <u>₦'000</u> | <u>₦'000</u> |
| ASSETS | | | |
| Property, plant and equipment | <i>11(a)</i> | 316,404,498 | 159,448,872 |
| Right-of-use assets | <i>11(b)(i)</i> | 89,569 | 82,682 |
| Contract costs | <i>16</i> | 38,366,981 | 21,379,850 |
| Intangible assets | <i>12</i> | 398,542 | 231,496 |
| Refundable deposit | <i>13(b)</i> | 18,550,635 | 14,106,600 |
| Deferred tax assets | <i>10(f)</i> | 53,766,346 | 28,625,004 |
| Interest rate swaps | <i>25</i> | 3,174,747 | 2,370,338 |
| Total non-current assets | | <u>430,751,318</u> | <u>226,244,842</u> |
| Inventories | <i>14</i> | 1,908,715 | 971,610 |
| Prepayments | <i>15</i> | 3,242,602 | 1,800,436 |
| Trade and other receivables | <i>13</i> | 181,463,124 | 93,392,778 |
| Cash and cash equivalents | <i>17</i> | 97,782,460 | 39,374,628 |
| Total current assets | | <u>284,396,901</u> | <u>135,539,452</u> |
| Total assets | | <u>715,148,219</u> | <u>361,784,294</u> |
| EQUITY AND LIABILITIES | | | |
| Share capital | <i>18</i> | 10,000 | 10,000 |
| Share premium | <i>19</i> | 27,872 | 27,872 |
| Retained earnings | | 84,936,515 | 59,454,736 |
| Hedging reserve | <i>20(a)</i> | 3,606,131 | (1,699,656) |
| Translation reserve | <i>20(b)</i> | 45,215,880 | (6,755,547) |
| Total equity | | <u>133,796,398</u> | <u>51,037,405</u> |
| Deferred tax liabilities | <i>10(f)</i> | - | - |
| Loans and borrowings | <i>21(b)</i> | 382,582,196 | 217,379,679 |
| Lease liabilities | <i>11(b)(ii)</i> | 72,113 | 40,138 |
| Deferred income | <i>22</i> | 19,646,539 | 11,048,065 |
| Total non-current liabilities | | <u>402,300,848</u> | <u>228,467,882</u> |
| Loans and borrowings | <i>21(b)</i> | 123,538,058 | 49,071,126 |
| Lease liabilities | <i>11(b)(ii)</i> | 1,900 | 41,124 |
| Provisions | <i>23</i> | 11,214 | 5,971 |
| Trade and other payables | <i>24(a)</i> | 52,011,936 | 32,198,673 |
| Current tax liabilities | <i>24(b)</i> | 1,924,454 | 147,451 |
| Deferred income | <i>22</i> | 1,563,411 | 814,662 |
| Total current liabilities | | <u>179,050,973</u> | <u>82,279,007</u> |
| Total liabilities | | <u>581,351,821</u> | <u>310,746,889</u> |
| Total equity and liabilities | | <u>715,148,219</u> | <u>361,784,294</u> |

These financial statements were approved by the Board of directors on 3 July 2024 and signed on its behalf by:

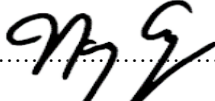
.....


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 19 to 59 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

For the year ended 31 December

| | <i>Notes</i> | <u>2023</u> ₦'000 | <u>2022</u> ₦'000 |
|---|--------------|----------------------------|----------------------------|
| Revenue | 6 | 238,643,896 | 158,441,919 |
| Other income | 7(b) | 17,054,778 | 1,483,048 |
| Gross income | | <u>255,698,674</u> | <u>159,924,967</u> |
| Fuel and related costs | 7(a) | (126,107,131) | (80,233,882) |
| Administrative expenses | 7(a) | (9,939,660) | (6,848,115) |
| Depreciation and Amortization | 7(a) | (18,454,055) | (12,159,430) |
| Operating profit | | <u>101,197,828</u> | <u>60,683,540</u> |
| Finance income | 8(a) | 3,990,834 | 1,011,410 |
| Finance cost | 8(a) | (74,868,582) | (38,473,066) |
| Net finance costs | | <u>(70,877,748)</u> | <u>(37,461,656)</u> |
| Fair value (loss)/gain on interest rate swaps | 8(b) | (1,314,021) | 3,904,913 |
| Profit before taxation | | <u>29,006,059</u> | <u>27,126,797</u> |
| Taxation | 10(a) | (3,524,280) | 4,159,480 |
| Profit for the year | | <u>25,481,779</u> | <u>31,286,277</u> |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Foreign currency translation difference | | 51,971,427 | (562,276) |
| Hedging losses reclassified to profit or loss | 20(a) | 1,699,656 | 2,151,227 |
| Effective portion of cashflow hedge | 20(a) | 3,174,746 | - |
| Income tax relating on cash flow hedge | 10(b) | 431,385 | (1,639,215) |
| Hedging reserve | | <u>5,305,787</u> | <u>512,012</u> |
| Other comprehensive loss, net of tax | | <u>57,277,214</u> | <u>(50,264)</u> |
| Total comprehensive income for the year | | <u>82,758,993</u> | <u>31,236,013</u> |

The notes on pages 19 to 59 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 2023 | 10,000 | 27,872 | 59,454,736 | (1,699,656) | (6,755,547) | 51,037,405 |
| Total comprehensive income | | | | | | |
| Profit for the year | - | - | 25,481,779 | - | - | 25,481,779 |
| Other comprehensive loss | - | - | - | 5,305,787 | 51,971,427 | 57,277,214 |
| Total comprehensive income for the year | - | - | 25,481,779 | 5,305,787 | 51,971,427 | 82,758,993 |
| Balance at 31 December 2023 | 10,000 | 27,872 | 84,936,515 | 3,606,131 | 45,215,880 | 133,796,398 |
| | Share capital | Share premium | Retained earnings | Hedging reserve | Translation reserve | Total equity |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Balance at 1 January 2022 | 3,874 | 33,998 | 28,168,459 | (2,211,668) | (6,193,271) | 19,801,392 |
| Total comprehensive income | | | | | | |
| Profit for the year | - | - | 31,286,277 | - | - | 31,286,277 |
| Other comprehensive loss | - | - | - | 512,012 | (562,276) | (50,264) |
| Total comprehensive income for the year | - | - | 31,286,277 | 512,012 | (562,276) | 31,236,013 |
| Issue of ordinary shares, net of transaction costs and tax | 6,126 | (6,126) | - | - | - | - |
| Balance at 31 December 2022 | 10,000 | 27,872 | 59,454,736 | (1,699,656) | (6,755,547) | 51,037,405 |

The notes on pages 19 to 59 are an integral part of these financial statements.

Statement of cash flows
For the year ended 31 December

| | <i>Notes</i> | 2023 | 2022 |
|--|------------------|--------------|--------------|
| | | ₦'000 | ₦'000 |
| Cash flows from operating activities | | | |
| Profit before taxation | | 29,006,059 | 27,126,797 |
| Adjustments for: | | | |
| - Interest cost expensed | <i>8(a)</i> | 67,629,480 | 34,784,001 |
| - Write-off of property, plant and equipment | <i>11</i> | 2,079 | 5,922 |
| - Government grant | <i>7(b)</i> | (1,102,134) | (719,512) |
| - Amortisation of plant accommodation | <i>22</i> | (49,933) | (32,598) |
| - Depreciation of PPE | <i>11(a)</i> | 16,376,060 | 10,802,847 |
| - Depreciation of ROU assets | <i>11(b)(i)</i> | 70,243 | 47,794 |
| - Amortisation of contract costs | <i>16(b)</i> | 1,972,507 | 1,287,721 |
| - Amortisation of intangible assets | <i>12</i> | 35,245 | 21,069 |
| - Fair value loss/(gain) | <i>8(a)</i> | 1,314,021 | (3,904,913) |
| - Change in fair value of the hedging instrument | <i>20</i> | 3,174,746 | - |
| - Hedging losses/(gains) recycled from the hedging reserve | <i>20</i> | 1,699,656 | 2,151,227 |
| - Other income - spare part | <i>7(b)(iii)</i> | (12,095,848) | - |
| - Net exchange differences | | 146,516,531 | 2,628,860 |
| | | 254,548,712 | 74,199,215 |
| Changes in working capital: | | | |
| - Increase in trade and other receivables | | (92,514,381) | (42,808,857) |
| - Increase in prepayments | | (1,442,166) | (71,367) |
| - Increase in inventory | | (937,105) | (446,738) |
| - Increase in trade and other payables | | 19,813,263 | 19,014,278 |
| Cash generated from operating activities | | 179,468,323 | 49,886,531 |
| Income taxes paid | <i>24(b)</i> | (265,300) | (34,281) |
| Resettlement costs paid | <i>23</i> | - | - |
| Net cash generated from operating activities | | 179,203,023 | 49,852,250 |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment | <i>11(a)</i> | (32,041,804) | (1,800,007) |
| Acquisition of intangible assets | <i>12</i> | (1,939) | (99,154) |
| Payments for financial assets at fair value through other comprehensive income | | - | (1,031,956) |
| Net cash used in investing activities | | (32,043,743) | (2,931,117) |
| Cash flows from financing activities | | | |
| Interest paid | <i>21(b)</i> | (40,578,730) | (27,455,287) |
| Principal repaid | <i>21(b)</i> | (48,106,065) | (17,945,124) |
| Lease payments | <i>11(b)(ii)</i> | (66,653) | (31,056) |
| Net cash used in financing activities | | (88,751,448) | (45,431,467) |
| Net increase in cash and cash equivalents | | 58,407,832 | 1,489,666 |
| Cash and cash equivalents at 1 January | | 39,374,628 | 37,884,962 |
| Cash and cash equivalents at 31 December | <i>17</i> | 97,782,460 | 39,374,628 |

The notes on pages 19 to 59 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) Statement of compliance

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 (Amendment) Act, 2023.

These financial statements were authorised for issue by the Company's Board of Directors on 3 July 2024.

(b) Basis of measurement

These financial statements 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).

Details of the Company's significant accounting policies are included in Note 5 and the methods used to determine fair values for initial recognition and disclosure purposes are discussed further in Note 3(iii).

(c) 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 using the average rates for the year;
- cash flows are translated at the exchange rate at the date of the transactions;
- 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

Information about judgements made in applying the accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following notes:

- Note 26(a) - establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.
- Note 26(e) - classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

(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 2023 is included in the following notes:

- Note 11(a) - Accounting for depreciation method, useful life and residual value.

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.
- Note 26(a) - Impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

(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(e) - Fair values

4. Changes in accounting policies

(a) **New and amended standards adopted by the Company**

The Company has applied the following amendments for the first time for its annual reporting period commencing 1 January 2023, and have had no impact on the Company's financial statements:

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
The IASB amended IAS 1 Presentation of Financial Statements to require entities to disclose their material rather than their significant accounting policies which the company has adopted. Furthermore, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures which the company has considered in determining which accounting policies are to be disclosed.
- Definition of Accounting Estimates – Amendments to IAS 8
The standard clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
These amendments require the company to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities.

Notes to the financial statements

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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;
- interest expense on lease liabilities;
- unwinding of the discount on provisions and contingent settlements;
- interest on receivables;
- other financial and transaction costs;
- 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 fair value through profit or loss (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; fair value through other comprehensive income (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:

Notes to the financial statements

- 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.

Financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

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.

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 reasonable 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.

Financial assets – Subsequent measurement and gains and losses

| | |
|------------------------------------|--|
| 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. |
|------------------------------------|--|

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 recognised in profit or loss. Any effect of changes in projected cashflows is also recognised in profit or loss.

See Note 5(c)(vi) 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.

Notes to the financial statements

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.

The Company classifies its financial liabilities into current and non-current portion. The current portion is the expected cash flows falling due within the next 12 months while the non-current portion is expected to fall due after 12 months.

(iv) *Offsetting*

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

(v) *Modification*

When the contractual cashflows of a financial instrument are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of the financial instrument, the Company recalculates the gross carrying amount of the financial instrument and recognises a modification gain or loss immediately within finance income/(cost) at the date of the modification. The gross carrying amount of the financial instrument is recalculated as the present value of the renegotiated or modified contractual cashflows that are discounted at the financial instrument's original effective interest rate.

To determine if the modification required to be made would not lead to the derecognition of the financial instrument, the Company carries out the quantitative test (The net present value of the cash flows under the new terms discounted at the original effective interest rate (EIR) is at least 10% different from the carrying amount of the original debt). If the result is more than 10%, it is referred to as a substantial modification and the Company recognises a modification of the financial instrument with derecognition. If the result is less than 10%, the Company recognises a modification without derecognition of the financial instrument and the impact of the modification recognised directly in profit and loss.

(vi) *Derivative financial instruments and hedge accounting*

The Company holds derivative financial instruments to hedge its interest rate risk exposures. The Company uses derivative financial instruments, such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Company enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Company does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps.

The source of hedge ineffectiveness includes:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and

For the purpose of hedge accounting, hedges are classified as:

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Notes to the financial statements

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. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. 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 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. Hedge accounting was applied as of 31 December 2023. Hedge accounting was not applied in prior year as the hedge did not meet the hedge effectiveness criteria.

(vii) Fair value measurement

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

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

(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 are accounted for appropriately. See note 5(f).

(e) Impairment

Non-derivative Financial Assets

Financial instruments and contract assets

The Company recognises loss allowances for Expected Credit Losses (ECL) 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 including forward-looking information.

Notes to the financial statements

The Company considers a financial asset to be in default when:

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset. Financial assets not classified at fair value through profit or loss are assessed at each reporting date.

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 and recognised in profit or loss under the administrative expenses.

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. 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. Recoveries are recognised in the profit or loss as "Other income".

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. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable parties.

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

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Taxation

Income tax expense comprises current tax (company income tax and tertiary education tax) and deferred tax. 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.

(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

Notes to the financial statements

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

As stated in Note 2(c), the Company's functional currency is the US Dollars. The Company's taxable profit or tax loss (and, hence, the tax base of its non-monetary assets and liabilities) is also determined in USD. The Company however elects to convert the taxable profit or loss to Naira for payment purposes in accordance with the Companies Income Tax act (CITA). While section 54 of the CITA requires that taxes are paid in the currency in which the transaction giving rise to it was effected, the translation of the tax liability from USD to Naira is a practical solution that allows the Company pay its taxes in Naira and reduce the need to source for foreign exchange for this purpose.

(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.

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.

Notes to the financial statements

Deferred tax assets and liabilities shall be offset if, and only if:

- there is a legally enforceable right to set off current tax assets and liabilities, and
- the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either:
 - i. the same taxable entity, or
 - ii. different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Gas Utilisation Incentive (GUI) Tax Regime

The GUI is available to Companies engaged in the utilisation of gas. Under the incentive, companies are entitled to:

- A tax-free period of three years which may be renewed for further two years OR 35% investment allowance.
- Accelerated capital allowance after the tax-free period.
- Tax free dividends during the tax-free period.

The Company was granted the Gas Utilization Incentive (GUI) under Section 39 of the CITA following the certification of commercial production date by the Federal Minister of Petroleum. The incentive grants a tax holiday to the Company effective May 2018 and expiring after three (3) years in May 2021, in the first instance, and was renewed for another two years until May 2023.

(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 generation assets 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 generation 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 costs 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. Land is not depreciated.

The Company's generating plants are generally depreciated using a straight-line method over the duration of the power purchase agreement (PPA).

Replacement parts 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:

Notes to the financial statements

| Type of Asset | Basis |
|---------------------------------|------------|
| Generation Assets | |
| Power plant equipment | 20 years |
| Componentised replacement parts | 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 |
| Machinery and tools | 10 years |
| Building | 20 years |

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.

(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 license 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 useful life of the asset, considering the cost of the assets 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 license and software are 10 years and 4 years respectively. Amortisation of the license commenced on the power generation date till the date of expiry of the license and as such will be amortised effectively over 120 months.

(i) Leases

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.

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.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Notes to the financial statements

The right-of-use asset are generally 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.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. IFRS 16 provides lessees with an election not to recognise a right-of-use asset and lease liability for leases for which the underlying asset is of low value. The Company classifies assets worth \$500 (¥0.2 million) and below as low-value.

In addition, in line with IFRS 16, the Company defines a short-term lease as one that has a lease term of 12 months or less without any purchase options.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors, including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(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.

Notes to the financial statements

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.

(l) Government grants

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

(m) Statement of cash flows

The statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows have been eliminated for the purpose of preparing the statement. 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. Revenue is earned over a period of time in line with the continuous generation of power signed in the PPA.

The Company currently generates its revenue from various components of the tariff as follows; capacity generated, energy shared, reimbursables and the start-up 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. Capacity revenue is earned over a period of time.

Notes to the financial statements

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. Energy revenue is earned over a period of time.

Performance obligations

On the basis that the customer, NBET cannot benefit from capacity payments on its own and capacity and energy delivered are not sold separately 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 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. Reimbursable revenue is earned over a period of time.

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). There was no take-or-pay during the year (2020: Nil)

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. Start up revenue is earned at a point in time.

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 penalty 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.

Contract costs are recovered overtime from the tariff agreed with the off taker over the life of the Power Purchase Agreement.

At each reporting date, the Company reviews the carrying amounts of the contract costs to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount is estimated.

Notes to the financial statements

| 6 Revenue | 2023 | 2022 |
|---------------|--------------------|--------------------|
| | ₦'000 | ₦'000 |
| Capacity | 116,028,795 | 81,595,352 |
| Energy | 6,158,689 | 4,233,914 |
| Reimbursables | 116,456,412 | 72,612,653 |
| | 238,643,896 | 158,441,919 |

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.

Timing of revenue recognition

| | Capacity | Energy | Reimbursables | Start-up revenue | Total |
|-------------|--------------------|------------------|--------------------|---------------------|--------------------|
| 2023 | | | | | |
| Over time | 116,028,795 | 6,158,689 | 116,456,412 | - | 238,643,896 |
| | 116,028,795 | 6,158,689 | 116,456,412 | - | 238,643,896 |
| 2022 | | | | | |
| Over time | 81,595,352 | 4,233,914 | 72,612,653 | - | 158,441,919 |
| | 81,595,352 | 4,233,914 | 72,612,653 | - | 158,441,919 |

7 Expenses and other Income

(a) Expenses by nature

Expenses by nature comprise:

| | 2023 | 2022 |
|---|--------------------|-------------------|
| | ₦'000 | ₦'000 |
| Gas purchase and transport costs | 112,403,366 | 69,795,083 |
| Operations and maintenance expense | 9,418,591 | 6,184,684 |
| Regulatory charges | 2,250,114 | 1,399,020 |
| Long term maintenance expense | 2,035,060 | 2,855,095 |
| Total fuel and related costs | 126,107,131 | 80,233,882 |
| Integrated service fees | 1,016,097 | 693,887 |
| Professional fees | 1,131,506 | 594,014 |
| Auditors remuneration (Note 9(a)(ii)) | 132,436 | 82,734 |
| Operational insurance | 2,919,679 | 1,850,130 |
| Other insurance (Note 7a(i)) | 2,846,960 | 2,036,035 |
| Employee benefit expense (Note 9(b)(i)) | 517,372 | 417,171 |
| Community and public relations | 176,636 | 50,553 |
| Software license cost | 23,099 | 15,988 |
| Donations (Note 7a(ii)) | 246,335 | 504,795 |
| Other office and administrative expenses (Note 7a(iii)) | 929,540 | 602,808 |
| Total administrative expenses | 9,939,660 | 6,848,115 |
| Depreciation of generation assets (Note 11(a)) | 15,915,621 | 10,537,041 |
| Depreciation of non generation assets (Note 11(a)) | 460,439 | 265,805 |
| Depreciation of right of use assets (Note 11(b)(i)) | 70,243 | 47,794 |
| Amortisation of contract costs (Note 16(b)) | 1,972,507 | 1,287,721 |
| Amortisation of generation license (Note 12(b)) | 12,547 | 8,191 |
| Amortisation of intangible asset (Note 12(b)) | 22,698 | 12,878 |
| Total depreciation and amortisation | 18,454,055 | 12,159,430 |

Notes to the financial statements

- (i) Included in other insurance is the guarantee premium for Partial Risk Guarantee (PRG) and Multilateral Investment Guarantee Agency (MIGA) of ₦1.34 billion (\$2.07 million) (2022: ₦0.99 billion (\$2.32 million)) paid on the amounts drawn down as of the year end on the PRG and MIGA covered loan facilities. These are requirements of the Common Terms Agreement (CTA). See Note 21(a)(ii).
- (ii) Included in current year donations is an amount of ₦227 million (\$0.40 million) (2022: ₦473.88 million (\$1.12 million)) spent on corporate social responsibility, ₦19.29 million (\$24,466) (2022: ₦3.18 million (\$7,292)) spent on Christmas gifts and nil (2022: ₦27.85 million (\$64,919)) spent on branded gifts.
- (iii) Other office and administrative expenses include transport and traveling amounting to ₦398 million (\$0.61 million) (2022: ₦250.36 million (\$0.59 million)), bank charges amounting to ₦91 million (\$0.14 million) (2022: ₦66.40 million (\$0.15 million)), security expenses amounting to ₦117 million (\$0.18 million) (2022: ₦90.88 million (\$0.21 million)), other office supplies amounting to ₦124 million (\$0.19 million) (2022: ₦57.39 million (\$0.14 million)), IT and telephone expenses amounting to ₦58 million (\$0.09 million) (2022: ₦44.52 million (\$0.10 million)) and repairs and maintenance cost amounting to ₦58 million (\$0.09 million) (2022: ₦15.80 million (\$0.04 million)).

(b) Other income

| | <u>2023</u> | <u>2022</u> |
|--|--------------------------|-------------------------|
| | ₦'000 | ₦'000 |
| Ancillary Services (Note 7(b)(i)) | 48,834 | 104,088 |
| Government grant (Note 22) | 1,102,134 | 719,512 |
| Other income (Note 7(b)(ii)) | 3,758,029 | 626,850 |
| Other income - spare part (Note 7(b)(iii)) | 12,095,848 | - |
| Rent of plant accommodation (Note 22) | 49,933 | 32,598 |
| | <u><u>17,054,778</u></u> | <u><u>1,483,048</u></u> |

- (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.
- (ii) Other income represents a charge back to NBET for an increase in VAT rate of 2.5% amounting to ₦348 million (\$0.44 million) (2022: ₦260.17 million (\$0.56 million)), bank interest amounting to ₦3.24 billion (\$4.71 million) and insurance income amounting to ₦2.90 billion (\$4.95 million) (2022: ₦365.38 million (\$0.84 million)).
- (iii) Other income - spare part represents payments previously made to Siemens AG under the Long Term Maintenance Contract (LTMC) for offshore variable EOH fees Euro. These payments have been previously expensed but now capitalised due to the revised understanding of the LTMC.

8 (a) Net finance costs

| | <u>2023</u> | <u>2022</u> |
|---|----------------------------|----------------------------|
| | ₦'000 | ₦'000 |
| Finance income | | |
| Interest income on receivables (Note 8(a)(i)) | 3,944,065 | 1,011,410 |
| Modification gain on lease liabilities (Note 11(b)(ii)) | 46,769 | - |
| | <u><u>3,990,834</u></u> | <u><u>1,011,410</u></u> |
| Finance costs | | |
| Interest costs (Note 21(b)) | (67,622,112) | (34,775,110) |
| Interest expense on lease liabilities (Note 11(b)(ii)) | (7,368) | (8,891) |
| Interest cost expensed | (67,629,480) | (34,784,001) |
| Hedging arrangement fee (Note 8(a)(iii)) | (1,324,446) | - |
| Cash flow hedge reclassified from OCI (Note 20(a)) | (1,699,656) | (2,151,227) |
| Net foreign exchange loss | (2,533,137) | (717,857) |
| Other financing fees (Note 8(a)(ii)) | (1,681,863) | (819,981) |
| | <u><u>(74,868,582)</u></u> | <u><u>(38,473,066)</u></u> |
| Net finance costs | <u><u>(70,877,748)</u></u> | <u><u>(37,461,656)</u></u> |

Notes to the financial statements

- (i) Interest income represents interest charged on late payment of energy invoices issued to Nigeria Bulk Electricity Trading Plc (NBET). At the effective date of LIBOR transition to SOFR, interest applicable is 1.58% plus 6M Term SOFR per annum on the USD past due receivables (2% plus 3-Months LIBOR before transition to Term SOFR) and 2% plus 3-Months NIBOR per annum on the Naira past due receivables.
- (ii) Other financing fees represents costs such as monitoring fees and withholding taxes on interest payment made during the year as servicing fees for the Company's external loan facilities.
- (iii) Amount represents 15 Nov 2023 in the money value of the extinguished swap contracts of ₦2.24 billion (\$1.05 million) embedded into the new swap contracts.

8 (b) Net fair value (losses)/gains on interest rate swaps

| | 2023 | 2022 |
|----------------------------------|--------------------|------------------|
| | ₦'000 | ₦'000 |
| Fair value (loss)/gain (Note 25) | (1,314,021) | 3,904,913 |
| | (1,314,021) | 3,904,913 |

The cash flow hedge is effective as at year end, therefore, hedge accounting recommenced. Fair value gains/losses on interest rate swaps recognised directly in profit or loss was ₦1.31 billion (\$1.67 million) (2022: ₦3.90 billion (\$8.47 million)) has been recognised directly in profit or loss.

9 Profit before taxation

- (a) (i) Profit before taxation is stated after charging:

| | 2023 | 2022 |
|--|------------|------------|
| | ₦'000 | ₦'000 |
| Depreciation of property, plant and equipment (Note 11(a)) | 16,376,060 | 10,802,847 |
| Auditor's remuneration (Note 9(a)(ii)) | 132,436 | 82,734 |
| Employee benefit expense (Note 9(b)(i)) | 517,372 | 417,171 |
| Net foreign exchange (gain)/loss (Note 8(a)) | - | 717,857 |

- (ii) *Auditor's remuneration*

| | 2023 | 2022 |
|----------------|----------------|---------------|
| | ₦'000 | ₦'000 |
| Audit fees | 91,331 | 53,200 |
| Non-audit fees | 41,105 | 29,534 |
| | 132,436 | 82,734 |

Assurance Service Providers:

| Name of Signer | FRC Number | Name of Firm | Services Rendered |
|-----------------|-----------------------------------|------------------------------|-------------------|
| Cyril Azobu | FRC/2013/PRO/ICAN/004/00000000648 | PwC | Regulatory Audit |
| Killian Khanoba | FRC/2013/PRO/ICAN/004/00000001624 | Pedabo Professional Services | Tax Services |

- (b) Directors and employees

- (i) Personnel expenses during the year comprise:

| | 2023 | 2022 |
|---------------------------------|----------------|----------------|
| | ₦'000 | ₦'000 |
| Salaries and allowances | 391,406 | 315,356 |
| Annual Bonus | 93,894 | 76,513 |
| Employer's pension contribution | 32,072 | 25,302 |
| | 517,372 | 417,171 |

Notes to the financial statements

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

| | <u>2023</u> | <u>2022</u> |
|----------------------|---------------|---------------|
| | <u>Number</u> | <u>Number</u> |
| Finance | 5 | 5 |
| Commercial | 2 | 2 |
| Operations | 1 | 1 |
| Legal & Compliance | 2 | 2 |
| Community Relations | 3 | 2 |
| Administration | 12 | 11 |
| Government Relations | 1 | 2 |
| | <u>26</u> | <u>25</u> |

(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:

| | <u>2023</u> | <u>2022</u> |
|------------------------|---------------|---------------|
| ₦ | <u>Number</u> | <u>Number</u> |
| Below 1,000,000 | 2 | - |
| 1,000,001 - 3,000,000 | 7 | 9 |
| 3,000,001 - 5,000,000 | 3 | 2 |
| 5,000,001 - 7,000,000 | 3 | 1 |
| 7,000,001 - 11,000,000 | 1 | 3 |
| Above 11,000,000 | 10 | 10 |
| | <u>26</u> | <u>25</u> |

(iv) The independent non-executive director of the Company received remuneration amounting to ₦39.52 million (\$0.05 million) during the year (2022: ₦20 million (\$0.05 million)). The managing director is seconded from APHL under the ISA agreement and is not paid by the Company.

10 Taxation

(a) Tax recognised in profit or loss

The Company obtained a Gas Utilisation Incentive (GUI) on 24 May 2018 which exempted the company from income taxes on income generated from its principal business activity. Under the GUI Scheme, the Company was granted a tax holiday for an initial period of three tax years which was extended for an additional two years upon satisfaction of specified conditions.

Upon the expiration of the tax-exempt status (GUI) on 23 May 2023, the company is now subject to corporate income tax under the Company Income Tax (CIT) Act as amended to date and Tertiary Education Tax (TET) Act for the post-GUI period namely 24 May 2023 to 31 December 2023.

| | <u>2023</u> | <u>2022</u> |
|---|------------------|--------------------|
| | <u>₦'000</u> | <u>₦'000</u> |
| Current tax expense | | |
| Income tax | 393,599 | 135,009 |
| Tertiary education tax | 1,513,087 | 11,251 |
| Charge for the year | <u>1,906,686</u> | <u>146,260</u> |
| Deferred tax expense/(credit) | | |
| Origination and reversal of temporary differences | 1,617,594 | (4,305,740) |
| | <u>3,524,280</u> | <u>(4,159,480)</u> |

The Company has a tax liability of ₦1.91 billion (\$2.15 million) as at 31 December 2023 (2022: ₦146.26 million (\$0.32 million)) resulting from income on GUI activities.

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

| | <u>2023</u> | <u>2022</u> |
|---------------------------|----------------|------------------|
| | <u>₦'000</u> | <u>₦'000</u> |
| Cashflow hedges (Note 20) | 431,385 | 1,639,215 |
| | <u>431,385</u> | <u>1,639,215</u> |

Notes to the financial statements

10 (c) Reconciliation of effective tax rates

| | 2023 | 2022 |
|--|--------------------|--------------------|
| | ₦'000 | ₦'000 |
| Profit before taxation | 29,006,059 | 27,126,797 |
| 30% of profit before taxation | 8,701,818 | 8,138,039 |
| Adjustment for permanent differences | | |
| Amortisation of contract cost | (803,030) | (390,499) |
| Corporate social responsibility | (4,118) | (6,565) |
| Loan related expenses | (631,428) | (237,662) |
| Other income | 393,599 | 10,709 |
| Cashflow Hedge | (1,782,302) | - |
| Fair Value Loss on interest rate swap | (442,500) | - |
| Asset Write off | (717) | - |
| Disallowed professional & consulting expenses | (30,961) | - |
| Fair value adjustments- interest expenses | (2,042,967) | (3,517,738) |
| Government grant | 448,691 | 236,373 |
| Movement in unutilized tax losses and capital allowances | (5,383,764) | (88,519) |
| Modification Gain on lease liabilities | 15,674 | - |
| Losses Relieved | - | - |
| Impact of Gas Utilization Incentive (GUI) | 17,385,442 | 14,663,456 |
| | 7,121,621 | 10,669,555 |
| Adjustment for other taxes | | |
| Tertiary education tax | (1,513,087) | (11,251) |
| | (1,513,087) | (11,251) |
| Total tax/ (tax credit) for the year | 3,093,285 | (2,520,265) |
| Tax Charges | | |
| Company income tax | 393,599 | 135,009 |
| Tertiary education tax | 1,513,087 | 11,251 |
| Deferred tax credit - profit or loss | 1,617,594 | (4,305,740) |
| Deferred tax expense - other comprehensive income | (430,995) | 1,639,215 |
| Total tax credit | 3,093,285 | (2,520,265) |

(d) Estimates and assumptions, including uncertainty over income tax treatments

The Company is subject to income tax in Nigeria and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the company recognises tax liabilities based on estimates of whether additional taxes and interest will be due.

These tax liabilities are recognised when, despite the company's belief that its tax return positions are supportable, the company believes it is more likely than not that a taxation authority would not accept its filing position. In these cases, the company records its tax balances based on either the most likely amount or the expected value, which weights multiple potential scenarios. The company believes that its accruals for all tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law.

There are no uncertain tax positions that are material as at 31 December 2023. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different from the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

Notes to the financial statements (cont'd)

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

Deferred tax assets and liabilities 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 | |
|--------------------------------|-------------------|-------------------|--------------------|------------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Property, plant and equipment | 39,677,312 | 17,267,349 | - | - | 39,677,312 | 17,267,349 |
| Unrelieved losses | 6,215,352 | 10,914,301 | - | - | 6,215,352 | 10,914,301 |
| Foreign exchange difference | 6,869,358 | 1,259,274 | - | - | 6,869,358 | 1,259,274 |
| Excess interest | 2,077,795 | - | - | - | 2,077,795 | - |
| Provision for land settlements | 3,701 | 1,940 | - | - | 3,701 | 1,940 |
| ROU Asset | - | - | (29,589) | (26,815) | (29,589) | (26,815) |
| Deferred income | - | - | - | (20,645) | - | (20,645) |
| Derivatives | - | - | (1,047,583) | (770,400) | (1,047,583) | (770,400) |
| | 54,843,518 | 29,442,864 | (1,077,172) | (817,860) | 53,766,346 | 28,625,004 |

(f) The movement on the deferred tax assets is as follows:

| | Balance 1 January 2022 | Recognized in profit or loss | Recognized in OCI | Translation difference | Balance 31 December 2022 | Recognized in profit or loss | Recognized in OCI | Translation difference | Balance 31 December 2023 |
|--------------------------------|------------------------------|---------------------------------|----------------------|---------------------------|-----------------------------|---------------------------------|----------------------|---------------------------|--------------------------------|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Property, plant and equipment | 12,309,488 | 3,560,303 | - | 1,397,558 | 17,267,349 | 6,529,530 | - | 15,880,432 | 39,677,312 |
| Unrelieved losses | 9,801,563 | - | - | 1,112,738 | 10,914,301 | (13,814,850) | - | 9,115,900 | 6,215,352 |
| Foreign exchange difference | 199,531 | 1,037,250 | - | 22,493 | 1,259,274 | 4,450,665 | - | 1,159,419 | 6,869,358 |
| Excess interest | 258,214 | (287,664) | - | 29,450 | - | 2,077,980 | - | (184) | 2,077,795 |
| Provision for land settlements | - | 1,844 | - | 96 | 1,940 | - | - | 1,760 | 3,701 |
| ROU Asset | - | (26,738) | - | (77) | (26,815) | 22,125 | - | (24,898) | (29,589) |
| Deferred income | (37,082) | 20,745 | - | (4,308) | (20,645) | 39,825 | - | (19,180) | - |
| Derivatives | 780,237 | - | (1,639,215) | 88,578 | (770,400) | - | 430,995 | (708,178) | (1,047,583) |
| | 23,311,951 | 4,305,740 | (1,639,215) | 2,646,528 | 28,625,004 | (694,725) | 430,995 | 25,405,071 | 53,766,346 |

Notes to the Financial Statements

11 Property, plant and equipment

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

| | GENERATION ASSETS | | | NON-GENERATION ASSETS | | | | | | | Total |
|----------------------------------|----------------------------|--------------------|------------------|-----------------------|----------------------|--------------------|-------------------|-------------------|------------------|---------------------------|--------------------|
| | Power generating equipment | Buildings | Motor Vehicles | Office Equipment | Furniture & Fittings | Computer Equipment | Plant & Machinery | Buildings | Land | Assets Under Construction | |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Cost: | | | | | | | | | | | |
| Balance at 1 January 2022 | 130,580,939 | 57,677,587 | 392,573 | 7,494 | 54,378 | 44,514 | 16,338 | 3,873,347 | 2,893,500 | 8,158 | 195,548,828 |
| Additions | - | - | 139,174 | 7,377 | 2,142 | 10,711 | 57,774 | 6,539 | - | 1,576,290 | 1,800,007 |
| Write-off | - | - | (20,429) | - | - | (1,677) | - | - | - | - | (22,106) |
| Translation Difference | 14,824,406 | 6,547,939 | 53,022 | 20,621 | 4,984 | 5,697 | (13,276) | 443,462 | 328,489 | 113,152 | 22,328,496 |
| Balance at 31 December 2022 | 145,405,345 | 64,225,526 | 564,340 | 35,492 | 61,504 | 59,245 | 60,836 | 4,323,348 | 3,221,989 | 1,697,600 | 219,655,225 |
| Balance at 1 January 2023 | 145,405,345 | 64,225,526 | 564,340 | 35,492 | 61,504 | 59,245 | 60,836 | 4,323,348 | 3,221,989 | 1,697,600 | 219,655,225 |
| Additions | 10,458,709 | - | - | 17,849 | 28,546 | 23,163 | 316,373 | 15,116 | - | 9,086,200 | 19,945,956 |
| Major overhaul (Note 7(b)(iii)) | 12,095,848 | - | - | - | - | - | - | - | - | - | 12,095,848 |
| Write-off | - | - | - | - | - | (5,930) | - | - | - | - | (5,930) |
| Transfers | 7,132,814 | - | - | - | 31,536 | - | 115,247 | 1,800,923 | - | (9,080,520) | - |
| Translation Difference | 133,733,451 | 59,070,766 | 519,046 | 268,456 | 59,771 | 54,489 | (180,746) | 3,973,152 | 2,963,392 | 1,561,412 | 202,023,189 |
| Balance at 31 December 2023 | 308,826,167 | 123,296,292 | 1,083,386 | 321,797 | 181,357 | 130,967 | 311,710 | 10,112,539 | 6,185,381 | 3,264,692 | 453,714,288 |
| Accumulated depreciation | | | | | | | | | | | |
| Balance at 1 January 2022 | 31,818,134 | 10,574,224 | 370,874 | 3,062 | 26,463 | 32,176 | 15,021 | 709,180 | - | - | 43,549,134 |
| Charge for the year (Note 11(a)) | 7,571,312 | 2,965,729 | 42,663 | 2,716 | 10,114 | 6,439 | 4,667 | 199,207 | - | - | 10,802,847 |
| Write-off | - | - | (16,184) | - | - | - | - | - | - | - | (16,184) |
| Translation Difference | 4,272,422 | 1,446,003 | 45,616 | 18,752 | 3,887 | 3,015 | (16,139) | 97,000 | - | - | 5,870,556 |
| Balance at 31 December 2022 | 43,661,868 | 14,985,956 | 442,969 | 24,530 | 40,464 | 41,630 | 3,549 | 1,005,387 | - | - | 60,206,354 |
| Balance at 1 January 2023 | 43,661,868 | 14,985,956 | 442,969 | 24,530 | 40,464 | 41,630 | 3,549 | 1,005,387 | - | - | 60,206,354 |
| Charge for the year (Note 11(a)) | 11,372,774 | 4,542,846 | 52,725 | 29,173 | 16,399 | 13,327 | 15,162 | 333,653 | - | - | 16,376,060 |
| Write-off | - | - | - | - | - | (3,851) | - | - | - | - | (3,851) |
| Translation Difference | 43,739,988 | 15,405,147 | 426,241 | 28,683 | 42,631 | 43,614 | 7,576 | 1,037,346 | - | - | 60,731,226 |
| Balance at 31 December 2023 | 98,774,631 | 34,933,949 | 921,936 | 82,387 | 99,494 | 94,720 | 26,287 | 2,376,386 | - | - | 137,309,789 |
| Carrying amounts | | | | | | | | | | | |
| At 31 December 2022 | 101,743,477 | 49,239,570 | 121,371 | 10,962 | 21,040 | 17,615 | 57,287 | 3,317,961 | 3,221,989 | 1,697,600 | 159,448,872 |
| At 31 December 2023 | 210,051,536 | 88,362,343 | 161,450 | 239,410 | 81,863 | 36,247 | 285,423 | 7,736,153 | 6,185,381 | 3,264,692 | 316,404,498 |

Additions to Power generating equipments represents the cost of major maintenance carried out by the Company during the year between April and August 2023.

Assets under construction represents LTMC Spares for next Major Outage received in advance. No borrowed funds, either specific or general have been used for the asset under construction.

Write off relates to disposal of some vehicles and laptop during the year.

Notes to the financial statements

11 (b) Leases

Leases as lessee

The Company has two (2) leased properties during the year namely rent of guest house and rent of the administrative office in Abuja. The lease periods are 4 years and 5 years respectively. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease of the Abuja office has an option to extend for another 2 years after the expiration of the current lease term. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Incremental borrowing rate has been determined to be 14.5%.

i Right-of-use assets

| | 2023 | 2022 |
|----------------------------------|----------------|----------------|
| | ₦'000 | ₦'000 |
| Cost | | |
| Balance at 1 January | 227,396 | 200,466 |
| Addition | 26,127 | 3,688 |
| Translation difference | 209,145 | 23,242 |
| Balance as at 31 December | 462,668 | 227,396 |
| Accumulated depreciation | | |
| Balance at 1 January | 144,714 | 83,438 |
| Depreciation charge for the year | 70,243 | 47,794 |
| Translation difference | 158,142 | 13,482 |
| Balance as at 31 December | 373,099 | 144,714 |
| Carrying amounts | | |
| At 31 December | 89,569 | 82,682 |

ii Lease liability

| | 2023 | 2022 |
|---------------------------|---------------|---------------|
| | ₦'000 | ₦'000 |
| Balance at 1 January | 81,262 | 90,478 |
| Addition | 26,127 | - |
| Accretion of interest | 7,368 | 8,891 |
| Payments | (66,653) | (31,056) |
| Modification gain | (46,769) | - |
| Translation difference | 72,678 | 12,949 |
| Balance as at 31 December | 74,013 | 81,262 |
| Analysed into: | | |
| Non-current | 72,113 | 40,138 |
| Current | 1,900 | 41,124 |
| | 74,013 | 81,262 |

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

| | 2023 | 2022 |
|-------------------------------|--------------|--------------|
| | ₦'000 | ₦'000 |
| Depreciation charge | 70,243 | 47,794 |
| Interest on lease liabilities | 7,368 | 8,891 |

Notes to the financial statements

12 Intangible assets

| Cost | License costs | Software | Total |
|----------------------------------|----------------|----------------|----------------|
| | ₦'000 | ₦'000 | ₦'000 |
| Balance at 1 January 2022 | 117,570 | 103,698 | 221,268 |
| Additions | - | 99,154 | 99,154 |
| Translation difference | 13,348 | 11,311 | 24,659 |
| Balance at 31 December 2022 | 130,918 | 214,163 | 345,081 |
| Balance at 1 January 2023 | 130,918 | 214,163 | 345,081 |
| Additions | - | 1,939 | 1,939 |
| Translation difference | 120,410 | 196,975 | 317,385 |
| Balance at 31 December 2023 | 251,328 | 413,077 | 664,405 |
| Amortisation | | | |
| Balance at 1 January 2022 | 28,542 | 53,041 | 81,583 |
| Charge for the year (Note 12(b)) | 8,191 | 12,878 | 21,069 |
| Translation difference | 3,919 | 7,014 | 10,933 |
| Balance at 31 December 2022 | 40,652 | 72,933 | 113,585 |
| Balance at 1 January 2023 | 40,652 | 72,933 | 113,585 |
| Charge for the year (Note 12(b)) | 12,547 | 22,698 | 35,245 |
| Translation difference | 41,870 | 75,163 | 117,033 |
| Balance at 31 December 2023 | 95,069 | 170,794 | 265,863 |
| Carrying amounts | | | |
| At 31 December 2022 | 90,266 | 141,230 | 231,496 |
| At 31 December 2023 | 156,259 | 242,283 | 398,542 |

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

13 Trade and other receivables

| | 2023 | 2022 |
|--|--------------------|--------------------|
| | ₦'000 | ₦'000 |
| Trade receivables | 102,562,201 | 57,186,384 |
| Contract asset (Note 13(d)) | 39,298,852 | 19,190,942 |
| Other receivables (Note 13(a)) | 38,918,169 | 16,905,421 |
| Due from related parties (Note 13(b)) | 18,574,864 | 14,138,675 |
| Sundry receivables (Note 13(c)) | 659,673 | 77,956 |
| | 200,013,759 | 107,499,378 |
| Analysed into: | | |
| Non-current | 18,550,635 | 14,106,600 |
| Current | 181,463,124 | 93,392,778 |
| | 200,013,759 | 107,499,378 |
| (a) Other receivables comprises: | | |
| | ₦'000 | ₦'000 |
| Gas Sales and Purchase Agreement (GSPA) Letter of Credit (in favour of Seplat) (Note 13(a)(i)) | 30,254,904 | 12,392,692 |
| Gas Transportation Agreement (GTA) Letter of Credit (in favour of Nigerian Gas Company) (Note 13(a)(ii)) | 8,663,265 | 4,512,729 |
| | 38,918,169 | 16,905,421 |

Notes to the financial statements

13 Trade and other receivables (continued)

- (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. The Company started replenishing the LC account in line with the GSPA in 2019.
- (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.

| (b) Amount due from related parties comprises: | 2023 | 2022 |
|--|-------------------|-------------------|
| | ₦'000 | ₦'000 |
| Refundable deposit (Azura-Edo limited (AEL) (Note 27(a))) | 18,550,635 | 14,106,600 |
| ISA costs (Azura Power Holdings Limited (APHL) (Note 27(b))) | 24,229 | 32,075 |
| | 18,574,864 | 14,138,675 |

- (c) Sundry receivables represents outstanding amount billed to TCN for black start services at year end. No ECL was considered for this amount due to immateriality.

- (d) Contract asset 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).

14 Inventories

| | 2023 | 2022 |
|---------------------|------------------|----------------|
| | ₦'000 | ₦'000 |
| Spares (Note 14(a)) | 1,892,712 | 582,756 |
| Unutilised gas | 16,003 | 388,854 |
| | 1,908,715 | 971,610 |

There was no write down to net realisable value during the year. The carrying amount of inventory as at year end represents the net realisable value.

- (a) Spares represents spare parts purchased for the day to day running of the power plant.

Amounts recognised in profit or loss:

Inventories recognised as an expense during the year ended 31 December 2023 amounted to ₦1.83 billion (\$2.80 million) (2022: ₦1.28 billion (\$2.81 million)). These were included in direct cost as part of operations and maintenance expense in note 7(a).

- (b) Unutilised gas represents the excess of gas nominated over gas consumed which is recoverable in the next accounting period.

15 Prepayments

| | 2023 | 2022 |
|--------------------------|------------------|------------------|
| | ₦'000 | ₦'000 |
| Insurance | 2,435,763 | 1,292,661 |
| Software license renewal | 806,839 | 507,775 |
| | 3,242,602 | 1,800,436 |

16 Contract costs

- (a) Contract costs comprise:

| | 2023 | 2022 |
|--|-------------------|-------------------|
| | ₦'000 | ₦'000 |
| Transmission Company of Nigeria (TCN) contract costs | 32,327,876 | 18,014,098 |
| Nigerian Gas Company (NGC) contract costs | 6,039,105 | 3,365,752 |
| | 38,366,981 | 21,379,850 |

Notes to the financial statements

16 Contract costs (continued)

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

| | <u>2023</u> | <u>2022</u> |
|--------------------------|--------------------------|--------------------------|
| | ₦'000 | ₦'000 |
| Balance 1 January | 21,379,850 | 20,452,308 |
| Amortisation (Note 7(a)) | (1,972,507) | (1,287,721) |
| Translation difference | 18,959,638 | 2,215,263 |
| Balance at 31 December | <u><u>38,366,981</u></u> | <u><u>21,379,850</u></u> |

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 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.

The costs are recoverable from the tariff agreed with the off taker over the life of the Power Purchase Agreement (PPA).

17 Cash and cash equivalents

| | <u>2023</u> | <u>2022</u> |
|---------------------|--------------------------|--------------------------|
| | ₦'000 | ₦'000 |
| USD bank balances | 64,768,110 | 25,887,247 |
| Naira bank balances | 33,012,909 | 13,486,630 |
| Cash in hand | 1,441 | 751 |
| | <u><u>97,782,460</u></u> | <u><u>39,374,628</u></u> |

(a) Included in the Company's cash and cash equivalents is an amount of ₦43.25 billion (\$48.87 million) (2022: ₦12.05 billion (\$26.15 million)) held in the Company's debt service reserve and 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 the Company meets conditions defined in the Onshore and Offshore Account Agreements.

18 Share capital

Share capital comprises:

| | <u>2023</u> | <u>2022</u> |
|---|---------------|---------------|
| | ₦'000 | ₦'000 |
| Share capital: | | |
| 10,000,000 ordinary shares of ₦1 each converted at ₦199.5/\$1 | <u>10,000</u> | <u>10,000</u> |
| Allotted and called-up share capital paid: | | |
| 10,000,000 ordinary shares of ₦1 each converted at ₦199.5/\$1 | <u>10,000</u> | <u>10,000</u> |

As at 31 December 2023 Azura-Edo Limited held 9,750,000 shares while Edo State Government held 250,000 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 favour of the Company's external lenders until all obligations to the lenders have been fully discharged.

19 Share premium

Share premium represents the excess paid by Azura Edo Limited over the nominal value of the ordinary share capital. See note 18 for additional shares issued during the year from the share premium reserve.

| | <u>2023</u> | <u>2022</u> |
|---|---------------|---------------|
| | ₦'000 | ₦'000 |
| 3,777,564 ordinary shares of ₦1 each issued at a premium of ₦7.38 per share converted at ₦199.5/\$1 | <u>27,872</u> | <u>27,872</u> |

Notes to the financial statements

20 (a) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instrument used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows or items affect profit or loss. The hedge has been determined to be effective as at 31 December 2023 (2022: ineffective) and therefore meets the hedge accounting requirements.

| | 2023 | 2022 |
|---|------------------|--------------------|
| | ₦'000 | ₦'000 |
| Balance at 1 January | (1,699,656) | (2,211,668) |
| Reclassified to profit or loss (Note 8a)* | 1,699,656 | 2,151,227 |
| Cash flow hedges- effective portion of changes in fair value (Note 25(a)) | 3,174,746 | - |
| Tax on cash flow hedge (Note 10(b)) | 431,385 | (1,639,215) |
| Balance at 31 December | 3,606,131 | (1,699,656) |

* Amount relates to the OCI balance from previous hedge relationship reclassified to profit or loss because the hedge cashflows on hedging instruments based on the old swap contract are not expected to occur again, as the swap contract has been extinguished.

(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).

| | 2023 | 2022 |
|--|-------------------|--------------------|
| | ₦'000 | ₦'000 |
| Balance as at 1 January | (6,755,547) | (6,193,271) |
| Exchange difference on translation of operations | 51,971,427 | (562,276) |
| Balance as at 31 December | 45,215,880 | (6,755,547) |

21 Loans and borrowings

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

| | 2023 | 2022 |
|--------------------------|--------------------|--------------------|
| | ₦'000 | ₦'000 |
| Azura-Edo Limited | 257,996,487 | 114,689,805 |
| Foreign Loan (Senior) | 193,625,146 | 116,535,686 |
| Foreign Loan (Mezzanine) | 42,180,668 | 24,343,991 |
| Local Loan (PAIF) | 6,077,133 | 8,536,991 |
| Promissory Notes | 6,240,820 | 2,344,332 |
| | 506,120,254 | 266,450,805 |

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 its offshore contracts as security to its lenders. This arrangement continues until all obligations to the lenders have been fully discharged by the Company.

Notes to the financial statements

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

| <u>Fixed rate instruments</u> | <u>Currency</u> | <u>Maturity Date</u> | <u>Nominal Interest Rate</u> | | <u>Carrying amounts</u> | |
|---|-----------------|----------------------|------------------------------|-----------------------------|-------------------------|--------------------|
| | | | <u>%</u> | <u>%</u> | <u>2023</u> | <u>2022</u> |
| | | | <u>1 Jan - 15 Nov 2023</u> | <u>16 Nov - 31 Dec 2023</u> | <u>₦'000</u> | <u>₦'000</u> |
| Project finance (Power and Airline Intervention Fund (PAIF)) | ₦ | 15-Nov-25 | 7% | 7% | 6,077,133 | 8,536,991 |
| Project finance (Azura- Edo Limited) | US\$ | 01-Jun-26 | 15% | 15% | 257,996,487 | 114,689,805 |
| Project finance (Promissory notes) | US\$ | 01-Jun-26 | 15% | 15% | 6,240,820 | 2,344,332 |
| Project finance (OPIC) | US\$ | 15-May-30 | 5.95%+ OPIC cost of fund** | 5.95%+ OPIC cost of fund** | 16,966,335 | 9,931,784 |
| Project finance (Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V (FMO)) | US\$ | 15-May-30 | 5.95%+ Predetermined rate* | 5.95%+ Predetermined rate* | 19,448,760 | 11,389,005 |
| Project finance (ICF Debt Pool LLP (ICF)) | US\$ | 15-Nov-28 | 5.95%+ Predetermined rate* | 5.95%+ Predetermined rate* | 12,134,235 | 7,098,017 |
| <i>Total fixed rate instruments</i> | | | | | <u>318,863,770</u> | <u>153,989,934</u> |

Notes to the financial statements

| <u>Variable rate instruments</u> | <u>Currency</u> | <u>Maturity Date</u> | <u>Nominal Interest Rate</u> | <u>Nominal Interest Rate</u> | <u>Carrying amounts</u> | |
|--|-----------------|----------------------|------------------------------|------------------------------|---------------------------|---------------------------|
| | | | <u>%</u> | <u>%</u> | <u>2023</u> | <u>2022</u> |
| | | | <u>1 Jan - 15 Nov 2023</u> | <u>16 Nov - 31 Dec 2023</u> | <u>₦'000</u> | <u>₦'000</u> |
| Project finance (International Bank for Reconstruction and Development (IBRD) Covered Loans) | US\$ | 3.88 years | 5.25%+ 6M USD-LIBOR | 5.25%+ CAS***+ 6M TERM SOFR | 21,623,205 | 13,889,008 |
| Project finance (Multilateral Investment Guarantee Agency (MIGA) Covered Loans) | US\$ | 3.88 years | 5.25%+ 6M USD-LIBOR | 5.25%+ CAS***+ 6M TERM SOFR | 40,987,890 | 26,443,882 |
| Project finance (Development Finance Institutions) | US\$ | 6.88 years | 5.95%+ 6M USD-LIBOR | 5.95%+ CAS***+ 6M TERM SOFR | 57,936,744 | 33,578,700 |
| Project finance (IFC) | US\$ | 1.88 years | 5.95%+ 6M USD-LIBOR | 5.95%+ CAS***+ 6M TERM SOFR | 24,527,775 | 14,205,254 |
| Project finance (Mezzanine loans (Proparco and the Emerging Africa Infrastructure Fund Ltd) | US\$ | 6.88 years | 11.25%+ 6M USD-LIBOR | 11.25%+CAS***+ 6M TERM SOFR | 13,156,410 | 7,592,209 |
| Project finance (Mezzanine loans (Development Finance Corporation (DFC)) (formerly OPIC) | US\$ | 6.88 years | 11.25%+ OPIC cost of fund** | 11.25%+ OPIC cost of fund** | 9,249,135 | 5,299,656 |
| Project finance (Mezzanine loans and International Finance Corporation (IFC)) | US\$ | 6.88 years | 11.25%+ 6M USD-LIBOR | 11.25%+CAS***+ 6M TERM SOFR | 19,775,325 | 11,452,162 |
| <i>Total variable rate instruments</i> | | | | | <u>187,256,484</u> | <u>112,460,871</u> |
| Total Loans | | | | | <u>506,120,254</u> | <u>266,450,805</u> |

* 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.

*** Credit Adjustment Spread (CAS) refers to the fixed spread applied to SOFR due to the LIBOR transition to address the impact of credit and liquidity risk between both rates and any term differences. The spread for converting 6 months LIBOR is 0.42826%.

Notes to the financial statements

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

| | 2023 | 2022 |
|---------------------------------|--------------------|--------------------|
| | ₦'000 | ₦'000 |
| Balance at 1 January | 266,450,805 | 249,778,438 |
| Accrued interest | 67,622,112 | 34,775,110 |
| Interest paid | (40,578,730) | (27,455,287) |
| Principal repaid | (48,106,065) | (17,945,124) |
| Net foreign exchange difference | (6,009,721) | (918,577) |
| Translation difference | 266,741,853 | 28,216,245 |
| Balance at 31 December | 506,120,254 | 266,450,805 |

As at year end, total interest accrued amounted to ₦66.44 billion (\$101.73 million) (2022: ₦34.78 billion (\$82.28 million)).

During the year, the directors re-estimated the amount of the cashflows on the shareholder loans, promissory notes and mezzanine loans based on revised available cash forecasts. Modification gain amounting to ₦5.64 billion (\$8.64 million) (2022: modification gain ₦1.88 billion (\$3.81 million)) arising from the re-estimation of cashflows has been included as part of finance cost during the year.

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

| | 2023 | 2022 |
|-------------------------|--------------------|--------------------|
| | ₦'000 | ₦'000 |
| Non-current liabilities | 382,582,196 | 217,379,679 |
| Current liabilities | 123,538,058 | 49,071,126 |
| | 506,120,254 | 266,450,805 |

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 2023 and 15 Nov 2023. The financial covenant ratios were met by the Company.

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

22 Deferred income

The Company obtained a Naira denominated long term loan amounting to ₦20.99 billion (\$104.95 million) from the Bank of Industry (BOI) through a commercial bank in Nigeria and facilitated by the CBN PAIF concessional window. The loan is to be repaid over a period of 10 years. Interest will be payable on outstanding loan balances at the rate of 7% per annum. The loan is secured on the Azura-Edo independent power plant and was obtained exclusively to finance the Azura- Edo independent power plant project. The 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 Company also leased its camp accommodation to the operations and maintenance contractor for a period of 10 years in 2019. The amount is amortised over the period of the consideration and released to profit or loss.

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

| | 2023 | 2022 |
|---|-------------------|-------------------|
| | ₦'000 | ₦'000 |
| Balance as at 1 January | 11,862,727 | 11,384,648 |
| Release to profit or loss - government grant (Note 7(b)) | (1,102,134) | (719,512) |
| Release to profit or loss - rent of plant accommodation (Note 7b))* | (49,933) | (32,598) |
| Translation difference | 10,499,290 | 1,230,189 |
| Balance as at 31 December | 21,209,950 | 11,862,727 |
| Analysed into: | | |
| Non-current | 19,646,539 | 11,048,065 |
| Current | 1,563,411 | 814,662 |
| | 21,209,950 | 11,862,727 |

* Amount represents the annual release of the camp accommodation leased to the operations and maintenance contractor.

Notes to the financial statements

23 Provisions

Provisions of ₦11.21 million (\$12,671) (2022: ₦5.97 million (\$12,951)) 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.

| | 2023 | 2022 |
|------------------------|--------|-------|
| | ₦'000 | ₦'000 |
| Balance at 1 January | 5,971 | 5,362 |
| Translation difference | 5,243 | 609 |
| Balance at 31 December | 11,214 | 5,971 |

24 (a) Trade and other payables

| | 2023 | 2022 |
|---|------------|------------|
| | ₦'000 | ₦'000 |
| Trade payables (Note 24(a)(i)) | 21,273,919 | 19,389,721 |
| Accrued expenses (Note 24(a)(ii)) | 21,836,514 | 8,771,068 |
| Amount due to related parties (Note 24(a)(iii)) | 492,981 | 563,699 |
| Other payables (Note 24(a)(iv)) | 2,726,427 | 1,058,059 |
| | 46,329,841 | 29,782,547 |
| Statutory deductions (Note 24(a)(v)) | 5,682,093 | 2,416,126 |
| | 52,011,934 | 32,198,673 |

- (i) Trade payables represents amount due to Seplat for the gas supply under the Gas Supply and Purchase Agreement (GSPA) amounting to ₦10.81 billion (\$12.21 million) (2022: ₦12.95 billion (\$28.08 million)), gas transport cost payable to Nigeria Gas Company Limited (NGC) amounting to ₦2.74 billion (\$3.10 million) (2022: ₦2.82 billion (\$6.66 million)), Long Term Maintenance Contract (LTMC) cost payable to Siemens AG and Siemens Limited Nigeria amounting to ₦2.82 billion (\$3.19 million) (2022: ₦903.63 million (\$1.96 million)) and Operations and Maintenance Contract (O&M) cost payable to PIC Incorporated amounting to ₦778.80 million (\$0.88 million) (2022: ₦902.70 million (\$1.96 million)).
- (ii) Accrued expenses represent supplemental charges amounting to ₦11.78 billion (\$18.03 million) (2022: ₦6.99 billion (\$15.17 million)), accrued fuel cost amounting to ₦2.14 billion (\$3.27 million) (2022: ₦1.41 billion (\$3.05 million)), accrued LTMC fees amounting to ₦124 million (\$0.19 million) (2022: ₦18.90 million (\$0.41 million)). Included in accrued expenses are outstanding payments to vendors under the LTMC for spare parts supplied in advance expected to be used for the next major inspection in four years
- (iii) Amount due to related parties is ₦495.60 million (\$0.56 million) (2022: ₦563.70 million (\$1.22 million)) at year end. Amount represents Q3 and Q4 2022 ISA fees payable to APHL under the ISA contract. See note 27(b)
- (iv) Other payables represents availability deductions and gas savings payable amounting to ₦1.55 billion (\$1.75 million) (2022: ₦968.10 million (\$2.10 million)) and payables to other suppliers amounting to ₦70.80 million (\$0.08 million) (2022: ₦87.57 million (\$0.19 million))
- (v) Statutory deductions represents Withholding tax and value added tax payable amounting to ₦5.68 billion (\$6.42 million) (2022: ₦2.41 billion (\$5.23 million)).

24 (b) Current tax liabilities

The movement in provisions during the year is as follows:

| | 2023 | 2022 |
|--|-----------|----------|
| | ₦'000 | ₦'000 |
| Balance at 1 January | 147,451 | 34,048 |
| Additions during the year (Note 10(a)) | 1,906,686 | 146,260 |
| Payments made during the year | (265,300) | (34,281) |
| Translation difference | 135,617 | 1,424 |
| Balance at 31 December | 1,924,454 | 147,451 |

Notes to the financial statements

25 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). During the year, a new contract was executed to address the interest rate benchmark reform from LIBOR to SOFR and purchase additional hedges to meet the minimum interest hedging level. Under the new contract, the Company pays a fixed rate of interest of 2.509% to RMB and SCB and 2.515% to IFC, and receives a variable rate equal to 6 months USD Term SOFR. The derivative instrument was designated as a hedging instrument in qualifying hedging relationships swap origination date.

Based on the procedures performed, the reasonable fair values of the financial instruments have been established as an asset of ₦3.17 billion (\$3.59 million) (2022: ₦2.37 billion (\$5.14 million)) and the hedge has been determined to be effective as at 31 December 2023 (2022: ineffective), hence, the effective portion of changes in the fair value of the derivative of ₦3.17 billion (\$3.59 million) (2022: nil) was recognised in other comprehensive income and accumulated in the hedging reserve.

The movement in interest rate swaps during the year is as follows:

| | 2023 | 2022 |
|--|--------------------|--------------------|
| | ₦'000 | ₦'000 |
| Balance at 1 January | 2,370,338 | (2,400,729) |
| Interest (received)/paid | (2,740,168) | 1,031,956 |
| Fair value movement recognised in profit or loss (note 8b)* | (1,314,021) | 3,904,913 |
| Fair value movement recognised in OCI - Cashflow hedge (note 20) | 3,174,747 | - |
| Translation reserve | 1,683,851 | (165,802) |
| Balance at 31 December | 3,174,747 | 2,370,338 |
| Notional amounts | 224,566,668 | 153,617,930 |

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 Term SOFR) from its floating-rate loans denominated in the US Dollar.

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

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

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 70% to 100% (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 70% and 100% under all scenarios, the relationship is considered to be highly effective on a prospective basis.

To qualify for hedge accounting and have an effective hedge, the Company carried out a partial hedge of the life of the hedged item to align its tenor to that of the hedging instrument. Following this (and the purchase of additional hedge under the new swap contract) the notional amounts and tenor of both the hedged item and hedging instrument were aligned. Based on the procedures performed, the reasonable fair values of the financial instruments have been established (Note 26(e)) and the hedge has been determined to be effective as at 31 December 2023.

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, sole customer (NBET) and financial institutions.

The carrying amounts of financial assets represent the maximum credit exposure.

| | <i>Note</i> | 2023 | 2022 |
|--|--------------|--------------------|--------------------|
| | | ₦'000 | ₦'000 |
| Trade receivables | <i>13</i> | 102,562,201 | 57,186,384 |
| Contract asset | <i>13</i> | 39,298,852 | 19,190,942 |
| Other receivables | <i>13(a)</i> | 38,918,169 | 16,905,421 |
| Cash and cash equivalents (excluding cash in hand) | <i>17</i> | 97,781,019 | 39,373,877 |
| Due from related parties | <i>13(b)</i> | 18,574,864 | 14,138,675 |
| Sundry receivables | <i>13</i> | 659,673 | 77,956 |
| | | 297,794,778 | 146,873,255 |

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.

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.

Notes to the financial statements

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.

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

The Company uses the simplified approach 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. Receivables are assumed to be written off when it is more than 365 days past due. Segmentation of the receivables are calculated for exposures based on the common credit risk characteristics.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2023.

Payments by NBET to the Company under the PPA are secured by a cash backed letter of credit amounting to \$120 million issued in favour of the Company by an international bank. 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.

| 31 December 2023 | Gross carrying amount | Credit impaired |
|----------------------------|------------------------------|------------------------|
| | ₦'000 | |
| Current (not past due) | 32,005,395 | No |
| 31–60 days past due | 38,846,261 | No |
| 61–90 days past due | 11,090,953 | No |
| More than 90 days past due | - | No |
| | 81,942,609 | |

| 31 December 2022 | Gross carrying amount | Credit impaired |
|----------------------------|------------------------------|------------------------|
| | ₦'000 | |
| Current (not past due) | 26,384,747 | No |
| 31–60 days past due | 3,423,734 | No |
| 61–90 days past due | 4,385,901 | No |
| More than 90 days past due | 8,538,321 | No |
| | 42,732,703 | |

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. However, since the receivables are fully collateralised, there were no impairment losses.

The scalar factor is based on the forecasted GDP rate which is obtained from suitable forecast sites such as Trading Economics. The forecast data is applied in the historical linear regression obtained based on historical relationship between the default experience and the macroeconomic variable considered i.e. GDP.

Notes to the financial statements

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.

The Company has a \$120 million cash backed letter of credit to subordinate outstanding trade and other receivables accordingly, no impairment has been recognised as the maximum credit exposure is fully secured.

Contract asset

Contract asset 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 fully covered by the letter of credit and thus have minimal credit risk (2022: Nil).

No impairment was recorded for receivables due from related party as the impact has been assessed to be immaterial (2021: 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 fully covered by the letter of credit and thus have minimal credit risk (2022: 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 ₦97.78 billion (\$110.49 million) (excluding cash in hand) as at year end (2022: ₦39.37 billion (\$85.41 million)) which represents its maximum credit exposure on these assets. The cash and cash equivalents (with the exception of ₦1.44 million (\$1,628) 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 cash and cash equivalents during the year.

| | <u>2023</u> | <u>2022</u> |
|---|--------------------------|--------------------------|
| | <u>₦'000</u> | <u>₦'000</u> |
| Counterparties with external credit ratings | | |
| Cash and equivalents | | |
| Unrated (cash in hand) | 1,441 | 751 |
| A+ | 94,971,309 | 37,021,168 |
| B- | 2,731,657 | 2,274,526 |
| B | 78,053 | 78,183 |
| | <u><u>97,782,460</u></u> | <u><u>39,374,628</u></u> |

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:

| | <i>Note</i> | Carrying amount | Contractual cash flows | | | | | |
|---|-------------|----------------------------|-------------------------------|-----------------------------|------------------------|----------------------|----------------------|------------------------------|
| | | | Total | 2 months or less | 2-12 months | 1-2 Years | 2-5 Years | More than 5 Years |
| | | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| <i>For the year ended 31 December 2023</i> | | | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | | | |
| Trade and other payables* | 24 | 46,329,841 | 46,329,841 | 46,329,841 | - | - | - | - |
| Lease liabilities | 11(b)(ii) | 74,013 | 41,360 | - | 41,360 | - | - | - |
| Loans and borrowings | 21 | 506,120,254 | 661,400,325 | - | 183,395,895 | 217,270,155 | 218,914,485 | 41,819,790 |
| | | 552,524,108 | 707,771,526 | 46,329,841 | 183,437,255 | 217,270,155 | 218,914,485 | 41,819,790 |
| <i>For the year ended 31 December 2022</i> | | | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | | | |
| Trade and other payables* | 24 | 29,782,547 | 29,782,547 | 29,782,547 | - | - | - | - |
| Lease liabilities | 11(b)(ii) | 81,262 | 82,720 | - | 55,220 | 27,500 | - | - |
| Loans and borrowings | 21 | 266,450,805 | 381,979,990 | - | 89,201,195 | 85,690,680 | 162,318,100 | 44,770,015 |
| | | 296,314,614 | 411,845,257 | 29,782,547 | 89,256,415 | 85,718,180 | 162,318,100 | 44,770,015 |

*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.

Included in the variable rate borrowings are floating rate debt whose interest rate is based on 6M Term SOFR (effective 15 November 2023). To hedge the variability of the cash flows of these loans, the Company entered into interest rate swap agreements on which it pays a fixed rate and receives a variable rate.

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:

| | 2023 | | 2022 | |
|------------------------------------|----------------|--------------------|--------------|-------------------|
| | EUR'000 | ₦'000 | EUR'000 | ₦'000 |
| Financial assets | | | | |
| Cash and cash equivalents | - | 33,012,909 | - | 13,486,630 |
| Trade receivables | - | 95,004,085 | - | 15,974,850 |
| Other financial liabilities | | | | |
| Loans and borrowings | - | (6,077,133) | - | (8,536,991) |
| Trade and other payables | (2,810) | (399,762) | (482) | (2,952,948) |
| Net exposure | (2,810) | 121,540,099 | (482) | 17,971,541 |

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 2022, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below:

| | Increase in profit or loss and equity | |
|--------------------------------|---------------------------------------|---------|
| | 2023 | 2022 |
| | \$'000 | \$'000 |
| NGN (20 percent strengthening) | (27,467) | (7,797) |
| EUR (20 percent strengthening) | 614 | 104 |

Notes to the financial statements

A strengthening 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 | |
|-----|--------------|--------|--------------------------|--------|
| | 2023 | 2022 | 2023 | 2022 |
| | \$ | \$ | \$ | \$ |
| NGN | 0.0015 | 0.0023 | 0.0011 | 0.0022 |
| EUR | 0.9258 | 0.9555 | 0.9159 | 0.9306 |

Hedge accounting

Interest rate risk

The Company adopts a policy of ensuring that over 70% 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 effectively offset 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.

The effects of the interest rate swaps on the Company's financial position and performance are as follows:

| | 2023 | 2022 |
|-----------------|-------------|-------------|
| | ₦'000 | ₦'000 |
| Carrying amount | 3,174,747 | 2,370,338 |
| Notional amount | 224,566,668 | 153,617,930 |
| Maturity date | 15-Nov-25 | 15-Nov-25 |
| Hedge ratio | 1:1 | - |

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 | |
|----------------------------------|----------------------|----------------------|
| | 2023 | 2022 |
| | ₦'000 | ₦'000 |
| Fixed rate instruments | | |
| Financial liabilities | (318,863,770) | (153,989,934) |
| | (318,863,770) | (153,989,934) |
| | | |
| | Carrying amount | |
| | 2023 | 2022 |
| | ₦'000 | ₦'000 |
| Variable-rate instruments | | |
| Financial liabilities | (187,256,484) | (112,460,871) |
| | (187,256,484) | (112,460,871) |
| Effect of interest rate swaps | 3,174,747 | 2,370,338 |
| | (184,081,737) | (110,090,533) |

Notes to the financial statements

At the effective date of LIBOR transition to SOFR, interest applicable is 1.58% plus 6M Term SOFR per annum on the USD past due receivables (2% plus 3-Months LIBOR before transition to Term SOFR) and 2% plus 3-Months NIBOR per annum on the Naira past due receivables.

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 2023 | | |
| Variable-rate instruments | (1,872,565) | 1,872,565 |
| Interest rate swaps | 31,860 | (31,860) |
| Cash flow sensitivity | (1,872,565) | 1,872,565 |
| For the year ended 31 December 2022 | | |
| Variable-rate instruments | (1,124,609) | 1,124,609 |
| Interest rate swaps | 23,703 | (23,703) |
| Cash flow sensitivity | (1,100,906) | 1,100,906 |

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) 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:

| | 2023 | 2022 |
|---------------------------------|--------------|--------------|
| | ₦'000 | ₦'000 |
| Loans and borrowings | 506,120,254 | 266,450,805 |
| Lease liabilities | 74,013 | 81,262 |
| Less: Cash and cash equivalents | (97,782,460) | (39,374,628) |
| Net debt | 408,411,807 | 227,157,439 |
| Total equity | 84,974,387 | 59,492,608 |
| Net debt to equity ratio | 481% | 382% |

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 its external lenders.

Notes to the financial statements

(e) 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.

| | <u>Carrying Value</u> | <u>Fair Value</u> |
|--|-----------------------|----------------------|
| | N'000 | N'000 |
| For the year ended 31 December 2023 | | |
| Financial assets not measured at fair value | | |
| Trade and other receivables (Note 13) | 200,013,759 | 200,013,759 |
| Cash and cash equivalents (excluding cash in hand) (Note 17) | 97,781,019 | 97,781,019 |
| | <u>297,794,778</u> | <u>297,794,778</u> |
| Financial assets measured at fair value | | |
| Interest rate swaps used for hedging (Note 25) | 3,174,747 | 3,174,747 |
| | <u>3,174,747</u> | <u>3,174,747</u> |
| Financial liabilities not measured at fair value | | |
| Trade and other payables (Note 24) | (46,329,841) | (46,329,841) |
| Loans and borrowings (Note 21) | (506,120,254) | (508,554,981) |
| | <u>(552,450,095)</u> | <u>(554,884,822)</u> |
| For the year ended 31 December 2022 | | |
| Financial assets not measured at fair value | | |
| Trade and other receivables (Note 13) | 107,499,378 | 107,499,378 |
| Cash and cash equivalents (excluding cash in hand) (Note 17) | 39,373,877 | 39,373,877 |
| | <u>146,873,255</u> | <u>146,873,255</u> |
| Financial liabilities not measured at fair value | | |
| Trade and other payables (Note 24) | (29,782,547) | (29,782,547) |
| Loans and borrowings (Note 21) | (266,450,805) | (284,705,223) |
| | <u>(296,233,352)</u> | <u>(314,487,770)</u> |

For the majority of the financial assets and liabilities, the fair values are not significantly different from their carrying amounts. An exception is the loans and borrowings which have a fair value of N508.55 billion (\$574.64 million) as at 31 December 2023, compared to a carrying amount of N506.12 billion (\$571.89 million) (2022: fair value of N284.71 billion (\$617.58 million) and carrying amount of N266.45 billion (\$577.96 million)).

The fair values were calculated based on cash flows discounted using a current lending rate.

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 |
|--|------|---------|----------------------|---------|----------------------|
| | | N'000 | N'000 | N'000 | N'000 |
| For the year ended 31 December 2023 | | | | | |
| <i>Derivatives used for hedging</i> | | | | | |
| Interest rate swap | 25 | - | 3,174,747 | - | 3,174,747 |
| Loans and borrowings | 21 | - | (506,120,254) | - | (506,120,254) |
| | | - | <u>(502,945,507)</u> | - | <u>(502,945,507)</u> |
| | Note | Level 1 | Level 2 | Level 3 | Total |
| | | N'000 | N'000 | N'000 | N'000 |
| For the year ended 31 December 2022 | | | | | |
| <i>Derivatives used for hedging</i> | | | | | |
| Interest rate swap | 25 | - | 2,370,338 | - | 2,370,338 |
| Loans and borrowings | 21 | - | (266,450,805) | - | (266,450,805) |
| | | - | <u>(264,080,467)</u> | - | <u>(264,080,467)</u> |

Notes to the financial statements

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 and loans and borrowings were 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 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.

During the year, the company incurred accrued interest on the shareholder loans amounting to ₦29.36 billion (\$44.95 million). The balance due to AEL in the form of loans and borrowings amounted to ₦258 billion (\$291.52 million) at year end (2022: ₦114.69 billion (\$248.78 million)).

During the year, the company released an amount of ₦8.53 billion (\$9.64 million) standing in excess of the Required Balance in the SHAMA account in accordance with Section 3.05(c) of the Shareholder Account Management Agreement (SHAMA). The balance of ₦18.55 billion (\$20.96 million) domiciled with Azura-Edo limited (AEL) represents amount pledged to the mezzanine lenders as protection. 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 and still outstanding at year end.

(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 is structured to provide management employees to the Company. The remuneration of the executive director is covered under the quarterly ISA fees charged to the Company.

During the year, the Company incurred certain costs amounting to ₦248.18 million (\$0.38 million) on behalf of APHL. Balance due from APHL as at year end amounted to ₦26.55 billion (\$0.03 million) (2022: ₦32.08 million (\$0.07 million)). Balance due to APHL at year end amounted to ₦495.60 million (\$0.56 million) (2022: ₦563.70 million (\$1.22 million)).

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director of the Company.

| | <u>2023</u> | <u>2022</u> |
|------------------------------|-----------------------|-----------------------|
| | <u>₦'000</u> | <u>₦'000</u> |
| Short-term employee benefits | 475,931 | 335,739 |
| Post-employment benefits | 41,440 | 24,875 |
| | <u><u>517,371</u></u> | <u><u>360,614</u></u> |

28 Capital commitments

The Company has no capital expenditure commitments relating to its independent power plant project as at 31 December 2023 (2022: Nil).

Notes to the financial statements

29 Contingencies

Pending litigation and claims

(a) True-up dispute with Nigerian Bulk Electricity Trading Plc (“NBET”)

NBET (a counterparty under our Power Purchase Agreement) and ourselves differ on the interpretation of certain provisions of the PPA as it relates to true-up protections concerning exchange rate risks. NBET essentially seeks to argue that any foreign exchange transaction consummated prior to making payments to APWAL is ineligible for true up i.e. extra Naira payments to make up for the exchange rate differential. To that end, NBET rejected our true-up requests founded on telexes which predated their payment. However, the transactions underlying those telexes were funded out of our working capital in order not to default on obligations to third parties.

As provided under the PPA, the dispute was referred for Expert Determination, The Expert gave her ruling on the first true-up dispute on 30 May 2023, in favor of APWAL. NBET have been directed to pay Azura the principal sum of ₦2.38 billion (\$2.69 million) (together with interest accruing up until the date on which NBET pays APWAL the principal sum).

(b) Prince Charles Ogiior V. HRH Nosakhare Vincent Ohenzuwa & 3 Ors with Azura Power Holdings Limited as the 4th Defendant.

The matter is an action alleging that the 1st - 4th Defendants are trespassing on the claimant’s property in the Orior-Ozolua community and that the 1st -3rd Defendants illegally sold the land to the 4th Defendant, Azura. The Claimants are seeking Declaratory, injunctive and monetary reliefs against the defendants in the sum of N200 million.

The matter was scheduled for hearing on the 28 March 2024, however, the court did not sit on said date. The Company awaits a new hearing date from the court.

Management is of the opinion that the Company has a good defence as the land in question does not belong to the Claimants neither was it acquired from the 1st - 3rd Defendants. Rather the land was compulsorily acquired by the Edo State Government who in turn transferred same to the Company for the construction of a power plant.

30 Going Concern

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 it in favour 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 the repayment in the normal course of business, without prejudice to the rights of other creditors.

Extended payment delays in Naira from our customer NBET could impact the liquidity of the Company to meet its payment obligations on a timely basis. If the naira liquidity challenges persist during the year due to delayed receivables, the Company may elect to draw on the available NBET letter of credit (L/C). The Annual Maximum L/C Claimable Amount for 2024 under this L/C is USD \$99.2m. NBET has historically settled all past due invoices issued by the Company.

The Company has fully funded its May 2024 debt service reserve accounts in the amount of USD \$47 million. Should sufficient naira be unavailable to convert local currency to USD to pay foreign debt obligations in whole or in part, the Company could draw on its debt service reserve accounts to cover payments to the senior lenders, if necessary, for the upcoming May 2024 interest payment date. Upon use of the reserve accounts, the Company is required to replenish the reserve accounts by the next available cashflow date which it is permitted to do so (i.e. when cash is available) in accordance with the finance agreements. Historically, the Company has consistently managed to comply with the timelines of its debt service requirements.

Financial projections of monthly cashflow have been reasonably made through to year end. The project continues to be operationally sound and is performing within expectations, except for delayed payments from our customer NBET and the foreign currency fluctuations that are beyond the Company’s control and being experienced widely across the Nigerian economy. If, during the year, an Event of Default (EoD) were to crystallize with respect to any of the above-described issues and continue without being cured or waived, the Company’s lenders could accelerate repayment obligations in full or in part. Notwithstanding the CTA terms, the Directors reasonably anticipate that, during the period of the next twelve months from the reporting date, the Company’s Lenders would not elect to issue a notice to accelerate the debt repayment.

These financial statements have been prepared on the basis of accounting policies applicable to a going concern and no adjustments have been adopted to reflect any possible future effects of the uncertainty related to the foreign currency inconvertibility risks or classification of recorded asset or liability amounts.

Notes to the financial statements

31 Events after the reporting date

(a) Interest payment on Shareholder loans and Promissory notes

Subsequent to year-end, the Company made interest payments on its shareholder loans and promissory notes amounting to \$55.35 million and \$1.42 million respectively. The Company also made an additional interest payment to AEL through a release from its SHAMA account amounting to \$3.52 million and a promissory note payment to EDSG of \$0.34 million.

(b) Dividend distribution

On 17 June 2024, the Board of Directors of the Company declared its First Interim dividend of \$0.10 per share amounting to \$1.026 million of which:

- AEL received \$1 million; and
- EDSG received \$0.026 million

The dividend was distributed to the Company's shareholders in June 2024 based on their respective shareholding as at 31 March 2024.

(c) Refiling of Company's income tax returns for 2016 – 2022 fiscal years

On 27 May 2024, the Company requested to refile its company's income tax returns for 2016 – 2022 fiscal years in USD (functional currency) with the Federal Inland Revenue Service (FIRS). The FIRS via a letter dated 5 June 2024 with reference number FIRS/OEC/SA_TECH/20782201-0001/24/001 approved the request. According to the FIRS, the newly filed returns will be subjected to review and any additional taxes due therefrom shall be paid by the Company. There were no additional taxes required to be provided for as at the reporting date.

Other National Disclosures

Other National Disclosures

Value added statement

For the year ended 31 December

| | <i>Notes</i> | 2023 | % | 2022 | % |
|-----------------------------------|--------------|--------------------|------------|-------------------|------------|
| | | ₦'000 | | ₦'000 | |
| Revenue | | 238,643,896 | 210 | 158,441,919 | 186 |
| Brought in materials and services | | | | | |
| - Local | | (145,947,297) | (129) | (75,784,658) | (89) |
| Finance income | <i>8(a)</i> | 3,990,834 | 4 | 1,011,410 | 1 |
| Other income | <i>7(b)</i> | 17,054,778 | 15 | 1,483,048 | 2 |
| Value added | | 113,742,211 | 100 | 85,151,719 | 100 |

Distribution of Value Added:

To Government as:

| | | | | | |
|------------------|--------------|-------------|-----|-----------|---|
| Taxes and duties | <i>10(a)</i> | (3,524,280) | (3) | 4,159,480 | 5 |
|------------------|--------------|-------------|-----|-----------|---|

To Employees:

| | | | | | |
|--------------------|----------------|---------|---|---------|---|
| Salaries and wages | <i>9(b)(i)</i> | 517,372 | 1 | 417,171 | 1 |
|--------------------|----------------|---------|---|---------|---|

To Providers of finance:

| | | | | | |
|---------------|-------------|------------|----|------------|----|
| Finance costs | <i>8(a)</i> | 74,868,582 | 66 | 38,473,066 | 43 |
|---------------|-------------|------------|----|------------|----|

Retained in the Business

To maintain and replace:

| | | | | | |
|---------------------------------|--------------|------------|----|------------|----|
| - Property, plant and equipment | <i>11(a)</i> | 16,376,060 | 14 | 10,802,847 | 13 |
|---------------------------------|--------------|------------|----|------------|----|

| | | | | | |
|---------------------|-----------|--------|---|--------|---|
| - Intangible assets | <i>12</i> | 22,698 | - | 12,878 | 1 |
|---------------------|-----------|--------|---|--------|---|

| | | | | | |
|------------------------------|--|------------|----|------------|----|
| To deplete retained earnings | | 25,481,779 | 22 | 31,286,277 | 37 |
|------------------------------|--|------------|----|------------|----|

| | | | | | |
|--------------------|--|--------------------|------------|-------------------|------------|
| Value added | | 113,742,211 | 100 | 85,151,719 | 100 |
|--------------------|--|--------------------|------------|-------------------|------------|

Other National Disclosures**Five Year Financial summary****Statement of profit or loss and other comprehensive income**

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Revenue | 238,643,896 | 158,441,919 | 139,032,008 | 125,338,183 | 122,246,080 |
| Results from operating activities | 179,203,023 | 49,852,250 | 67,988,396 | 40,787,075 | 49,793,386 |
| Profit / (loss) before income tax | 29,006,059 | 27,126,797 | 4,194,955 | 18,415,522 | 12,068,291 |
| Profit / (loss) for the year | 25,481,779 | 31,286,277 | 10,209,283 | 18,469,669 | 13,129,068 |

Statement of financial position

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---------------------------------|--------------------|-------------------|-------------------|------------------|--------------------|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Employment of Funds | | | | | |
| Property, plant and equipment | 316,404,498 | 159,448,872 | 151,999,694 | 157,180,726 | 154,627,992 |
| Right of use asset | 89,569 | 82,682 | 117,028 | 146,039 | - |
| Contract costs | 38,366,981 | 21,379,850 | 20,452,308 | 20,708,390 | 20,184,127 |
| Intangible assets | 398,542 | 231,496 | 139,685 | 47,745 | 53,398 |
| Deferred tax asset | 53,766,346 | 28,625,004 | 23,311,951 | 19,107,636 | 15,223,610 |
| Interest rate swap | 3,174,747 | 2,370,338 | - | - | - |
| Trade and other receivables | 18,550,635 | 14,106,600 | 9,936,000 | 2,014,500 | - |
| Net current assets | 105,345,927 | 53,260,445 | 47,473,683 | 59,057,543 | 20,274,994 |
| Non-current liabilities | (402,300,847) | (228,467,882) | (233,628,957) | (249,643,544) | (213,951,631) |
| Net assets/(liabilities) | 133,796,398 | 51,037,405 | 19,801,392 | 8,619,035 | (3,587,510) |

Funds Employed

| | | | | | |
|---------------------|--------------------|-------------------|-------------------|------------------|--------------------|
| Share capital | 10,000 | 10,000 | 3,874 | 3,874 | 3,874 |
| Share premium | 27,872 | 27,872 | 33,998 | 33,998 | 33,998 |
| Hedging reserves | 3,606,131 | (1,699,656) | (2,211,668) | (2,519,449) | (631,949) |
| Translation reserve | 45,215,880 | (6,755,547) | (6,193,271) | (6,858,564) | (2,482,940) |
| Retained earnings | 84,936,515 | 59,454,736 | 28,168,459 | 17,959,176 | (510,493) |
| | 133,796,398 | 51,037,405 | 19,801,392 | 8,619,035 | (3,587,510) |