

Ibom Power Company Limited
Annual report and financial statements
For the year ended 31 December 2016

Ibom Power Company Limited
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For the year ended 31 December 2016
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Corporate Information

Company registration number

RC 399519

Directors

Engr. Etido Inyang	Chairman	<i>(Appointed 29 March 2017)</i>
Engr. Meyen Etukudo	Managing Director	<i>(Appointed 1 August 2016)</i>
Barr. Uwen Ekanem		<i>(Appointed 29 March 2017)</i>
Hon. Ayang Ayang		<i>(Appointed 29 March 2017)</i>
Elder Ntieyong Inyangmme		<i>(Appointed 29 March 2017)</i>
Hon. Emmanuel Ebe		<i>(Appointed 29 March 2017)</i>
Barr. Aniedi Akpabio		<i>(Resigned 31 July 2016)</i>
Dr. Victor Udo		<i>(Resigned 31 July 2016)</i>
Engr. Billy Etukudo		<i>(Resigned 31 July 2016)</i>
Engr. Edet Efretuei		<i>(Resigned 31 July 2016)</i>

Corporate office

2nd Floor, APICO Investment House
143, Olusegun Obasanjo way
Uyo, Akwa Ibom

Company secretary

Barr. Ime Asibong
2nd Floor, APICO Investment House
143, Olusegun Obasanjo way
Uyo, Akwa Ibom

Principal bankers

Access Bank Plc.
Central Bank of Nigeria
Diamond Bank Plc.
First Bank of Nigeria Ltd.
First City Monument Bank Plc.
Guaranty Trust Bank Plc.
Mainstreet Bank ltd.
United Bank for Africa Plc.
Zenith Bank Plc.

Independent auditor

PricewaterhouseCoopers
Chartered Accountants
Landmark Towers, Plot 5B Water Corporation Road
Victoria Island, Lagos

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Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31 December 2016, to the members of Ibom Power Company Limited ("the Company"). This report discloses the financial performance and state of affairs of the Company.

Incorporation and address

Ibom Power Company Limited was incorporated in Nigeria in the year 2001 under the Companies and Allied Matters Act as a private limited liability company, and licensed by the Nigerian Electricity Regulatory Commission of Nigeria in May 2008. The Company is domiciled in Nigeria.

Principal activities

The Company is mainly engaged in the generation and sale of electric power.

Results

The Company's results for the year ended 31 December 2016 are set out on page 10. The loss for the year has been transferred to accumulated deficit. The summarised results are presented below.

	31 December 2016 ₦'000	31 December 2015 ₦'000
Revenue	5,478,354	5,592,782
Loss before tax	(10,350,375)	(10,112,179)
Income tax expense	(4,196)	-
Loss for the year	(10,354,571)	(10,112,179)
Other comprehensive income/(expense) net of taxes	138,079	(801,419)
Total comprehensive loss for the year	(10,216,492)	(10,913,598)

Directors

The directors who held office during the year and to the date of this report are set out on page 3.

Analysis of shareholding

Akwa Ibom Investments Corporation (AKICORP) is the only shareholder of the Company that held more than 10% of the issued ordinary share capital of the Company.

As at 31 December 2016 and 2015, the shares of the Company were held as follows:

Shareholders	Shareholding (units)	Percentage (%)
AKICORP	19,999,999	99.99
Globeleq Ibom Holdings BV	1	0.01
	20,000,000	100

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Report of the Directors

Redeemable preference shares

The Federal Government of Nigeria through the Niger Delta Power Holding Company Limited held eighty (80) million redeemable preference shares in the Company as at 31 December 2016 (31 December 2015: 80 million). These shares do not carry any voting rights.

Directors interests in contracts

None of the directors have notified the Company for the purpose of section 277 of the Companies and Allied Matters Act of their direct or indirect interests in contracts or proposed contracts with the Company during the year.

Employment of disabled persons

The Company has a policy of fair consideration of job applications by disabled persons having regard to their abilities and aptitude. The Company's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees.

Employee health, safety and welfare


It is the Company's policy to conduct its activities in such a way that the health, safety and welfare of its employees, contractors and other persons who may be affected are safeguarded. Accordingly, the Company trains all categories of staff in health and safety matters as are commensurate with their jobs, so as to enhance their awareness and increase their effective participation and contribution as individuals. Where appropriate, the Company provides employees with protective clothing and equipment.

Donations and gifts

The Company made donations of ₦2.5 million during the year (2015: ₦9.3 million).

Auditors

The Company's auditors, Messrs' PricewaterhouseCoopers have indicated their willingness to continue in office as the Company's auditor in accordance with Section 357(2) of the Companies and Allied Matters Act.



Barr. Ime Asibong
Company Secretary
28th MAY2018

Ibom Power Company Limited
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Statement of Directors' Responsibilities

The Companies and Allied Matters Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the company at the end of the year and of its profit or loss. The responsibilities include:

- a) ensuring that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act;
- b) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; and
- c) preparing the company's financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates that are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and Financial Reporting Council of Nigeria Act.

The financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit or loss. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.



Director



Director



Independent auditor's report

To the Members of Ibom Power Company Limited

Report on the audit of the financial statements

Our opinion

In our opinion, Ibom Power Company Limited's ("the company's") financial statements give a true and fair view of the financial position of the company as at 31 December 2016, 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 Act.

What we have audited

Ibom Power Company Limited's financial statements comprise:

- the statement of financial position for the year ended 31 December 2016;
- 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 significant 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Material uncertainty relating to going concern

We draw attention to Note 26 in the financial statements, which indicates that the company incurred a net loss of ₦10.4 billion during the year ended 31 December, 2016 and, as of that date, the company has net current liabilities of ₦60.3 billion.

As stated in Note 26, these events or conditions, along with other matters as set forth in Note 26, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the Report of the Directors, Statement of Directors' Responsibilities, 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 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 on the other information that we obtained prior to the date of this auditor's report, 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, 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 judgment 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 and returns adequate for our audit have been received from branches not visited by us;
- 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 account.



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

Engagement Partner: Olajide Adeola
FRC/2013/ICAN/0000004080

28 May 2018



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Statement of Profit or Loss and Other Comprehensive Income


	Note	31 December 2016 N'000	31 December 2015 N'000
Revenue	5	5,478,354	5,592,782
Cost of sales	6	<u>(3,747,352)</u>	<u>(9,082,695)</u>
Gross profit/(loss)		1,731,002	(3,489,913)
Operating expenses	7	(856,937)	(1,268,859)
Other income	8	617,050	-
Other losses	9	<u>(64,965)</u>	<u>(4,593)</u>
Operating profit/(loss)		1,426,150	(4,763,365)
Finance costs	10	<u>(11,776,525)</u>	<u>(5,348,814)</u>
Loss before tax		(10,350,375)	(10,112,179)
Income tax expense	11	<u>(4,196)</u>	-
Loss for the year		(10,354,571)	(10,112,179)
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligations	19.2	<u>138,079</u>	<u>(801,419)</u>
Total comprehensive loss for the period		<u>(10,216,492)</u>	<u>(10,913,598)</u>
Basic loss per share (Naira)	13	(518)	(506)

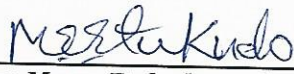
The statement of accounting policies and notes on pages 14 to 39 are an integral part of these financial statements.

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Statement of Financial Position

ASSETS	Note	31 December 2016 N'000	31 December 2015 N'000
Non-current assets			
Property, plant and equipment	12	12,748,829	13,980,284
Prepayments	14	29,848	31,881
Total non-current assets		<u>12,778,677</u>	<u>14,012,165</u>
Current assets			
Trade and other receivables	15	5,676,383	3,035,447
Cash and cash equivalents	16	2,125,451	173,067
Total current assets		<u>7,801,834</u>	<u>3,208,514</u>
Total assets		<u>20,580,511</u>	<u>17,220,679</u>
LIABILITIES			
Non-current liabilities			
Post-employment benefits	19.2	2,084,148	1,709,552
Total non-current liabilities		<u>2,084,148</u>	<u>1,709,552</u>
Current liabilities			
Trade and other payables	17	7,836,054	10,630,015
Current tax liabilities	11	112,914	108,718
Borrowings	18	60,206,251	44,214,758
Total current liabilities		<u>68,155,219</u>	<u>54,953,491</u>
Total liabilities		<u>70,239,367</u>	<u>56,663,043</u>
EQUITY			
Ordinary shares	20	20,000	20,000
Accumulated deficit		(49,678,856)	(39,462,364)
Total equity		<u>(49,658,856)</u>	<u>(39,442,364)</u>
Total equity and liabilities		<u>20,580,511</u>	<u>17,220,679</u>

The statement of accounting policies and notes on pages 14 to 39 are an integral part of these financial statements.
The financial statements on pages 10 to 41 were approved and authorised for issue by the Board of Directors on _____
2018 and were signed on its behalf by:


Engr. Etido Inyang
Chairman


Engr. Meyen Etukudo
Managing Director

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Statement of Changes in Equity

	Share capital ₦'000	Accumulated deficit ₦'000	Total equity ₦'000
Balance as at 1 January 2015	20,000	(28,548,766)	(28,528,766)
Loss for the year	-	(10,112,179)	(10,112,179)
Other comprehensive loss for the year	-	(801,419)	(801,419)
Total comprehensive loss for the period	-	(10,913,598)	(10,913,598)
Balance as at 31 December 2015	20,000	(39,462,364)	(39,442,364)
Balance as at 1 January 2016	20,000	(39,462,364)	(39,442,364)
Loss for the year	-	(10,354,571)	(10,354,571)
Other comprehensive income for the year	-	138,079	138,079
Total comprehensive loss for the period	-	(10,216,492)	(10,216,492)
Balance as at 31 December 2016	20,000	(49,678,856)	(49,658,856)

The statement of accounting policies and notes on pages 14 to 38 are an integral part of these financial statements.

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Statement of Cash Flows

	Note	31 December 2016 ₦'000	31 December 2015 ₦'000
Cash flows from operating activities			
Cash (used in)/generated from operations	21	(2,271,073)	493,236
Benefits paid	19.2	(5,690)	(1,350)
Net cash (used in)/generated from operating activities		(2,276,763)	491,886
Cash flows from investing activities			
Purchases of property, plant and equipment	12	(11,300)	(891,800)
Proceeds from sale of property, plant and equipment	21.1	1,531	4,040
Net cash used in investing activities		(9,769)	(887,760)
Cash flows from financing activities			
Proceeds from borrowings	18	5,019,069	2,942,360
Repayment of borrowings	18	(797,250)	(2,469,183)
Interest paid	18	-	(72,313)
Net cash generated from financing activities		4,221,819	400,864
Net increase in cash and cash equivalents		1,935,287	4,990
Cash and cash equivalents at the beginning of the year		8,131	3,141
Cash and cash equivalents at the end of the year	16	1,943,418	8,131

The statement of accounting policies and notes on pages 14 to 38 are an integral part of these financial statements.

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Notes to the Financial Statements

1 General information

Ibom Power Company Limited was incorporated in Nigeria in the year 2001 under the Companies and Allied Matters Act as a private limited liability company, and licensed by the Nigerian Electricity Regulatory Commission of Nigeria in May 2008. The Company is domiciled in Nigeria.

2nd Floor, APICO Investment House
143, Olusegun Obasanjo way
Uyo, Akwa Ibom
Nigeria

The Company is mainly engaged in the generation and sale of electric power.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Basis of preparation

The financial statements for the year ended 31 December 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by national regulations are included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept. All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in thousands of Naira.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

2.2.1 Going concern

The financial statements have been prepared on a going concern basis. The directors have no doubt that the Company would remain in existence for the next 12 months. Refer to note 26 for additional information.

2.2.2 Changes in accounting policies and disclosures

(i) New and amended standards adopted by the Company

The following standards have been adopted by the Company for the first time for the financial year beginning on or after 1 January 2016:

Amendments to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). This presentation format is applicable to the Company.

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Summary of significant accounting policies (continued)

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(ii) New standards, amendments and interpretations not early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except the following:

- (a) IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact.
- (b) IFRS 15, 'Revenue from Contracts with Customers', replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g 1 January 2018), i.e without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Company is assessing the impact of IFRS 15.
- (c) IFRS 16 - 'Leases' sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. It also substantially carries forward the lessor accounting requirements in IAS 17. The company is assessing the impact of IFRS 16.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency and presentation currency of the Company is the Nigerian Naira (₦).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of profit or loss within 'other (losses)/gains - net'.

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Notes to the Financial Statements

2.4 Financial instruments

2.4.1 Financial assets

(a) Classification

The Company classifies its financial assets as loans and receivables. The Company does not hold any financial assets in any other financial instrument category. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise trade receivables and cash and cash equivalents, and are included in current and non current assets depending on their contractual settlement date. They are classified as current if they are to be settled within one year and non-current if they are to be settled after one year.

(c) Recognition and measurement

Loans and receivables are initially recognized at fair value using the effective interest rate method. Subsequently, loans and receivables are carried at amortised cost less any impairment.

2.4.2 Financial liabilities

(a) Classification

Financial liabilities are classified as financial liabilities at amortised cost. The Company has no financial liabilities in any other category. Management determines the classification of financial liabilities at initial recognition.

(b) Financial liabilities at amortised cost

These include trade payables, due to related parties and borrowings. Trade payables are classified as current liabilities due to their short term nature while borrowings are split into current and non current liabilities. Borrowings included in non-current liabilities are those with maturities greater than 12 months after the reporting date.

(c) Recognition & measurement

Financial liabilities are recognized initially at fair value, net of any transaction costs. Subsequently, they are measured at amortised cost using the effective interest method.

2.4.3 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Company tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2.4.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.4.5 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a company of financial assets is impaired. A financial asset or company of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or company of financial assets that can be reliably estimated.

Ibom Power Company Limited

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Notes to the Financial Statements

Impairment of financial assets (continued)

Evidence of impairment may include indications that the debtors or a company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

2.5 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for services, in the ordinary course of the Company's activities and is stated net of value-added tax (VAT). Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below:

Generation and sale of electric

The Company's revenue comprises of the net value of services being capacity provided and energy sent out net of trade discounts, rebates and VAT. Capacity charge is recognised monthly based on the average of available capacity charge declared at the beginning of the month. Revenue from energy sent out is calculated on the basis of megawatts of electricity pushed to the transmission grid. The capacity charge and energy sent out are included in revenue reported in the profit and loss account.

All power generation and transmission activities are monitored by Government licenced operators, through specialised equipment in order to confirm accuracy. Once the amount of energy sent out has been confirmed by operators and agreed by the customer, the Company invoices the customer.

The Company's sole customer is the Nigerian Bulk Electricity Trading Plc. (NBET).

2.6 Employee benefits

2.6.1 Wages, salaries and annual leave

Wages, salaries, bonuses, other contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the Company. The Company operates an accumulating leave policy; this can be encashed when the employee is leaving employment. The Company measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of each reporting period.

The Company operates both defined benefit and defined contribution pension schemes.

2.6.2 Defined contribution scheme

The Company operates a defined contribution retirement benefit scheme for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. In a defined contribution plan, the actuarial risk falls 'in substance' on the employee. The employee contributes 8% while the Company contributes 10% of the emoluments (basic, housing and transport allowance). 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.

The assets of this scheme are held in separate trustee administered funds, which are funded by contributions from both the employee and the Company. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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2.6.3 Defined benefit plan

A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, dependent on, years of service and compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions (remeasurements) are recognised in other comprehensive income in the period in which they arise.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Current service and interest cost are included as part of employee benefit expense in the profit or loss.

2.7 Statement of cash flows

The statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities.

The cash flows from operating activities are determined by using the indirect method. Net income is therefore adjusted by non-cash items, such as changes from receivables and liabilities. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated.

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposit held at call with banks and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

The cash flows from investing and financing activities are determined by using the direct method.

2.8 Cash and cash equivalents

Cash and cash equivalents as shown in the statement of financial position comprise cash in hand or bank, deposit held at call with banks and time deposits which are readily convertible to cash with a maturity of three months or less.

2.9 Leases

Leases are classified as operating lease and finance lease.

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) Finance lease

Leases of assets where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in long term liabilities if the tenure is more than one year. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the estimated useful life of the asset.

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2.10 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are

Construction work in progress is not depreciated. All such assets, once available for use are capitalised within the appropriate class of property, plant and equipment and subjected to the applicable depreciation rate in the year they are used.

Land is not depreciated by the Company. Depreciation of property, plant and equipment is calculated using the straight-line method to write down their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

<i>Asset class</i>	<i>Useful life (years)</i>
Buildings	33
Plant and machinery	5 -18
Motor vehicles	5
Furniture and fitting	4
Office equipment	3 - 4

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (note 2.12).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains - net' in the statement of profit or loss.

2.11 Borrowing costs

General and specific borrowing cost directly attributable to the acquisition, construction or production of a qualifying assets, which are assets that necessarily takes a substantial period of time to get ready for their intended use or sale, are added to the cost of those asset, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.12 Impairment of non-financial assets

Non- financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairment of non-financial assets are reviewed for possible reversal at each reporting date.

2.13 Current and deferred taxation

(a) Current tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in arriving at profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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Current and deferred taxation (continued)

The current income tax charge is calculated on the basis of the applicable tax laws enacted or substantively enacted at the reporting date in the country, Nigeria, where the Company generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transactions costs) and the redemption value is recognised in profit or loss over the period of the borrowing using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transactions costs of the loan to the extent that it is probable that some or all of the facility will be drawdown. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the statement of profit or loss as interest expense.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is within one year or less. Otherwise, they are classified as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (note 2:18).

2.17 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

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3 Financial risk management

3.1 Financial risk factors

This note explains the Company's exposure to financial risks and how these risks could affect the Company's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The Company's risk management is carried out by management under policies approved by the board of directors. Company's management, evaluates and hedges financial risks. The board provides guidance for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

3.1.1 Credit risk

Credit risk is the risk that a borrower or issuer of a financial instrument will not repay the principal and/or interest according to the terms specified in the credit agreement. Credit risk arises from cash and cash equivalents, balances with banks as well as trade and other receivables.

The Company has a concentrated risk as it has only one customer, Nigeria Bulk Electricity Trading Plc. (NBET) which is a Government owned company. As a result, the credit and economic conditions and other factors affecting the government may result in an increase in the length of time that it takes to collect its receivables and may require the Company to re-evaluate the collectability of its trade and other receivables in future periods. As at 31 December 2016, the Company had trade receivables of ₦5.98 billion (2015: ₦3.19 billion).

A Management of credit risk

There are no policies in place to ensure that credit limits are set for the company's sole customer. However, credit risk is managed by the finance manager through the commercial department. This department is responsible for following up with the Company's sole customer - NBET to recover amounts receivable from power generated and supplied.

Management monitors the aging analysis of receivables on a periodic basis. Below is a breakdown of the Company's financial assets that are exposed to credit risk and the maximum exposures as at each reported date:

(i) Financial instruments exposed to credit risk

	Maximum exposure	
	31 December 2016 ₦'000	31 December 2015 ₦'000
Cash and cash equivalents	2,125,451	173,067
Trade receivables (gross)	5,981,755	3,190,937
Other receivables (gross)	-	1,555,795
Gross amount	8,107,206	4,919,799
Impairment	(364,929)	(1,752,017)
Net amount	7,742,277	3,167,782

Other receivables in the table above exclude staff advances and prepayments as the Company has no contractual right to receive cash in settlement. These are therefore not financial assets (note 15).

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Financial risk management (continued)

These financial assets are further broken into the following:

	Cash & cash equivalents ₦'000	Trade receivables ₦'000	Other receivable ₦'000	Total ₦'000
31 December 2016				
Neither past due nor impaired	2,125,451	124,317	-	2,249,768
Past due but not impaired	-	3,372,723	-	3,372,723
Impaired	-	2,484,715	-	2,484,715
Gross	2,125,451	5,981,755	-	8,107,206
Impairment allowance	-	(364,929)	-	(364,929)
Net	2,125,451	5,616,826	-	7,742,277
31 December 2015				
Neither past due nor impaired	173,067	2,484,715	-	2,657,782
Past due but not impaired	-	510,000	-	510,000
Impaired	-	196,222	1,555,795	1,752,017
Gross	173,067	3,190,937	1,555,795	4,919,799
Impairment allowance	-	(196,222)	(1,555,795)	(1,752,017)
Net	173,067	2,994,715	-	3,167,782

(ii) Credit quality of financial assets

The Company's maximum exposure to credit risk due to default of the counter party is equal to the carrying value of its financial assets. The Company's sole customer is the Nigerian Bulk Electricity Trading Company. No credit limits have been set for this customer. Where payment for receivables are delayed for over one year impairment allowances are made on specific balances assessed to be impaired. Management is however of the view that when amounts are owed beyond the financial year, it is still recoverable given that the customer is a wholly owned government entity.

An analysis of the credit quality of financial assets that are neither past due nor impaired is presented as follows:

	31 December 2016 ₦'000	31 December 2015 ₦'000
Counter party without external credit rating:		
Nigeria Bulk Electricity Trading Plc.	124,317	2,484,715
	124,317	2,484,715
Financial assets that are neither past due nor impaired		
Cash and cash equivalents		
AA	150,075	73,137
A	1,964,197	28,648
B	3,333	
Others	717	718
Not rated	7,129	70,564
	2,125,451	173,067

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Fitch - National long-term rating

This is based on Fitch national long-term rating. National credit ratings are an assessment of credit quality relative to the rating of the lowest credit risk in a country. This lowest risk will normally, although not always, be assigned to all financial commitments issued or guaranteed by the sovereign state.

National ratings are not intended to be internationally comparable and are denoted by a special identifier for the country concerned. The performance of national ratings will also not be strictly comparable over time, given the moving calibration of the entire scale to the entity or entities with the lowest credit risk in a country, whose creditworthiness relative to other entities internationally may change significantly over time.

These above ratings are explained as follows:

'AA' national ratings denote expectations of very low default risk relative to other issuers or obligations in the same country. The default risk inherent differs only slightly from that of the country's highest rated issuers or obligations.

'A' ratings denote strong prospects for ongoing viability. Fundamental characteristics are strong and stable, such that it is unlikely that the bank would have to rely on extraordinary support to avoid default.

'B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

'Others' indicate amounts held in the Central Bank of Nigeria which is the Apex bank.

'Non rated' are banks or cash in hand that are not rated by Fitch.

This is based on Fitch national long-term rating.

(iii) Financial assets that are past due but not impaired

The aging analysis for trade receivables past due but not impaired amounts to the following:

	30 December 2016	31 December 2015
	₦'000	₦'000
Trade receivables		
Over 1 month but less than one year	3,372,723	510,000
Total	3,372,723	510,000

(iv) Financial assets that are impaired

As at 31 December 2016, impaired financial assets amount to ₦2.48 billion. This amount relates to receivable from the NBET (31 December 2015: ₦1.752 billion) and it's as a result of the credit and economic conditions affecting the government. The Company does not hold any collateral as security.

3.1.2 Liquidity risk

(a) Management of liquidity risk

Cash flow forecasting is performed by the finance manager. The finance manager monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs.

The Company has incurred indebtedness in the form of trade payables, overdrafts, and loans. The Company evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Company devises strategies to manage its liquidity risk.

Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available through an adequate amount of committed credit facilities. The Company relies on funds from monthly revenue generated, loan and equity contributions received from the parent company to meet its obligations.

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(b) Financing arrangements

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period from the reporting dates to the contractual maturity date.

	31 December 2016		
	Less than 1 year	More than 1 year	Total
	₦'000	₦'000	₦'000
Borrowing	60,206,251	-	60,206,251
Trade and other payables	5,792,368	-	5,792,368
	65,998,619	-	65,998,619
	31 December 2015		
	Less than 1 year	More than 1 year	Total
	₦'000	₦'000	₦'000
Borrowing	44,214,758	-	44,214,758
Trade and other payables	8,930,833	-	8,930,833
	53,145,591	-	53,145,591

The amounts disclosed in the tables above are the undiscounted contractual cash flows of the liabilities. In the Company's total borrowings shown above, the amounts outstanding include interests and penalties capitalised over the years as a result of default on the repayment terms of the contracts.

The trade and other payables above exclude provisions and other taxes (VAT , PAYE and WHT).

3.1.3 Market risk

The Company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to interest rate risk and foreign exchange rate risk.

(i) Interest rate risk

The Company is significantly exposed to interest rate risk. It is exposed to changes in interest rates on financial assets or financial liabilities bearing floating interest rates due to the risk that future cash flows will fluctuate. Also, its fixed interest rate financial assets and financial liabilities further exposes it to fair value interest rate risk to the extent that they are remeasured at fair value.

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. The Company is exposed to cash flow interest rate risk on borrowings to the extent that the significant increase in interest rates would result in a increase in the interest paid by the Company.

There are no fixed interest rate borrowings that are measured at fair value, hence the Company is not expected to have fair value interest rate risk. The contractual cash flows from these loans and resulting liquidity risk are monitored by the finance manager and board of directors.

As at 31 December 2016, the Company had a loan with Afrexim which consisted of a single facility: US \$8.3 million (₦1.63 billion) restructured loan with a tenure of three years effective from 21 June 2009 (rescheduled in 2011) with an applicable interest rate of LIBOR plus margin of 3%. The loan remains outstanding to date.

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Market risk (continued)

Sensitivity of variable rate borrowings to interest rate movement:

	30 December 2016 ₦'000	31 December 2015 ₦'000
Effect of 5% increase in interest rate on profit or loss	91,921	16,799
Effect of 5% decrease in interest rate on profit or loss	(91,921)	(16,799)

(ii) Foreign exchange risk

The Company is exposed to risks resulting from fluctuations in foreign currency exchange rates. A material change in the value of any such foreign currency could result in a material adverse effect on the Company's cash flow and future profits. The Company is exposed to exchange rate risk to the extent that balances and transactions are denominated in a currency other than the Naira. The Company holds the majority of its cash and cash equivalents in Naira. However, the Company maintains deposits in foreign currency in order to fund ongoing commercial activity and other expenditure incurred in these currencies. The Company also has borrowing denominated in USD.

The table below shows the impact on the Company's profit or loss if the exchange rate between the USD, GBP and EURO on Nigerian Naira had increased or decreased by 20%, with all other variables held constant. The Company is not materially exposed to currency risk on any other foreign currencies. The Company's profit is more sensitive to movement in Naira/US dollar exchange rates because of the high amount of US dollar-denominated balances.

Foreign currency denominated balances

Cash and bank balances	1,921,025	22,277
Borrowings	28,927,500	18,476,162
	30,848,525	18,498,439

Sensitivity analysis for foreign exchange risk

The sensitivity analysis for currency rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates at the reporting date.

The sensitivity of the Company's earnings to fluctuations in exchange rates is reflected by varying the exchange rates at 20% as shown below:

Impact on profit or loss

Effect of 20% increase in foreign exchange rates

Cash and bank balances

USD	382,751	3,058
EUR	344	1,335
GBP	1,111	62
	384,206	4,455

Borrowings

USD	(5,785,500)	(3,695,232)
Total	(5,401,294)	(3,690,777)

Effect of 20% decrease in foreign exchange rates

Cash and bank balances

USD	(382,751)	(3,058)
EUR	(344)	(1,335)
GBP	(1,111)	(62)
	(384,206)	(4,455)

Borrowings

USD	5,785,500	3,695,232
Total	5,401,294	3,690,777

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(iii) Price risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company does not hold any financial instruments whose value changes with changes in market prices and is not exposed to price risk.

3.2 Capital management

3.2.1 Risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as the sum of all equity components on the statement of financial position.

The gearing ratios at 31 December 2016 and 2015 were as follows:

	31 December 2016 N'000	31 December 2015 N'000
Total borrowings (note 18)	60,206,251	44,214,758
Less: Cash and cash equivalents excluding bank overdrafts (note 16)	(2,125,451)	(173,067)
Net debt	58,080,800	44,041,691
Total equity	(49,658,856)	(39,442,364)
Total capital	8,421,944	4,599,327
Gearing ratio	690%	958%

3.3 Fair value

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions.

At the reporting date, the Company did not have any financial assets or liabilities measured at fair value (2015:nil). The carrying amounts of all financial assets and liabilities at the reporting date approximate their fair values.

3.4 Offsetting financial assets and financial liabilities

There are no offsetting arrangements. Financial assets and liabilities are settled and disclosed on a gross basis.

4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed herein.

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Critical accounting estimates and judgments (continued)

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

4.1 Critical accounting estimation and assumptions

4.1.1 Income and deferred taxation

The Company incurs income taxes expenses, and also recognises changes to deferred tax assets and deferred tax liabilities, all of which are based on management's interpretations of applicable laws and regulations. The quality of these estimates is dependent upon management's ability to properly apply sets of rules under the Companies Income Tax Act and, in the case of deferred tax assets, management's ability to project future earnings from activities that may apply loss carry forward positions against future income taxes.

4.1.2 Defined benefit obligation

The Company operates a defined benefit plan in order to provide a lump sum payment to staff upon retirement. The lump sum amount paid at retirement is based on length of service and the remuneration of the staff at the time of retirement. Typically, defined benefit plans define an amount of gratuity benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Defined benefit liability is based on an actuarial valuation performed by independent actuary using the projected unit credit basis. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates on government bonds that have terms to maturity approximating to the terms of the related pension obligation. See the sensitivity of pension liability to changes in key assumptions made in note 19.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Useful lives of assets

The Company calculates depreciation of property, plant and equipment on a straight-line basis so as to write off the cost of the assets over their expected useful lives. The economic life of an asset is determined based on existing wear and tear, economic and technical ageing, legal or other limits on the use of the asset, and obsolescence. If some of these factors were to deteriorate materially, impairing the ability of the asset to generate future cash flow, the Company may accelerate depreciation charges to reflect the remaining useful life of the asset or record an impairment loss.

Impairment of trade receivable

The Company follows the guidance of IAS 39 to determine when a receivable is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the age of debts, customer's payment history, financial condition of the customer and customer with extended payment period.

Total impairment recognized during the year is ₦ 364.9 million (2015: ₦ 196.2 million).

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	31 December 2016 ₦'000	31 December 2015 ₦'000
5 Revenue		
Capacity charge	1,944,160	3,097,802
Energy delivered	3,534,194	2,494,980
	5,478,354	5,592,782
6 Cost of sales		
Gas consumption	2,516,228	7,414,505
Depreciation of power plants (note 13)	1,075,707	1,037,968
Operational maintenance	155,417	630,222
	3,747,352	9,082,695

The Company is billed for gas under a 'take or pay' arrangement. This amount includes cost of actual gas utilised amounting to ₦2.39 billion (2015: ₦2.66 billion) and lease payment for use of the Gas facilities directly attributable to generating energy amounting to ₦0.12 billion (2015: ₦4.75 billion).

7 Operating expenses

Employee benefit expense (note 7.1)	1,009,438	882,778
Staff training	18,189	19,558
Legal expenses	313,673	58,749
Depreciation and amortisation	102,585	120,263
Consultancy fees	269,815	7,926
Security	63,990	42,724
Travels	69,309	10,232
Repairs and maintenance	55,503	15,220
Equipment rentals	-	31,928
Auditors remuneration	28,623	18,520
Office supplies	25,742	34,251
Rents	10,440	15,477
Insurance premium	20,247	-
Donations	2,590	9,235
Provision for doubtful debt	168,707	-
Other receivable impairment write back*	(1,555,795)	-
Other operating expenses**	253,881	1,998
	856,937	1,268,859

*Other receivable impairment write back relates to write back of doubtful debt provision for other receivables due from Transmission Company of Nigeria (TCN). TCN settled the other receivables in full within the year (note 15).

**Other operating expenses include costs incurred on licenses, permits, utilities, meals, entertainments, media, publications and other sundry expenses.

7.1 Employee costs

Directors fees and allowances (note 22.1)	400	125,632
Salaries and allowances (note 23)	473,488	452,273
Defined contribution plans (note 23)	17,185	26,189
Current service cost (note 19)	314,111	179,570
Interest cost (note 19)	204,254	99,114
	1,009,438	882,778

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	31 December 2016 ₦'000	31 December 2015 ₦'000
8 Other income	617,050	-
<p>Other income relates to additional receipts resulting from the reconciliation between the Company and Transmission Company of Nigeria with respect to claims for deemed capacity and the Company's construction of 45 kilometres of 132 kilovolts (Kv) double circuit transmission line, switchyard and associated substation bays at Eket substation.</p>		
9 Other losses		
Loss on disposal of property, plant and equipment (note 21.1)	(64,965)	(4,593)
10 Finance costs		
Bank charges	(6,850)	(33,443)
Interest expense - borrowings	(1,564,436)	(2,754,912)
Unrealized exchange loss*	(10,205,239)	(2,560,459)
	(11,776,525)	(5,348,814)
<p>*Unrealized exchange loss due to revaluation of foreign currency denominated Afrexim loan and redeemable preference shares balance at year end (note 18).</p>		
11 Income tax expenses		
Current income tax	-	-
Education tax	4,196	-
	4,196	-
Deferred income tax	-	-
	4,196	-
(b) Current tax liabilities		
At 1 January	108,718	108,718
Income tax for the year	-	-
Education tax for the year	4,196	-
	112,914	108,718
Tax paid	-	-
At 31 December	112,914	108,718

The Company obtained an approval for pioneer status from the Nigerian Investment Promotion Commission (NIPC) on the 28th of April 2010. The Inspectorate division of the Federal Ministry of Industries issued the company a certificate of production, certifying the production day to be effective on 1 January 2011. The pioneer status exempts the company from paying tax for up to a five (5) year period commencing from the date the pioneer status was granted. The company's pioneer status expired on 2 January 2016, hence the Company has recognised company income tax for the year ended 31 December 2016.

(c) Deferred income tax

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets of ₦11.224 billion (2015: ₦7.984 billion) for the Company in respect of accounting losses that could be carried forward against future taxable income, have not been recognised as at 31 December 2016 because it is not probable that future taxable profits will be available against which they can be utilised. Losses can be carried forward beyond the pioneer period and do not expire.

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12 Property, plant and equipment

	Building N'000	Plant & machinery N'000	Furniture and fittings N'000	Office equipment N'000	Motor vehicle N'000	Construction work-in- progress* N'000	Total N'000
At 1 January 2015							
Cost	2,340,774	17,461,039	44,761	35,421	332,042		20,214,037
Accumulated depreciation	(370,380)	(5,325,385)	(41,539)	(31,181)	(190,204)	-	(5,958,689)
Net book value at 1 January 2015	1,970,394	12,135,654	3,222	4,240	141,838	-	14,255,348
Year ended 31 December 2015							
Opening net book amount	1,970,394	12,135,654	3,222	4,240	141,838		14,255,348
Additions	-	780,000	17,000	-	46,800	48,000	891,800
Disposals	-	-	-	-	(8,633)	-	(8,633)
Charge for the year	(74,124)	(1,037,968)	(3,246)	(1,656)	(41,237)	-	(1,158,231)
As at 31 December 2015	1,896,270	11,877,686	16,976	2,584	138,768	48,000	13,980,284
Year ended 31 December 2015							
Cost	2,340,774	18,241,039	61,761	35,421	224,394	48,000	20,951,389
Accumulated depreciation	(444,504)	(6,363,353)	(44,785)	(32,837)	(85,626)	-	(6,971,105)
Net book value at 31 December 2015	1,896,270	11,877,686	16,976	2,584	138,768	48,000	13,980,284
Year ended 31 December 2016							
Opening net book amount	1,896,270	11,877,686	16,976	2,584	138,768	48,000	13,980,284
Additions	-	-	-	-	11,300	-	11,300
Disposals	-	-	-	-	(66,496)	-	(66,496)
Transfer	-	48,000	-	-	-	(48,000)	-
Charge for the year	(74,125)	(1,075,707)	(3,517)	(828)	(22,082)	-	(1,176,259)
As at 31 December 2016	1,822,145	10,849,979	13,459	1,756	61,490	-	12,748,829
Year ended 31 December 2016							
Cost	2,340,774	18,289,039	61,761	35,421	121,901	-	20,848,896
Accumulated depreciation	(518,629)	(7,439,060)	(48,302)	(33,665)	(60,411)	-	(8,100,067)
Net book value at 31 December 2016	1,822,145	10,849,979	13,459	1,756	61,490	-	12,748,829

*Construction work in progress comprise mainly of buildings and plant and machinery still under construction and not yet available for use.

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13 Basic loss per share

Basic loss per share is calculated by dividing the attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year. The basic loss per share is calculated using the number of shares in issue as at the balance sheet date.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potential dilutive shares at the reporting date (2015: nil), thus the basic loss per share and diluted loss per share have the same value.

	31 December 2016	31 December 2015
Loss attributable to equity holders of the Company (₦'000)	(10,354,571)	(10,112,179)
Weighted average number of shares in issue ('000)	20,000	20,000
Basic loss per share (Naira)	(518)	(506)
	31 December 2016	31 December 2,015
	₦'000	₦'000

14 Prepayments

Operating lease - land	29,848	31,881
Movement in prepayment is analysed as follows:		
Balance as at 1 January	31,881	33,914
Charge for the year	(2,033)	(2,033)
Balance as at 31 December	29,848	31,881

Operating lease - land represents prepaid rent for the Company's operating lease on its land for a period of 30 years.

15 Trade and other receivables

Trade receivables	5,981,755	3,190,937
Less: Impairment on trade receivables	(364,929)	(196,222)
Net trade receivables	5,616,826	2,994,715
Other receivables	-	1,555,795
Less: impairment of other receivable	-	(1,555,795)
Net other receivable	-	-
Staff advances	1,389	35,055
Less: impairment of staff advances	-	(35,055)
Net Staff advances	1,389	-
Staff loans	22,044	14,899
Less: impairment of staff loans	-	-
Net staff advances	22,044	14,899
Prepayments (current)	36,124	25,833
Total trade and other receivables	5,676,383	3,035,447

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Trade and other receivables (continued)

Staff loans are loans granted to staff at zero interest rate and are recognised at fair value on initial recognition.

	31 December 2016 ₦'000	31 December 2015 ₦'000
Movements on the provision for impairment of trade receivables are as follows:		
At 1 January	196,222	-
Additional provision	168,707	196,222
At 31 December	364,929	196,222
Movements on the provision for impairment of other receivables are as follows:		
At 1 January	1,555,795	-
Additional provision	-	1,555,795
write back of provision	(1,555,795)	-
At 31 December	-	1,555,795
Movements on the provision for impairment of staff advances are as follows:		
At 1 January	-	35,055
Reversal of previous provision	-	(35,055)
At 31 December	-	-

The creation and release of provision for impaired receivables have been included in 'operating expenses' in the statement of profit or loss account (note 7). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

16 Cash and cash equivalents

Cash in hand	1,293	639
Cash at bank	2,124,158	172,428
Cash and cash equivalents (excluding bank overdrafts)	2,125,451	173,067

For the purpose of cash flow statement, cash and cash equivalents comprises:

Cash in hand and at bank	2,125,451	173,067
Bank overdrafts (note 18)	(182,033)	(164,936)
Cash and cash equivalents	1,943,418	8,131

17 Trade and other payables

Trade payables	5,765,574	8,890,655
Accrued expenses	768,648	551,696
Withholding tax payable	584,285	580,894
Value added tax payable	690,753	566,592
Other payables	26,794	40,178
	7,836,054	10,630,015

All trade payables are due within twelve (12) months.

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18 Borrowings

Current

Diamond bank (Note 18.1)		7,466,028	6,364,789
Africa Export Import Bank (Afrexim) (Note 18.2)		4,567,500	2,756,162
AKICORP (Note 18.3)		23,630,690	19,208,871
Bank overdraft- Access bank (Note 16)		182,033	164,936
Redeemable Preference shares		24,360,000	15,720,000
		60,206,251	44,214,758

Movement of borrowings during the year is as follows:

	AKICORP N'000	Diamond bank N'000	Afrexim loan N'000	Access Bank N'000	Redeemable preference shares N'000	Total N'000
At 1 January 2016	19,208,871	6,364,789	2,756,162	164,936	15,720,000	44,214,758
Interest paid	-	-	-	-	-	-
Interest accrued	-	1,301,239	246,099	17,097	-	1,564,435
Exchange difference - Unrealised	-	-	1,565,239	-	8,640,000	10,205,239
Addition during the year	5,019,069	-	-	-	-	5,019,069
Principal repayment	(597,250)	(200,000)	-	-	-	(797,250)
At 31 December 2016	23,630,690	7,466,028	4,567,500	182,033	24,360,000	60,206,251

Details of bank borrowings are:

18.1 Diamond bank

The Diamond bank loan consists of two facilities: ₦1.92 billion restructured loan with tenure of three years, interest rate of 20% per annum and ₦400 million loan with tenure of three years and an interest rate of 20% per annum. The company did not adhere to the terms of the loan. As at 31 December 2016, the loans were in significant default and attempts to renegotiate the new terms had not been finalised. These loans are therefore repayable on demand and are classified as current liabilities.

18.2 Afrexim loan

The Afrexim loan consist of a single facility: US \$8.3 million restructured loan with tenure of three years effective from 21 June 2009 and an applicable interest rate of LIBOR plus margin of 3%. The company did not adhere to the terms of the loan. As at 31 December 2016, the loans were in significant default and attempts to renegotiate the new terms had not been finalised. These loans are therefore repayable on demand and are classified as current liabilities.

18.3 AKICORP

This represents the interest free loans received from the Akwa Ibom Investment Corporation (AKICORP) from inception to date. There are no specified repayment terms. During the year, additional loan of ₦5 billion was received by the Company while repayment of loans amounted to ₦597 million (note 22).

18.4 Access Bank

The Access bank loan consists of a single restructured facility of ₦390 million. The term commenced on the 12th of February 2014 with a tenure of 6 months. Interest rate is fixed at 20.5% with a flat fee of 0.75%. The Company defaulted on the terms of the loan and this attracted 1% penalty charges and accrued interest on outstanding loan balance in line with the loan terms. These loans are repayable on demand as contractual term has not been renegotiated. In October 2016, Access Bank Plc granted waiver of 25% of accrued interest rate with no additional interest on outstanding balance and full repayment expected within 12 months.

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Borrowings (continued)

18.5 Redeemable preference shares

The Akwa Ibom State Government (AKSG) received the sum of \$80 million USD from the Federal Government of Nigeria (FGN) on behalf of Ibom Power Company (IPC) in 2006. Consequently, Ibom Power Company issued 80 million redeemable preference shares of ₦0.50 each at the price of \$1 per share. These shares were registered with the Corporate Affairs Commission and share certificates issued 1st March 2007.

These preference shares are mandatorily redeemable within one (1) year from issuance date at nil interest. Hence, they are classified as liabilities. The right to these preference shares were later transferred to Niger Delta Power Holding Company (NDPHC).

The company did not adhere to the terms of the redeemable preference shares agreement. These redeemable preferences shares are therefore repayable on demand and are classified as current liabilities.

Significant change in the redeemable preference shares balance is due to the weakening of the Nigerian Naira against the US Dollar.

19 Post-employment benefits

19 Defined benefits plan

The Company introduced a new defined benefit scheme in 2014. Under the scheme, gratuity is payable to an employee (next of kin- in case of death of an employee) who has rendered continuous service for five years or more or on his termination or voluntary retirement of his/her employment and is in accordance with labour law act. The liability is determined by multiplying the current annual basic salary of staff at the time of leaving by the number of years in Company's employment.

19.1 Long service awards

The Company grants long service awards in form of cash and gifts to staff based on their grades and the number of years of service. In the reporting period, the expected costs of these benefits were accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

The long service awards scheme is an unfunded plan and the liability has been estimated as shown below:

19.2 Below are the details of movements and amounts recognised in the financial statements:

A Liability recognised in the financial position	31 December	31 December
	2016	2015
	₦'000	₦'000
Gratuity	2,042,688	1,671,274
Long service award	41,460	38,278
Total employee benefit obligation	2,084,148	1,709,552

B Amount recognised in the profit or loss:

	Gratuity		Long service award		Total	
	31 December	31 December	31 December	31 December	31 December	31 December
	2016	2015	2016	2015	2016	2015
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Current service cost	305,629	163,947	8,482	15,623	314,111	179,570
Interest cost	199,919	95,185	4,335	3,929	204,254	99,114
	505,548	259,132	12,817	19,552	518,365	278,684

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Post-employment benefits (continued)

C Amount recognised in other comprehensive income:

	Gratuity		Long service award		Total	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Remeasurement (gain)/loss	(134,134)	799,302	(3,945)	2,117	(138,079)	801,419

The movement in the defined benefit obligation over the years is as follows:

	Gratuity		Long service award		Total	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
At 1 January	1,671,274	612,840	38,278	17,959	1,709,552	630,799
Current service cost	305,629	163,947	8,482	15,623	314,111	179,570
Interest cost	199,919	95,185	4,335	3,929	204,254	99,114
Remeasurement (gain)/loss	(134,134)	799,302	(3,945)	2,117	(138,079)	801,419
Benefits paid	-	-	(5,690)	(1,350)	(5,690)	(1,350)
As at 31 December	2,042,688	1,671,274	41,460	38,278	2,084,148	1,709,552

The significant actuarial assumptions were as follows:

	2016	2015
Discount rate	16%	12%
Rate of benefits increase	0%	0%
Inflation rate	12%	9%

Assumptions regarding future mortality experience are set based on actuarial advice, published statistics and experience in the industry.

(i) Mortality in Service

The rate of mortality assumed for employees are those according to the British A49/52 ultimate table published by the Institute of Actuaries of England. These rates combined are approximately summarized as follows:

Age	Gratuity	Long-service
	Number of deaths in year out of 100,000 lives	Number of deaths in year out of 10,000 lives
25	69	7
30	65	7
35	36	9
40	144	14
45	264	26

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Post-employment benefits (continued)

(ii) Withdrawal from Service

The withdrawal rates are believed to be reasonably representative of the Nigeria experience. The valuation assumed a rate of
The sensitivities of the overall pension liability to 1% change in discount rate and inflation rate are presented below:

		Gratuity		Long-service	
		31 December 2016 ₦'000	31 December 2015 ₦'000	31 December 2016 ₦'000	31 December 2015 ₦'000
Liability base		2,042,688	1,671,274	41,460	38,278
Discount rate	1% Increase	292,815	(251,251)	2,220	(2,223)
	1% Decrease	(345,931)	304,780	2,432	2,454
Inflation rate	1% Increase	280,727	310,602	2,695	2,688
	1% Decrease	(335,678)	(259,648)	(2,491)	(2,467)

19.3 Average maturity period

The weighted average duration of the gratuity plan and the long service award is 21.92 and 9.92 years respectively. The expected maturity analysis and the gratuity and long service award benefit scheme is as follows:

	Less than a year ₦'000	Between 2 - 5 years ₦'000	Between 5 - 10 years ₦'000	Beyond 10 years ₦'000	Total ₦'000
31 December 2016					
Gratuity	30,780	132,685	1,255,308	184,709,649	186,128,422
Long service award	3,861	20,152	100,343	-	124,356
Total	34,641	152,837	1,355,651	184,709,649	186,252,778
31 December 2015					
Gratuity	10,565	94,459	956,577	94,171,753	95,233,354
Long service award	4,303	24,300	66,347	232,498	327,448
Total	14,868	118,759	1,022,924	94,404,251	95,560,802

20 Ordinary share capital

Issued and authorised share capital

	31 December 2016 ₦'000	31 December 2016 ₦'000
Authorised:		
100 million ordinary shares of ₦ 1 each	100,000	100,000
Issued and fully paid:		
20 million ordinary shares of ₦1 each	20,000	20,000

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	31 December 2016 N'000	31 December 2015 N'000
21 Cash generated from operating activities		
Loss before tax	(10,350,375)	(10,112,179)
Adjustment for:		
Depreciation of property, plant and equipment (note 13)	1,176,259	1,158,231
Unrealized exchange loss (note 11)	10,205,239	2,560,459
Loss on disposal of property, plant and equipment (note 21.1)	64,965	4,593
Provision for impairment of trade receivable (note 15)	168,707	196,222
Interest expense (note 11)	1,547,338	2,754,912
Post employment benefits (note 19)	518,365	278,684
Changes in working capital:		
Increase in trade and other receivables	(2,809,643)	(894,797)
Decrease in non current prepayment	2,033	2,033
(Decrease)/increase in trade and other payables	(2,793,961)	4,545,078
Cash generated from operations	(2,271,073)	493,236

21.1 Proceeds on disposal

In the statement of cash flows, loss on sale of property, plant and equipment comprise:

Net book value of property, plant and equipment disposed (note 13)	66,496	8,633
Loss on sale of property, plant and equipment	64,965	4,593
Proceeds on disposal	1,531	4,040

22 Related party transactions

The Company is owned 99.99% by Akwa Ibom Investment Corporation (AKICORP), with the ultimate parent being the Akwa Ibom State Government. During the year, Akwa Ibom State Government paid ₦5.01 billion to Accugas on behalf of the Company while AKICORP received ₦597 million from the Company. However, the amount due to AKICORP at the end of the year is shown below:

	31 December 2016 N'000	31 December 2015 N'000
At 1 January	19,208,871	18,456,511
Additions during the year	5,019,069	2,942,360
Repayments	(597,250)	(2,190,000)
At 31 December	23,630,690	19,208,871

22.1 Key management compensation

Key management personnel of Ibom Power Company Limited include the Executive directors and Managing director. The compensation paid or payable to key management for employee services is shown below:

Short term employee benefits	-	125,632
The aggregate emoluments of key management personnel were:		
Fees	-	8,125
Managing Director's salary	-	32,000
Allowances	400	85,507
	400	125,632

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Key management compensation (continued)

Fees and other emoluments disclosed above include amounts paid to:

The Chairman	-	<u>5,400</u>
Director	-	<u>32,000</u>

No key management personnel received fees and other emoluments (excluding pension contributions and other benefits) during the year (2015: 4).

There were no other compensation and loans to key management personnel during the year.

23 Employees information

(i) The average number of persons employed by the Company during the period was as follows:

	31 December 2016 Number	31 December 2015 Number
Managerial	8	5
Senior staff	59	61
Junior staff	31	33
	<u>98</u>	<u>99</u>

(ii) The table below shows the number of employees (excluding directors), who earned over ₦500,000 as emoluments in the year and were within the bands stated.

	31 December 2016	31 December 2015
₦500,001 - ₦1,000,000	13	15
₦1,000,001- ₦1,500,000	11	18
Above ₦1,500,000	74	66
	<u>98</u>	<u>99</u>

(iii) Staff costs for the above persons (excluding Directors):

	31 December 2016 ₦'000	31 December 2015 ₦'000
Salaries and wages	473,488	452,273
Defined benefit	518,365	278,684
Defined contribution	17,185	26,189
	<u>1,009,038</u>	<u>757,146</u>

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24 Contingent liabilities

As at 31 December 2016, the Company had a total of 10 (2015:10) pending litigations with a cumulative claim of ₦34.4 billion (2015: ₦6.9 billion). These litigations are related to claims by various parties. Based on the advice of the Company's legal counsel, the directors are of the opinion that the claims are frivolous and that no significant liability will arise.

25 Commitments

- (i) There were no capital expenditures contracted for at the end of the reporting period not yet incurred.
- (ii) The Company holds land under a non-cancellable operating lease agreement. The lease is for a period of 30 years. The Company also has a gas sale agreement with Septa Energy Nigeria Limited over a period of 10 years.

The land lease expenditure charged to the statement of profit or loss during the year is disclosed under 'other operating expenses' in note 8. Also, the gas infrastructure lease expenditure under the 'take or pay' Gas purchase agreement is disclosed under 'cost of sales' in the statement of profit or loss.

The Company has no future minimum lease payments to be disclosed for both land rental and gas infrastructure lease because the total lease payment per the land rental contract was made at inception of the lease and this has been disclosed as a long term prepayment (note 14). In addition, the gas purchase contract also did not state the future quantity of gas expected to be delivered to the Company which is the basis for determining the future minimum lease payments at inception of the contract.

26 Going concern

The Company made a loss after tax of ₦10.4 billion (2015: ₦10.12 billion), with a negative cash flow from operating activities of ₦2.3 billion (2015: ₦0.5 billion positive cash flow) and net current liabilities of ₦60.3 billion at year end (2015: ₦51.7 billion). These events or conditions give rise to a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The directors state that the adverse conditions are due to default in loans repayment (note 18) and as at the reporting date, the loan terms have been renegotiated and repayment commenced (note 27).

The directors have no doubt that the Company would remain in existence after twelve (12) months from the date of approval of these financial statements, as the Company currently receives financial support from its parent Company (AKICORP). AKICORP has also indicated her willingness to provide any required financial support for next twelve (12) months and beyond from the date of approval of this financial statements.

27 Events after reporting period

At the reporting date, the Company had entered into agreements with Afrexim bank and Diamond bank for the settlement of outstanding borrowings (note 18). Also, at the reporting date, the Company had completely repaid Access bank loan outstanding loan.

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Value Added Statement

	31 December 2016		31 December 2015	
	₦'000	%	₦'000	%
Revenue	5,478,354		5,592,782	
Bought-in materials and services	(12,078,596)		(10,909,040)	
Value eroded	(6,600,242)	100	(5,316,258)	100
Applied as follows:				
Employees				
Wages, salaries and other benefits	1,009,438	(16)	882,778	(17)
Providers of capital				
Finance expense	1,564,436	(23)	2,754,912	(52)
Government				
Taxation	4,196	(1)	-	-
Maintenance of assets				
Depreciation of plant, property and equipment	1,176,259	(17)	1,158,231	(22)
Retained for growth and expansion				
Loss for the year	(10,354,571)	157	(10,112,179)	191
Value eroded	(6,600,242)	100	(5,316,258)	100

The value added statement is presented in these financial statements for the purpose of the Companies and Allied Matters Act disclosure requirements

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Five Year Financial Summary

STATEMENT OF FINANCIAL POSITION

	IFRS				
	2016	2015	2014	2013	2012
	₦'000	₦'000	₦'000	₦'000	₦'000
ASSET EMPLOYED					
Non-current assets	12,778,677	14,012,165	14,289,262	18,250,644	22,354,536
Current assets	7,801,834	3,208,514	2,557,257	285,103	1,384,912
Current liabilities	(68,155,219)	(54,953,491)	(44,744,486)	(41,749,617)	(41,089,288)
Non-current liabilities	(2,084,148)	(1,709,552)	(630,799)	-	-
Net liabilities	(49,658,856)	(39,442,364)	(28,528,766)	(23,213,870)	(17,349,840)
CAPITAL AND RESERVES					
Ordinary share capital	20,000	20,000	20,000	20,000	20,000
Accumulated deficit	(49,678,856)	(39,462,364)	(28,548,766)	(23,233,870)	(17,369,840)
Shareholders' funds	(49,658,856)	(39,442,364)	(28,528,766)	(23,213,870)	(17,349,840)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	IFRS				NGAAP
	2016	2015	2014	2013	2012
	₦'000	₦'000	₦'000	₦'000	₦'000
Revenue	5,478,354	5,592,782	4,667,734	266,706	2,441,163
Cost of sales	(3,747,352)	(9,082,695)	(5,946,987)	(4,959,383)	(2,349,252)
Gross profit/(loss)	1,731,002	(3,489,913)	(1,279,253)	(4,692,677)	91,911
Net operating expenses	(856,937)	(1,268,859)	(2,319,089)	(863,872)	(1,193,042)
Other income	617,050	-	-	-	-
Other (losses)/gains - net	(64,965)	(4,593)	-	-	-
Operating profit/(loss)	1,426,150	(4,763,365)	(3,598,342)	(5,556,549)	(1,101,131)
Finance costs	(11,776,525)	(5,348,814)	(1,716,554)	(307,481)	(256,358)
Loss before taxation	(10,350,375)	(10,112,179)	(5,314,896)	(5,864,030)	(1,357,489)
Income tax expense	(4,196)	-	-	-	-
Loss for the year	(10,354,571)	(10,112,179)	(5,314,896)	(5,864,030)	(1,357,489)

The five-year financial summary is presented in these financial statements for the purpose of complying with the Companies and Allied Matters Act disclosure requirements.