

Mainstream Energy Solutions Limited
Consolidated and Seperate Financial Statements
For the year ended 31 December 2016

Mainstream Energy Solutions Limited
Consolidated and separate financial statements
For the year ended 31 December 2016
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Mainstream Energy Solutions Limited
Consolidated and separate financial statements
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Directors, professional advisers and registered office

Company registration number

RC 938936

Directors

Colonel Sani Bello (rtd)	Chairman	<i>(Appointed 18 February 2011)</i>
Alhaji Ismaila Isa (OFR mni)	Director	<i>(Appointed 28 June 2012)</i>
Col. Ayegbeni Peters (rtd)	Director	<i>(Appointed 22 May 2014)</i>
Mr. Wale Olafisan	Director	<i>(Appointed 25 February 2015)</i>
Alh. Ibrahim Ismail	Director	<i>(Appointed 28 June 2012)</i>
Chief Tunde Afolabi	Director	<i>(Appointed 28 June 2012)</i>
Chief Victor Odili OON	Director	<i>(Appointed 22 May 2014)</i>
Prof. Emmanuel Edozien OFR	Director	<i>(Appointed 22 May 2014)</i>
Prince Ajibola Oluyede	Director	<i>(Appointed 22 May 2014)</i>
Engr. Vincent Gueneau	Director	<i>(Appointed 22 May 2014)</i>
Sen. Tunde Ogbeha	Director	<i>(Appointed 28 June 2012)</i>
Mr. Halid Alhassane	Director	<i>(Appointed 22 May 2014)</i>
Mr. Thomas Etuh	Director	<i>(Appointed 22 May 2014)</i>
Alh. Ibrahim Bello	Director	<i>(Appointed 15 February 2011)</i>
Mr. Iretekhai Jonathan Okahai-Akhigbe	Director	<i>(Appointed 28 June 2012)</i>
Alh. Awal Kyari Mangal	Director	<i>(Appointed 25 February 2015)</i>
Alh. Babangida Inuwa	Director	<i>(Appointed 22 May 2014)</i>
Mr. Oluremi Jibowu	Director	<i>(Appointed 28 June 2012)</i>
Mr. Edward Edozien	Director	<i>(Appointed 22 May 2014)</i>
Dr. Chris Odili	Director	<i>(Appointed 22 May 2014)</i>
Alh. Suleiman Sani Bello	Director	<i>(Appointed 22 May 2014)</i>
Engr. Husein Sai'du Labo	Independent Director	<i>(Appointed 25 February 2015)</i>
Engr. Lamu Audu	Managing Director	<i>(Appointed 22 May 2014)</i>
Mallam Siraj Abdullahi	Executive Director	<i>(Appointed 22 May 2014)</i>
Mr. Abdul Qadeer	Executive Director	<i>(Resigned 20 September 2016)</i>
Mallam Zulkifil Abba	Director	<i>(Resigned 23 February 2016)</i>

Independent auditor

PricewaterhouseCoopers
Chartered Accountants
Landmark Towers
5b Water Corporation Road
Victoria Island
Lagos

Corporate office

6 Yedseram Crescent
Maitama
FCT Abuja

Company secretary

Mrs. Atinuke Taiwo

Principal banker

Guaranty Trust Bank Plc.
Skye Bank Plc.
Fidelity Bank Plc.

Mainstream Energy Solutions Limited
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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 Mainstream Energy Solutions Limited ("the Company"). This report discloses the financial performance and state of affairs of the Company and its subsidiary (together, "the Group").

Incorporation and address

Mainstream Energy Solutions Limited ("The Concessionaire") was incorporated on 28 February 2011. The Company is incorporated in Nigeria under the Companies and Allied Matters Act as a private limited liability company, and is domiciled in Nigeria. The address of its registered office is

6 Yedseram Crescent
Maitama
FCT Abuja

Principal activities

The principal activity of the Company is the generation of electric power in Nigeria.

On 26th April 2016, the Company invested in a new subsidiary, Hydropolis Investments Limited. Hydropolis was incorporated to carry on the business of investment, training of individuals and organisations in the generation of hydro-energy as well as dealings in agricultural equipments.

Results and dividend

The Group and Company's results for the year ended 31 December 2016 are set out on page 9. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

No dividend was declared for the 2016 financial year (2015: nil).

	Group 31 December 2016 ₦'000	Company	
		31 December 2016 ₦'000	31 December 2015 ₦'000
			*Restated
Revenue	56,088,193	56,088,193	23,398,295
Loss before income tax	(16,371,449)	(16,368,116)	(8,487,956)
Taxation	16,025,575	16,025,575	3,582,847
Loss for the year	(345,874)	(342,541)	(4,905,109)

No Group comparative statements are shown, as the subsidiary was incorporated during the year.

Directors

The Directors who held office during the year and to the date of this report are set out on page 1.

Mainstream Energy Solutions Limited
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Report of the directors

Shareholding structure

	31 December 2016		31 December 2015	
	Shareholding (units)'000	Percentage	Shareholding (units)'000	Percentage
Amni International Petroleum Development	130,994	33.5%	130,994	33.5%
Hermitage Overseas Corporation	33,778	8.6%	33,778	8.6%
Col. Sani Bello (rtd)	24,544	6.3%	24,544	6.3%
Blue Black Global Investment Limited	21,909	5.6%	21,909	5.6%
Col. Aiyegbeni Peters (rtd)	20,358	5.2%	20,358	5.2%
NIGELEC	19,338	4.9%	19,338	4.9%
Confluence Cable Networks Limited	19,308	4.9%	19,308	4.9%
Anchorage Holdings Limited	13,050	3.3%	13,050	3.3%
TAK Energy Solutions Limited	12,643	3.2%	12,643	3.2%
Barbedos Group	11,197	2.9%	11,197	2.9%
Alhaji Ismaila Isa (OFR mni)	8,644	2.2%	8,644	2.2%
Hartnik Investment Limited	8,340	2.1%	8,340	2.1%
Terra Petra Investment limited	8,305	2.1%	8,305	2.1%
Paqua Energy	7,829	2.0%	7,829	2.0%
Allstream Energy Solutions limited	5,871	1.5%	5,871	1.5%
Engr. Vincent Gueneau	4,283	1.1%	4,283	1.1%
Mr. Oluremi Jibowu	3,057	0.8%	3,057	0.8%
Silverbog Investment Limited	2,262	0.6%	2,262	0.6%
Ni Energy Limited	1,721	0.4%	1,721	0.4%
MBS Merchants Limited	2,467	0.6%	-	0.0%
Monument Private Equity	2,333	0.6%	-	0.0%
Crust Energy Limited	11,886	3.0%	-	0.0%
Seven Sisters Properties Limited	3,335	0.9%	-	0.0%
	377,452	96.4%	357,431	91.3%

As at 31 December 2016, shares allotted to the following shareholder had not been registered with the Corporate Affairs Commission in accordance with the Companies And Allied Matters Act (CAMA).

Shareholders	31 December 2016		31 December 2015	
	Shareholding (units)'000	Percentage	Shareholding (units)'000	Percentage
Crust Energy Limited	-	0.0%	11,886	3.0%
Monument Private Equity	-	0.0%	2,333	0.6%
MBS Merchants Limited	-	0.0%	2,467	0.6%
Seven Sisters Properties Limited	-	0.0%	3,335	0.9%
Masanawa Enterprises Nigeria Limited	14,156	3.6%	14,156	3.6%
	14,156	3.6%	34,177	8.7%
Total number of issued shares	391,608	100%	391,608	100%

Directors interests in contracts

None of the Directors has notified the Company for the purpose of section 277 of the Companies and Allied Matters Act of any 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 training and involvement

The Directors maintain regular communication and consultation with the employees on matters affecting employees and the Company. Employees are also involved in the affairs of the Company through various profit and productivity - related incentive schemes. There is great emphasis on staff development and training through carefully planned training courses and seminars to update the special skills and job requirements of the staff throughout the Company.

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Report of the directors

Employee health, safety and welfare

The Company enforces strict health and safety rules and practices at the work environment, which are reviewed and tested regularly. The Company provides medical care for its employees and their families through designated hospitals and clinics retained for this purpose.

To further protect the interest of its workers, the Company operates both Group Personal Accident and Workmen's Compensation Insurance covers for the benefit of its employees. The Company subscribes to the contributory scheme established by the Pension Reform Act 2004, and in line with the Act, makes contributions to employees' Retirement Savings Accounts held with their respective Pension Fund Administrators.

Donations and gifts

The Company made donations and contributions amounting to ₦239.5 million to its Foundation during the year (2015: ₦208.8 million).

Property, plant and equipment

Movement in property, plant and equipment during the year is shown in Note 13 to the financial statements. The market value of the Company's property, plant and equipment is not less than the value shown in the financial statements.

Independent auditors

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

By order of the board

Atinuke Taiwo

FRC/2015/NBA/00000011223

2018

Mainstream Energy Solutions Limited
Consolidated and separate financial statements
For the year ended 31 December 2016
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. This responsibility includes:

- 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, implementation and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; and
- c) preparing the Company's financial statements using suitable accounting policies which are consistently applied, supported by reasonable and prudent judgements and estimates.

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.

The directors are of the opinion that 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: _____

Date: _____

Date: _____

Mainstream Energy Solutions Limited
 Consolidated and separate financial statements
 For the year ended 31 December 2016

Consolidated statement of profit or loss and other comprehensive income

	Notes	Group	Company	
		31 December 2016 ₦'000	31 December 2016 ₦'000	31 December 2015 ₦'000
Revenue	5	56,088,193	56,088,193	*Restated 23,398,295
Cost of sales	6	(7,152,500)	(7,152,500)	(7,412,314)
Gross profit		48,935,693	48,935,693	15,985,981
General and administrative expenses	7	(4,545,741)	(4,542,408)	(3,790,105)
Other income	9	3,123,665	3,123,665	56,044
Operating profit		47,513,617	47,516,950	12,251,920
Net finance costs	10	(63,885,066)	(63,885,066)	(20,739,876)
Loss before income tax		(16,371,449)	(16,368,116)	(8,487,956)
Income tax credit	11	16,025,575	16,025,575	3,582,847
Loss for the year		(345,874)	(342,541)	(4,905,109)
Other comprehensive income				
– Translation difference		-	-	-
Total comprehensive loss for the year		(345,874)	(342,541)	(4,905,109)
Total comprehensive loss for the year is attributable to:				
– Owners of Mainstream Energy Solutions Limited		(345,871)	(342,541)	(4,905,109)
– Non controlling interest		(3)	-	-
		(345,874)	(342,541)	(4,905,109)
Basic loss per share (Naira)	12	(0.88)	(0.87)	(12.53)

No Group comparative statements are shown, as the subsidiary was incorporated during the year.

The notes on pages 13 to 43 form an integral part of these financial statements.

* See note 3(b) on page 21.

Mainstream Energy Solutions Limited
Consolidated and separate financial statements
As at 31 December 2016
Consolidated statement of financial position

	Notes	Group	Company		
		31 December 2016 N'000	31 December 2016 N'000	31 December 2015 N'000	01 January 2015 N'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	967,070	953,870	933,500	726,658
Intangible assets	15	66,192,112	66,192,112	68,642,218	71,108,406
Investment in subsidiaries	14	-	14,083	-	-
Trade and other receivables	18	1,317,807	1,317,807	532,567	378,570
Deferred tax asset	11	21,576,556	21,576,556	5,550,981	1,968,134
Total non-current assets		90,053,545	90,054,428	75,659,266	74,181,768
Current assets					
Inventories	17	-	-	19,445	48,421
Trade and other receivables	18	57,576,732	57,576,732	20,118,789	12,410,070
Cash and cash equivalents	19	4,767,371	4,767,321	4,337,466	2,234,016
Total current assets		62,344,103	62,344,053	24,475,700	14,692,507
Total assets		152,397,648	152,398,481	100,134,966	88,874,275
LIABILITIES					
Non-current liabilities					
Borrowings	22	25,908,010	25,908,010	23,018,328	23,683,399
Concession liabilities	23	103,815,228	103,815,228	59,470,607	44,941,289
Deposit for shares	24	-	-	-	16,582,135
Trade and other payables	25	5,544,531	5,544,531	2,706,967	3,072,210
Total non-current liabilities		135,267,769	135,267,769	85,195,902	88,279,033
Current liabilities					
Trade and other payables	25	977,939	975,439	1,925,986	775,152
Current tax liabilities	11	-	-	-	-
Borrowings	22	9,761,613	9,761,613	6,276,877	4,760,915
Total current liabilities		10,739,552	10,737,052	8,202,863	5,536,067
Total liabilities		146,007,321	146,004,821	93,398,765	93,815,100
EQUITY					
Share capital	20	391,611	391,611	391,611	15,000
Share premium	21	16,205,524	16,205,524	16,205,524	-
Accumulated deficit		(10,206,805)	(10,203,475)	(9,860,934)	(4,955,825)
Capital and equity attributable to owners		6,390,330	6,393,660	6,736,201	(4,940,825)
Non controlling interest		(3)	-	-	-
Total equity		6,390,327	6,393,660	6,736,201	(4,940,825)
Total equity and liabilities		152,397,648	152,398,481	100,134,966	88,874,275

The notes on pages 13 to 43 are an integral part of these financial statements

The financial statements and notes accompanying were approved and authorised for issue by the Board of Directors on _____ and signed on its behalf by _____

Managing Director
FRC NO: FRC/2015/COREN/00000011935

Executive Director
FRC NO: FRC/2015/NBA/00000011324

* See note 3(b) on page 21.

Mainstream Energy Solutions Limited
Consolidated and separate financial statements
For the year ended 31 December 2016
Consolidated statement of changes in equity

Group	Attributable to equity holders of the parent					
	Share capital N'000	Share premium N'000	Accumulated deficit N'000	Total N'000	Non-controlling interest N'000	Total equity N'000
Balance at 1 January 2016	391,611	16,205,524	(9,860,934)	6,736,201	-	6,736,201
Loss for the year	-	-	(345,871)	(345,871)	(3)	(345,874)
Total comprehensive income for the year	-	-	(345,871)	(345,871)	(3)	(345,874)
Balance as at 31 December 2016	391,611	16,205,524	(10,206,805)	6,390,330	(3)	6,390,327

Company	Share capital N'000	Share premium N'000	Accumulated deficit N'000	Total equity N'000
Balance as at 1 January 2015	15,000	-	(4,955,825)	(4,940,825)
Loss for the year (*Restated)	-	-	(4,905,109)	(4,905,109)
Total comprehensive loss for the year	-	-	(4,905,109)	(4,905,109)
Transactions with owners:				
Recognition of shares issued and allotted	376,611	16,205,524	-	16,582,135
Restated balance as at 31 December 2015	391,611	16,205,524	(9,860,934)	6,736,201
Restated equity as at 1 January 2016	391,611	16,205,524	(9,860,934)	6,736,201
Loss for the year	-	-	(342,541)	(342,541)
Total comprehensive income for the year	-	-	(342,541)	(342,541)
Balance as at 31 December 2016	391,611	16,205,524	(10,203,475)	6,393,660

The notes on pages 13 to 43 are an integral part of these financial statements.

* See note 3(b) on page 21.

Mainstream Energy Solutions Limited
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Consolidated statement of cash flows

	Notes	Group	Company	
		31 December 2016 N'000	31 December 2016 N'000	31 December 2015 N'000
*Restated				
Cash flows from operating activities				
Cash generated from operations	26	13,519,992	13,520,825	7,922,415
Net cash inflow from operating activities		13,519,992	13,520,825	7,922,415
Cash flows from investing activities				
Acquisition of property, plant and equipment	13	(250,150)	(236,950)	(328,707)
Acquisition of intangible asset	15	(16,294)	(16,294)	-
Investment in subsidiary	14	-	(14,083)	-
Interest received	10	118,871	118,871	241,435
Net cash outflow from investing activities		(147,573)	(148,456)	(87,272)
Cash flows from financing activities				
Transfers from Kainji Hydroelectric Plc.		-	-	400,000
Repayment of interest on borrowing		(3,220,706)	(3,220,706)	(2,901,693)
Repayment of principal on borrowings		(9,721,808)	(9,721,808)	(3,230,000)
Net cash outflow from financing activities		(12,942,514)	(12,942,514)	(5,731,693)
Net increase in cash and cash equivalents		429,905	429,855	2,103,450
Cash and cash equivalents at the beginning of the financial year		4,337,466	4,337,466	2,234,016
Cash and cash equivalents at end of year		4,767,371	4,767,321	4,337,466

The notes on pages 13 to 43 form an integral part of these financial statements.

Mainstream Energy Solutions Limited

Consolidated and separate financial statements

For the year ended 31 December 2016

Notes to the consolidated financial statements

1. General information

These financial statements are the financial statements of Mainstream Energy Solutions Limited (hereafter referred to as 'the Company') and its subsidiary (hereafter referred to as 'the Group'). Mainstream Energy Solutions Limited was incorporated on 28 February 2011. The Group is incorporated in Nigeria under the Companies and Allied Matters Act as a private limited liability company, and is domiciled in Nigeria.

The principal activity of the Group is the generation of electric power in Nigeria.

2. Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

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

2.2 Basis of preparation

The consolidated 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 Standard Board ("IASB"). Additional information required by National regulations is included where appropriate.

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

The consolidated 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 consolidated financial statements are presented in thousands of Naira.

The preparation of consolidated 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 significant impact on the financial statements in the period the assumption changed. The Directors believe the underlying assumptions are appropriate and 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 assumption and estimates are significant to the financial statements are disclosed in note 3.

2.2.1 Changes in accounting policy and disclosures

i) New and amended standards adopted by the group during the year

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2016.

Amendments to IAS 1, 'Presentation of financial statements'.

IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments form a part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved.

Amendments to IFRS 10 - 'Consolidated financial statements' .

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Mainstream Energy Solutions Limited
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Notes to the consolidated financial statements

ii) **New standards, amendments, interpretations issued but not yet effective.**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 31 December 2016, and have not been applied in preparing these financial statements. Management is yet to assess the effect of the following standards on the consolidated financial statements of the Group.

IFRS 9 Financial instruments (effective 1 January 2018)

IFRS 9, "Financial instruments", addressed 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 as 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 part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of profit or loss, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact.

IFRS 15 Revenue from contracts with customers (effective 1 January 2018)

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is yet to fully assess the expected impact of this standard.

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

2.3 Consolidation

The financial statements of the consolidated subsidiary used to prepare the consolidated financial statements were prepared as at the parent Company's reporting date.

(i) Subsidiaries

The subsidiary is an entity (including structured entities) over which the Group has control. The Group controls an entity when the group is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date of on which control is transferred to the Group and unconsolidated from the date that control ceases.

Investments in subsidiaries are carried at cost less any impairment in the stand-alone financial statements of the Company.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Interests in the equity of subsidiaries not attributable to the parent are reported in equity as non-controlling interest. Profits or losses attributable to non-controlling interests are reported as profit or loss attributable to non-controlling interests.

In the separate financial statements of Mainstream Energy Solutions Limited (the company) investment in subsidiaries is recognised at cost and dividend income is recognised in other income in the statement of profit or loss and other comprehensive income of the company.

(ii) Disposal of subsidiaries

The Group assesses at the end of each reporting period whether there is objective evidence that an investment is impaired. An investment 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 investment and has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

Mainstream Energy Solutions Limited

Consolidated and separate financial statements

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Notes to the consolidated financial statements

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. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income.

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, the reversal of the previously recognised impairment loss is recognised in statement of profit or loss and other comprehensive income.

iii) Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- a) fair values of the assets transferred
- b) liabilities incurred to the former owners of the acquired business
- c) equity interests issued by the group
- d) fair value of any asset or liability resulting from a contingent consideration arrangement, and
- e) fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- a) consideration transferred,
- b) amount of any non-controlling interest in the acquired entity, and
- c) acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Naira, which is the Group's functional and presentation currency.

(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 Group's functional currency are recognized in statement of profit or loss and other comprehensive income within other income and other expenses. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

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2.5 Financial instruments

2.5.1 Financial assets

(a) *Classification*

The Group classifies its financial assets as financial assets at amortised cost. The Group 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) *Financial assets at amortised cost*

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than months after the end of the reporting period. These are classified as non-current assets. The Company's financial assets at amortised cost comprise cash and cash equivalents in the statement of financial position.

(c) *Recognition and measurement*

Financial assets at amortised cost are initially recognized at fair value plus transaction costs. Subsequently, financial costs at amortised costs using the effective interest rate method less any impairment.

2.5.2 Financial liabilities

(a) *Classification*

Financial liabilities are classified as financial liabilities at amortised cost and at fair value through profit or loss. The Group 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 and other payables 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) *Financial liabilities at fair value through profit or loss*

This includes concession liabilities. The fair values for concession liabilities are determined using discounted cash flow model valuation technique as these class of instruments held by the Group are not quoted in an active market.

(d) *Recognition and 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.

Borrowings

Borrowings are recognized initially at fair value, as the proceeds received, net of any transaction cost incurred. Borrowings are subsequently recorded at amortized cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted in statement of profit or loss and other comprehensive income using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

Trade payables

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

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Concession liabilities

Concession liabilities are initially recognised at fair value. The valuation model uses inputs which are observable in the market namely the ruling exchange and interest rates at the measurement date. The fair value of the concession liabilities is classified as a non current liability when the remaining period to maturity date is more than 12 months, and a current liability when the remaining period to maturity is less than 12 months.

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2.5.3 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).

2.5.4 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.

2.6 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group 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 group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group 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 statement of profit or loss and other comprehensive income.

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 statement of profit or loss and other comprehensive income.

2.7 Revenue recognition

Revenue represents the fair value of the consideration receivable for sale of goods and is stated net of rebates and discounts.

Sale and distribution of electric power

Revenue from the sale and distribution of electric power is recognised when the company has delivered the electric power to the customer, the customer has acknowledged receipt of the product and collectability of the related receivables is reasonably assured. The Group's sole customer is the Nigerian Bulk Electricity Plc.

2.8 Employee benefits

(i) Staff costs

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 Group. The Group operates an accumulating leave policy; this can be encashed when the employee is leaving employment. The Group 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.

(ii) Defined contribution scheme - pension contributions

The Group operates a defined contribution retirement benefit scheme for its employees. A defined contribution plan is a pension plan under which the Group 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 Group contributes 10% of the emoluments (basic, housing and transport allowance). The Group 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 Group. 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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2.9 Interest income

Interest income is accrued on a time basis in the statement profit or loss and other comprehensive income, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.10 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.11 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, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.12 Cash and cash equivalents

For the purpose of the presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.13 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that debtor will enter bankruptcy and default or delinquency in payment (more than 30 days overdue), are the indicators that trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within administrative costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative costs in the statement of profit or loss and other comprehensive income.

2.14 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. 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 Group and the cost can be measured reliably. Repairs and maintenance costs are charged to the statement of profit or loss and other comprehensive income during the period in which they are incurred.

The Group allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognized when replaced. Depreciation starts when the asset is available for use. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. 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 and other comprehensive income.

The major categories of property, plant and equipment are depreciated on a straight-line basis as follows:

Asset category	Depreciation rate (%)
Furniture and Equipment	25
Motor vehicles	20
Computer equipment	33.3
Land and building	3.33

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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2.15 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.

2.16 Intangible assets

Licenses

Separately acquired licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of license over the estimated useful life.

2.17 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 separately identifiable cash flows (cash-generating units). Non financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.18 Current and deferred income tax

(i) Current tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at each reporting date in the country, Nigeria, where the Group operates and 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.

(ii) Deferred income 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 income 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 income taxes 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 balances on a net basis.

2.19 Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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2.20 Share capital

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

2.20 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- a) the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares.
- b) by weighted average number of ordinary shares outstanding in the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share will be the same as the basic earnings per share where there are no potential securities convertible to ordinary shares .

2.21 Comparatives

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

3 Critical accounting estimates, judgements and errors

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in notes 1 to 30 together with information about the basis of calculation for each affected line item in the financial statements.

a) Significant estimates and judgement

(i) Income taxes

The Group is subject to income taxes only within the Nigerian tax authority which does not require much judgment in terms of provision for income taxes but a certain level of judgment is required for recognition of the deferred tax assets. Management is required to assess the ability of the Group to generate future taxable economic earnings that will be utilised for all deferred tax assets. The future cash flows are used by management to assess whether the Group will be able to generate enough future cash flows as part of the management assumptions.

Taxes are paid by Companies under a number of different regulations and laws, which are subject to varying interpretations. In this environment, it is possible for the tax authorities to review transactions and activities that have not been reviewed in the past and scrutinize these in greater detail, with additional taxes being assessed based on new interpretations of the applicable tax law and regulations. Accordingly, management's interpretation of the applicable tax law and regulations as applied to the transactions and activities of the Group may be challenged by the relevant taxation authorities. The Group's management believes that its interpretation of the relevant tax law and regulations is appropriate and that the tax position included in these financial statements will be sustained.

(ii) Impairment of financial assets

The Group annually tests whether the trade receivables have suffered any impairment in accordance with the Group's credit policy. Impairment is calculated based on the best estimate of available information on the ability of debtors to pay and the estimated present value of the cash flow to be received.

(iii) Intangible assets

The Group acquired the rights to the operations of Kanji Hydroelectric Plc for 30 years. The Group is obligated to make an upfront payment for the first five years and thereafter, annual payments for each operating year from the commencement date to the termination date. The streams of future cash outflows have been discounted to present value using the best estimate of a discount rate for loans with similar cashflow characteristics. The present value of the intangible asset recognised in the statement of financial position represents the best estimate of the cost of the intangible asset in present terms.

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(iv) Extended credit term on revenue recognition

Sales revenues are recognized at the fair value of consideration received or receivable. Where there is a significant lag between when the service is supplied and the consideration is received, the time value of money is taken into account.

Revenue receivable is discounted to recognise the time value of money using a discount rate which reflects the borrowing rate for instruments for same duration. Significant changes in management estimates and assumptions affect amounts recognized and the discounted amount unwound in finance income in subsequent years.

(v) Recognition of derivative financial instrument

No derivative has been recognised from the Power Purchase Agreement with the Nigeria Bulk Electricity Plc as there is an insignificant impact of the United States consumer price index on the variability of returns on the US dollar denominated invoice.

b) Correction of error in hypadec charges

Over the years, the Company did not apply the Hypadec amended Act, 2013 to determine its hypadec charges. Section 14(2) of the principal act was amended with the clause "10 percent of the total Federal Government's revenue derived from concessioning of the hydro plants and royalties paid to the Federal Government". This effectively terminated the recognition of hypadec charges. This resulted in an overstatement of liabilities and cost of sales. This transaction has been restated in the statement of profit or loss and statement of financial position for the relevant years.

Outlined below are the liability and equity amounts included for each financial statement line affected.

	Company (N'000)		
	31 December 2015	(Increase)/ decrease	31 December 2015
	Restated		
Statement of profit or loss (extract)			
Cost of sales (note 6)	(9,719,892)	2,307,578	(7,412,314)
Operating expenses	(3,772,830)	-	(3,772,830)
Operating profit	9,944,342	2,307,578	12,251,920
Taxation	3,582,847		3,582,847
Loss for the year	(7,212,687)	2,307,578	(4,905,109)
Basic loss per share (Naira)	(18.42)		(12.53)

	Company (N'000)			Company (N'000)		
	31 December 2015	Increase/ (decrease)	December 2015	31 December 2014	Increase/ (decrease)	1 January 2015
	Restated			Restated		
Statement of financial position (extract)						
Non current liabilities						
Trade and other payables (note 25)	4,815,458	(2,307,578)	2,507,880	5,021,440	(1,949,230)	3,072,210
Equity						
Accumulated deficit	(12,168,512)	2,307,578	(9,860,934)	(6,905,055)	1,949,230	(4,955,825)

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4.0 Financial risk management

The Group's activities expose it to a variety of financial risks such as market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the treasury department under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk on financial instruments that are denominated in a currency other than the functional currency of the Group. The currency in which these transactions primarily are denominated is the US dollar. The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

In managing currency risk, the Group aims to reduce the impact of short-term fluctuations on earnings. Although the Group has various measures to mitigate exposure to foreign exchange rate movement, over the longer term, however, permanent changes in exchange rates would have an impact on the profit or loss. The Group monitors the movement in the currency rates on an ongoing basis. The Group's exposure to foreign currency risk is as follows based on notional amounts:

	Group	← Company →	
	31 December 2016 US\$'000	31 December 2016 US\$'000	31 December 2015 US\$'000
Financial assets			
Cash and bank balances	1,345	1,345	896
Borrowings	(117,142)	(117,142)	(149,848)
Concession liabilities	(340,937)	(340,937)	(302,649)
Net exposure	(456,734)	(456,734)	(451,601)

The following significant exchange rates applied during the period:

	NGN	NGN	NGN
USD 1	304.50	304.50	196.50

The following table details the Group's sensitivity to a 50% change in the US\$ against the Naira, with all other variables held constant, on the Group's equity and profit. A positive number below indicates an increase in profit and equity where the US\$ strengthens against the Naira. For a weakening of the US\$ against Naira, there would be an equal and opposite impact on profit and the balances below would be negative.

	Group	← Company →	
	31 December 2016 N'000	31 December 2016 N'000	31 December 2015 N'000
Loss if US Dollar strengthens by 50% against the Nigerian Naira	(69,537,681)	(69,537,681)	(44,369,773)
Profit if US Dollar weakens by 50% against the Nigerian Naira	69,537,681	69,537,681	44,369,773

(ii) Interest rate risk

The Group's interest rate risk arises from short and long term borrowings. The borrowings are issued at a fixed rate and do not expose the Group to interest rate risk.

(iii) Price risk

The Group is not significantly exposed to price risks as the mechanism for sales price determination is fixed over the contract term.

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(b) 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 Group has a concentration risk as it has one customer, the Nigerian Bulk Electricity Trader (NBET) which is a privately owned company. There are no policies in place to ensure that credit limits are set for Nigerian Bulk Electricity Trader.

Maximum exposure to credit risk

The Group's maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group	Company	
	31 December 2016 N'000	31 December 2016 N'000	31 December 2015 N'000
Cash and cash equivalents	4,767,371	4,767,321	4,337,466
Trade receivables (Gross)	55,727,146	55,727,146	19,020,326
Other receivables	1,802,562	1,802,562	268,504
Total	62,297,079	62,297,029	23,626,296

Other receivables in the table above excludes prepayments (note 17) as these are not financial assets.

Further analysed into:

	Group			
	Cash & cash equivalents N'000	Trade receivables N'000	Other receivables N'000	Total N'000
31 December 2016				
Neither past due nor impaired	4,767,321	43,992,846	1,802,562	50,562,729
Past due but not impaired	-	11,734,300	-	11,734,300
	4,767,321	55,727,146	1,802,562	62,297,029
	Company			
	Cash & cash equivalents	Trade receivables	Other receivables	Total
31 December 2016				
Neither past due nor impaired	4,767,321	43,992,846	1,802,562	50,562,729
Past due but not impaired	-	11,734,300	-	11,734,300
	4,767,321	55,727,146	1,802,562	62,297,029
	31 December 2015			
	Cash & cash equivalents	Trade receivables	Other receivables	Total
Neither past due nor impaired	4,337,466	10,062,931	268,504	14,668,901
Past due but not impaired	-	8,957,395	-	8,957,395
	4,337,466	19,020,326	268,504	23,626,296

There were no impaired assets as at 31 December 2016 (2015 : Nil).

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(ii) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be referenced to external ratings (if available). If there is no external rating, the finance department assesses the credit quality taking into account the financial position, past experience and other factors.

The Group's maximum exposure to credit risk due to default of the counter party is equal to the carrying value of its financial assets. No credit limits were exceeded during the reporting period.

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

	Group	← Company →	
	31 December 2016 N'000	31 December 2016 N'000	31 December 2015 N'000
Cash and cash equivalents			
<i>Counterparties with external credit rating (Standard & Poor)</i>			
A-	-	-	31,102
B+	4,707,997	4,707,947	4,285,080
BBB+	-	-	21,284
B-	59,188	59,188	-
Unrated	186	186	-
	4,767,371	4,767,321	4,337,466

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:

A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

"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.

The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.

'Others' indicate financial institutions with no available ratings and cash in hand.

Trade and other receivables

Counterparties without external credit rating

*Group 1**

*Group 1 refers to long-term customers with no history of defaults in the past.

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

As of 31 December 2016, trade receivables of ₦11.73 billion were past due but not impaired (2015 : ₦8.96 billion). This relates to sales of services to Nigeria Bulk Electricity Trading Plc. (NBET) and Transmission Company of Nigeria (TCN) from whom there is no recent history of default. The aging analysis of this trade receivables is as follows:

Trade receivables	31 December	31 December
	2016	2015
	₦'000	₦'000
60-120 days	2,938,949	1,871,350
120 and above	8,795,351	7,086,045
	11,734,300	8,957,395

(iv) Financial assets that are impaired

As of 31 December 2016, none of the Group's financial assets were impaired (2015: nil).

Financial risk management continued

(v) Credit Concentration

The Group has one customer, the Nigerian Bulk electricity Trading (NBET). Following the commencement of the Transmission Electricity Market (TEM) in February 2015, the Transmission Company of Nigeria (TCN) ceased to purchase power from the Company. As at 31 December 2016, the trade receivable of ₦52.9 billion and ₦2.8 billion (2015 : ₦16.2 billion and ₦2.8 billion)

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by ensuring that sufficient funds are available to meet its commitments as they fall due.

The Group uses both long term and short term cash flow projections to monitor funding requirements for activities and to ensure there is sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits on any of its borrowing facilities. Cash flow projections take into consideration the Group's debt financing plans, covenant compliance and internal balance sheet ratio targets.

The table below details the Group's remaining contractual maturity for its non-derivative financial liabilities and assets with agreed maturity periods drawn based on the discounted cash flows of the financial liabilities and assets, based on the earliest date on which the Group can be required to pay or receive payments.

Group	₦'000			Total
	less than - 1 year	More than 1 year less than 3 years	More than 3 years	
31 December 2016				
Borrowings	9,761,613	23,448,727	2,459,283	35,669,623
Trade and other payables	977,939	5,239,067	305,464	6,522,470
Concession liabilities	-	-	103,815,228	103,815,228
Total liabilities	10,739,552	28,687,794	106,579,975	146,007,321

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Company

	less than - 1 year	More than 1 year less than 3 years	More than 3 years	Total
31 December 2016				
Borrowings	9,761,613	23,448,727	2,459,283	35,669,623
Trade and other payables	975,439	5,239,067	305,464	6,519,970
Concession liabilities	-	-	103,815,228	212,560,243
Total liabilities	10,737,052	28,687,794	106,579,975	146,004,821
31 December 2015				
Borrowings	10,705,154	24,452,460	3,277,578	38,435,192
Trade and other payables	1,925,986	2,434,657	272,310	4,632,953
Concession liabilities	-	-	59,470,607	59,470,607
Total liabilities	12,631,140	26,887,117	63,020,495	102,538,752

Trade and other payables excludes WHT payables.

4.2 Financial instruments by category

As explained in Notes 2.5, financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of profit or loss and other comprehensive income. Those categories are: financial assets at amortized cost for financial assets; and for financial liabilities at amortized cost. The following table shows the carrying values of assets and liabilities for each of these

	Group	Company	
	31 December 2016 ₹'000	31 December 2016 ₹'000	31 December 2015 ₹'000
Financial assets at amortised costs			
Trade and other receivables (note 18)	58,756,307	58,756,307	20,515,429
Cash and bank (note 19)	4,203,679	4,203,629	3,898,491
Short term investments (note 19)	563,692	563,692	438,975
Total	63,523,678	63,523,628	25,573,758
Financial liabilities at amortised cost			
Borrowings (note 22)	35,669,623	35,669,623	29,295,205
Trade and other payables (note 25)	6,453,607	6,451,107	4,632,953
Total	42,123,230	42,120,730	33,928,158
Financial liabilities at fair value through profit or loss			
Concession liabilities (note 23)	103,815,228	103,815,228	59,470,607

Trade and other payables exclude WHT payables.

4.3 Offsetting financial assets and financial liabilities

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

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4.4 Capital risk management

The Group's capital management policy and objective is to maintain reliable and sustainable capital in order to sustain future development of the business while maintaining adequate returns for the share holders. Capital is defined by total equity and it is monitored regularly by the Group's management.

	Group	← Company →	
	31 December 2016 N'000	31 December 2016 N'000	31 December 2015 N'000
Total liabilities	146,007,321	146,004,821	93,398,765
Less: Cash and cash equivalents (note 19)	4,767,371	4,767,321	4,337,466
Net debt	141,239,950	141,237,500	89,061,299
Total equity	6,390,330	6,393,660	6,736,201
Total capital employed	147,630,280	147,631,160	95,797,500
Net debt to capital employed ratio (gearing ratio)	96%	96%	93%

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5 Financial assets and liabilities

Accounting classification, measurement, basis and fair values.

As explained in Notes 2.5, financial assets and liabilities have been classified into categories that determine their basis of measurement. The category for financial assets and liability is at amortized cost.

The table below shows the classification, carrying amount and fair value of all financial instruments and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the assets or liability either directly (that is, as prices) or indirectly (that is as derived from prices) (Level 2).
- Inputs for assets or liability that are not based on observable market data (that is unobservable inputs) (Level 3).

Company
31 December 2016

N'000	Notes	Financial instruments at amortised cost	Total carrying amount	Fair value			Fair value
				Level 1	Level 2	Level 3	
Assets							
Cash and cash equivalents	19	4,203,629	4,203,629	-	4,203,629	-	4,203,629
Short term investments	19	563,692	563,692	-	563,692	-	563,692
Trade and other receivables	18	57,576,732	57,576,732	-	57,576,732	-	57,576,732
		62,344,053	62,344,053	-	62,344,053	-	62,344,053
Liabilities							
Borrowings	22	35,669,623	35,669,623	-	35,669,623	-	35,669,623
Concession liabilities	23	103,815,228	103,815,228	-	103,815,228	-	103,815,228
Trade and other payables	25	6,519,970	6,519,970	-	6,519,970	-	6,519,970
		146,004,821	146,004,821	-	146,004,821	-	146,004,821

31 December 2015

N'000	Notes	Financial instruments at amortised cost	Total carrying amount	Fair value			Fair value
				Level 1	Level 2	Level 3	
Assets							
Cash and cash equivalents	19	3,898,491	3,898,491	-	3,898,491	-	3,898,491
Short term investments	19	438,975	438,975	-	438,975	-	438,975
Trade and other receivables	18	20,651,356	20,651,356	-	20,651,356	-	20,651,356
		24,988,822	24,988,822	-	24,988,822	-	24,988,822
Liabilities							
Borrowings	22	29,295,205	29,295,205	-	29,295,205	-	29,295,205
Concession liabilities	23	59,470,607	59,470,607	-	59,470,607	-	59,470,607
Trade and other payables	25	4,632,953	4,632,953	-	4,632,953	-	4,632,953
		88,765,812	93,398,765	-	88,765,812	-	88,765,812

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31 December 2016

R'000	Notes	Financial instruments at amortised cost	Total carrying amount	Fair value			Fair value
				Level 1	Level 2	Level 3	
Assets							
Cash and cash equivalents	19	4,203,679	4,203,679	-	4,203,679	-	4,203,679
Short term investments	19	563,692	563,692	-	563,692	-	563,692
Trade and other receivables	18	58,894,539	58,894,539	-	58,894,539	-	58,894,539
		63,661,910	63,661,910	-	63,661,910	-	63,661,910
Liabilities							
Borrowings	22	35,669,623	35,669,623	-	35,669,623	-	35,669,623
Concession liabilities	23	103,815,228	103,815,228	-	103,815,228	-	103,815,228
Trade and other payables	25	6,522,470	6,522,470	-	6,522,470	-	6,522,470
		146,007,321	146,007,321	-	146,007,321	-	146,007,321

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5 Revenue

The revenue represents the capacity and energy charge sales at the Kainji and Jebba Power Stations

		Group	← Company →	
		31 December 2016 N'000	31 December 2016 N'000	31 December 2015 N'000
Jebba Power Station	Capacity	23,722,222	23,722,222	11,107,325
	Energy	4,789,304	4,789,304	2,486,356
	Late payment	1,351,719	1,351,719	-
	FX true up	1,527,888	1,527,888	-
Kainji Power Station	Capacity	18,394,286	18,394,286	8,019,528
	Energy	3,720,115	3,720,115	1,785,086
	Late payment	1,089,114	1,089,114	-
	FX true up	1,493,545	1,493,545	-
		56,088,193	56,088,193	23,398,295

6 Cost of sales

***Restated**

Repairs and maintenance	410,897	410,897	805,434
Employee benefit expense (note 8)	1,209,682	1,209,682	1,138,456
Amortisation (note 15)	2,466,399	2,466,399	2,466,188
Technical services	261,112	261,112	1,832,321
Royalties	2,804,410	2,804,410	1,169,915
	7,152,500	7,152,500	7,412,314

Royalties are charged at 5% of revenue and is payable to the Bureau of Public Enterprises.

7 General and administrative expenses

***Restated**

	Group	← Company →	
	31 December 2016 N'000	31 December 2016 N'000	31 December 2015 N'000
Legal and other professional expenses	979,074	979,074	598,129
Directors fees and allowances	111,111	111,111	112,556
Health and safety expenses	89,558	89,558	75,536
Audit fees	49,500	47,000	89,346
Repairs and maintenance	181,137	181,137	129,727
Statutory levies	4,475	4,475	107,782
Office supplies and expenses	130,624	130,624	123,959
Corporate social responsibility	240,074	240,074	208,763
Insurance	244,971	244,971	136,573
Rents	28,750	28,750	34,306
Training	59,844	59,844	45,452
Travelling expenses	298,178	297,345	431,440
Other staff related expenses	144,426	144,426	59,968
Employee benefit expenses (note 8)	1,254,997	1,254,997	1,165,546
Depreciation expenses (note 13)	216,580	216,580	121,874
Outsourcing services	512,442	512,442	349,148
	4,545,741	4,542,408	3,790,105

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	Group	Company	
	31 December 2016 ₦'000	31 December 2016 ₦'000	31 December 2015 ₦'000
8 Employee benefit expenses			*Restated
Salaries and allowances	2,376,305	2,376,305	2,198,007
Pension costs - defined contribution plans	88,374	88,374	105,995
	2,464,679	2,464,679	2,304,002
Included in:			
Cost of sales (note 6)	1,209,682	1,209,682	1,138,456
General and administrative expenses (note 7)	1,254,997	1,254,997	1,165,546
	2,464,679	2,464,679	2,304,002
9 Other income			
School fees	-	-	13,139
Rental income	11,825	11,825	27,788
Profit on disposal of scrap assets	30,355	30,355	15,117
Insurance claim	3,072,883	3,072,883	-
Miscellaneous income	8,602	8,602	-
	3,123,665	3,123,665	56,044
The Group received the sum of ₦3.1b as insurance claims on the fire incident at the Kainji Hydroelectric plant in 2015.			
10 Finance income and costs			
<i>Finance income</i>			
Interest income - short term investment	118,871	118,871	241,435
Interest income - concession payable (note 25)	57,662	57,662	2,076,939
Finance income	176,533	176,533	2,318,374
<i>Finance costs</i>			
Interest expense - borrowings	(3,220,706)	(3,220,706)	(3,208,731)
Interest expense - unwinding of discount on concession liabilities	(10,009,393)	(10,009,393)	(6,614,499)
Foreign exchange loss on financing activities	(49,799,361)	(49,799,361)	(12,073,663)
Interest expense - concession receivable (note 18)	(684,322)	(684,322)	(1,104,142)
Foreign exchange loss on operations	(273,239)	(273,239)	-
Bank charges	(74,578)	(74,578)	(57,215)
Finance costs expensed	(64,061,599)	(64,061,599)	(23,058,250)
Net finance costs	(63,885,066)	(63,885,066)	(20,739,876)

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Finance income and costs-continued

Interest expense on borrowings of ₦3.22 billion (2015: ₦3.2 billion) is the interest accrued on the uncollateralised loan of ₦ 27 billion (USD 170 million) obtained in August 2013 using the effective interest rate of 8.71% (2015: 8.71%).

Interest expense of ₦10.0 billion (2015 : ₦6.6 billion) in respect of the unwinding of the discount on concession liabilities has been computed using a discount rate of 12.8% (See notes 16 and 23).

Foreign exchange loss on financing activities is the unrealised loss resulting from revaluation of the concession liabilities amounting to ₦34.3 billion (2015:₦7.9 billion) and from revaluation of the borrowings amounting to ₦16.1 billion (2015: ₦5.4 billion) respectively. The closing exchange rate as at the 31 December 2016 was ₦304.5/dollar (2015: ₦196.5/dollar).

Group	Company	
	31 December 2016	31 December 2015
₦'000	₦'000	₦'000

11 Income tax credit

Current tax

Current income tax	-	-	-
Education tax	-	-	-
Total current tax	-	-	-

Deferred tax

Increase in deferred tax asset	(16,025,575)	(16,025,575)	(3,582,847)
Total deferred tax	(16,025,575)	(16,025,575)	(3,582,847)

Total income tax charge

(16,025,575)	(16,025,575)	(3,582,847)
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The movement in tax payable is as follows:

Current income tax liabilities

At start of the year	-	-	-
Charge for the year	-	-	-
Payments during the year	-	-	-
At end of the year	-	-	-

A reconciliation between tax expense and the product of accounting profit multiplied by Nigeria's domestic tax rate for the years ended 31 December 2016 and 2015 is as follows:

Loss before tax	(16,371,449)	(16,368,116)	(8,487,956)
Tax calculated at the rate of 30% (2015: 30%)	(4,911,435)	(4,910,435)	(2,546,387)
Effect of:			
Disallowed permanent items	(3,567,512)	(3,567,512)	(1,281,302)
Exempt permanent items	(7,546,628)	(7,547,628)	244,842
Tax credit	(16,025,575)	(16,025,575)	(3,582,847)

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Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2015: 30%).

Deferred income tax assets are attributable to the following items:

Deferred tax assets

At 1 January
Movements during the year
At 31 December

Group	Company	
	31 December 2016	31 December 2015
₦'000	₦'000	₦'000
5,550,981	5,550,981	1,968,134
16,025,575	16,025,575	3,582,847
21,576,556	21,576,556	5,550,981

Movements in temporary differences:

Property, plant and equipment
Tax loss carry forward
Unrealised exchange loss

1 January 2016	Recognised in P&L	31 December 2016
₦'000	₦'000	₦'000
48,477	60,151	108,628
1,793,278	-	1,793,278
3,709,226	15,965,424	19,674,650
5,550,981	16,025,575	21,576,556

Movements in temporary differences:

Property, plant and equipment
Tax loss carry forward
Unrealised exchange loss

1 January 2015	Recognised in P&L	31 December 2015
₦'000	₦'000	₦'000
15,923	32,554	48,477
1,793,278	-	1,793,278
158,933	3,550,293	3,709,226
1,968,134	3,582,847	5,550,981

The applicable tax rates used for the 2016 and 2015 reconciliations above is the current income tax rate of 30% payable by taxable entities in Nigeria on taxable profits under tax law in Nigeria.

Deferred tax asset of ₦21.6 billion (2015: ₦5.6 billion) has been recognised by Mainstream Energy Solutions Limited as it is expected to be utilised against future taxable profits.

12 Loss per share

Basic

Basic loss per share is calculated by dividing the net (loss)/ profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

Loss for the year attributable to shareholders (in N'000)
Weighted average number of ordinary shares in issue ('000)
Basic loss per share (in N'000)

Group	Company	
	31 December 2016	31 December 2015
(345,874)	(342,541)	(4,905,109)
391,611	391,611	391,611
(0.88)	(0.87)	(12.53)

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13 Property, plant and equipment

Group

	Land & buildings	Motor Vehicles	Furniture & equipment	Computer Equipment	Work in progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost						
At 1 January 2016	449,263	398,781	164,163	99,757	-	1,111,964
Additions	70,928	-	23,919	142,103	13,200	250,150
At 31 December 2016	520,191	398,781	188,082	241,860	13,200	1,362,114
Accumulated depreciation						
At 1 January 2016	16,873	97,109	35,012	29,470	-	178,464
Charge for the year	16,076	79,756	45,879	74,869	-	216,580
At 31 December 2016	32,949	176,865	80,891	104,339	-	395,044
Net book value						
At 31 December 2016	487,242	221,916	107,191	137,521	13,200	967,070

Company

	Land & building	Motor Vehicles	Furniture & equipment	Computer Equipment	Total
Cost					
At 1 January 2016	449,263	398,781	164,163	99,757	1,111,964
Additions	70,928	-	23,919	142,103	236,950
At 31 December 2016	520,191	398,781	188,082	241,860	1,348,914
Accumulated depreciation					
At 1 January 2016	16,873	97,109	35,012	29,470	178,464
Charge for the year	16,076	79,756	45,879	74,869	216,580
At 31 December 2016	32,949	176,865	80,891	104,339	395,044
Cost					
At 1 January 2015	379,862	279,463	79,347	44,585	783,257
Additions	69,401	119,318	84,816	55,172	328,707
At 31 December 2015	449,263	398,781	164,163	99,757	1,111,964
Accumulated depreciation					
At 1 January 2015	3,521	38,787	8,313	5,978	56,599
Charge for the year	13,352	58,322	26,699	23,492	121,865
At 31 December 2015	16,873	97,109	35,012	29,470	178,464
Net book value					
At 31 December 2016	487,242	221,916	107,191	137,521	953,870
At 31 December 2015	432,390	301,672	129,151	70,287	933,500

None of the Group's assets have been pledged as security.

* Work-in-progress relates to the cost incurred in the establishment of Anfanni park by Hydropolis Investment Limited

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Group	Company	
	31 December 2016	31 December 2015
₦'000	₦'000	₦'000

14 Investment in subsidiaries

Hydropolis Investment Limited	-	14,083	-
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During the year, Mainstream Energy Solutions Limited (MESL) invested in a new subsidiary, Hydropolis Investment Limited. MESL holds a 99.9% interest in the subsidiary. Hydropolis was incorporated to carry on the business of investment, training of individuals and organisations in the generation of hydro-energy as well as dealings in agricultural equipments. Its principal place of business is Nigeria.

Group	Company	
	31 December 2016	31 December 2015
₦'000	₦'000	₦'000

15 Intangible assets

Licenses

Cost

At start of the year	73,985,624	73,985,624	73,985,624
Additions	16,294	16,294	-
At end of the year	74,001,918	74,001,918	73,985,624

Accumulated Amortisation

At start of the year	5,343,406	5,343,406	2,877,218
Charge for the year	2,466,400	2,466,400	2,466,188
At end of the year	7,809,806	7,809,806	5,343,406

Net book value

66,192,112	66,192,112	68,642,218
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(i) Impairment

No impairment assessment was performed as there was no indicator of impairment as at reporting date.

(ii) Amortisation

Amortisation of ₦2.47 billion (2015 : ₦2.47 billion) is included in 'cost of sales' in the statement of profit or loss and other comprehensive income.

(iii) Other disclosures on intangible asset

Intangible assets represents the unamortised costs related to the acquisition of the right to operate, maintain, refurbish, repower, replace or expand the Kainji and Jebba hydroelectric power plants for 30 years. See note 16 for details on the service concession agreement. These costs are analysed as follows:

	₦'000
Fixed entry fee	4,447,718
Annual operating fees (discounted)	68,399,054
	72,846,772
Other directly attributable cost	1,138,852
Intangible asset capitalised (on initial recognition)	73,985,624

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Included in 'Annual operating fees' is an upfront annual fee of ₦32.254 billion paid to the Bureau of Public Enterprises as acquisition of the right. On initial recognition, the present value of the total annual operating fees was capitalised as part of the intangible asset and a corresponding liability, net of the annual upfront fee was recognised. The present value of the future cashflow was determined using a discount rate of 12.8% which represents the best estimate of the yield on government bond (FGN) with similar characteristics.

Other directly attributable costs such as professional fees necessary to obtain the licence were also capitalised as part of the cost of the intangible asset.

Intangible assets are amortised over the contract term (30 years) on a straight line basis. Interest expense from unwinding the discount rate is recognised in the statement of profit or loss within finance costs (note 10).

16 Service Concession agreements

Mainstream Energy Solutions Limited operates a service concession agreement for the generation of electricity.

Mainstream Energy solutions Limited entered into an operation and maintenance agreement with Kanji Hydroelectric Plc and the Bureau of Public Enterprises (BPE) to operate and maintain the Kanji and Jebba hydroelectric power plants, design and conduct the restorations, generate power at these sites, sell all electricity produced and to provide the ancilliary services. The Concession period is for 30 years starting from 1 November 2013.

The hydro property includes the site, the moveable assets, the fixed assets including the dam structures (that is, Kanji and Jebba hydroelectric power plants) excluding any property or other items of plant and equipment at the site not required for the performance of the operations as stated in the agreement. The Plants remain the property of Kanji hydroelectric Plc and will revert to Kanji hydroelectric Plc at the end of the concession. It also includes the licences (that is, the generation license and the water license) to use the assets.

The sum paid by Mainstream Energy solutions Limited to the Bureau of Public Enterprises comprises of a fixed entry fee and an upfront annual fee. The fixed entry fee of USD 30 million was paid in two tranches. An upfront annual fee of USD 207.87 million representing the first five annual fees less rebate was paid upfront in two tranches. These together represents the commencement fee. The amount paid is analysed below.

	₦'000
Fixed entry fee (USD30 million @ ₦155.2:1\$)	4,447,718
Upfront annual fee (USD207.87 million @ ₦155.2:1\$)	<u>32,254,254</u>
Commencement fee	<u><u>36,701,972</u></u>

Mainstream Energy solutions Limited is also expected to pay an annual fee of USD50.7 million commencing on the fifth anniversary of the first payment until the end of the concession period.

The rights and obligations of Mainstream Energy solutions Limited include:

- (i) Operation and maintenance of the power stations
- (ii) Design and conducting the restorations
- (iii) Generation of power at the site
- (iv) Sale of electricity produced
- (v) Provision of other ancilliary services

Mainstream Energy is entitled to receive revenue from the Transmission Company of Nigeria based on electricity supplied at tariffs regulated by the Nigerian Electricity Regulatory Commission (NERC). The licences in the Service Concession Arrangement have been classified as an intangible asset and measured at cost less amortisation in the financial statements. The plant remains the property of Kainji Hydroelectric Plc, an entity owned by the Federal Government of Nigeria. On expiration of the the concession, the Company shall have no further obligations.

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Intangible assets model

The intangible asset model applies to Mainstream Energy Solutions Limited as it is being paid by the users of the electricity and neither Bureau of Public Enterprise (BPE) nor Kanji Hydroelectric company has provided a contractual guarantee in respect of the recoverable amount. The intangible asset corresponds to the right granted by the Bureau of Public Enterprises to MESL to charge users of the public service in remuneration of the electricity supplied.

Intangible assets resulting from the application of IFRIC 12 - Service concession arrangement are recorded in the Statement of Financial Position under note 14, and are amortized generally on a straight line basis, over the contract term.

The Group was yet to begin restoration or upgrade construction services as at year end. Therefore, no intangible asset arising from this service has been recognised.

Maintenance, restoration and upgrade of hydro-electric power plants

Mainstream Energy Solutions Limited and Kainji Hydroelectric Plc agreed on a detailed capacity recovery plan (post acquisition plan) to restore the plants to their full operational capacity by rehabilitating those parts that need to be refurbished. The capacity recovery plan spells out the work to be performed by Mainstream Energy Solutions Limited to rehabilitate the installed capacity. From the second year, MESL shall commence the implementation of the detailed capacity recovery plan, this implementation involves three main activities which include; refurbishment of generation assets and related parts, repairing civil works and other maintenance activities and development of additional studies. Mainstream considers that the rehabilitation of Kainji and Jebba hydropower plants will require an investment cost of USD 456.5 million.

Group	Company	
	31 December	31 December
31 December	31 December	31 December
2016	2016	2015
₦'000	₦'000	₦'000

17 Inventories

General stores	-	-	19,445
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The cost of inventories recognised as an expense and included in cost of sales amounted to ₦664.7 million (2015: ₦436.5 million).

Group	Company	
	31 December	31 December
31 December	31 December	31 December
2016	2016	2015
₦'000	₦'000	₦'000

18 Trade and other receivables

Trade receivable	55,727,146	55,727,146	19,020,326
Prepayment	138,232	138,232	135,927
Advances to related parties (note 27)	1,226,599	1,226,599	1,226,599
Other receivables	1,802,562	1,802,562	268,504
	58,894,539	58,894,539	20,651,356
Non current	(1,317,807)	(1,317,807)	(532,567)
Current	57,576,732	57,576,732	20,118,789

Included in other receivables, are improvements made by Mainstream Energy Solutions Limited at the Kainji and Jebba Hydro Power Plants as at 31 December 2016. In line with the concession agreement, this asset is recoverable. The total cost incurred by the Company at the Power plants amounted to ₦2.2 billion (2015: ₦1.5 billion).

Additions in 2016 have been discounted over 27 years, being the remaining life of the concession, while previously discounted amounts are annually being unwound for the discount. The present value of ₦1.8 billion (2015: ₦268.5 million) has been recognised as the carrying amount. An amount of ₦684.3 million (2015: ₦1.0 billion) has been recognised in finance costs.

A discount rate of 8% was used for the discounting as this represents an estimated pre-tax interest rate that would be applied for such credit term. Also included in the trade and other receivables is the sum of ₦1.23 billion (2015: ₦1.23 billion) which represents short term loan made to the Company's shareholders in 2015, and collectible on demand.

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Group	Company	
	31 December 2016	31 December 2015
31 December 2016	31 December 2016	31 December 2015
₹'000	₹'000	₹'000
Cash in hand	186	-
Cash at bank	4,203,493	3,898,491
Cash and bank	4,203,679	3,898,491
Short term investment	563,692	438,975
	4,767,371	4,337,466

19 Cash and cash equivalents

Cash in hand	186	-
Cash at bank	4,203,493	3,898,491
Cash and bank	4,203,679	3,898,491
Short term investment	563,692	438,975
	4,767,371	4,337,466

Included in cash at bank is an amount of ₹2.2 billion (2015: ₹2.2 billion) that is restricted. These are permitted accounts which were opened in line with the requirements of the USD170 million loan facility agreement between Mainstream Energy Solutions and Guarantee Trust Bank Plc.

Short term investment represents time deposits with commercial bank which do not exceed three months.

20 Share capital

Authorised:

500,000,000 ordinary shares of ₹1 each

31 December 2016	31 December 2015
₹'000	₹'000
500,000	500,000

Issued and fully paid:

391,611,492 ordinary shares of ₹1 each

391,611	391,611
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The movement in share capital is as follows:

At start of the year	391,611	15,000
Additions during the year	-	376,611
	391,611	391,611

In 2013, AMNI International Petroleum Development Company guaranteed the USD 170 million acquisition loan of Mainstream Energy Solutions Limited obtained from Guarantee Trust Bank Plc. 100 million units of Mainstream Energy Solutions Limited's shares were issued but not allotted to Amni International Petroleum Development Company to serve as a security against any default on the loan obligations of the Company. In the event of any default, any proceeds on allotment of the shares to new investors will be applied towards settling such outstanding obligations.

21 Share premium

At start of the year
Additions during the year

At end of the year

Group	Company	
	31 December 2016	31 December 2015
31 December 2016	31 December 2016	31 December 2015
₹'000	₹'000	₹'000
16,205,524	16,205,524	-
-	-	16,205,524
16,205,524	16,205,524	16,205,524

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22 Borrowings

Group	Company	
	31 December 2016	31 December 2015
31 December 2016	31 December 2016	31 December 2015
₦'000	₦'000	₦'000
Borrowings (current)	9,761,613	6,276,877
Borrowings (Non-current)	25,908,010	23,018,328
	35,669,623	29,295,205

Mainstream secured an uncollateralised bank loan of ₦27 billion (USD 170 million) on August 2013 for the payment of concession rights over the operations of Kanji Hydro Electric Limited. Interest is payable quarterly at 8%. The effective interest rate as at 31 December 2016 was 8.93% (2015: 8.93%).

Interest on the loan accrues monthly, however, an interest payment moratorium period of 6 months was granted to the Company. As at the reporting date, interest payable of ₦432.9 million (2014: ₦286.5 million) was capitalised to give the closing balance on borrowing disclosed in the financial statement. The loan was granted for 84 months with a moratorium on principal repayments of 24 months.

23 Concession liabilities

Group	Company	
	31 December 2016	31 December 2015
31 December 2016	31 December 2016	31 December 2015
₦'000	₦'000	₦'000
At 1 January	59,470,607	44,941,289
Unwinding of discount for the year	10,009,393	6,614,499
Foreign exchange loss on revaluation of concession liability	34,335,228	7,914,819
At 31 December	103,815,228	59,470,607

*Restated

Concession liability was recognised on November 1, 2013 and relates to payments to be made in the future for the concession rights obtained (note 15). These future payments amounting to ₦249 billion (USD 1.269 billion) have been discounted to present value using a discount rate of 12.8% which represents the estimated yield on FGN bonds with similar characteristics to the estimated future cashflows. It also takes into consideration the upfront payment of a five year annual operating fee ₦32.2 billion (USD 207.87 million) in arriving at the carrying amount of the concession liability.

24 Deposit for shares

Group	Company	
	31 December 2016	31 December 2015
31 December 2016	31 December 2016	31 December 2015
₦'000	₦'000	₦'000
At start of the year	-	16,582,135
Recognition of deposit for shares in equity	-	16,582,135
At end of the year	-	-

*Restated

Following the allotment of shares to shareholders during in 2015, deposit for shares of ₦16.5 billion received by the Group from the shareholders capitalised and recognised in equity.

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	Group	Company		
	31 December 2016 ₦'000	31 December 2016 ₦'000	31 December 2015 ₦'000	1 January 2015 ₦'000
25 Trade and other payables			*Restated	*Restated
Trade creditors	185,747	185,747	1,185,819	118,516
Accrued expenses	349,610	347,110	265,280	510,734
Amount due to related parties (note 27)	137,173	137,173	5,000	21,600
Sundry payables	305,409	305,409	469,887	124,302
Royalties	5,239,067	5,239,067	2,434,657	1,264,741
Other payables	305,464	305,464	272,310	1,807,469
	6,522,470	6,519,970	4,632,953	3,847,362
Non current	(5,544,531)	(5,544,531)	(2,706,967)	(3,072,210)
Current	977,939	975,439	1,925,986	775,152

Other payables represents amount payable to Kainji Hydroelectric Plc. for the utilisation of some of its assets. The total cost amounted to ₦2.44 billion (2015: ₦2.35 billion). This amount has been discounted over 27 years. The present value of ₦305 million (2015: ₦272 million) has been recognised as the carrying amount, and ₦57.6 million (2015: ₦2.1 billion) recognised in finance income. A discount rate of 8% was used for the discounting as this represents an estimated interest rate that would be applied for such credit term.

	Group	Company	
	31 December 2016 ₦'000	31 December 2016 ₦'000	31 December 2015 ₦'000
26 Cash generated from operations			
Loss before tax	(16,371,449)	(16,368,116)	(8,487,956)
Adjustments for:			
– Depreciation - property, plant & equipment (note 13)	216,580	216,580	121,865
– Amortisation - intangible assets (note 14)	2,466,400	2,466,400	2,466,188
– Interest income (note 10)	(118,871)	(118,871)	(241,435)
– Interest expense - loans and borrowings (note 10)	3,220,706	3,220,706	3,208,731
– Interest expense - concession liabilities (note 10)	10,009,393	10,009,393	6,614,499
– Foreign exchange loss on financing (note 10)	49,799,361	49,799,361	12,073,663
Changes in working capital:			
(Increase)/decrease in inventories (note 16)	(19,445)	(19,445)	28,976
Increase in trade and other receivables (note 17)	(37,457,943)	(38,243,183)	(7,862,716)
(Decrease)/increase in trade and other payables (note 24)	(948,047)	(950,547)	385,591
Cash (used)/generated in/from operations	10,796,685	10,012,278	8,307,406

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27 Related party balances and transactions

The Group entered into a number of transactions with its related parties which are disclosed below. The transactions include payments on its behalf by related entities and vice-versa:

Nature of relationship	Group	Company	
	31 December 2016 ¥'000	31 December 2016 ¥'000	31 December 2015 ¥'000
(a) Balances			
(i) Due from related parties			
Advances to other related parties		Common directors	
	1,226,599	1,226,599	1,226,599
Advance to related parties represent loans to the Company's shareholders. The loan is repayable on demand.			
(ii) Due to related parties			
Amount due to TRPLAW	-	-	5,000
Mainstream foundation	127,000	127,000	-
	127,000	127,000	5,000

(b) Details of transactions with related parties

A number of transactions were entered into with related parties in the normal course of business. These are disclosed below:

(i) Contribution

Mainstream foundation	127,000	127,000	-
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This represents 1% accrual of cash revenue approved by the board of directors as contribution to the Mainstream Foundation for its corporate social responsibility activities.

(ii) Other Transactions

	31 December 2016 ¥'000	31 December 2015 ¥'000
Legal and professional service fee paid to TRPLAW	33,660	144,047
TAK Energy Solutions Limited	-	16,391
Fuel supplied by Allstream Energy Solutions Limited	6,730	31,658
	40,390	192,096

(c) Sales of goods and services

There were no sale of goods or services to related parties during the periods covered in this financial statements.

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(d) Key management compensation

Key management personnel of Mainstream Energy Solutions Limited includes the executive director, chief financial Officer, managing director and the general managers. The compensation paid or payable to key management for employee services is shown below:

	Group 31 December 2016 ₦'000	Company	
		31 December 2016 ₦'000	31 December 2015 ₦'000
			*Restated
Salaries	520,931	520,931	163,313
Other emoluments	120,359	120,359	110,456
	641,290	641,290	273,769
Fees and other emoluments disclosed above include amounts paid to:			
Chairman	4,444	4,444	4,800
Highest paid director	42,284	42,284	73,430

The number of directors who received fees and other emoluments (excluding pension contributions) during the year was 24 (2015: 26).

There was no other compensation paid during the period. There were no loans to key management personnels.

28 Employees information

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

	Group 31 December 2016	Number	
		31 December 2016	31 December 2015
Management	8	8	8
Senior staff	179	179	103
Junior staff	164	164	234
	351	351	345

The average number of persons employed by the company includes the selected staff of Kainji and Jebba Hydro Power Plants who Mainstream Energy Solutions Limited offered employment in line with the terms of the concession agreement.

(b) Staff cost for the above persons

	Group 31 December 2016 ₦'000	Company	
		31 December 2016 ₦'000	31 December 2015 ₦'000
Salaries and allowances	2,376,305	2,376,305	2,198,007
Pension costs- defined contribution plans	88,374	88,374	105,995
	2,464,679	2,464,679	2,304,002

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(c) The table below shows the number of employees (excluding director) who earned over ₦200,000 in the year and which fell within the bands stated:

	Group	Number	
		Company	
	31 December 2016	31 December 2016	31 December 2015
Below N1,000,000	-	-	52
N1,000,000 - N2,999,999	164	164	89
N3,000,000 - N4,999,999	100	100	102
N5,000,000 - N6,999,999	26	26	34
N7,000,000 - N9,999,999	44	44	50
Above N10,000,000	17	17	18
	351	351	345

29 Capital commitments and contingent liabilities

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	Group	Company	
		31 December 2016	31 December 2015
	31 December 2016	31 December 2016	31 December 2015
	₦'000	₦'000	₦'000
Property, plant and equipment	1,019,771	1,019,771	185,968

Mainstream Energy Solutions Limited was not liable to the contractors and suppliers as at the reporting date as no service had been rendered.

(b) Contingent liabilities

Mainstream Energy Solutions Limited obtained a 5-year tenor performance bond from GTB for the sum of USD 15 million to meet the conditions set by Bureau of Public Enterprise, for the preferred bidder for Kainji Hydroelectric Plc to cover the concessionaire's performance obligations under the concession agreement. The security is a sinking fund account to be funded by Mainstream Energy Solutions Limited with an annual deposit of USD 3 million payable quarterly for a period of 5 years.

At the statement of financial position reporting date, there were a number of pending litigation against the Company for stated amounts of ₦72.2 million (2015: ₦11.8 million). On advice of the legal counsel, the Directors are of the opinion that no material losses are expected to arise. Therefore, no provision regarding these has been made in these financial statements as the likelihood of an outflow of economic resources arising is remote.

30 Events after reporting date

No events or transactions have occurred since the reporting date which could have a material effect upon the financial statement at that date or which need to be mentioned in the financial statements in order to make them not misleading as to the financial position or result of operations at the reporting date.

Mainstream Energy Solutions Limited

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Statement of value added

	Group		Company			
	2016 N'000	%	2016 N'000	%	2015 N'000	%
Turnover	56,088,193		56,088,193		23,398,295	
Less bought-in materials and services:						
Local	(31,977,374)		(31,974,041)		(16,590,344)	
	24,110,819		24,114,152		6,807,951	
Other operating income	11,825		11,825		27,788	
Value added	24,122,644	100	24,125,977	100	6,835,739	100
Distributed as follows						
Employees:						
To pay salaries, wages and other staff costs	2,464,679	10	2,464,679	10	2,304,002	34
Providers of capital:						
To pay interest on borrowings	3,295,284	14	3,295,284	14	3,265,946	48
Maintenance of assets:						
Depreciation and amortisation	2,682,980	11	2,682,980	11	2,588,053	38
Future:						
Deferred tax	16,025,575	66	16,025,575	66	3,582,847	52
Retained in business	(345,874)	(1)	(342,541)	(1)	(4,905,109)	(72)
Value distributed	24,122,644	100	24,125,977	100	6,835,739	100

The statement of value added is presented in this financial statement for the purpose of complying with the Companies and Allied Matters Act disclosure requirements.

Mainstream Energy Solutions Limited

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Five year financial summary

Consolidated statement of financial position

Group	IFRS					NGAAP
	Company					
	31 December 2016 N'000	31 December 2016 N'000	31 December 2015 N'000	31 December 2014 N'000	31 December 2013 N'000	31 December 2012 N'000
Non current assets	90,053,545	90,054,428	75,659,266	73,981,372	74,226,095	262,083
Current assets	62,344,103	62,344,053	24,475,700	14,892,903	5,453,091	6,518,164
Non current liabilities	(135,267,769)	(135,267,769)	(85,195,902)	(88,279,033)	(79,051,533)	(6,966,749)
Current liabilities	(10,739,552)	(10,737,052)	(8,202,863)	(5,536,067)	(1,564,352)	(7,777)
Net assets	6,390,327	6,393,660	6,736,201	(4,940,825)	(936,699)	(194,279)
Share capital	391,611	391,611	391,611	15,000	15,000	15,000
Share premium	16,205,524	16,205,524	16,205,524	-	-	-
Accumulated deficit	(10,206,808)	(10,203,475)	(9,860,934)	(4,955,825)	(951,699)	(209,279)
Total equity	6,390,327	6,393,660	6,736,201	(4,940,825)	(936,699)	(194,279)

Consolidated statement of profit or loss and other comprehensive income

Group	IFRS					NGAAP
	Company					
	31 December 2016 N'000	31 December 2016 N'000	31 December 2015 N'000	31 December 2014 N'000	31 December 2013 N'000	31 December 2012 N'000
Revenue	56,088,193	56,088,193	23,398,295	19,820,073	3,699,550	-
Loss before income tax	(16,371,449)	(16,368,116)	(8,487,956)	(5,617,710)	(1,096,970)	(137,237)
Taxation	16,025,575	16,025,575	3,582,847	1,613,584	354,550	-
Loss for the year	(345,874)	(342,541)	(4,905,109)	(4,004,126)	(742,420)	(137,237)
Basic loss per share	(0.88)	(0.87)	(12.53)	(266.94)	(49.49)	(9.15)

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