This document is important and should be read carefully. If you are in any doubt about its contents or the action to be taken, please consult your Banker, Stockbroker, Accountant, Solicitor or any other professional adviser for guidance immediately. For information concerning certain risk factors which should be considered by prospective investors, see "risk factors" commencing on pages **86** to **88** hereof.

# GEL UTILITY FUNDING SPV PLC

RC 1527166

***(A SPECIAL PURPOSE VEHICLE INCORPORATED AS A PUBLIC LIMITED LIABILITY IN THE FEDERAL REPUBLIC OF NIGERIA)***

# ₦50,000,000,000

## MEDIUM TERM NOTE PROGRAMME

# SHELF PROSPECTUS

**This Shelf Prospectus and the Bonds which it offers have been registered by the Securities & Exchange Commission (the "SEC" or the "Commission"). It is a civil wrong and a criminal offence under the Investments and Securities Act (No. 29) 2007 (the "ISA" or the "Act") to issue a Prospectus which contains false or misleading information. Clearance and registration of this Shelf Prospectus and the Bonds which can be issued under the Programme do not relieve the parties of any liability arising under the Act for false and misleading statements contained herein or for any omission of a material fact. Investors are advised to note that liability for false or misleading statements or acts made in connection with the Prospectus is provided in Sections 85 and 86 of the ISA.**

**This Shelf Prospectus has been issued in compliance with Part IX of the Act, the Rules and Regulations of the Commission and the listing requirements of the Nigerian Stock Exchange (the "NSE") and FMDQ OTC Securities Exchange PLC ("FMDQ") and contains particulars which are in compliance with the requirements of the Commission for the purpose of giving information with regard to the ₦50,000,000,000.00 Medium Term Note (the "Programme").**

The maximum aggregate nominal amount of all Bonds issued from time to time and outstanding under the Programme shall not exceed ₦50,000,000,000.00 over the three (3) years that this Shelf Prospectus, including any amendments thereto, remains valid. This Shelf Prospectus is to be read and construed in conjunction with any supplement hereto and all documents which are incorporated herein by reference and, in relation to any series of the Programme, together with the applicable Supplementary Prospectus.

**The registration of this Shelf Prospectus and any Supplementary Prospectus shall not be taken to indicate that the Commission endorses or recommends the Bonds or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this Shelf Prospectus or any Supplementary Prospectus.**

**This Shelf Prospectus is to be read and construed in conjunction with any supplement, hererto and all documents incorporated by reference as a whole and , in relation to any series of the Programme, together with the relevant Pricing Supplement. An investment in certain Bonds may entail a risk of loss of all or a portion of the principal amount of the Bonds which is directly caused by fluctuation of interest rates; devaluation of the currency of issue; value of Bonds at a securities market; or other indices or by a change in the condition of business or assets of the party selling the Bonds or other parties. Also, an exercise of an option or other right associated with certain Bonds or cancellation of a contract for sale of certain Bonds may be subject to certain time limitations.**

**For information about risks factors which should be considered by prospective investors, please refer to Risk Factors on pages [87-89]**

**<u>ISSUING HOUSE</u>**

United Capital

RC: 444999

**THIS SHELF PROSPECTUS IS DATED 28 AUGUST 2019**

**THIS SHELF PROSPECTUS WILL BE AVAILABLE ON THE FOLLOWING WEBSITES:**

www.gelutilitylimited.com www.sec.gov.ng

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## IMPORTANT NOTICE

This Shelf Prospectus is made in accordance with the provisions of the Act, Rules and Regulations of the Commission, and the listing and quotation requirements of the FMDQ and NSE, and for the purpose of giving information with regard to the Company and the Bonds which, according to the particular nature of the Company and the Bonds, is necessary to enable investors make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Shelf Prospectus or any other information supplied in connection with the Programme and, if given or made, such information must not be relied upon as having been authorised by either the Company, or any of the parties to the Programme.

Neither this Shelf Prospectus nor any other information supplied in connection with the Programme: (a) is intended to provide the basis of any credit or other evaluation, or (b) should be considered as a recommendation by either the Company or any of the parties to the Programme that any recipient of this Shelf Prospectus or any other information supplied in connection with the Programme should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Company.

Neither this Shelf Prospectus nor any other information supplied in connection with the Programme constitutes an offer or invitation by or on behalf of the Company or any of the parties to the Programme to any person to subscribe for or to purchase any Bonds.

This Shelf Prospectus has been issued in compliance with Part IX of the Act, the Rules and Regulations of the Commission and the listing requirements of The Nigerian Stock Exchange ("The NSE") and FMDQ OTC PLC ("FMDQ") and contains particulars which are in compliance with the requirements of the Commission for the purpose of giving information with regard to the ₦50,000,000,000.00 Bond Issuance Programme.

## INFORMATION RELATING TO THIS SHELF PROSPECTUS

**1. Presentation of Information**

The information set forth herein has been obtained from official sources other than that of the Company that are believed to be reliable, but is not guaranteed as to the accuracy, reliability or completeness. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Shelf Prospectus nor any issue made hereunder or any future use of this Shelf Prospectus shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof.

All financial and other information presented or incorporated by reference in this Shelf Prospectus has been provided by the Company from its records, except for information expressly attributed to other sources. The presentation of certain information, including tables of receipts and other revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the Company. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

A wide variety of other information concerning the Company, including financial information, are available from the Company's website – www.gelutilitylimited.com - and authorised publicly available Company publications. Any such information that is inconsistent with the information set forth in this Shelf Prospectus should be disregarded. No such information is a part of or incorporated into this Shelf Prospectus.

**2. Financial Information**

Unless otherwise indicated, the financial information regarding the Company indicated in this Shelf Prospectus has been derived from the Company's audited financial statements for the four years ended 31 December 2017. The Company's audited financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act, and are presented in Naira, the reporting currency of the Company.

**3. Rounding**

Certain numerical figures included in this Shelf Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown in totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

**4. Forward-Looking Statements**

Certain statements included herein and in any Pricing Supplement/Supplementary Prospectus may constitute forward-looking statements that involve a number of risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Such forward-looking statements can be identified by the use of forward-looking terminologies such as "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "would be", "seeks", "approximately" or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminologies. These forward-looking statements include all matters that are not historical facts and include statements regarding the Company's intentions, beliefs or current expectations concerning, amongst other things, the Company's operating results, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that the Issuer's and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this Shelf Prospectus. In addition, even if the Company's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this Shelf Prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Factors that could cause actual results to differ materially from the Company's expectations are contained in cautionary statements in this Shelf Prospectus and include, among other things, the following:

- overall political, economic and business conditions in Nigeria;
- changes in government regulations;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- economic and political conditions in international markets, including governmental changes;
- the demand for the Company's products and services;
- competitive factors in the industries in which the Company and its customers compete;
- interest rate fluctuations and other capital market conditions;
- exchange rate fluctuations; and
- the timing, impact and other uncertainties of future actions.

The sections of this Shelf Prospectus entitled "**Risk Factors**", "**Description of GEL Utility Limited**" and "**Statutory and General Information**" contains a more detailed discussion of the factors that could affect the Issuer and the Company's future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Shelf Prospectus may not occur.

The Issuer and the Company do not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Issuer , the Company or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Shelf Prospectus.

## Issue of Pricing Supplements

Following the publication of this Shelf Prospectus, a Pricing Supplement/Supplementary Prospectus may be prepared by the Issuer for the approval of the SEC in accordance with Rule 279 of the SEC Rules and Regulations.

Statements contained in any such Pricing Supplement/Supplementary Prospectus shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Shelf Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Shelf Prospectus.

The Issuer shall, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Shelf Prospectus which is capable of affecting the assessment of the Bonds, prepare a Pricing Supplement to this Shelf Prospectus or publish a new Shelf Prospectus for use in connection with any subsequent issue of Bonds.

GEL UTILITY
FUNDING SPV PLC

November 5, 2018

### DECLARATION BY GEL UTILITY FUNDING SPV PLC

This prospectus has been prepared by the Issuing Houses on behalf of the Issuer for the purpose of providing information to prospective investors on relevant aspects of the Company in connection with the issue and the investment in securities issued therein. On behalf of the Board of Directors, we hereby make the following declarations:

1. We confirm that information contained in this prospectus is, to the best of our knowledge and belief, in accordance with the facts and contains no omission likely to affect its import;

2. There has been no significant change in financial condition or material adverse change in the prospects of the company since the date of this document;

3. The company has not, during the 12 calendar months immediately preceding the date of application to the SEC for registration of this Prospectus, breached any terms and conditions in respect of borrowed monies which has resulted in the occurrence of an immediate recall for such borrowed monies.

**SIGNED** for and on behalf of
**GEL Utility Funding SPV PLC**

**By its duly authorised representatives:**

| | | |
|---|---|---|
| **Simon Shaibu**<br>**Managing Director** | **James Fasaye**<br>**Director** | **Amina Onifade**<br>**Company Secretary** |

BEFORE ME
S. OSEREMEN AIRIOHUODION
NOTARY PUBLIC
02 NOV 2018
211 Anbeez Plaza 15 Ndola Crescent
Zone 5, P. O. Box 8749, Wuse, Abuja Nigeria.
soseremen@yahoo.com
08055602617, 08036860030

GEL Utility Funding SPV PLC | 48 Anthony Enahoro
Utako | Abuja | FCT
Tel: +234 817 273 8053 | +234 802 121 4135

GEL UTILITY FUNDING SPV PLC
SIGN
DATE 2-11-18

## GLOSSARY OF DEFINED TERMS

Unless the context otherwise requires, the following expressions shall have the meanings respectively assigned to them:

| | |
|---|---|
| **"Allotment Date"** | The date on which the Bonds are allotted to investors/approved to be allotted |
| **"ATC&C Loss"** | Aggregate Technical, Commercial and Collection Loss |
| **"Board" or "Directors"** | Board of Directors of the Company |
| **"Bond"** | A registered instrument of indebtedness or notice of allocation (for electronic credits directly to Bondholders' CSCS accounts) issued by GEL Utility Funding SPV PLC pursuant to the Programme on a continuing basis in accordance with the terms of this Shelf Prospectus and any applicable Pricing Supplement/Supplementary Shelf Prospectus |
| **"Bondholder"** | Any registered owner or beneficial owner of Bonds |
| **"Board Resolution"** | The Resolution of the Board of the Issuer dated 8th October 2018 authorising the Bond Programme |
| **"Bond Certificate"** | A certificate of debt issued by the Issuer to the Bondholders evidencing their individual unitholding in the issue and their entitlement to interests and principal amounts payable thereunder |
| **"Book Runner(s)"** | United Capital Plc and any other bookrunner appointed by the Company to perform this role |
| **"Book Build" or "Book Building"** | The process of price and demand discovery through which a Book Runner seeks to determine the price at which securities should be issued, based on the demand from investors |
| **"BPE"** | Bureau of Public Enterprises |
| **"BPS"** | Basis points. 1 basis point = 0.1 per cent |
| **"Business Day"** | Any day except Saturdays, Sundays and public holidays declared by the Federal Government of Nigeria |
| **"CAC"** | Corporate Affairs Commission |
| **"CAMA"** | Companies and Allied Matters Act Cap C20 LFN, 2004 |
| **"CBN"** | Central Bank of Nigeria |
| **"CITA"** | Companies Income Tax Act Cap. C21 LFN, 2004 (as amended by the Companies Income Tax Amendment Act No. 11 of 2007) |
| **"Co-Obligor", "Company" and "Sponsor"** | GEL Utility Limited |
| **"Co-Obligors"** | GEL Utility Limited and any entity that is added in the future to act as a Co-Obligor on any specific Series |

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|---|---|
| **"Coupon"** | Refers to both the specified rate of interest on a Bond, and also to the rate stated on an actual Bond Certificate evidencing the interest payable at a specified date or on specified dates |
| **"Coupon Commencement Date"** | The Issue Date for any particular Series of Bonds, or such other date as may be specified in the applicable Pricing Supplement/Supplementary Shelf Prospectus, from which interest on the Bonds begins to accrue |
| **"Coupon Payment Date"** | The date on which a coupon falls due for payment to the Bondholders, as specified in the applicable Pricing Supplement/Supplementary Shelf Prospectus |
| **"Coupon Period"** | The period from (and including) a Coupon Payment Date (or the Coupon Commencement Date) to (but excluding) the next Coupon Payment Date |
| **"Coupon Rate"** | Interest rate stated on a Bond when it is issued expressed as a percentage of the Face Value of the Bond |
| **"CSCS" or the "Clearing System"** | Central Securities Clearing Systems Plc |
| **"Daily Official List"** | The daily official publication of the FMDQ/NSE, containing market/model prices and yields, and the values traded on all securities listed and quoted on the FMDQ/NSE |
| **"Debt Securities"** | Any securities, which include registered bonds, promissory notes, certificates, debentures and other obligations authorised to be issued under the Programme by GEL Utility Funding SPV PLC |
| **"DisCo"** | Distribution Company |
| **"EPSRA"** | Electric Power Sector Reform Act, 2005 |
| **"Event of Default"** | As provided in Clause 15 of the Programme Trust Deed |
| **"Face Value"** | The par value of a Bond |
| **"FCT"** | Federal Capital Territory |
| **"FDI"** | Foreian Direct Investment |
| **"Federal Government" or "FGN"** | Federal Government of Nigeria |
| **"Fixed Rate Bonds"** | Bonds in respect of which interest is to be calculated and paid on a fixed rate basis |
| **"Floating Rate Bonds"** | Bonds in respect of which interest is to be calculated and paid on a floating rate basis |
| **"FMDQ"** | FMDQ OTC Securities Exchange PLC |
| **"GasCo"** | Gas Company |
| **"GDP"** | Gross Domestic Product |
| **"GELUL"** | GEL Utility Limited |

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|---|---|
| **"GenCo"** | Generation Company |
| **"Guarantee"** | Refers to the guarantee(s) given by the Guarantor under the terms of the Deed(s) of Guarantee |
| **"Guarantor"** | Refers to the guarantor(s) specified in the applicable Final Terms |
| **"High Net Worth Individual"** | An individual investor whose aggregate net worth of investment assets exceeds ₦100,000,000.00 excluding automobiles, homes and furniture as currently defined by Rule 321 of the SEC Consolidated Rules and Regulations, 2013 or as may be amended from time to time by the SEC |
| **"Holder" or "Bondholder"** | A person in whose name Bonds are registered in the Bonds Register |
| **"HSE"** | Health, Safety and Environment |
| **"IFRS"** | International Financial Reporting Standards |
| **"ISA" or the "Act"** | Investments & Securities Act, No 29, 2007 |
| **"Issuer"** | GEL Utility Funding SPV PLC |
| **"Issue Date"** | The date on which the relevant series of the Bonds are issued, as specified in the applicable Pricing Supplement/Supplementary Shelf Prospectus |
| **"Issue Price"** | The price of issue of the Bonds under the relevant Series as set out in the applicable Pricing Supplement/Supplementary Shelf Prospectus |
| **"Issuing Houses"** | United Capital Plc and any other issuing house appointed from time to time by the Issuer either generally in respect of the Programme and/or in relation to a particular Series or Tranche of Notes and Structured Notes |
| **"Lead Issuing House"** | The Issuing House appointed as lead advisor for any issuance of Notes or Structured Notes under the Programme and as specified in the applicable Pricing Supplement. |
| **"LFN"** | Laws of the Federation of Nigeria, 2004 |
| **"Material Adverse Effect"** | The situation or circumstance (including, without limitation, in the business, operations, property, condition (financial or otherwise) or prospects of an Obligor) which, in the reasonable opinion of the Trustee, would or would reasonably likely materially and adversely affect the ability of that Obligor to perform its obligations under any of the Transaction Documents. |
| **"Maturity Date"** | The date as specified in each applicable Pricing Supplement/Supplementary Shelf Prospectus on which the principal amount is due for redemption |

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| **"Maximum Aggregate Guaranteed Amount"** | Has the meaning specified in the applicable Deed of Guarantee |
| **"MBPA"** | Master Bonds Purchase Agreement or Master Notes Purchase Agreement or Intercompany Bonds Agreement |
| **"MemArt"** | Memorandum and Articles of Association |
| **"Medium Term Note Programme" or the "Programme" or the "Transaction"** | The ₦50,000,000,000.00 Medium Term Note Programme described in this Shelf Prospectus pursuant to which the Issuer may issue series of Bonds from time to time, the maximum aggregate value outstanding of which shall not exceed ₦50,000,000,000.00 |
| **"MIGA"** | Multilateral Investment Guarantee Agency |
| **"MO"** | Market Operator |
| **"MPC"** | Monetary Policy Committee |
| **"MPR"** | Monetary Policy Rate |
| **"MW"** | Mega Watts |
| **"MYTO"** | Multi-Year Tariff Order |
| **"NAFEX"** | Nigeria Autonomous Foreign Exchange. Also known as the Investors and Exporters foreign exchange |
| **"Naira", "NGN" or "N"** | The Nigerian Naira |
| **"NBET"** | Nigeria Bulk Electricity Trading Plc |
| **"NEMSF"** | Nigerian Electricity Market Stabilisation Fund |
| **"NEPA"** | Nigeria Electric Power Authority |
| **"NERC"** | Nigerian Electricity Regulatory Commission |
| **"NESI"** | Nigerian Electricity Supply Industry |
| **"Nigeria"** | The Federal Republic of Nigeria and the "Nigerian" shall be construed accordingly |
| **"NIPP"** | National Integrated Power Project |
| **"The NSE"** | The Nigerian Stock Exchange |
| **"Obligor"** | The Issuer |
| **"O&M"** | Operations and Maintenance |
| **"Offer Documents"** | Documents prepared in relation the Programme and each Series including this Shelf Prospectus, each Pricing |

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| | Supplement, the Programme, Series Trust Deeds and any other documents as may be required by the Commission |
| **"Paying Account"** | means, in relation to a Series, an account established by the Issuer with the Account Bank under the control of the Note Trustee which shall be funded by the Issuer with instalments to be determined in accordance with the applicable Final Terms; |
| **"Performance Agreement"** | An agreement between the BPE, the purchaser of a GenCo/DisCo shares and the GenCo/DisCo detailing amongst other things the minimum performance standards, initial budget, post-acquisition plan, warranties, form of deed of accession and technical services agreement |
| **"PFAs"** | Pension Fund Administrators |
| **"PHCN"** | Power Holding Company of Nigeria Plc |
| **"PITA"** | Personal Income Tax Act, Cap P8, LFN 2004 as amended by the Personal Income Tax (Amendment) Act No. 2 of 2011 |
| **"PPP"** | Public-Private Partnership |
| **"Pricing Supplement/Supplementary Shelf Prospectus" or "PS/SSP"** | The document(s) to be issued pursuant to this Shelf Prospectus, which shall provide final terms and conditions of a specific Series or Tranche of Bonds under the Programme |
| **"Professional Parties"** | Professionals engaged by the Company for the purpose of ensuring the success of the Programme |
| **"Programme Trust Deed"** | The Deed entered into by the Issuer and the Trustees dated [•] in relation to Bonds issued under the Programme |
| **"Principal Amount"** | The nominal amount of each Bond, as specified in the applicable PS/SSP |
| **"PHRC"** | Port Harcourt Refining Company Limited |
| **"PSRP"** | Power Sector Recovery Plan or Power Sector Recovery Programme |
| **"PTFP"** | Presidential Task Force on Power |
| **"Qualified Institutional Investor" or "QII"** | A purchaser of securities that is financially sophisticated. These include Banks, Fund Managers, Pension Fund Administrators, Insurance Companies, Investment/Unit Trusts, Multilateral and Bilateral Institutions, Registered and/or Verifiable Private Equity Funds, Registered and/or verifiable Hedge Funds, Market Makers, Staff Schemes, Trustees/Custodians, Stock Broking Firms and any other category as the Commission may determine and as currently stipulated by Rule 321 of the Rules and Regulations of the Securities and Exchange Commission and any amendment thereto |

| | |
|---|---|
| **"Rating Agency"** | Agusto & Co. Limited |
| **"Record Date"** | The date on which the list of Bondholders is extracted from the Register for the purposes of making coupon payments, being a day which is fifteen (15) days immediately preceding the date on which the coupon falls due for payment |
| **"Redemption Amount"** | The aggregate principal amount outstanding in respect of the Bonds on the Maturity Date |
| **"Registrar"** | Africa Prudential Plc and/or, if applicable, any successor Registrar |
| **"Related Parties"** | Any body corporate, which is the Company's subsidiary or holding Company or a subsidiary of that Company's holding Company |
| **"Rules and Regulations"** | The Rules and Regulations of the SEC 2013 (or as amended from time to time), issued by the SEC pursuant to the ISA |
| **"SCADA"** | Supervisory Control and Data Acquisition. The control system architecture that uses computers, networked data communications and graphic user interfaces for high-level process supervisory management |
| **"SEC" or the "Commission"** | Securities and Exchange Commission |
| **"Series"** | A Tranche together with any further Tranche or Tranches which are (i) expressed to be consolidated and form a single series and (ii) are identical in all respects except for their respective Issue Dates, and/or Issue Prices |
| **"Settlement Date"** | The date by which the investors must pay for the Bonds delivered by the Issuer. In a Book Build, the same date as the Allotment Date |
| **"Shelf Prospectus" or "SP"** | This document issued in accordance with the Rules and Regulations of the Commission, which details the aggregate size and broad terms and conditions of the Programme |
| **"Supplemental Trust Deed" or "Series Trust Deed"** | A deed supplementing or modifying the provisions of the Programme Trust Deed entered into by the Issuer and the Trustees securing a specific Series and empowering the Trustees to hold, administer and manage the applicable assets |
| **"TCN"** | Transmission Company of Nigeria |
| **"TEM"** | Transitional Electricity Market |
| **"Terms and Conditions"** | Terms and conditions in accordance with which the Bonds will be issued, set out in the section headed "Terms and Conditions of the Programme" and in the First Schedule of the Programme Trust Deed |
| **"Tranche"** | Bonds which are identical in all respects (including as to listing) |
| **"Trust Deed"** | The Programme Trust Deed and the Series Trust Deed(s) |

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|---|---|
| **"Note Trustee"** | Stanbic IBTC Trustees Limited or any other Trustee appointed by the Issuer |
| **"Trustees Act"** | Trustees Investments Act Cap T22, LFN 2004 |
| **"United Capital"** | United Capital Plc |
| **"USD" or "US$"** | United States Dollars |
| **"Validity period"** | A period not exceeding three (3) years after the date of the issue of this Shelf Prospectus |
| **"VAT"** | Value Added Tax |
| **"Vesting Contract"** | The Vesting Contract contains the terms and conditions of the contractual arrangements between the NBET, the seller and DisCo, the buyer |
| **"WHT"** | Withholding Tax as provided for in section 78(2) of CITA |

## DOCUMENTS TO BE INCORPORATED BY REFERENCE

This Shelf Prospectus should be read and construed in conjunction with:

1. Each applicable PS/SSP relating to any Series issued under this Shelf Prospectus; and

2. The audited accounts (and notes thereto) and any audited interim financial statements published subsequent to such audited accounts of the Company for the three financial years (2015, 2016 and 2017) prior to each issue of Bonds under this Programme, which shall be deemed to be incorporated in, and to form part of this Shelf Prospectus and which shall be deemed to modify and supersede the contents of this Shelf Prospectus as appropriate.

The Issuer will, in the event of any material change in its financial position which is not reflected in this Shelf Prospectus, prepare an amendment or supplement to this Shelf Prospectus; also, the Issuer's information given in this Shelf Prospectus and the terms and conditions of additional Bonds to be issued under the Programme may be updated in a Supplementary Shelf Prospectus/ Pricing Supplement pursuant to the Rules and Regulations of the SEC. Any such amendment or supplement is hereby incorporated by reference into this Shelf Prospectus and forms an integral part hereof. Any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Shelf Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Shelf Prospectus.

**Availability of Information**

This Shelf Prospectus and any Pricing Supplement/Supplementary Shelf Prospectus, as applicable, are accessible, and copies of same are available (free of charge) at the office of the Issuing House from 8:00 a.m till 5:00 p.m on Business Days, during the validity of the Programme at the address below:

**United Capital Plc**
12th Floor, UBA House
57 Marina
Lagos

PARTIES TO THE PROGRAMME

| | |
|---|---|
| The Issuer | **GEL Utility Funding SPV PLC**<br>48,Anthony Enharo Street<br>Utako, Abuja<br>Nigeria |
| Sponsor | **GEL Utility Limited**<br>48,Anthony Enharo Street<br>Utako, Abuja<br>Nigeria |
| Sponsor's Board of Directors | **Mr. Akinwole Omoboriowo II** mni, cbam – Chairman<br>48,Anthony Enharo Street<br>Jabi, Abuja<br>Nigeria |
| | **Mr. Simon Shaibu** – Executive Director<br>48,Anthony Enharo Street<br>Jabi, Abuja<br>Nigeria |
| | **Mr. Felix Achibiri** – Non Executive Director<br>Plot 3680, Erie Crescent<br>Maitama, Abjua<br>Nigeria |
| | **Mr. Shahab Qader Khan** – Non Executive Director<br>4th Floor Harbour Front Building,HC<br>No. 3, Marine Drive, Karachi<br>Pakistan |
| | **Mr. Ahsan Zafar Syed** – Non Executive Director<br>4th Floor Harbour Front Building,HC<br>No. 3, Marine Drive, Karachi<br>Pakistan |
| Sponsor Company Secretary | **G.Elias & Co**<br>6, Broad Street<br>Lagos |
| Issuer's Directors | **Mr. James Fasaye** – (Representing Genesis Power & Energy Solutions Nigeria Limited)<br>48,Anthony Enaharo Street<br>Utako, Abuja<br>Nigeria |
| | **Mr. Simon Shaibu** – (Representing GEL Utility Limited)<br>48,Anthony Enaharo Street<br>Utako, Abuja<br>Nigeria |
| Issuer's Company Secretary | **Ms. Amina Onifade**<br>48,Anthony Enharo Street<br>Utako, Abuja<br>Nigeria |

PARTIES TO THE PROGRAMME

| | |
|---|---|
| **Issuing House** | **United Capital Plc**<br>12th Floor, UBA House<br>57 Marina<br>Lagos |
| **Trustees** | **Stanbic IBTC Trustees Limited**<br>The Wealth House<br>Plot 1678 Olakunle Bakare Close<br>off Sanusi Fafunwa Street<br>Victoria Island<br>Lagos |
| **Solicitors to the Issue** | **F.O Akinrele & Co**<br>188 Awolowo Road,<br>S.W Ikoyi, Lagos. |
| **Solicitors to the Issuer** | **G.Elias & Co**<br>6, Broad Street<br>Lagos |
| **Stockbrokers** | **Meristem Stockbrokers Limited**<br>124 Norman Williams Street<br>Ikoyi<br>Lagos |
| **Auditors** | **PriceWaterhouseCoopers**<br>Landmark Towers<br>5B, Water Corporation Road<br>Victoria Island<br>Lagos |
| **Reporting Accountants:** | **Deloitte & Touche**<br>Civic Towers, Plot GA 1,<br>Ozumba Mbadiwe Avenue,<br>Victoria Island, Lagos. |
| **Registrars to the Issue** | **Africa Prudential Plc**<br>220B, Ikorodu Road<br>Palmgrove<br>Lagos |
| **Rating Agency** | **Agusto & Co. Limited**<br>5th Floor, UBA House<br>57, Marina<br>Lagos |
| **Receiving Bank** | **First Bank of Nigeria**<br>Samuel Asabia House<br>35 Marina<br>Lagos |

GEL UTILITY FUNDING SPV PLC ₦50 BILLION MEDIUM TERM NOTE PROGRAMME - SHELF PROSPECTUS
17

## THE PROGRAMME

This Shelf Prospectus is being issued in compliance with the provisions of the ISA, the Rules, Regulations and the listing and quotation requirements of FMDQ OTC Securities Exchange PLC and The NSE and contains particulars in compliance with the requirements of the SEC, The NSE and FMDQ for the purpose of giving information to the public with regards to the ₦50,000,000,000.00 Medium Term Note Programme being undertaken by the Issuer. An application will be made to the Listings and Quotations Committee of the FMDQ OTC Securities Exchange PLC and/or The NSE for the admission to their platforms of each Series of the Bonds to be issued under the Programme.

Each of the Directors of the Issuer and Company represent that all reasonable care have been taken to ensure that the information concerning the Company and Issuer contained in this Shelf Prospectus is true and accurate in all material respects as at the date of this Shelf Prospectus and that as of the date hereof, there are no other material facts, in relation to the Issuer or the Company, the omission of which would make misleading any statement herein, whether in fact or opinion.

**ISSUING HOUSE**

United Capital
RC: 444999

On Behalf of

**GEL UTILITY FUNDING SPV PLC** RC: 1527166

are authorised to issue this Shelf Prospectus in respect of
**the ₦50,000,000,000 Bond Issuance Programme**

This Shelf Prospectus has been registered with the SEC. The registration of this Shelf Prospectus and any subsequent PS/SSP shall not be taken to indicate that the SEC endorses or recommends the Bonds described herein or assumes responsibility for the correctness of any statements made or opinions or reports expressed herein.

This Shelf Prospectus must be read in conjunction with any PS/SSP to be issued by the Issuer from time to time within its Validity Period. No Bonds will be issued on the basis of this Shelf Prospectus read together with any PS/SSP later than three (3) years after the issue date indicated on the cover of this Shelf Prospectus.

This Shelf Prospectus contains:

1. on pages 57 to 85, the Reporting Accountant's Report on the Company's historical financial information, prepared by Deloitte & Touche;
2. on pages 23 to 32 the Terms & Conditions of the Programme;
3. on page 56 extract of the Rating Reports prepared by Agusto & Co. Limited; and
4. on page 91, details of claims and litigation prepared by F.O Akinrele

This Shelf Prospectus and the documents referred to herein can be obtained free of charge from the offices of the Commission, the Issuer and the Issuing House.

## SUMMARY OF THE PROGRAMME

*The following summary does not purport to be complete and is taken from, and qualified in its entirety by the remainder of this Shelf Prospectus and, in relation to the terms and conditions of any particular Series of Bonds, the applicable Pricing Supplement/Supplementary Shelf Prospectus. Words and expressions defined in "Form of the Bonds" and "Terms and Conditions of the Bonds" shall have the same meaning in this summary:*

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| **Issuer:** | GEL Utility Funding SPV PLC (SPV incorporated for the Note Programme Issuance), a public company limited by shares and incorporated under the laws of Nigeria with registration number 1527166 |
| **Sponsor:** | GEL Utility Limited, a private company limited by shares and incorporated under the laws of Nigeria with registration number 1067072 |
| **Co-Obligor** | GEL Utility Limited and any entity that is added in the future to act as a Co-Obligor on any specific Series |
| **Guarantor:** | Refers to the guarantor(s) specified in the applicable Final Terms; |
| **Liability of Co-obligor:** | Each Co-Obligor, jointly and severally, irrevocably and unconditionally undertakes to perform the payment obligation of the Issuer as primary obligor |
| **Programme Description:** | The Medium Term Note Programme pursuant to which the Issuer may issue series of Bonds from time to time, the maximum aggregate value outstanding of which shall not exceed the Programme size |
| **Programme Size:** | ₦50,000,000,000 (Fifty Billion Naira) |
| **Use of Proceeds:** | The proceeds of the Medium Term Note Programme will be utilized as stated in the applicable PS/SSP |
| **Ratings:** | The Bonds issued under this Programme will be rated by at least one rating agency duly registered with the SEC and such rating shall be reviewed annually in accordance with the SEC Rules and Regulations |
| **Issuing House:** | United Capital Plc |
| **Stockbrokers:** | Meristem Securities Limited |
| **Registrars:** | Africa Prudential Plc |
| **Note Trustee:** | Stanbic IBTC Trustees Limited |
| **Methods of Issue:** | Bonds under this Programme may be issued via an Offer for Subscription or private placement, through a Book Building process and/or any other methods as specified in the applicable PS/SSP approved by the SEC |
| **Series:** | The specific terms of each Series (including without limitation, the nominal amount, issue price, redemption price thereof, and interest, if any, payable thereunder) will be determined by the Issuer and the Issuing House at the time of the issue and specified in the applicable PS/SSP |

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| **Closing Date:** | The Closing Date of a specific Series shall be stated in the applicable PS/SSP for the Bond Series to be issued |
| **Interest Rates:** | Bonds may be interest-bearing or non-interest bearing. Interest (if any) may be at a fixed rate as indicated in the applicable PS/SSP and may vary during the lifetime of the relevant Series |
| **Currency of Debt Securities** | Bonds will be denominated in Nigerian Naira or such currency or currency units as may be agreed between the Issuer and the Issuing Houses, subject to compliance with all applicable legal and/or regulatory requirements of the Commission |
| **Credit Enhancement:** | As stated in the applicable Pricing Supplement and/or Supplemental Trust Deed, Bonds to be issued may include additional comforts in the form of debenture, security (including real estate and financial instruments), collateral, insurance, third party guarantee, subordination or credit tranching or any other arrangement to reduce the credit risks of the Bond |
| **Status of the Bonds:** | The Bonds qualify as securities in which Pension Fund Administrators (PFAs) may invest under the Pension Reform Act, Cap P4, LFN 2004; and<br>The Bonds qualify as securities in which Trustees may invest under the Trustees Investment Act, Cap T22, LFN 2004 |
| **Ranking:** | The Bonds will rank pari passu without any preference to one above the other by reason of priority of date of issue, currency of payment or otherwise with all other present and future senior direct obligations of the Issuer and/or the Co-Obligor |
| **Forms of the Bonds:** | The Bonds shall be issued in registered form and shall be transferable. The issue and ownership of the Bonds will be effected and evidenced by the Particulars of the Bond being entered in the register by the Registrar and the Bonds being electronically registered in the CSCS account of the Bondholder. |
| **Issuance of Series** | Bonds will be issued in series (each a "Series"). The Bonds of each Series will all be subject to identical terms, whether as to currency or maturity or otherwise, or terms which are identical except that the issue date, the amount of the first payment of interest and/or the denomination thereof may be different. Each Series may comprise of one or more tranches issued on different issue dates. A Series may only be comprised of Bonds in [dematerialized/immobilised (book-entry)] form |
| **Maturity of Bonds** | The Bonds may be issued with such maturity periods as may be agreed between the Issuer and the Issuing Houses and as indicated in the applicable PS/SSP, subject to such minimum or maximum maturity period as may be allowed or required from time to time by the Issuer or any laws or regulations applicable to the Issuer or the relevant specified currency. |
| **Denominations** | Bonds will be issued in such denominations as may be agreed between the Issuer and the Issuing Houses and as specified in the relevant PS/SSP, subject to compliance with all applicable |

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| | legal and regulatory requirements, and in accordance with usual market practice. |
| **Tenor** | The tenor of a particular series of Notes shall be determined by the Issuer and the Issuing Houses and specified accordingly in the applicable PS/SSP for the Notes being issued |
| **Principal Moratorium** | The principal moratorium of a particular series of Notes shall be determined by the Issuer and the Issuing Houses and specified accordingly in the applicable PS/SSP for the Notes being issued |
| **Early Redemptions** | Early redemption will be permitted only to the extent specified in the applicable PS/SSP and Supplementary Trust Deed and then only subject to any applicable legal or regulatory limitations |
| **Redemption** | Bonds may be redeemable at their nominal amounts or such other amounts as may be specified in an amortisation or principal payment schedule appended to, or determined in accordance with, the applicable Series Trust Deed and Supplementary Shelf Prospectus and/or Pricing Supplement |
| **Business Day Convention** | Following business day, which means a payment in respect of the Bonds which falls due on a date which is not a Business Day, is paid on the next Business Day |
| **Listing** | Each Series of Bonds will be listed on the FMDQ and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed between the Issuer and the Issuing Houses; or they may be unlisted, as specified in the relevant PS/SSP |
| **Events of Default** | The events of default under this Programme are as specified in the Programme Trust Deed and relevant Series Trust Deed(s) |
| **Tax Status** | The Bonds are exempt from taxation in Nigeria in accordance with the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011 ("CIT Order"), the Value-Added Tax (Exemption of Proceeds of the Disposal of Government and Corporate Securities ("VAT Order") Order 2011, PITA and Value-Added Tax (Exemption of Commissions on Stock Exchange Transactions) Order 2014. As such, all payments made to Bondholders shall be free and clear of Withholding, State and Federal Income and Capital Gains Taxes[1] with no deductions whatsoever being made at source. For avoidance of doubt, the CIT Order and VAT Order has a lifespan of 10 years commencing on the effective date of 2 January 2012. The exemption under PITA is indefinite. Accordingly, commissions payable to the SEC, NSE and CSCS will not be subject to value added tax until July 24, 2019 |
| **Terms and Conditions** | The terms and conditions applicable to each Series (the "Terms and Conditions") will be agreed between the Issuer and the Issuing Houses at or prior to the time of issuance of such Series, |

[1] The waiver on Capital Gains Tax has been issued, but the legislative and administrative processes of implementing this have not been finalised

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| | and will be specified in the applicable PS/SSP. The Terms and Conditions applicable to each Series will therefore be those set out on pages 24 to 32 hereof as supplemented, modified or replaced by the applicable PS/SSP |
| **Governing Law** | The Bonds and all related contractual documentation will be governed by, and construed in accordance with Nigerian law |
| **Transaction Documents** | • Shelf Prospectus;<br>• Programme Trust Deed;<br>• Vending Agreement;<br>• Pricing Supplement (Supplementary Shelf Prospectus);<br>• Supplemental Trust Deed;<br>• Deed(s) of Guarantee (where applicable);<br>• Solicitors' report on claims and litigation;<br>• Ratings Report; and<br>• Reporting Accountants Report |
| **Underwriting** | The Bonds may be partially or fully underwritten on a standby or firm basis as stated in the relevant PS/SSP. |
| **Claims and Litigation** | As at 19, November 2018 GELUL had no Claims and Litigation. |
| **Negative Pledge** | The Issuer and Co-obligor hereby covenant that while any portion of the Bonds issued under this Programme remains outstanding, they shall not create any charge, mortgage, lien, pledge or other security interest upon the whole or any part of its present or future assets, business, or revenues to secure any indebtedness, loans or other securities or debt unless the Issuer's obligations under the Bonds are secured equally and rateably therewith or the Bonds have the benefits of such other security, guarantee, debt or other arrangements as the Trustees in their discretion shall deem not to be materially less beneficial to the Bondholders. |

## TERMS AND CONDITIONS OF THE BONDS

*The following is the text of the general terms and conditions which, subject to amendment and as completed, modified, supplemented, varied or replaced, in whole or in part, by the final terms which are set out in the relevant Series Trust Deed (the **"Final Terms"**) and, except for the italicised text, will apply to the Bonds and will be endorsed on the back of each Bond Certificate issued in respect of the Bonds.*

*The provisions of these terms and conditions set out below (the **"Conditions"**) which are applicable to the Bonds issued under the Programme shall be deemed to be completed by the information contained in the relevant Final Terms. Bonds may be issued in separate tranches which together with other tranches, may form a series of bonds. Any provision of the Final Terms modifying, supplementing or replacing, in whole or in part, the provisions of these Conditions shall be deemed to so modify, supplement or replace, in whole or in part, the provisions of these Conditions; alternative or optional provisions of these Conditions as to which the corresponding provisions of the Final Terms are not completed or are deleted shall be deemed to be deleted from these Conditions; and all provisions of these Conditions which are inapplicable to the Bonds shall be deemed to be deleted from these Conditions, as required to give effect to the terms of the relevant Final Terms.*

The Bonds are constituted by and under the Programme Trust Deed dated on or about the date of this Deed between **GEL Utility Funding SPV plc** (the "**Issuer**"), the parties described in the 1st Schedule as the Co-Obligor and **Stanbic IBTC Trustees Limited** (the "**Bond Trustee**") as supplemented by the relevant Series Trust Deed between the Parties. The Bondholders are entitled to the benefit of and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the relevant Series Trust Deeds applicable to them. Copies of the Trust Deed are available for inspection between the hours of 10:00am and 4:00pm on any Business Day at the designated office of the Bond Trustee as specified in the Series Trust Deed.

Any Series of Bonds which is to be created and issued pursuant to the Programme Trust Deed shall be constituted by, be subject to and have the benefit of a Series Trust Deed (the "**Series Trust Deed**") between the Issuer and the Bond Trustee. The Issuer shall execute and deliver such Series Trust Deed to the Bond Trustee containing such provisions (whether or not corresponding to any of the provisions contained in the Programme Trust Deed) as the Bond Trustee may require. Each Series Trust Deed shall set out the form of the Series of Bonds to be so constituted.

These Conditions include summaries of, and are subject to the detailed provisions of the Programme Trust Deed and the relevant Series Trust Deed. The Bondholders are entitled to the benefit of and are bound by, and are deemed to have notice of, all the provisions of the Programme Trust Deed and the relevant Series Trust Deed applicable to them.

Words and expressions defined in the Trust Deed (as same may be amended, varied or supplemented from time to time with the consent of the Parties) are expressly and specifically incorporated into and shall apply to these Conditions.

Capitalised terms used but not defined in these Conditions shall have the meanings attributed to them in the Programme Trust Deed unless the context otherwise required or unless otherwise stated.

1. **Form, Denomination and Title**

1.1 Unless otherwise specified in any Supplementary Shelf Prospectus the Bonds shall be issued in registered form in denominations of **[●].** The Bonds issued under the Programme may be fixed rate bonds, floating rate bonds, discounted or a combination of such bonds.

1.2. The Bonds will be issued in uncertificated (dematerialised or book-entry) form, which shall be registered with a separate securities identification code with the CSCS.

1.3. A Series of Bonds may be listed on the FMDQ or on such other or further financial exchange(s) as may be determined by the Issuer, subject to any Applicable Laws. Unlisted Bonds may also be issued under the Programme. The applicable Pricing Supplement will specify whether or not a Series or Tranche of Bonds will be listed, on which financial exchange(s) they are to be listed (if applicable).

1.4. The title to the Bonds which will be issued in uncertificated form shall be effected in accordance with the rules governing transfer of title in securities held by CSCS. In these Conditions, Bondholders and (in relation to a Bond) holder means the person in whose name a Bond is registered in the Register of Bondholders.

2. **Repayment**

The principal on the Bonds will be repaid on the relevant Maturity Date or on an amortising basis in accordance with the terms of the relevant Series or such date as the Bond Trustee in accordance with the Programme Trust Deed declare the Bonds to have become immediately repayable, together with such premium (if any) agreed in the relevant Series Trust Deed on such Bonds.

3. **Redemption**

3.1 Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Bonds at their principal amount on such dates as specified in the Series Trust Deed.

3.2 Redemption by Instalments

The Bonds may be partially redeemed by instalments on such dates and at such amounts specified in the applicable Final Terms and the payments made in instalments shall reduce the Principal Amount Outstanding on such Bond until fully redeemed at the Maturity Date.

3.3 Redemption prior to Maturity

3.3.1 Subject to the terms of the relevant Series Trust Deed, the Issuer shall be entitled at anytime to redeem the whole or any part of the Bond upon giving the holders of the Bonds to be redeemed not less than minimum of twenty (20) days and maximum of sixty (60) days' notice of its intention to do so, and at the expiration of such notice, the Issuer shall be entitled and bound to redeem the Bonds in respect of which such notice has been given.

3.3.2 In the event the Issuer determines to redeem only part of the Bond for the time being outstanding, the particular Bond to be redeemed shall be selected by drawing to be made as provided in Condition 8 or at the option of the Issuer pro rata to holdings.

3.3.3 Early redemption shall take place on such terms as shall be agreed in the relevant Series Trust Deed or on such terms as shall be determined by the

3.3.4 Bondholders or the relevant Bondholder whose Bond is to be redeemed at 11a.m on the date set for redemption.

3.3.5 In the case of redemptions made under this Condition, not less than twenty (20) days and not more than sixty (60) days previous notice in writing of the date fixed for redemption shall be given by the Issuer to each Bondholder any of whose Bond is to be redeemed. Such notice shall state the amount of the Bond due for redemption and the condition under which such redemption is to be effected.

4. **Purchase of Bond by the Issuer**

The Issuer may at any time and from time to time purchase any part of the Bonds through the FMDQ or such other exchange(s) on which the Bonds are listed, but not otherwise. Any Bond so purchased will be cancelled and will not be available for re-issue.

5. **Guarantee and Status of the Bonds**

5.1 Guarantee

The due payment of a specified proportion of any outstanding amount payable by the Issuer under the Bonds of any series may be unconditionally and irrevocably guaranteed in accordance with the terms provided in the applicable Final Terms and/or Deed(s) of Guarantee. The Guarantor's obligations in that respect (the "Guarantee") shall be specified in the Final Terms.

5.2 Status of Bonds

The Bonds are direct and unsubordinated obligations of the Issuer and of the Guarantor and/or Co-Obligor under the Guarantee (where applicable) and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Bonds and in respect of principal and any interest on the Bonds shall at all times rank at least equally with all unsecured obligations of the Issuer, present and future except for obligations mandatorily preferred by law applying to companies generally.

5.3 Liability of Co-Obligor

Pursuant to the Programme Trust Deed, each of the Co-Obligor, jointly and severally, irrevocably and unconditionally guarantee the payment (immediately on demand, in immediately available funds, without any deduction, set-off, counterclaim or withholding of any kind (including without limitation, on account of taxes)), and performance of all of the obligations the Issuer may from time to time be obliged to fulfil under the Trust Deed, which obligations shall include monetary damages arising out of any failure by the Issuer to perform its obligations under the Programme Trust Deed to the extent that any failure to perform such obligations gives rise to monetary damages.

6. **Negative Pledge**

For as long as any of the Bonds are outstanding, the Issuer shall not, and shall procure that none of its Affiliates:

6.1. create (without the written consent of the Bond Trustee, such consent not to be unreasonably withheld) any mortgage, charge, pledge, lien or any Encumbrance upon the whole or any part of its present or future undertaking, business, assets or revenue to secure any indebtedness, unless the Issuer's obligations under the Bonds are secured equally and rateably with the said obligations or have the benefit of such other security, guarantee, indemnity or other arrangement as the Bond Trustee in its absolute discretion shall deem not to be materially less beneficial to the Bondholders; and

6.2. not directly or indirectly secure any other financial indebtedness represented by bonds or any other debt securities which are, or are capable of being, traded or listed on any or over-the-counter or similar securities market without the prior consent of the Bond Trustee.

7. **Coupon**

The Bonds of any Series will bear interest from the Coupon Commencement Date at the coupon rate(s) specified in, or determined in accordance with the specific Pricing Supplement and such coupon will be payable in respect of each Coupon Period on the Coupon Payment Date(s) specified in the Pricing Supplement. The coupon payable on the Bonds of any Series for a period other than a full Interest Period shall be determined in accordance with the Pricing Supplement.

7.1. Fixed Rate Bonds

7.1.1 The Fixed Rate Bonds (being those Bonds that specify that interest is payable at a fixed rate) shall bear interest on the Principal Amount Outstanding at the coupon rate specified in the Final Terms from (and including) the Coupon Commencement Date to (but excluding) the Maturity Date. Coupon shall be payable in arrears on the Coupon Payment Date in each year.

7.1.2 If interest is required to be calculated for a period other than a full year, such interest shall be calculated on the basis of the actual number of days elapsed divided by three hundred and sixty-five (365) or such other method as described in the Pricing Supplement.

7.2. Coupon on Floating Rate Bonds

7.2.1. The Floating Rate Bonds (being those Bonds that specify that coupon is payable at a floating rate) shall bear Interest on its principal amount on such basis as may be described in the Prospectus or Series Trust Deed by reference to a specified floating rate benchmark plus a margin.

7.2.2. Coupon on the Floating Rate Bonds shall accrue from (and including) the Coupon Commencement Date and the Coupon payable from time to time in respect of each of the Floating Rate Bonds will be determined in the manner specified in the Final Terms.

8 **Cancellation of Bonds**

Any part of the Bonds redeemed or purchased shall be cancelled and the Issuer shall not keep such Bond valid for the purpose of re-issue. For so long as the Bond is admitted to listing and or trading on the FMDQ and the rules of the FMDQ require, the Registrar shall promptly inform the FMDQ of the cancellation of any Bonds under this Condition 8.

9 **Trusts**

9.1 Except as required by law or as ordered by a court of competent jurisdiction the Issuer will recognise the Bondholder of any Bond as the absolute owner of such Bond and shall not be bound to take notice or see to the execution of any trust whether express, implied or constructive to which any Bond may be subject.

9.2 The receipt by a Bondholder for the time being of any Bond (or in the case of joint registered holders, the payment to the joint Bondholder whose name stands first in the Register) or the principal of such Bond or of any other money payable in respect of the Bond shall be good discharge of the Issuer notwithstanding any notice it may have whether express or otherwise of the right, title, interest or claim of any other person to such principal, interest or other money. No notice of any trust whether express, implied or constructive shall (except as provided by statute or as required by a court of competent jurisdiction) be entered on the Register in respect of any Bond.

10 **Freedom from Equities**

Every Bondholder will be recognised by the Issuer as entitled to his Bond, free from any equities, set-off or cross-claim on the part of the Issuer against the original or any intermediate holder of the Bond.

11 **Registration and Transfer of Bonds**

11.1. Registration of Bonds

11.1.1. A Register of the Bonds shall be kept by the Registrar at its office, and there shall be entered in such Register:-

(i) The names and addresses of the holders for the time being of the Bonds;
(ii) The amount of the units of Bonds held by every registered holder;
(iii) The account number of the Bondholder; and
(vi) The date at which the names of every registered holder is entered in respect of the Bond standing in his name.

11.2. Transfer of Bonds

11.2.1. The Bond is transferable in amounts or integral multiples of an amount specified in the Series Trust Deed.

11.2.2. Transfers of the Bond shall be by an instrument in writing in the form approved by Issuer and the Bond Trustee.

11.2.3. If the Bonds are listed, the Bonds shall be transferred on the FMDQ in accordance with its rules.

11.2.4. Every instrument of transfer must be signed by or on behalf of the transferor or where the transferor is a corporation, properly executed according to its

constitutional documents, and the transferor shall be deemed to remain the owner of the Bonds until the name of the transferee is entered in the Register.

11.2.5. Every instrument of transfer must be left for registration at the place where the Register is kept accompanied by such evidence as the Issuer may require to prove the title of the transferor or his right to transfer the Bond and (if the instrument of transfer is executed by some other person on his behalf) the authority of that person so to do.

11.2.6. The Issuer and Registrar shall retain all instruments of transfer after registration.

11.2.7. Registration of any Bond transfer shall not be carried out within fifteen (15) days ending on the due date for any payment of principal or Coupon on that Bond.

12 **Transmission**

12.1 In the case of the death of a Bondholder, the survivor(s) (where the deceased was a joint holder) and the executor or administrator of the deceased where he was a sole or only surviving holder shall be the only person(s) recognised by the Issuer as having any title to such Bond.

12.2 Any person becoming entitled to any Bond in consequence of the death or bankruptcy of any Bondholder or of any other event giving rise to the transmission of such Bond by operation of law may upon producing such evidence of his title as the Registrar(s) shall think sufficient, be registered as the holder of the Bond or subject to Condition 11 may transfer the Bond without being registered as the holder of such Bond.

13 **Method of Payment of Principal Money, Coupon and Premium**

13.1 Payment of the Principal, Coupon and premium (if any) due on all or any part of the Bond will be credited to the bank account nominated for this purpose by the Bondholder (or in the case of joint registered Bondholders) by the joint Bondholders.

13.2 Whenever any part of the Bond is redeemed, a proportionate part of each holding of the Bond shall be repaid to the Bondholders.

13.3 The Registrar shall give to the Bondholders not less than **[one (1) month's]** notice in writing of the time and mode for repayment of the Bonds to be redeemed and each such notice shall state the amount of the Bond for redemption.

13.4 At the time and place so fixed for redemption, each Bondholder shall, where applicable, deliver to the Registrar evidence of title to the Bonds issued by the CSCS in order that the same may be cancelled together with a receipt for the redemption moneys payable in respect of the Bonds, and upon such delivery, the Bond Trustee acting through the Registrars shall pay the Bondholder the amount payable to him in respect of such redemption, together with all accrued coupon.

13.5 If, on the Maturity Date, any Bondholder whose Bonds are liable to be redeemed fails or refuses to accept payment of the redemption moneys payable in respect of the Bond, the moneys payable to such Bondholder shall be paid to the Bond Trustee and the Bond Trustee shall hold the moneys in trust for such Bondholder and coupon on such Bonds shall cease to accrue as from the date fixed for redemption of the Bond and the Issuer shall subsequently be discharged from all obligations in connection with such Bonds. If the Bond Trustee places the moneys so paid to it on deposit at a commercial bank or invests the same in the purchase of securities for the time being authorised by law for the investment of trust funds, the Bond Trustee shall not be responsible for the safe custody of such moneys or for interest on the same, except such interest (if any) as the said money may earn whilst on deposit or invested, less any expenses incurred by the Bond Trustee.

14 **Receipts for Money Paid**

If several persons are entered in the Register as joint holders of any Bond, then the receipt by any such persons for any coupon or principal or other money payable on or in respect of such Bond shall be as effective a discharge to the Issuer as if the person signing such receipt were the sole registered holder of such Bond.

15 **Events of Default**

If any of the following events stated in this Condition 15 ("Events of Default") has occurred and is continuing in accordance with the time frame set out below, the Bond Trustee may at its discretion or shall,

i. if so requested in writing by the Majority Bondholders; or

ii. if so directed by an Extraordinary Resolution of the Bondholders, give written notice to the Issuer that the Bonds are immediately repayable, after which, subject to the applicable Final Terms, the Principal Amount Outstanding on the Bonds together with accrued Coupon shall become immediately due and repayable.

15.1. Non-Payment

If the Issuer and or Co-Obligor fail to pay any sums representing principal, coupon and premium (if any) on the Bonds or any fees or other sums within ten (10) Business Days after the Payment Date. Provided however, that where such non-payment is due to a Force Majeure event the Bond Trustee may in its discretion (after consultation with the Issuer) determine that such Force Majeure event can be remedied within a reasonable period after the grace period referred to above in this Condition and extend the grace period.

15.2. Cross Default

If any Financial Indebtedness of the Issuer or any of the Co-Obligor of a value exceeding [₦1, 000, 000, 000.00 (One Billion Naira)] (or its equivalent in any other currency) in aggregate (for the avoidance of doubt, any amounts being contested in good faith shall not be counted towards such value) is not paid when due or within ten (10) Business Days of: (i) its due date; or (ii) the end of any applicable period of grace, whichever is the later.

15.3. Insolvency

If:

15.3.1 the Issuer and or any of the Co-Obligor are unable, for the purposes of CAMA, to pay their debts, or admit inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its Financial Indebtedness and for this purpose debt shall mean an amount not less than ₦1, 000, 000, 000.00 (One Billion Naira) (or its equivalent in any other currency);

15.3.2 a moratorium is declared in respect of any Financial Indebtedness of the Issuer or Co-Obligor, and such moratorium is not discharged within forty-five (45) Business Days after it was declared. Provided that the Issuer and or any of the Co-Obligor are able to show to the satisfaction of the Bond Trustee within ten (10) Business days after such moratorium is declared that it is in good faith negotiating the lift of the moratorium;

15.3.3 any corporate action or legal proceeding is concluded and judgment of the High Court or Federal High Court or if that judgment is appealed, the judgment of the Court of Appeal, or Supreme Court as the case may be is given against the Issuer and or any of the Co-Obligor in relation to:

15.3.3.1 a moratorium of any Financial Indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Issuer and or the Co-Obligor other than a solvent liquidation or any reorganisation of the Issuer or any of the Co-Obligor;

15.3.3.2 the appointment of a liquidator (other than in respect of a solvent liquidation) receiver, administrator, administrative receiver or other similar officer in respect of the Issuer and or any of the Co-Obligor or any of their respective assets; or

15.3.3.3 any analogous procedure or step is taken in any jurisdiction, and such proceeding is not dismissed or terminated on or before the forty-fifth (45th) Business Day (which would exclude days on which Nigerian courts are on vacation) after the order is made or if any such dismissal or stay ceases to be in effect (or such longer period as the Bond Trustee may permit). Provided that the Issuer and or any of the Co-Obligor have within ten (10) Business Days filed in good faith legal proceedings in the relevant court for the order to be set aside, dismissed or stayed.

15.4. Cessation of Business

If the Issuer and or Co-Obligor cease to conduct all or substantially all of its business as it now conducts or changes all or substantially all of the nature of its business or merges or consolidates with any other entity without the prior written consent of the Bond Trustee.

15.5. If a Material Adverse Effect has occurred;

15.6. Enforcement Proceedings

If any distress, execution or other process shall be levied or enforced upon or against any material assets of the Issuer or Co-Obligor and is not discharged, or stayed within ninety (90) days of service by the relevant officer of the court of such attachment, execution or other legal process, or if there is an encumbrance or a Receiver is appointed over any material assets of the Issuer and or the Co-Obligor and such event is certified in writing by the Bond Trustee to be in its opinion materially prejudicial to the interests of the Bondholders. PROVIDED THAT the Issuer has filed good faith legal proceedings in the relevant court for application for dismissal within (10) Business Days of becoming aware of the order or action; or

15.7. Breach of Other Obligations

If the Issuer and or any of the Co-Obligor default in the performance or observance of any covenant, condition, provision or agreement including the representations and warranties, (other than any covenant for the payment of any sum owing on any part of the Bond) binding on them under this Deed, or required by the Issue Documents to which it is a party or any other document delivered in connection with the Bonds, and the Issuer fails to perform fully or make good the breach of such covenant, condition, provision or agreement within thirty (30) days from receipt of notice in writing by the Bond Trustee.

15.8. Seizure/Compulsory Acquisition of Assets

If any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any of the Co-Obligor;

**16. Notices**

*16.1.* Any notice or other document may be given to or served on any Bondholder either personally or by sending it by electronic mail or by post in a prepaid envelope or delivering it addressed to him at his registered address or (if he desires that notices shall be sent to some other persons or address) to the person at the address supplied by him to the Issuer for giving of notice to him. In addition to the provisions of this Condition 16.1, notices may also be publicised in any widely read newspaper.

*16.2.* In the case of joint registered holders of any Bond, a notice given to the Bondholder whose name stands first in the Register shall be sufficient notice to all the joint holders.

*16.3.* Any notice or other document duly served on or delivered to any Bondholder under these conditions shall (notwithstanding that such Bondholder is then dead or bankrupt or that any other event has occurred and whether or not the Issuer has notice of the death or the bankruptcy or other event) be deemed to have been duly served or delivered in respect of any Bond registered in the name of such Bondholder as sole or joint holder unless before the day of posting (or if it is not sent by post before the day of service or delivery) of the notice or document his name has been removed from the Register as the holder of the Bond and such service or delivery shall for all purposes be deemed a sufficient service or delivery of such notice or document on all persons interested (whether jointly with or claiming through or under him) in the Bond.

*16.4.* Any notice shall be deemed to have been served on the 5th day following the day which the letter containing the notice is posted and in proving such service it shall be sufficient to prove that the envelope containing the notice or the notice itself was properly addressed, stamped and posted. Any notice given by delivery otherwise than by post shall be deemed given at the time it is delivered to the address specified.

**17. Prescription**

Claims against the Issuer in respect of the Bonds shall be void unless presented for payment as required by Condition 13 within ten (10) years (in the case of principal) and five years (in the case of interest), from the due date for payment of any amount due on such Bonds.

**18. Meetings of Bondholders**

The rights and duties of the Bondholders in respect of attendance at meetings of Bond holders are set out in the Third Schedule (Provisions for Meetings of Bondholders). Decisions taken at Bondholders meetings may only be exercised by the Bond Trustee in accordance with the Programme Trust Deed or under these Conditions. For the avoidance of doubt, the Conditions of the Bond can only be amended with the consent of the Parties as that term is defined in the Programme Trust Deed.

**19. Governing Law**

The Bonds are governed by, and shall be construed in accordance with the laws of the Federal Republic of Nigeria.

## CREDIT STRUCTURE OF THE PROGRAMME

*The Bonds issued under the Programme may include any of or all of the following structural features designed to reduce credit risk and ensure the timely payment of amounts owed to the Bondholders. The structural features below are not applicable to the all Bonds issued under the Programme, specific structural features applicable to each series of the Bonds will be as set out in the applicable Final Terms.*

**Establishing and Funding of Transaction Accounts**

**Minimum Reserve Account**

Where applicable as specified in the applicable Final Terms, the Issuer shall, on or before the Closing Date of any relevant Tranche or Series of Bonds, open the Minimum Reserve Account. Where applicable, the Minimum Reserve Account shall be initially funded on the Closing Date with such amount specified in the Final Terms or calculated or determined in accordance with the provisions of the Final Terms. The Note Trustee or such other trustee specified in the Final Terms shall be the only signatories to Minimum Reserve Account.

**Payment Account**

Where applicable as specified in the applicable Final Terms, the Issuer shall also in respect of any relevant Series of Bonds open the Payment Account on the Closing Date in the name of the Note Trustee. The Payment Account shall be funded by the Issuer and the Co-Obligor from their cash flow on such frequency and in such instalments specified in the applicable Final Terms ("the Funding Date"), for the purpose of accumulating monies to pay Interest on any Interest Payment Date and repay the Principal Amount on any Payment Date and Maturity Date. The money standing to the credit of the Payment Account on any Payment Date shall be equal to the aggregate Interest Amount and Principal Amount due on the relevant Series on the relevant date.

**Guarantee of Issuer's Payment Obligation**

Where applicable to any Series of the Bonds the Guarantor shall, pursuant to the terms of the relevant Deed(s) of Guarantee, irrevocably and unconditionally guarantee to the Note Trustee, for and on behalf of the Bondholders, by way of continuing or specific guarantee, the due and punctual observance by the Issuer of all its payment obligations of principal and/or interest payable (if any) pursuant to the Terms and Conditions of the relevant Bonds issued by the Issuer.

The intent and purpose of the Guarantee, where applicable, is to ensure that the Bondholders, under all circumstances and regardless of any factual and legal circumstances, motivations and considerations on the basis of which the Issuer may fail to effect payment, shall receive principal and interest and additional amounts payable pursuant to the terms and conditions of the relevant Bonds on the due dates in accordance with the relevant terms and conditions.

Unless otherwise specified in any applicable Deed of Guarantee, the Guarantee will constitute a contract in favour of the Bondholders as third-party beneficiaries entitling the Note Trustee to require performance of the obligations undertaken by the Guarantor and to enforce such obligations against the Guarantor.

Accordingly, at any time upon first written demand by the Note Trustee, all amounts required under the Guarantee shall be paid without any restrictions in case the Issuer should for any reason fail to pay the amounts due.

**Financial Covenants**

The financial covenants applicable to each series of the Bonds will be as set out in the applicable Final Terms.

## MACRO-ECONOMIC OVERVIEW OF NIGERIA

*The Information in this section has been extracted from publicly available data obtained from sources/organisations such as the Central Bank of Nigeria ("CBN"), the Nigerian Debt Management Office ("DMO"), the National Bureau of Statistics ("NBS"), the Nigerian Federal Ministry of Finance ("FMF"), the Organisation of Petroleum Exporting Countries ("OPEC"), the United Nations, the Economist Intelligence Unit ("EIU"), the World Bank, the International Monetary Fund ("IMF"), United Nations Conference on Trade and Development ("UNCTAD") and other sources believed to be reliable. The Issuer, the Co-Obligor and the Issuing Houses and their respective advisers have relied on the accuracy of this information without independent verification and make no representation as to its accuracy.*

### Introduction

According to the World Bank, Nigeria remains Africa's largest economy in 2017 with a GDP of US$375.8billion ahead of South Africa (US$349.4 billion) and Egypt (US$335.4 billion), despite the impact of the 2016 recession. With a population of approximately 182 million people, Nigeria is also the most populous country in Africa and the 7th in the world. The economy has sustained a strong growth path since the early part of the decade on the back of a booming crude oil price and domestic production of crude oil on which the economy is highly dependent until mid-2014 when international crude oil prices crashed leading to a reduction in government revenues and ultimately a recession in 2016.

### Gross Domestic Product

Nigeria enjoyed a sustained high single-digit economic growth from 2005 to 2015, averaging a growth rate of 5.73%. The main driver of growth has been the non-oil sector, contributing c.92% to GDP in 2017, whilst the oil sector contributed c.8% over the same growth period. Despite the low contribution to GDP, the oil and gas sector remains critical to the development of the country as oil proceeds account c.95% of exports earnings, over 90% accretion to external reserves and c.70% of government revenue in Nigeria according to the CBN.

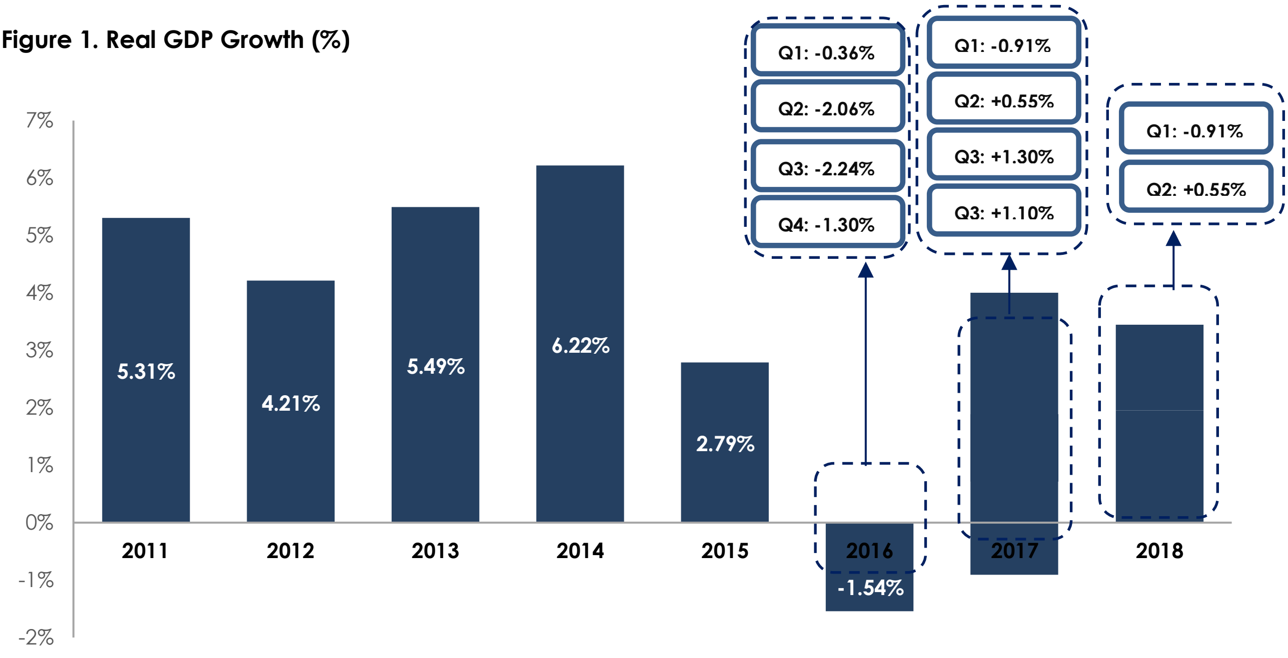
The Nigerian Economy slipped into a recession in 2016 following a global oil market rout which was amplified by poor policy response and socio-political face-off in the oil-rich Niger-Delta region which weaken oil production. This was worsened by a currency crisis amid rapid capital outflow. Nevertheless, the economy recovered mildly in 2017 but remained hesitant as Q2:2018 GDP numbers published by the National Bureau of Statistics (NBS), showed a slower pace of real GDP expansion of 1.5% Y-o-Y (from 2.0% in Q1:2018). The result mainly reflected a sharp contraction in oil output of -3.5% Y-o-Y, from an expansion of 14.7% Y-o-Y in the previous quarter, due to a temporary shut-down at the Bonny and Forcados export terminals in May 2018; average oil output deteriorated -1.6% Y-o-Y to 1.84mb/d in Q2:2018 from 1.87mb/d in Q2:2017. Meanwhile, there was a resurgence in non-oil output growth to 2.0% Y-o-Y in Q2:2018, the highest in 10 quarters, although the gains recorded were unable to offset the under-performance in the oil sector.

Broadly speaking, growth in Q2 2018 was driven by developments in the non-oil sector as Services sector recorded its strongest positive growth since 2016. However, the relatively slower growth when compared to Q1 2018 and Q2 2017 could be attributed to developments in both the oil and non-oil sectors.

The Electricity, Gas, Steam and Air conditioning Supply sector recorded a year on year growth of 25.50% in the second quarter of 2018. This is –33.56% points lower than the 59.05% growth rate recorded in the corresponding quarter of 2017, and 15.95% points higher than the growth rate of

9.54% recorded in the quarter before. Quarter-on-Quarter, the sector recorded a growth rate of 174.15%. The contribution of Electricity, Gas, Steam and Air Conditioning Supply to Nominal GDP in the quarter under review was 0.72% higher than the contribution made in the corresponding quarter of 2017 of 0.66% and its contribution of 0.29% in the quarter before. In real terms, the sector grew by 7.59% in Q2 2018, a decrease from the growth rate of 35.50% recorded in the same quarter of 2017. When compared to the immediate past quarter, there was an increase of 2.66% points from 4.93% recorded. Quarter-on-Quarter, the sector grew at a rate of 141.61%. The contribution of this sector to real GDP in the quarter was 0.47%.

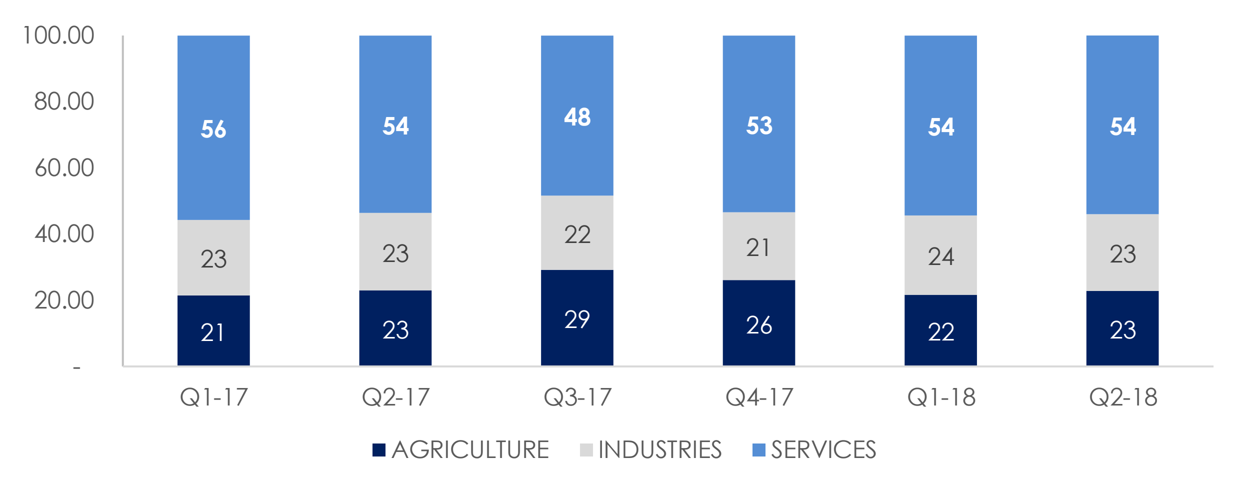
**Figure 1. Real GDP Growth (%)**




Source: Nigerian Bureau of Statistics

Nigeria's Gross Domestic Product (GDP) grew by 1.95% (year-on-year) in real terms in the first quarter of 2018 which showed a stronger growth when compared with the first quarter of 2017 which recorded a growth of -0.91% indicating an increase of 2.87% points. The decline in oil production has however slowed the country's Gross Domestic Product (GDP) to 1.5% in Q2-2018. The GDP figure for Q2-2018 is at 0.45 basis point down from the 1.95% recorded in Q1-2018, and for the first time since the exit from recession, last year, growth was driven by the non-oil sector that expanded by 2.05% y/y. Leading the expansion in real terms were the transportation (21.76%y/y), construction (7.66%y/y) and electricity (7.59y/y) sectors, while growth in agriculture sector dropped to 1.3%y/y from 3%y/y.

**Figure 2. Sectoral Contribution to GDP (%)**




Source: Nigerian Bureau of Statistics

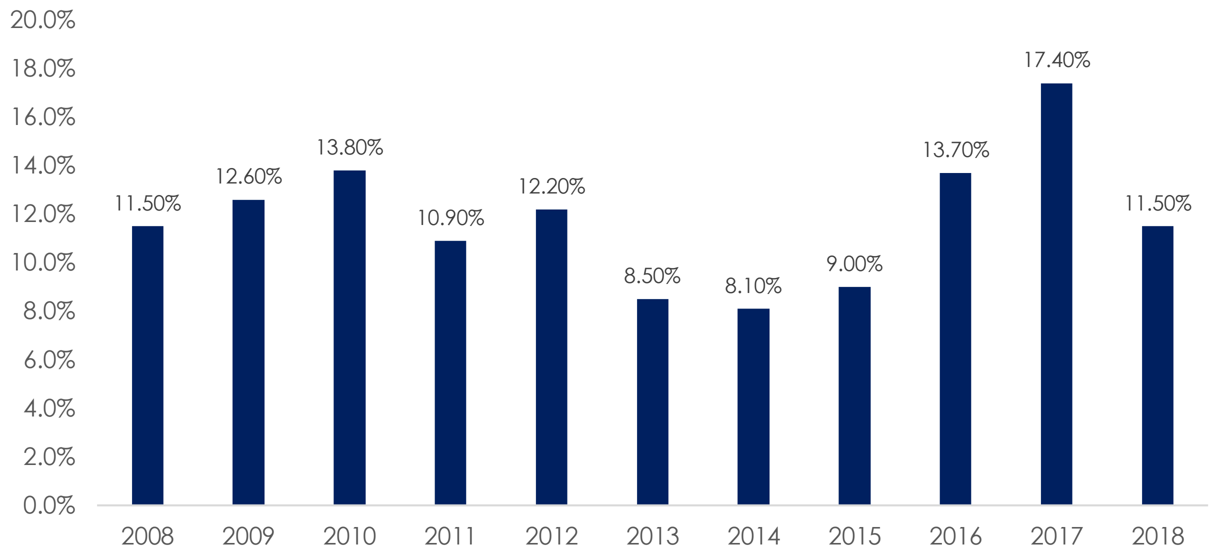
Going forward, Nigeria's GDP is expected to sustain uptrend in Q3-18 and Q4-18, albeit at sub-optimal rates amid a stable policy environment. Accordingly, GDP growth is projected at c.2.1% Y-o-Y in FY: 2018. The pace of output growth is likely to remain sub-optimal into 2018 (estimated at 2.5%) compared to the pre-2015 level of 6.2% given that returning very quickly to the high growth era depend on bold policy actions such as increasing the productive base of the non-oil sector especially agricultural export, trade and other activities in the services sector which are not forthcoming for now. The non-oil sector is expected to receive a boost from budget releases for capital expenditure and election spending. Also, the recovery in the oil sector is within reach if production numbers pick up, as the price of crude has continued to trend above US$70.00/barrel

**Inflation**

Nigeria's headline inflation increased to 18.7% in January 2017, its highest since November 2005, as a result of higher fuel and electricity prices. Over the last 22 months, however, headline inflation has sustained a moderation amid increase FX inflow and stability in the currency market. Accordingly, headline inflation bottomed at 11.23% in July 2018 before retracing northwards to 11.28% in September. On a month-on-month basis, the Headline index averaged 0.8% from January to June 2018 and jumped above 1.0% from July to September.

The near-term outlook for inflation looks slightly negative, given the abundant risk factors that could upset the momentum in H2: 2018. These include higher inflationary pressures from election spending, budget releases for Capex, and a likely upward revision to the national minimum wage – although the timeline for this year is unclear. Also noteworthy is the fact that base effects which supported disinflation in H1:2018 have faded. On a positive note, the food harvest season which began in August and extends into Q4: 2018 would ease pressure on prices. Headline inflation is expected to end the year at c.12% by December– indicating the third consecutive year of double-digit inflation.

**Figure 3: Annual Inflation rate (%)**



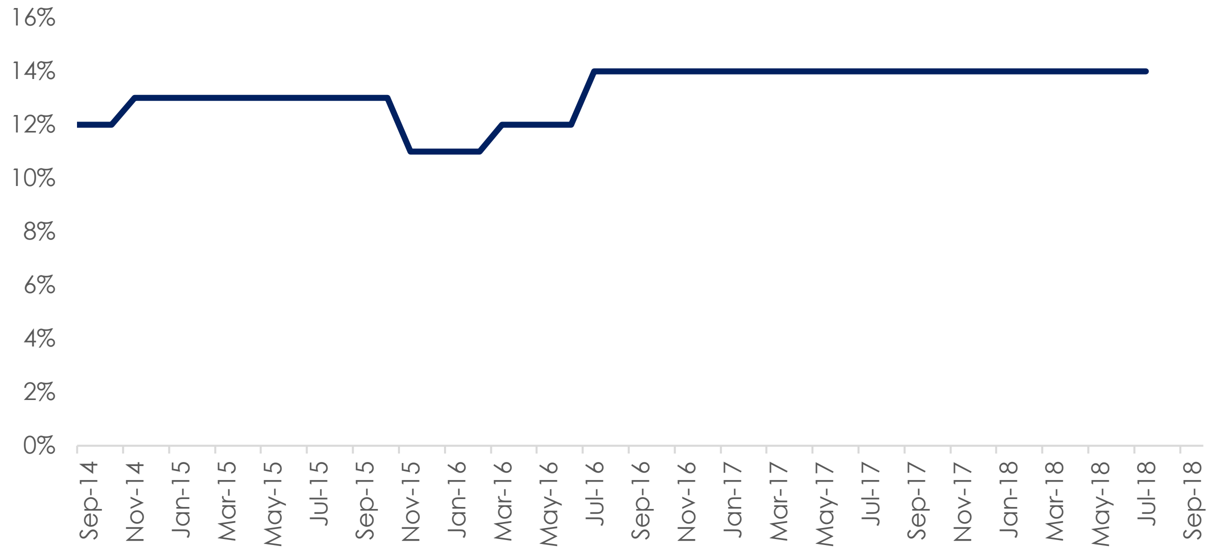

*Source: Central Bank of Nigeria,*

**Monetary Policy**

Nigeria's monetary policy is carried out by the Central Bank of Nigeria through its MPC. The committee is responsible for managing the country's inflation rate by controlling money supply. The MPC achieves its objectives by modifying benchmark interest rates (such as the MPR) conducting money market operations and changing banks' reserve requirements.
The Monetary Policy Committee (MPC) retained the Monetary Policy Rate (MPR) at 14 percent in its September 2018 MPC meeting. The last time policymakers changed rates was in July 2016, when they lifted the monetary rate by 200 bps. Policymakers noted that the macroeconomic and financial risks are being balanced with the improvement in inflation and output growth. The headline inflation rate has declined to 11.28 percent in September 2018 from 18.7 percent in January 2017, mostly due to a slowdown in prices of food and non-alcoholic beverages and base effect. The Monetary Policy Committee (MPC) also said that the decision to leave the monetary policy unchanged is to monitor the liquidity impact of the fiscal injections and the expenditure

ahead of the 2019 general elections. Monetary policy rate in Nigeria averaged 10.81 percent from 2007 until 2018, reaching an all-time high of 14 percent in July of 2016 and a record low of 6 percent in July of 2009.

**Figure 4. Historical Monetary Policy Rate (%)**

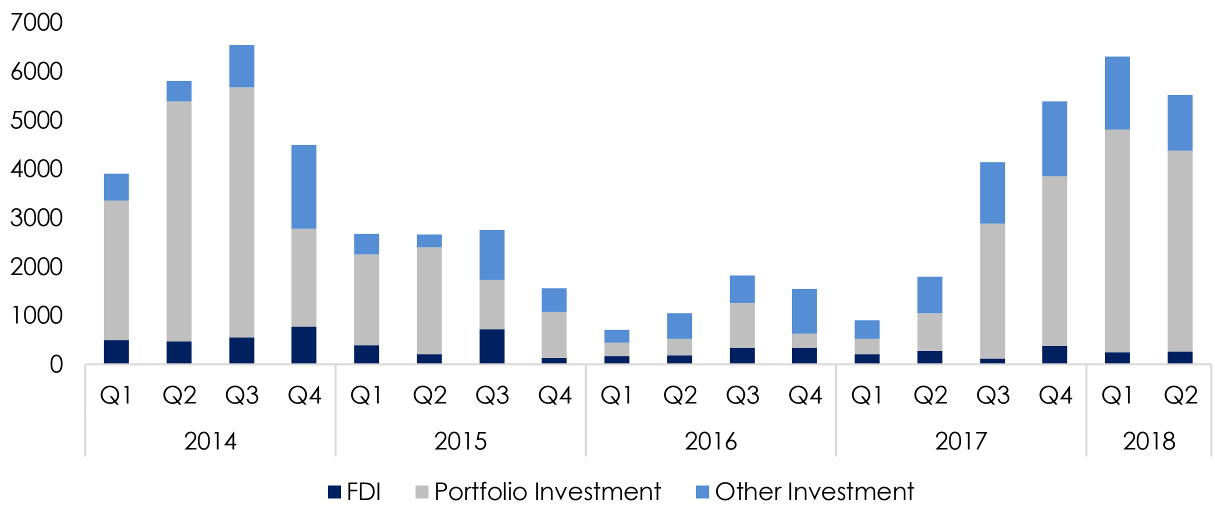



Source: Central Bank of Nigeria

### Foreign Direct Investment

The total value of capital importation into Nigeria stood at US$5,513.55 million in the second quarter of 2018. This was a decrease of 12.53% compared to Q1 2018, but a 207.62% increase compared to the second quarter of 2017. The decline recorded in the second quarter was as a result of a decline in Portfolio and Other Investments, which declined by 9.76% and 24.07% respectively. The largest amount of capital importation by type was received through Portfolio investment, which accounted for 74.7% (US$4,119.5m) of total capital importation, followed by Other Investment, which accounted for 20.5% (US$1,132.8m) of total capital, and the Foreign Direct Investment FDI, which accounted for 4.7% (US$261.4m) of total capital imported in the second quarter.

**Figure 5. Capital Importation by Type of Investment (US$bn)**




Source: Nigeria Bureau of Statistics

## MACRO-ECONOMIC OVERVIEW OF NIGERIA

The main drivers of capital flows to and from Nigeria can be broken down into push and pull factors. Push factors, typically external, include factors that determine the rate of return on advanced economy assets, such as interest rates, economic growth and degree of risk aversion by foreign investors. Pull factors include factors that determine the rate of return on domestic assets such as, domestic interest rates, exchange rate expectations, economic growth, and other risk factors. Given Nigeria's dependence on oil exports for foreign exchange earnings and government revenue, oil prices are likely to be the key driver of the rate of return on domestic assets, domestic credit risk and foreign exchange risk.

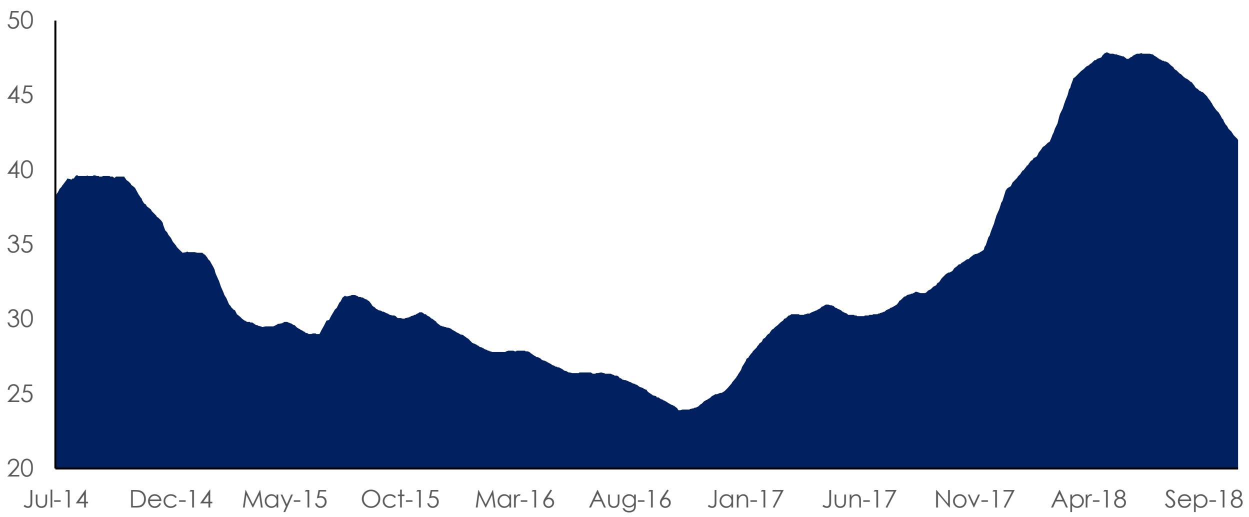
**Foreign Exchange and Currency Reserves**

Nigeria at the beginning of 2016 operated a fixed exchange rate regime with the naira fixed at ₦196.5/US$. However, due to the large disparity between the official rate (₦197 - ₦199/US$) and that of the parallel market ₦320 - ₦330/US$), the MPC during its May 2016 meeting voted unanimously to adopt greater flexibility in exchange rate policy. The directive became effective on June 20, 2016, when the official rate moved to ₦279.50/US$. Yet, exchange rate regime remained largely rigid with official rates held unchanged at around ₦305.6/US$ since April 2017 when the CBN introduced the investors and exporters window which helped to resolve the close-to 24 months of currency market crisis.

Nigeria's foreign currency reserves rose to a record high of US$47.8bn in May 2018 but have since fallen to US$42.1bn at the end of October 2018 amid pressure on the local unit and Apex bank's commitment to stabilizing the Naira. The CBN noted that the evolution of the forex market in the country had been influenced by several factors including the changing pattern of international trade, institutional changes in the economy and structural shifts in production.

CBN's interventions in the foreign exchange window have however helped to moderate the pressure on the FOREX reserves by sustaining liquidity in the market and boosting production and trade. The Bank's policy restricting access to FOREX from Nigeria's foreign exchange market to importers of some 41 items had made a huge impact on the status of Nigeria's reserves and boosted the supply of local substitutes for imported goods, created jobs at home and enhanced the incomes of farmers and local manufacturers.

**Figure 6.Foreign Currency Reserves (US$'bn)**




Source: Central Bank of Nigeria

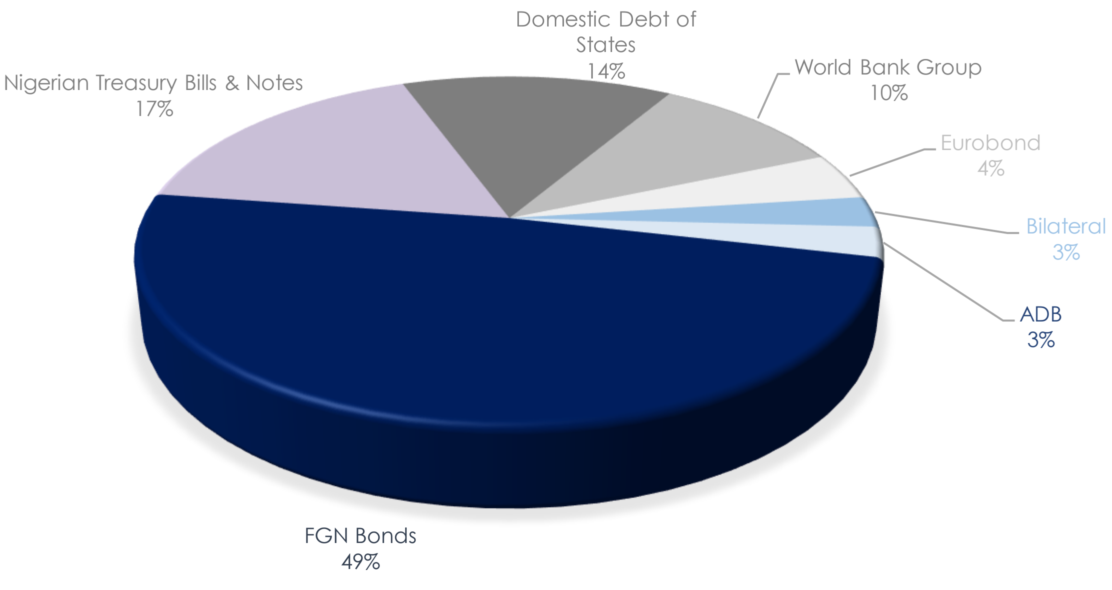
**External Debt**

According to the Debt Management Office DMO, Nigeria's total public debt increased from N21.73 trillion in December 2017 to N22.4 trillion (US$73.2bn) at the end of the second quarter of 2018. The increase was largely driven by a sharp increase in external debt and domestic debt of the FGN amid fast-rising budget deficit.

The DMO noted that the debt figures reflect the impact of the implementation of the debt management strategy, which entails an increase in the external debt stock through new external borrowing and the substitution of high-cost domestic debt with low-cost external debt, is achieving the desired results in several areas. Some of these areas are: the share of the external debt stock in the total public debt, which rose to 30 per cent as of March 31, 2018, compared to 17 per cent in 2015, 20 per cent in 2016 and 27 per cent in 2017; a decline in market interest rates from 13 to 14 per cent per annum in December 2017, to 11 to 13 per cent per annum in the first quarter of 2018 due to the redemption of N279.67bn of Nigerian Treasury Bills using some of the proceeds of the $2.5bn Eurobond issued in February 2018

In a bid to diversify funding sources for the Government, the DMO introduced the FGN Savings Bonds, a retail savings product designed to be accessible to all income groups, in March 2017. The Bonds are to be issued monthly in tenors of 2 and 3 years with quarterly interest payments. Also, the DMO successfully raised the first Diaspora Bonds in June 2017, a total of US$300m was offered at a coupon rate of 5.625% for a 5-year tenor. Similarly, the Sovereign Sukuk Bond worth ₦100bn for a tenor of 7 years was launched in September 2017.

**Figure 3: Public Debt Profile**




*Source: Debt Management Office*

**Reforms**

Upon assuming office in 2015, the President Muhammadu Buhari led administration set out to pursue a number of reforms in order to transform the economy. The focus mainly was on the eradication of corruption, stimulation of a private-sector-driven economy and a reduction of dependence on the importation of petroleum products.

In order to achieve its objectives, the Federal Government focused on implementing the following reforms:

**1.Treasury Single Account ("TSA")**

The Treasury Single Account is a public accounting system using a single account, or a set of linked accounts by the government to ensure all revenue receipts and payments are done through a Consolidated Revenue Account ("CRA") at the CBN. Deposit Money Banks (DMBs) are allowed to maintain revenue collection accounts for Ministries, Department, and Agencies (MDAs), but all collections must be remitted to the CRA at the end of every banking day.

The purpose of the TSA is to improve transparency and accountability of government revenue and avoid misappropriation of funds. Although concerns were raised about the effect of the TSA on the liquidity of the banking system, the policy has so far been successful with the Federal Government collecting up c. ₦3 trillion as revenue accruals since the TSA's implementation.

**2.Power**

The Nigerian electrical power sector requires significant investment in order for its generation capacity to satisfy domestic demand. Nigeria has an installed generation capacity for supply to the national grid of 12,522MW[2] and an available transmission capacity of only approximately 7,000 MW[3], to meet the needs of Nigeria's population of c182 million.

National Electricity Regulatory Commission, the industry regulator, introduced the Multi-Year Tariff Order in 2008, which was later amended in 2012 as MYTO II. MYTO provides a 15-year tariff path for the electricity industry that is adjusted in minor reviews every six (6) months in response to certain parameters (including inflation, exchange rate, the actual power delivered and gas prices) and major reviews in five (5) years where all assumptions are adjusted to reflect new realities. NERC published a new set of tariffs on the 18 December 2015 to guide DisCos for years 2015-2024. The new tariffs will implement different pay grades for users in different locations and categories.

**3.Oil & Gas**

In 2008, the Nigerian government set out to restructure the Oil and Gas industry through the enactment of the Petroleum Industry Bill ("PIB"). However, prolonged failure to pass the initial bill by the National Assembly has resulted in a different approach to address the industry legislation by dealing with the reforms in segments that can be enacted into law independently. Currently, the Petroleum Industry Governance Bill ("PIGB"), the first in a series of the Nigerian petroleum industry laws to be designed to reform the industry has been passed by the Senate and the House of Representatives. This new and improved bill sets out to achieve the following;

- Promotion of transparency and accountability in the petroleum industry;
- Creation of efficient and effective governing institutions with clear and separate roles for the petroleum industry; and
- Establishment of a framework for the creation (out of existing government-owned entities) of commercially-oriented and profit-driven entities that will ensure value-add and internationalization of the petroleum industry.
- Promotion of a conducive business environment for petroleum industry operations

However, the bill was rejected as President Muhammadu Buhari failed to accent the bill into law.

**4. Ease of Doing Business**

To improve the ease of doing business within Nigeria, The Presidential Enabling Business Environment Council (PEBEC) was inaugurated with the mandate of making Nigeria an easier

[2] *Nigerian Power Baseline Report*
[3] *Ministry of Power*

place to do business was formed. PEBEC's short-term target is to improve Nigeria's rankings in the next World Bank Ease of Doing Business Report by at least 20 positions. This implies that Nigeria's ranking must move from its current position of 169 to less than 150 out of 190 countries reviewed by the World Bank. In the long run, PEBEC aims to ensure Nigeria ranks within the top 100 countries by 2019. On February 21, 2017, PEBEC approved a 60-Day National Action Plan on Ease of Doing Business in Nigeria. Key MDAs drafted-in to drive implementation include Corporate Affairs Commission (CAC), the National Assembly (NASS), the CBN, Federal Inland Revenue Service (FIRS), Nigeria Customs Service (NCS), Nigerian Ports Authority (NPA), Nigeria Immigration Service (NIS), Federal Airports Authority of Nigeria (FAAN), the Federal Ministry of Finance as well as the Lagos and Kano State Governments.

Given the initiatives above, Nigeria's ranking in the world bank ease of doing business survey has since witnessed an increment from 169 in 2016 to 145 in 2017 but fell to 146 (of 190 countries ranked) in 2018. The performance was driven by improvements in areas such as Getting Credit (ranked 12), protecting minority interest (ranked 38), enforcing contracts (ranked 92) and Starting Business (which improved to 120) in 2018. However, other areas where improvement is required are Trading across border (ranked 182), Paying Taxes (Ranked 157) and resolving insolvency (ranked 149).

## OVERVIEW OF THE NIGERIAN POWER SECTOR

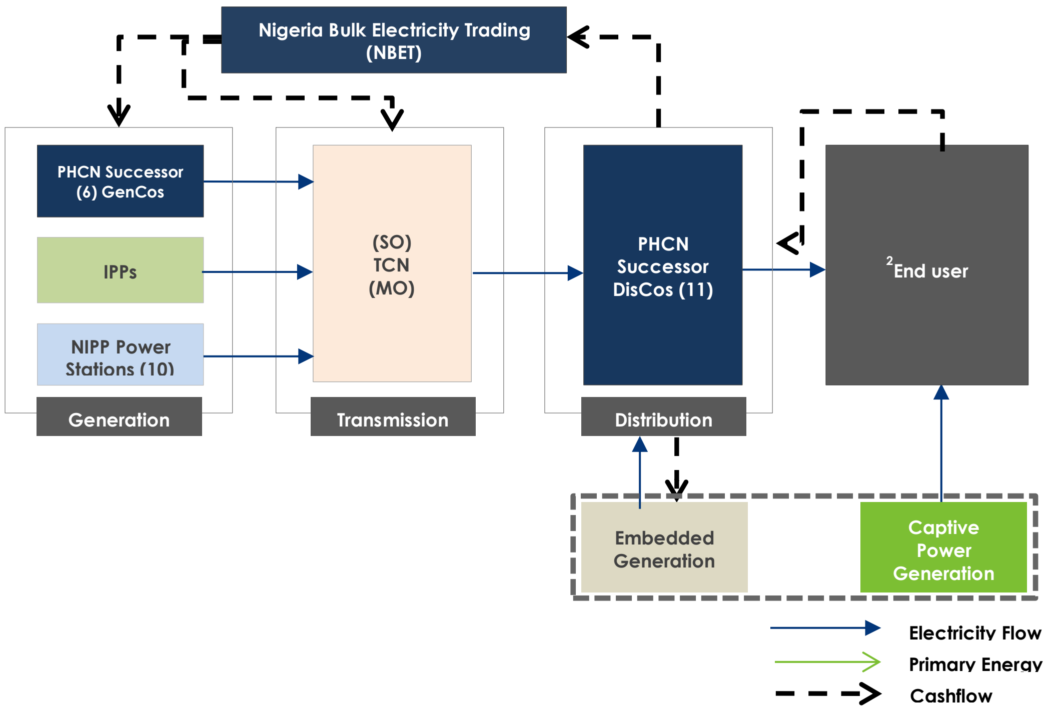
The Nigeria power system is characterized by a huge gap between supply and demand. Current demand is estimated at 17,520MW including latent and suppressed demand, against the 5,300MW peak generation capacity. Thus, about 90 million Nigerians have been reported to have no access to electricity (African Progress Report, 2015). Out of this non-electrified population, 17 million people live in urban areas, while 73 million live in rural areas. The country targets 10,200MW by 2019 including adding all energy mix for electricity generation by 2030. To achieve this, massive investments are expected across the power sector value chain.

### Nigeria's Power Sector Reforms

In order to attract investment into the sector, the Federal Government in 2005 enacted the Electricity Power Sector Reform Act which liberalised, commercialised and privatised the electricity sector. These reforms included the dissolution of the National Electric Power Authority, the creation of the Power Holding Company of Nigeria as a new holding company and the unbundling of the PHCN into a series of 18 successor companies—6 generation companies, 11 distribution companies and a power transmission company.

The privatisation of the defunct PHCN's successor companies, which commenced in December 2010, is now complete. The Federal Government of Nigeria (FGN), however, has retained ownership of the Transmission Company of Nigeria, which Manitoba Hydro International, a wholly-owned subsidiary of an electric and natural gas utilities Canadian company, managed on behalf of the FGN. From 2013 to 2016 under a management contract.

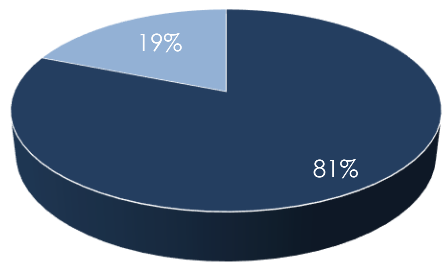
While the privatisation of the PHCN successor companies has been completed, the second phase of privatisation relates to the sale of 10 government-owned independent power projects, called National Integrated Power Projects, a process which commenced in 2013. The FGN conceived the NIPPs as a fast-track public sector-funded initiative to add significant new generation capacity to Nigeria's electricity supply system in 2005. The FGN has indicated it will retain 20% stake across the NIPP assets. This process has however been stalled for various reasons including gas shortage, drawn-out negotiations, court actions and delays in executing gas supply agreements, which have all affected the project's bankability as the banks and investors are reluctant to invest either debt or equity into the project given the high level of uncertainty and risks.



**Present Energy Mix (MW) – Generation**

In Q1-2018, Nigeria's available generation capacity rose 3% 7,477MWH according to the National Electricity Regulatory Commission. Electricity generation results largely from gas-fired thermal power stations at 81% of total capacity as at Q1-18 while the remaining 19% is accounted for from the three large hydroelectric power stations. The figure below shows the present capacity.

**Figure 9: Present Energy Capacity**




**Source:** NERC

**Current Transmission Status**

The transmission sub-sector comprises of 6,680km of 330kV lines with substation capacity of 10,238 Mega Volt-Amp ("MVA") and 9,161km of 132kV lines with substations capacity of 11,721MVA. The total transmission wheeling capacity is 5,300MW as against 6,600MW capacity that is presently required.

**Multi-Year Tariff Order**

In Nigeria, electricity tariffs have been historically lower than the production cost. In February 2002, following an initial tariff review, the average tariff increased from ₦4.50/kWh to about ₦6/kWh in 2008. To address some of the challenges facing the power industry, MYTO I attempted to establish a cost-reflective tariff for the Nigerian Power Sector. MYTO I further provided for a continuous reduction in transmission and distribution/retail losses; revenue earned by DisCos is dependent on achieving these performance improvements. The MYTO I provided a 15-year tariff path for the industry with minor reviews every year and major reviews every five (5) years.

The MYTO is built on 3 fundamental building blocks:

- Return on capital – to allow a fair rate of return on investment;
- Replacement of assets – to allow for depreciation of the assets; and
- Efficient operating costs and overheads.

MYTO I was fixed at ₦8/kWh, which although higher than the previous tariff remained sub-optimal and required significant subsidies from the FGN. MYTO I was not sufficiently flexible to propel the much-required private sector investment. A complete overhaul was therefore required which gave rise to the establishment of MYTO II.

In 2010, NERC released MYTO II to address some of the shortcomings of MYTO I. The model was presented to industry players in the on-going privatization process to allow for public review and evaluation. MYTO II allows for bi-annual minor reviews (MYTO I accommodated annual reviews) and major reviews every five (5) years. A major review involves a complete overhaul of all assumptions in the MYTO model while a minor review considers five (5) variables as against the three adjustable variables in MYTO I (inflation, foreign exchange, and gas price). MYTO II factors are:

- Inflation;
- Foreign exchange rate;
- Gas-to-power price;
- Actual available generation and average daily peak generation capacities; and
- CAPEX plan.

MYTO II became operational on 1 June 2012, marking a major milestone in the privatisation process as the cost-reflective requirement of the model was implemented for the first time in the history of the country.

MYTO II was for the period of 1 June 2012 to 31 May 2017 and is intended to be more cost-reflective and provide financial motivations for the much-needed incremental investments in the Nigerian Power Sector which would, in turn, lead to a significant and continuous improvement in the quality of energy and quality of service enjoyed by the consumer.

In view of petitions by various consumer groups on the current tariffs, the NERC decided to amend the level of ATC&C losses components approved for DisCos in the MYTO 2.1 for the period April 2015 to December 2018. MYTO 2.1 increased tariffs across customer classes to as high as about 80% – 103% (though a class of Residential tariffs (R2) was frozen to prevent tariff shock). The changes resulted in a public outcry from consumer groups, petitions to the NERC and lawsuit against it. As a result, an amendment to the MYTO 2.1 was released which reduced the tariffs. By the Amended MYTO 2.1, NERC removed the collection losses component from the tariffs resulting in complaints by DisCos that the tariffs were not cost-reflective, thus the need to review the tariffs further. As a response, the NERC directed all DisCos to engage their respective tariff proposals for consideration leading to the publication of MYTO 2015.

MYTO 2015 adopted the tariff proposals submitted by each DisCos in accordance with the Tariff Guidelines, 2015 and the NERC published separate tariffs for each DisCo with a view to achieving cost reflectivity. MYTO 2015 is indexed for inflation, exchange rate, gas price, and generation capacity projections and allows DisCos to recover reasonable administrative, operational, and maintenance costs. R2 tariffs freeze applicable under the previous tariff orders (for single and three-phase lines for residential customers) no longer applies. DisCos are held accountable for performance from 2015 and any revenue shortfall as a result of the R2 tariff freeze will be recovered in the MYTO 2015.

MYTO 2015 allows for an under-recovery of DisCo revenue requirements in the first few years and an over-recovery in subsequent years. Also, the collection loss component of the verified ATC&C losses (less debts of Ministries, Departments, and Agencies of the Federal Government) has been reinstated in the retail tariffs in line with the Performance Agreement executed by all DisCos. The fixed charge component of the tariffs for all DisCos was removed and rebalanced to the energy charge. The tariffs for consumer categories (except tariffs applicable to R1 consumers—lowest level residential customers) were revised in accordance with reclassifications proposed by the DisCos and each DisCo is to held accountable for stipulated service improvements stated in the Performance Agreement.

**CBN-Nigeria Electricity Market Stabilisation Fund ("CBN-NEMSF")**

Following the handover of the PHCN successor companies to private participants on November 1, 2013, the NESI was besieged with liquidity challenges arising from several factors including insufficient gas supply and higher baseline ATC&C losses than what had been assumed. Consequently, the CBN had in pursuant to Section 31 of the CBN Act 2007, indicated its desire to provide a facility under the CBN-NEMSF aimed at settling outstanding payment obligations due to market participants under the Interim Rule Period debts, as well as legacy gas debts of the PHCN generation companies owed to gas suppliers that was transferred to the Nigeria Electricity Liability Company Limited with the objective of putting the NESI on a route to economic viability and sustainability.

The CBN, during the first year of the programme, disbursed the sum of ₦64 billion representing about 30 percent of the facility of ₦213 billion to 18 participants. Five distribution companies had received ₦41.06 billion; seven generating companies received ₦18.4 billion, while six gas companies received ₦5.24 billion.

In March 2015, the CBN disbursed another ₦18.26 billion to two electricity DisCos and three electricity GenCos. In May 2016, the CBN had disbursed another batch of funds, giving out ₦55.46 billion to 24 industry participants; 3 DisCos, 14 GenCos (NIPPs inclusive), 1 service provider, and 6 GasCos.

The latest disbursement of N38.53bn took place on April 4, 2018, to the Abuja DisCo. Records obtained from the Ministry of Power, Works and Housing showed that as at April 6, 2018, N158.744bn had been disbursed to 37 of the power sector firms from a total Global Facility of N210.626bn pegged to offset legacy payments. Updates on the facility show that N158.74bn was disbursed in five batches, representing 75 percent of the total amount. The CBN said it has disbursed N49.841bn about 88 percent while N6.513bn representing 12 percent is still pending.

A review of the fund utilization and reports of impact by beneficiaries revealed that the intervention resulted in the restoration of a total of 905MW of power into the national grid due to facility turn around maintenance, the contribution of over 25% of the annual capital expenditure budget for the sector. In total to date, disbursements to the DisCos stand at ₦120.2 billion, representing 57% of the total amount earmarked. The breakdown comprises DisCos ₦49.73 billion; GenCos ₦54.29 billion; GasCos ₦15.73 billion and service providers ₦0.46 billion.

**World Bank Power Intervention Initiatives**

The World Bank in conjunction with the Federal Government and AfDB has developed a Power Sector Recovery Plan ("PSRP"). As part of this programme, NBET will receive up to ₦701 billion to be used to backstop payments to the GenCos for the power supplied to the grid.

The funds are to be available over a period of 2 years to allow the DisCos sufficient time to improve their collection and reduce their ATC&C losses. The implication of this is that the GenCos will have an assurance which will go a long way to improve their liquidity as they currently receive about 25% on the invoices billed for power supplied to the national grid from January 2017.

As part of the proposal from the World Bank, it was recommended that some monies be made available to the DisCos to help them reduce their collection losses. The World Bank has also strongly recommended that the electricity tariff is increased to reflect the realities of the market and be cost-reflective.

The details of the intervention are summarised below:

| | World Bank-led Power Intervention Initiatives | US$'Mn |
|---|---|---|
| 1 | IDA/IBRD blend - Energy Development policy operation to address the sector liquidity | 1,000 |

| | World Bank-led Power Intervention Initiatives | US$'Mn |
|---|---|---|
| 2 | World Bank (IDA) Distribution Sector scale-up facility | 500 |
| 3 | IDA: Rural Electrification | 350 |
| 4 | World Bank, IFC and MIGA presentation of first guarantees aimed at revamping transmission | 305 |
| **Total** | | **2,155** |

**Power Sector Recovery Programme**

Further to the approval of the ₦701 billion CBN Facility for NBET and on the back of discussions with the World Bank Group towards securing about US$2.5 billion for financing the power sector to address NESI's dire challenges, the FGN has developed a PSRP. The PSRP is a series of though out policy actions, both operational and financial interventions, to be implemented by the Federal Government of Nigeria to attain financial viability of the power sector over the next five (5) years.

Key objectives of the PRSP include:

- To improve the power supply reliability to meet growing demand
- To strengthen the sector's institutional framework and increase transparency
- To implement clear policies that promote and encourage investor confidence in the sector
- To establish a contract-based electricity market

Under the programme, the Federal Government aims to financially intervene to fund historical and future sector deficits by providing for implied future deficits from 2017 to 2021 in the MTEF. This is expected to eliminate historical MDA debts and automate future payments, restoring cost-reflective tariffs over the next five (5) years and reviewing the tariff setting methodology, ensuring the sustenance of the ₦701 billion CBN facility, securing US$2.5 billion from the World Bank Group and unlocking additional US$2.7 billion in private investment in the sector through IFC investment and MIGA support.

Additionally, the programme seeks to ensure that a minimum baseline power generation of 4,000 MWh is guaranteed and distributed daily to ensure the stability of the grid and to improve DisCos performance by designing balanced incentives to ensure a significant reduction in ATC&C losses. The programme also seeks to improve sector transparency by establishing data-driven processes for decision making across the power sector value chain and start the contract-based market (TEM) formally. A dedicated team (Delivery Unit) has been set up and will be strengthened to coordinate and monitor the implementation of the PSRP, reporting back to the Economic Management Team ("EMT") chaired by the Vice President.

An FX policy for the power sector will also be established to include an FX rate for the sector and access to FX for power companies, implementing off-grid renewable energy solutions for unserved and underserved rural communities and clarifying terms and conditions of government support for private sector investment across the value chain.

**Eligible Customer Rule**

The Honourable Minister of Power, Works and Housing in May 2017 declared four (4) categories of eligible customers in the Nigerian Electricity Supply Industry. The declaration permits electricity customers to buy power directly from the generation companies. The declaration is in line with the provisions of Section 27 of the Electric Power Sector Reform Act 2005 whereby eligible customers are permitted to buy power from a licensee other than electricity distribution companies. The (4) categories of customer eligibility are as follows;

- The first category of eligibility customers comprises of a group of end-users registered with the NERC whose consumption is no less than 2MWhr/h connected to a metered 11kV or 33kV delivery point on the distribution network and subject to a distribution use of system agreement for the delivery of electrical energy.

- The second category of eligibility customers comprises of end users whose consumption is no less than 2MWhr/h connected to a metered 132kV or 330kV point on the transmission network and under a transmission use of system agreement for connection and delivery of energy.

- The third category comprises of end users whose consumption is in excess of 2MWhr/h on monthly basis and connected directly to a metered 33kV delivery point on the transmission network, and under a transmission use of system agreement.

- The final category comprises of end users with consumption more than 2MWhr/h over a period of one month and directly connected to the metering facility of a generation company and has entered into a bilateral agreement for the construction and operation of a distribution line with the distribution licensee licensed to operate in the location.

The primary objective of the Eligibility Customer Rule is to provide standard rules to facilitate competition in the supply of electricity through the rapid expansion of generating capacity, providing third party access to transmission and distribution infrastructure and allowing generation companies to sell uncontracted capacity to unserved or underserved customers. The rule would also provide benefits such as reliable power supply, efficient pricing terms depending on the point of connection and hedge against future skyrocketing tariffs when NERC finally issues the new tariff order.

**Metering**

The regulatory framework on Meter Asset Provider (MAP) came into effect on the 8th of March 2018 and became enforceable by the Nigerian Electricity Regulatory Commission (NERC) from April 3rd, 2018. The regulation which sets out to govern the relationship between Distribution Companies (DisCos) and third-party meter vendors was conceived by NERC to address the issues of estimated billing of customers, protection of the revenue stream of the DisCos and ultimately foster and accelerate an energy accounting system for the Nigerian Electricity Supply Industry (NESI) through the engagement of Meter Assets Providers (MAPs), for effective metering of customers.
The main objectives of the regulation are as follows:
1. Encourage the development of independent and competitive meter services in NESI;
2. Eliminate estimated billing practices in NESI;
3. Attract private investment to the provision of metering services in NESI;
4. Close the metering gap through accelerated meter rollout in NESI; and
5. Enhance revenue assurance in NESI.

The underlying aim of the regulation is to enable DisCos focus on their core business which is the distribution of power whilst meeting their metering targets through the third-party alliance. It is envisioned that this innovative approach will accelerate investment in meter production and services which is estimated to attract over 200 Billion Naira investment into the NESI over the next few years of full implementation.

## DESCRIPTION OF GEL UTILITY FUNDING SPV PLC

*The Information in this section has been extracted from documents and publications available and released by the Issuer. Neither the Issuer nor its advisers are able to ascertain if facts have been omitted that would render the reproduced information inaccurate or misleading.*

### Introduction

GEL Utility Funding SPV PLC was incorporated in Nigeria on 21st of September 2018 (with Registration Number 1527166) as a public limited company under the name "GEL Utility Funding SPV PLC" and with Registered Address at No 48. Anthony Enahoro Street, Utako, Abuja. The Issuer has no subsidiaries and has been established as a special purpose vehicle for the purpose of passing through funds to, and receiving funds from GEL Utility Limited.

GEL Utility Funding SPV PLC has an authorised and issued share capital of ₦2,000,000.00 divided into 2,000,000.00 ordinary shares of ₦1.00 each with 1,999,000 ordinary shares held by Simon Shaibu(representing GEL Utility Limited) and 1,000 ordinary share held by James Fasaye (representing Genesis Power & Energy Solutions Nigeria Limited).

As set out in Clause 3 of its Memorandum and Articles of Association the principal objectives of the Issuer, amongst other things, is to secure repayment of any monies borrowed, raised or owing the company by mortgage, charge or lien upon all or part of the company's property or assets and obtain guarantees from third parties for the performance by the company of any obligation or liability it may undertake.

### Principal Activities

The principal activities of the Issuer ARE to borrow or raise money in such manner as the Issuer shall think fit and to pass through the proceeds of the issuance exclusively to its co-obligors and where applicable grant any security over its assets for such purposes subject to and in accordance with the terms of the Transaction Documents. The applicable assets include the Issuer's rights, title, benefits and interest present and future, which have been granted to the Issuer pursuant to the terms of the Trust Deed Agreement and all the other Transaction Documents to which the Issuer is a party.

Copies of the Memorandum and Articles of Association of the Issuer may be Inspected at the specified offices of the Issuer.

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation and registration as a public limited company, the authorisation and issue of the Bonds and of the other documents and matters referred to or contemplated in this document to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

The Issuer's activities are restricted by the terms of the Trust Deed, and other related Transaction Documents.

### Directors and Secretary

The Directors and Company Secretary of the Issuer and their respective business addresses are shown below:

| Name | Business Address |
|---|---|
| **Mr. James Fasaye** – (*Representing Gensis Power & Energy Solutions Nigeria Limited*) | 48,Anthony Enharo Street, Utako, Abuja Nigeria |
| **Mr. Simon Shaibu** – (*Representing GEL Utility Limited*) | 48,Anthony Enharo Street, Utako, Abuja Nigeria |
| **Ms. Amina Onifade** *(Company Secretary)* | 48,Anthony Enharo Street, Utako, Abuja Nigeria |

### Indebtedness

The Issuer has no indebtedness as at the date of this Shelf Prospectus other than that which the Issuer has incurred or shall incur in relation to the transactions contemplated herein.

### Material Contracts

Apart from the Transaction Documents to which it is a party, the Issuer has not entered into any material contracts other than in the ordinary course of its business.

### No Material Adverse Change

Since the date of the Issuer's incorporation, there has been no material adverse change or any development reasonably likely to involve any material adverse change in the condition (financial or otherwise) of the Issuer.

### Financial Information

Since the date of incorporation, the Issuer has not commenced operations and no financial statements have been compiled or published as at the date of this Shelf Prospectus.

### Litigation

The Issuer is not and has not been since its incorporation engaged in any litigation or arbitration proceedings which may have or have had during such period a significant effect on its respective financial position. And, as far as the Issuer is aware, no such litigation or arbitration proceedings are pending or threatened.

## DESCRIPTION OF GEL UTILITY LIMITED

GEL Utility Limited, a member of Genesis Energy Group was incorporated as a private limited liability company on the 24 September 2012 with a primary goal to deliver innovative electricity solutions to communities across Africa. GELUL principal activity is to develop, operate and provide either grid-connected or off-grid electric power. GELUL's business model is hinged on building modular, industrial-style power plants while offering fuel efficient solutions across the generation and distribution value chain of the power sector.

GELUL provides innovative and high quality technical services and solutions that meet every need associated with generation, transmission and distribution of electric power. With over 500MW pipeline of projects spread across the African continent, GELUL is steadily growing 70% Gas fired, 20% small Hydro and 10% Solar capacities within qualifying locations.

In Novemeber 2013, GELUL signed a 20-year Power Purchase Agreement (PPA) with NNPC as the off-taker to provide electricity to one of its subsidiaries which became effective in November 2014. In the PPA effective year (2014), the Company completed the construction and installation of three General Electric (GE) TM 2500 84MW dual-fired gas turbines power generating units for the provision of uninteruppted electricity to the Port Harcourt Refinery Company Limited, one of the largest in Sub-Saharan Africa. The project was funded with a combination of Equity and Debt. The Project was co-promoted by General Electric (USA), Engro Corporation and Genesis Energy. Owing to increasing nature of business development within the organization. In the same year GELUL commenced commercial operations and supply of power. The Company operates as a captive power plant licensed by the Nigerian Electricity Regulatory Commission. In 2017 and 2018 respectively GELUL achieved a 99.81% power availability to PHRC with zero loss time incidence and a power availability of 100% in June 2018.

GELUL is wholly owned by three institutional investors, of which 55% is Nigerian owned while 45% of the Company's equity is held by Engro Powergen Limited, a member of Engro Corporation Plc, one of the fully integrated energy Companies listed on the Pakistan Stock Exchange. Engro Powergen Limited is the Company's single largest shareholder and is responside for the day-to-day operations and maintenance of the plant; while Genesis Energy is primarily responsible for managing the administrative, finance and business development side of business.

GELUL's go-to-market strategy supports the Company's vision by focusing on the small to medium power projects with financial credible Off-Takers and has grown its competency and expertise in this segment and developed a variety of power facilities in its chosen area including embedded, mini-grid, micro-grid and on-grid.

**The key services rendered by the Company include:**

**Operation and Maintenance:** Based on GELUL's experience in running an 84MW captive power plant within the Port Harcourt Refinery for over 3 years, with an availability of 99% and 100% HSE zero accident record, the Company has proven its capacity to deploy O&M at competitive pricing.

**Metering:** From the Company's experience and collaboration with partners and businesses in metering sectors GELUL is able to deploy turnkey solutions, integrating all the element of modern metering system e.g. Oil and Gas, power generation and pipeline metering solutions.

**LPG-To-Power Solutions:** The Company is in strategic partnership with global OEMs of power plant technologies, GELUL has expended substantial capital and resources into designing LPG-to-Power solutions for deployment to customers who do not have supply access to Natural Gas, particularly to customers reliant on the more expensive and environmentally friendly Diesel and or Heavy Fuel Oil for their captive/off-grid electric power supply requirements.

**Profiles of Board of Directors and Key Management Team**

**Board of Directors**

**Mr. Akinwole Omoboriowo II** FIMC, CBAN – Chairman

Mr. Akinwole Omoboriwo II has over 16 years of experience in the Oil & Gas Sector and Power Sectors in Africa, where he has consistently led other equally distinguished colleagues in pioneering several initiatives including but not limited to African-owned & managed Independent Power Producing companies, well-Structured Oil Trading Companies, thriving Utility Companies, amongst others. Mr Omoboriowo's top management work-history includes being an Executive Director of Christley Petroleum Ltd, the Managing Director of Besse- Oil & Services Ltd, Chief Executive Officer & Co-Founder of PPI(a Foremost Oil & Gas Company in Africa, with several trail-blazing market initiatives to it's credit), Vice-Chairman of Vatternfields Utility Ltd(a Utility Company currently managing & operating PrePaid & PostPaid Revenue Collection initiatives in West Africa), and CEO of Genesis Electricity Ltd(GEL).

He serves as a Board member of several international companies including Walters Power Africa (a British Virgin Island company Co-Owned by GEL and a US-Based Company Owned by a Former Governor of the State of Oklahoma- David Walters), Nagarjuna-Christley Fuels Ltd(a company now at advanced stage of deploying renewable energy investments in Ethanol production & sup- ply in Nigeria), Avi Alliance Ltd( an airline company whose Sister entity is the GSA to Delta Airlines in Ghana, Liberia, Benin Republic, Sierra Leone, amongst others now being developed), Alliance Energy Sao Tome Limited, and several other international corporations.

Mr. Akinwole Omoboriowo II holds a bachelors degree in Economics from the University of Jos (1993). He is an alumni of the London Business School, from where he acquired specialist training in Electricity Pricing & Modeling course in 2006. In 2011, Mr Omoboriowo obtained a Post-Graduate Diploma in Strategy & innovation from the prestigious Oxford Univerty Business School, U.k.

**Mr. Simon Shaibu** – Executive Director

Mr. Simon Shaibu has more than 20 years of experience in oil and gas and power generation plant, ability to direct and manage complex multi-million-dollar power plant to operational status. He is experienced in the interface and maintenance of Long Time Service Agreements, Financial / Procurement approvals, Assets management and Quality management system. Mr. Shaibu has a Diploma in Mechanical Engineering (1992) from Kwara State Polytechnic with Post Graduate Diploma in Project Management from the Federal University of Technology Owerri (2000) and a Masters degree in Leading Innovation and Change from York St John University, UK (2015).

His experience spans several years in multinational companies; AES Arlington USA, Saipem S.A, Bouygues Offshore, Ponticelli, and more. He worked in many roles; O&M Engineer, Maintenance Manager, Plant Manager and senior management and leadership level.

**Mr. Felix Achibiri** – Non Executive Director

Mr. Felix Achibiri founded DFC Holdings Limited and serves as its Executive Chairman. Mr. Achibiri has over 17 years having as his core skills Leadership, Business Conceptualisation, Development and Strategy. Prior to the setup of DFC Holdings, he served as the Pioneer Managing Director & Chief Executive Officer of Rural Steel Bridging Limited.

He serves as the Chairman of the Board of Fortis Microfinance Bank PLC. He also sits on the board of several companies amongst them, Genesis Electricity Ltd, a full service energy solutions company providing power generation, transmission and distribution services in African states, African Green Project Ltd. He sits on the boards of Site Services Technologies Limited, Fortis Mobile Money Ltd., and Greenfield Global Inceptics Ltd. He is a member of the Conservative African Business Group (CABG). He holds a degree in Management Science from University of Port

Harcourt (1998). He became a Member of British Safety Council in 2013 and he's an Alumni of the Harvard Business School – 2015. Mr. Achibiri has received several citations and awards including Fellow Institute of Professional Industrialists & Management Development in 2016, amongst others.

**Mr. Shahab Qader Khan** – Non Executive Director

Shahab is the CEO of Engro Powergen Qadirpur Limited (EPQL). He has had more than 21 years of industry experience in the chemical process and power utility industry where his expertise ranges from project development and project execution to Operations & Management. In addition to having worked through project development and execution at a senior level, Shahab has been part of Operations & Management teams in the first twelve years of his career.

He holds a Bachelor's degree in Electrical Engineering from Univeristy of Engineering and Technology, Lahore. He also holds an Executive Masters in Business Administration from the Lahore University of Management Sciences (2007) and an Advance Management Programme Certificate from INSEAD (2016).

**Mr. Shamsuddin Ahmed Shaikh** – Non Executive Director

Mr Shaikh is the CEO of Engro Powergen Ltd & Sindh Engro Coal Mining Company. Prior to his current position, Mr. Shaikh was Senior Vice President at Engro Foods. He is a member of the Board of Directors of Sindh Engro Coal Mining Company, Thar Power Company, Engro Powergen Limited; Engro Eximp Ltd & Engro Eximp AgriProducts (Private) Ltd

Mr. Shaikh has an extensive career of 25+ years in Manufacturing, Sales, Commercial and Supply Chain at different levels and subsidiaries of Engro Corporation.

Mr. Shaikh holds a bachelors degree in Mechanical Engineering from the NED University of Engineering and Technology (1986) and a Masters of Business Administration from the Colorado State University (1991).

**Mr. Ahsan Zafar Syed** – Non Executive Director

Mr. Ahsan Zafar Syed is the CEO of Engro Powergen Thar Private Limited and the acting CEO of Engro Energy Limited – the wholly owned subsidiary of Engro Corporation. He is also the Senior Vice President in Engro Corporation and serves as a Director on the Boards of Tenaga Generasi Limited; Thar Foundation and Engro Powergen Thar Private Limited. In the past, Ahsan served as a Convenor for the Light Engineering Goods sector in the Engineering Development Board.

Ahsan has a combined professional experience of over 28 years. His expertise lies in project management, design, construction and execution of large, complex manufacturing and industrial complexes.

Ahsan started off his professional career with Engro (then Exxon Chemicals Limited) in 1991 when he joined the team as a Purchase Officer and was then tasked to be part of the lead team executing the USD 1.1 billion EnVen Project for Engro Fertilizers Limited which culminated in 2010. Post the EnVen commissioning, Ahsan had a brief stint working on the group's Alternate Energy division in the energy vertical and the manufacturing plant of Engro Foods, before being asked to head the manufacturing side of Engro Eximp Agriproducts – the rice processing facility of the Engro group located at Muridke – Punjab.

In 2014, Ahsan was tasked yet again to head Engro's second foray into the energy vertical – the development of Engro Powergen Thar Private Limited's (EPTL) two 330MW coal-fired power plant in Tharparkar, Sindh which is expected to come online in 2019.

Ahsan holds bachelors degree in Mechanical Engineering from Karachi's NED University of Engineering and Technology (1988) and a subsequent post-graduate degree in Fluid Mechanics (Mechanical Engineering) from Manhattan College, New York, USA (1991).

**Profile of Key Management Team**

**Mr. Simon Shaibu** – Chief Executive Officer

Simon has more than 20 years of experience in oil and gas and power generation plant, ability to direct and manage complex multi-million-dollar power plant to operational status.
He is experienced in the interface and maintenance of Long Time Service Agreements, Financial / Procurement approvals, Assets management and Quality management system. Mr. Shaibu has a Diploma in Mechanical Engineering (1992) from Kwara State Polytechnic with Post Graduate Diploma in Project Management from the Federal University of Technology Owerri (2000) and a Masters degree in Leading Innovation and Change from York St John University, UK (2015).

His experience spans several years in multinational companies; AES Arlington USA, Saipem S.A, Bouygues Offshore, Ponticelli, and more. He worked in many roles; O&M Engineer, Maintenance Manager, Plant Manager and senior management and leadership level.

**Mr. James Fasaye** – Chief Financial Officer

He is a Finance Maestro with over 19 years accounting experience in Manufacturing, Service, and Power and Energy sector. He obtained SAP B1 trained Professional in 2008, he became an Associate member of the Institute of Chartered Accountant of Nigeria (ICAN) in 2009 and an Associate member, Chartered Institute of Taxation of Nigeria (CITN) in 2011

Mr Fasaye holds a degree in Accounting (1995) from the Federal Polytechnic, Ado Ekiti, a post graduate diploma in Financial Management from the University of Ado Ekiti (2003) and a Master of Business Administration (MBA) in Financial Management from Federal University of Technology, Owerri (2013).

**Mr. Tawari Kester** – Chief Operating Officer

Mr. Tawari Kester is a graduate of Law from the Obafemi Awolowo University, Ile-Ife (1988) and called to the Nigerian Bar in 1989. He holds a Masters Degree in International Relations from the University of Benin (1996). He worked with Olisa Agbakoba & Associates and the Civil Liberties Organisation, before co- establishing Takpor Tawari and Co. Mr. Tawari Kester had worked in other organisations and held different positions. These include the Chris Ogunbanjo Foundation as a program officer,Head of Recovery in the defunct Allstates Trust Bank, and Head, Risk Management and Legal at Resort Savings and Loans, Lagos from where he joined the Emo Oil and Petrochemical Limited as Executive Secretary to the Chairman/MD on Energy and Mining.

**Waqas Mahmood**– Chief Technical Officer

Waqas is an energetic Business Development, Marketing and Sales professional with a solid technicalbackground in the Power and Fertilizer sector. Specialties: B2B Sales, Plant Engineering, Project Planning, Six Sigma and Change management.

**Amina Onifade** – Director Legal/Secretary

Amina is an intelligent, proficient and ambitious lawyer who possesses a wealth of knowledge in corporate law and practice with over 10 years post call experience particularly in the Power, oil and Gas industry and has proven ability to handle complex commercial transactions and civil litigations. In a Legal capacity, she headed the team that developed a 360MW power deal in Cotonou, Republic of Benin with specific responsibility of negotiating the Heads of Terms, Concession Agreement and Power Purchase Agreements with the Government of Benin and its legal and financial advisers; Allen & Overy (Paris) and Mazaars (UK) respectively. She participated in discussions with prospective investors such as Afro Exim, Africa Development Bank (AFDB) amongst others to arrive at the best investment decision for the project & negotiated the Equipment Sales & Purchase Agreement for the Project with General Electric (GE) to execution.

In a Project Developer Capacity, she worked in my primary capacity in negotiating the substantive project Agreements and ensuring its due execution.She also acted in an additional capacity as the Project team Head by engaging in business development of the projects which includes but not limited to site visits,discussions on funding and investment for the projects, public relations and coordination of the technical team, Commercial team and Administrative team for the various projects core of which include; an 84MW gas fired plant, Eleme, Rivers State, a 6MW gas fired power plant, Banana Island, Lagos State, a 15MW gas fired power plant Free Trade Zone, Calabar, Cross River State and a 58MW Embedded generation project Agbara Lagos. Mrs Onifade holds a bachelors degree in Law from the University of Maiduguri (2005) and was called to the Nigerian Bar in 2007.

**Mohammed Obaitor** – General Management Business Development

Mohammed Obaitor is a dedicated and result-driven in Business Development with a highly successful career in organizational finance management. His experience spans from finance management, to budgeting, project costing and evaluation, financial projections and Tax strategies and administration as well as business development. Mohammed is a graduate of Accountancy from the Kwara State Polytechnic (1995). He has a Post Graduate Diploma in Management from the Abubakar Tafawa Balewa University, Bauchi (2001), and also a Master in Business Administration from Ladoke Akintola University Ogbomosho in Oyo State(2013). Furthermore, he is a certified member of the Institute of Chartered Accountants of Nigeria, Chartered Institute of Taxation of Nigeria (2010) and also bagged a Bachelors degree in Accounting (forensicoption) from Achievers University Owo, Ondo State (2015).
Mohammed Obaitor began his accounting career in 1996, with Tonal-Buchi Nigeria Limited, a sub-contractor of Eleme Petrochemicals Company, in Port Harcourt, Rivers State. He later went on to work with Mechanical Systems Limited in 2000, from where he joined Ayioza Associates Limited as a finance manager, in 2004.

**Dele Joseph** – Manager Finance

Dele is a self motivated individual with a track record of proficiency in Organisation, Business Administration and Finance Management. He is a well travelled, well versed zealot who has worked in various Offices across the country including, the Accounts Department in New Nigerian Newspaper, Kaduna, Zamfara Agricultural Development Project (ZADP) in Zamfara State, in the accounts Department, Legrand Nigeria Limited in Apapa, Lagos, where he worked as the

Accountant, Adewale Disu & Co, Chartered Accountant and Tax Practitioners in Shomolu, Lagos, where he worked as Supervisor, Starbiz Lynk Venture in Abuja where he worked as Accountant/ Manager. Dele is a graduate of the Ibadan Polytechnic, where he bagged a Post Graduate Diploma in Business Administration (2013) and a Higher National Diploma in Accounting from the Federal Polytechnic, Bida.

## USE OF PROCEEDS

The applicable Pricing Supplement/Supplementary Shelf Prospectus for each Tranche or Series under the Programme will specify details of the use of proceeds of the particular Tranche

Agusto&Co.
Research, Credit Ratings, Credit Risk Management

2018 Corporate Rating Report

# GEL Utility Limited

Rating Assigned:
**Bbb+**

This refers to companies with satisfactory financial condition and adequate capacity to meet obligations as and when they fall due.

**Outlook:** Stable
**Issue Date:** 02 August 2018
**Expiry Date:** 30 June 2019
**Previous Rating:** N/A

**Industry: Power Generation**



**Analysts:**

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## RATING RATIONALE

Agusto & Co. has assigned a "**Bbb+**" rating to GEL Utility Limited ("GEL Utility", "GEL" or "the Company") a captive power company. The rating reflects GEL's good cash flow, adequate working capital, satisfactory profitability and stable & experienced management team. The rating is supported by a legally binding power purchase agreement (PPA) which has a '*take or pay*' provision with an off-taker. The rating is however constrained by high leverage. This concern is moderated by the favourable payment structure which includes a reserve account set up to hold at least six months funds to cover the cost of electric power supplied, with a clause to replenish this account should the amount fall short at any point in time.

The Company has an 84 megawatts (MW) dual-fired gas turbines and has entered into a 20-year power purchase agreement with the off-taker–Nigerian National Petroleum Corporation (NNPC) to provide uninterrupted 24 MW power to the Port Harcourt Refinery Company Limited (PHRC) in Rivers State. The PPA requires NNPC to cover critical direct costs including fuelling, fixed scheduled operations and maintenance service charge as well as investment recovery.

Agusto & Co. notes that the Company has one off-taker, which is a government related agency. Although the PPA is legally binding, we believe it leaves GEL vulnerable to the financial condition of this government agency, particularly in periods of falling crude oil prices and fluctuation in production volume which will negatively affect the revenue of the off-taker.

Despite the fixed amount and unit price of electric power supplied to PHRC, GEL Utility's revenue increased by 20% to ₦5.1 billion, due to the translation gain from the exchange rate, given that 70% of the Company's revenue is denominated in the US dollars. GEL's profitability metrics dipped – operating profit margin, pre-tax return on average assets (ROA) and pre-tax return on average equity (ROE), on account of higher operating expenses and interest costs. Notwithstanding, the Company's profitability ratios are still within our

Deloitte.

05 March 2019

The Managing Director
GEL Utility Funding SPV Plc.
48, Anthony Enahoro Street
Utako, Abuja

The Managing Director
GEL Utility Limited
48, Anthony Enahoro Street
Utako, Abuja

Dear Sir/Madam

**Reporting Accountants' Report on the Audited Financial Statements of GEL Utility Limited for the four years ended 31 December 2017 in pursuance of the proposed NGN50.0bn bond issuance programme by GEL Utility Funding SPV Plc.**

The financial statements for the years ended 31 December 2016 and 2017 were audited by PricewaterhouseCoopers, while the financial statements for the years ended 31 December 2014 and 2015 were audited by Grant Thornton Nigeria and restated by PricewaterhouseCoopers. The financial statements comprise the Statement of Profit and Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity, and explanatory notes.

Our examination of the audited financial statements was conducted in accordance with the "International Standards on Review Engagements (ISRE) 2400 – Engagements to Review Financial Statements". This standard requires that we plan and perform our examination to obtain moderate assurance that the audited financial statements are free from material misstatements. Such moderate assurance provides less assurance than an audit and does not require us to issue an audit opinion. Our examination was based on our review of the auditors' work papers, the evidence obtained, and the analytical procedures applied by the auditors in respect of financial data.

GEL Utility Limited commenced operations in November 2014. PricewaterhouseCoopers, in the 2016 audited financial statement, restated the 2015 audited financial statement and presented a restated 2014 Statement of Financial Position. We were not presented with all the workpapers relating to the restated 2014 financial statement, and were therefore unable to report on the 2014 financial statement due to insufficient information.

We have, however, reviewed the audited financial statements for the years ended 31 December 2015, 2016, and 2017, in respect of which the auditors issued clean audit opinions, and have considered the applicable International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Based on our review, the requirements of the International Financial Reporting Standards, as well as those of the Companies and Allied Matters Act, we have effected adjustments in respect of the translation differences reported in the Statement of Profit and Loss and Other Comprehensive Income, and Statement of Changes in Equity.

Apart from matters noted above and other adjustments reflected in the Statement of Adjustments, nothing has come to our knowledge that causes us to believe that the audited financial statements as at 31 December 2015, 2016 and 2017 contain material misstatements.

Please note that the Directors of GEL Utility Funding SPV Plc are responsibe for the contents of the prospectus in which this report is included.

Yours faithfully
**For: Deloitte & Touche**

Temitope Odukoya
Partner
**FRC/2013/ICAN/00000000084**

Statement of Profit or Loss and Other Comprehensive Income

| | Notes | 31 December 2017<br>N'000 | 31 December 2016<br>N'000 | 31 December 2015<br>N'000 | 31 December 2014<br>N'000 |
|---|---|---|---|---|---|
| Revenue | 5 | 5,131,838 | 4,259,424 | 3,420,740 | 381,783 |
| Cost of sales | 6 | (1,924,804) | (1,497,297) | (1,235,985) | (418,391) |
| **Gross profit** | | **3,207,034** | **2,762,127** | **2,184,755** | **(36,608)** |
| Operating expenses | 7 | (700,812) | (308,712) | (250,820) | (70,336) |
| **Operating profit** | | **2,506,222** | **2,453,415** | **1,933,935** | **(106,944)** |
| Other income | 8 | 291,285 | 413,142 | 12,905 | - |
| Other costs | 8 | (1,625,305) | (1,249,552) | (1,115,568) | - |
| **Finance costs - net** | 8 | **(1,334,020)** | **(836,410)** | **(1,102,663)** | **-** |
| **Profit before tax*** | | **1,172,202** | **1,617,005** | **831,272** | **(106,944)** |
| Taxation | 9 | - | - | - | - |
| **Profit for the year*** | | **1,172,202** | **1,617,005** | **831,272** | **(106,944)** |
| **Other comprehensive income** | | | | | |
| Translation differences | | 35,572 | 725,418 | 5,897 | - |
| **Total comprehensive income for the year*** | | **1,207,774** | **2,342,423** | **837,169** | **(106,944)** |

* We have presented the 2014 financials as represented by Grant Thornton. Although this was restated by PwC in 2016, we are unable to present the restated Statement of Profit or Loss and Other Comprehensive Income as we were not provided with the required information. Please refer to the Statement of Changes in Equity for further details.

Statement of Financial Position

| | Notes | 31 December 2017 N'000 | 31 December 2016 N'000 | 31 December 2015 N'000 | 31 December 2014 N'000 |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 10 | 21,018,126 | 22,198,580 | 15,017,899 | 11,221,280 |
| Assets under construction | | - | - | - | 3,336,047 |
| | | **21,018,126** | **22,198,580** | **15,017,899** | **14,557,327** |
| **Current assets** | | | | | |
| Inventory | 11 | 316,284 | 233,704 | 50,411 | - |
| Trade and other receivables | 12 | 5,537,440 | 5,206,403 | 1,640,860 | 511,186 |
| Cash and cash equivalents | 13 | 406,038 | 698,282 | 172,490 | 129,244 |
| | | **6,259,762** | **6,138,389** | **1,863,761** | **640,430** |
| **Total assets** | | **27,277,888** | **28,336,969** | **16,881,660** | **15,197,757** |
| **Equity:** | | | | | |
| Ordinary shares | 14 | 27,273 | 27,273 | 27,273 | 27,273 |
| Retained earnings* | | 4,284,436 | 3,076,662 | 734,239 | (106,944) |
| **Total equity** | | **4,311,709** | **3,103,935** | **761,512** | **(79,671)** |
| **Liabilities:** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | 15A | 10,857,061 | 13,343,918 | 10,818,275 | 12,778,281 |
| Deposit for equity issue | 16 | 3,307,310 | 3,296,483 | 2,127,288 | 1,959,292 |
| | | **14,164,371** | **16,640,401** | **12,945,563** | **14,737,573** |
| **Current liabilites** | | | | | |
| Trade and other payables | 17 | 4,983,620 | 4,086,699 | 1,113,924 | 539,855 |
| Borrowings | 15A | 3,818,188 | 3,398,791 | 1,346,199 | - |
| Bank overdraft | 18 | - | 1,107,143 | 714,462 | - |
| | | **8,801,808** | **8,592,633** | **3,174,585** | **539,855** |
| **Total liabilities** | | **22,966,179** | **25,233,034** | **16,120,148** | **15,277,428** |
| **Total equity and liabilites** | | **27,277,888** | **28,336,969** | **16,881,660** | **15,197,757** |

* We have presented the 2014 financials as represented by Grant Thornton. Although this was restated by PwC in 2016, we were not provided with sufficient information on the Statement of Profit or Loss and Other Comprehensive Income associated with the restated Statement of Financial Position. Please refer to the Statement of Changes in Equity for further details on the value of retained earnings as at 31 December 2014.

Statement of Cash Flow

| | Notes | 31 December 2017 N'000 | 31 December 2016 N'000 | 31 December 2015 N'000 | 31 December 2014 N'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations* | 19 | 4,220,350 | 3,495,018 | 2,801,069 | (14,940) |
| **Net cash generated/(used) in operating activities** | | **4,220,350** | **3,495,018** | **2,801,069** | **(14,940)** |
| **Cash flows from investing activities** | | | | | |
| Acquisition of property, plant and equipment | 10 | - | (138,980) | (12,821) | (14,620,661) |
| **Net cash used in investing activities** | | **-** | **(138,980)** | **(12,821)** | **(14,620,661)** |
| **Cash flows from financing activities** | | | | | |
| Issue of share capital | | - | - | - | 27,273 |
| Deposit for shares | | - | - | - | 1,959,291 |
| Long term debt | | - | - | - | 12,778,281 |
| Proceeds from bank overdraft | 18 | - | - | 714,462 | - |
| Repayment of borrowings - Principal | 17B | (3,064,095) | (2,998,730) | (2,788,215) | - |
| Interest paid | 17B | (1,450,691) | (1,249,552) | (1,110,075) | - |
| **Net cash used in financing activities** | | **(4,514,786)** | **(4,248,282)** | **(3,183,828)** | **14,764,845** |
| Decrease in cash and cash equivalents | | (294,436) | (892,244) | (395,580) | 129,244 |
| Cash and cash equivalent at the start of year* | | 698,282 | 172,490 | 119,595 | - |
| Translation adjustment | | 2,192 | 1,418,036 | 448,475 | - |
| **Cash and cash equivalents at end of year*** | 13 | **406,038** | **698,282** | **172,490** | **129,244** |

* We have presented the 2014 Statement of Cash Flow as represented by Grant Thornton. This was restated by PwC in 2016; however, we are unable to present the restated Statement of Cash Flow as we were not provided with the required information. Please refer to the Statement of Changes in Equity for further details.

Statement of Changes in Equity

| | Attibutable to owners of the Company | | |
|---|---|---|---|
| | **Share capital N'000** | **Retained earnings N'000** | **Total equity N'000** |
| **Balance as at 1 January 2014** | - | - | - |
| New issue | 27,273 | - | 27,273 |
| Loss for the year | - | (106,944) | (106,944) |
| **Balance as at 31 December 2014** | **27,273** | **(106,944)** | **(79,671)** |
| **Impact of restatement of 2014 financial statements on retained earnings*** | | 4,014 | **4,014** |
| **Balance as at 1 January 2015** | **27,273** | **(102,930)** | **(75,657)** |
| Profit for the year | - | 831,272 | 831,272 |
| Translation differences | - | 5,897 | 5,897 |
| **Balance as at 31 December 2015** | **27,273** | **734,239** | **761,512** |
| **Balance as at 1 January 2016** | **27,273** | **734,239** | **761,512** |
| Profit for the year | - | 1,617,005 | 1,617,005 |
| Translation differences | - | 725,418 | 725,418 |
| **Balances as at 31 December 2016** | **27,273** | **3,076,662** | **3,103,935** |
| **Balance as at 1 January 2017** | **27,273** | **3,076,662** | **3,103,935** |
| Profit for the year | - | 1,172,202 | 1,172,202 |
| Translation differences | - | 35,572 | 35,572 |
| **Balance as at 31 December 2017** | **27,273** | **4,284,436** | **4,311,709** |

* The difference between the 2014 closing balance and the 2015 opening balance of retained earnings relates to the translation differences following the restatement by PwC in the 2016 audited financials. We were not provided with sufficient information on the restated statement of financial position.

Notes to the Financial Statements

## 1 General information

GEL Utility Funding Limited was incorporated in Nigeria in September 2012 under the Companies and Allied Matters Act as a private Company domiciled in Nigeria.

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

## 2 Summary of significant accounting policies

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

### 2.1 Basis of preparation

The financial statements of GEL Utility Limited have been prepared based on the International Financial Reporting Standards (including International Accounting Standards) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as applicable to companies reporting under IFRS.

The financial statements for the years ended 31 December 2016 and 2017 were audited by PriceWaterhouseCoopers, while the financial statements for the years ended 31 December 2014 and 2015 were audited by Grant Thornton and restated by PriceWaterhouseCoopers. We have examined the financial statements of GEL for the years ended 31 December 2014, 2015, 2016, and 2017. The financial statements comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity, and explanatory notes.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The Directors believe that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The Company's functional currency is the US Dollars ($). However, the financial statements are presented in the presentation currency, Nigerian Naira (N), in line with local statutory requirements, rounded to the nearest thousand, except when otherwise indicated.

The financial statements comprise of the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, significant accounting policies and the notes.

#### 2.1.1 Going concern

The financial statements have been prepared on a going concern basis. The directors have no doubt that the Company would remain in existence after 12 months from the date of these financial statements.

### 2.1.2 Changes in accounting policy and disclosures

**New standards and interpretations adopted**

The following standards and amendments have been adopted by the Company for the first time for the financial year beginning on or after 1 January 2017:

- Recognition of deferred tax for unrealised losses; and
- Disclosure of initiative - amendments to IAS 7.

The adoption of these amendments did not have any impact on the amount recognised in the prior period. Most of the amendments will not affect the current or future period.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2017 are not material to the Company.

**New standards and interpretations not yet adopted**

Certain accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Company. None of these is expected to have a significant effect on the financial statements of the Company.

**Standards:**

IFRS 9, 'Financial Instruments', addresses the clarification, measurement and recognition of financial assets and financial liabilities. The completer version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The standard is effective for accounting periods beginning on or after 1 January 2018. The Company is assessing the full impact of IFRS 9.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principle 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. The Company is assessing the impact of IFRS 15.

IFRS 16 Leases, supersedes IAS 17 also on leases (effective 1 January 2019). It sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. Particularly, it provides that the lessee would also recognise not just the interest rental payments on the lease but also an asset and liability as is the case with a finance lease. This means that both operating and finance leases will be treated similarly. The Company is yet to assess the full impact of IFRS 16 however it is likely to have a material impact on the financial statement.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current reporting periods for foreseeable future transactions.

### 2.2 Foreign currency translation

#### 2.2.1 Functional and Presentation currency

Items included in the financial statements are measured in US Dollars which is the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are however presented in Nigerian Naira, which is the Company's presentation currency. The figures in the statements are in thousands.

#### 2.2.2 Transactions and balances

Transactions denominated in currencies other than US Dollars are recorded at the actual rates of exchange prevailing on the day of the transaction. Monetary assets and liabilities denominated in currencies other than US Dollars at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gains or losses arising from changes in exchange rates subsequent to the date of the transactions are recognised as income or expenses in the statement of profit or loss and other comprehensive income.

The Nigerian Naira (NGN) financial statements are prepared based on the CBN closing exchange rate at the end of the year (for statement of financial position line items) and CBN average exchange rate for the year (for statement of profit or loss and other comprehensive income line items). All resulting exchange differences shall be recognised in other comprehensive income. The cumulative amount of the exchange difference is presented in a separate component of equity. Foreign exchange gains and losses that relate to cash and cash equivalents are presented in income statement within 'finance income and cost'. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income within 'administrative and general expenses' or 'other income'.

### 2.3 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 and recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to the profit or loss during the period in which they are incurred.

The Company allocates the amount initially recognised 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 derecognised when replaced. Depreciation starts when the asset is available for use. Residual values, method of depreciation and useful lives of the asset 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 'operating expenses' in profit or loss.

Notes to the Financial Statements

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

| Asset category | Depreciation rate (%) | Years |
|---|---|---|
| Plant & Machinery | 5% | 20 |
| Motor vehicle | 25 | 4 |
| Computer equipment | 33 | 3 |

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.

An item of property, plant and equipment should be removed from the statement of financial position on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is the difference between the proceeds and the carrying amount and should be recognised in profit or loss. If an entity rents some property, plant and equipment and then ceases to rent them, the property, plant and equipment should be transferred to inventories at their carrying amounts as they become held for sale in the ordinary course of business.

### 2.4 Impairment of non-financial asset

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.5 Financial instruments

### 2.5.1 Financial assets

#### (a) Classification

The Company classifies its financial assets as loans and receivables. The Company does not hold 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.

*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 12 months after the end of the reporting period. These are classified as non-current assets. The Company's financial assets at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position (See note 2.7 and 2.8).

#### (b) Recognition and measurement

Loans and receivables are initially recognised at fair value plus transaction costs. Subsequently, loans and receivables are carried at amortised cost less any impairment.

### 2.5.2 Financial liabilities

#### (a) Classification

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

*Financial liabilities at amortised cost*

These include trade and other payables, overdraft and borrowings. These are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs are recognised as an expense in the period in which they are incurred, except when they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised. Borrowings are split into current and non-current liabilities.

#### (b) Recognition and measurement

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

### 2.5.3 Derecognition

Financial assets and liabilities are derecognised when the rights to receive cash flows or settle obligations have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

### 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

### 2.6.1 Assets carried at amortised costs

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

Evidence of impairment may include indications that the debtor 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 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. As a practical expedient, the Company may measure impairment using an impairment model or the aged analysis of debtors in determining specific impairment.

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.

## 2.7 Trade and other receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If collection is expected within one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Discounting is ignored if insignificant. A provision for impairment of trade and other receivables is established when there is objective evidence that they will not be able to collect all the amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payment, are the indicators that a trade and other 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 comprehensive income within the administrative costs.

The amount of the impairment provision is the difference between the asset's nominal value and the recoverable value, which is the present value of estimated cash flows, discounted at the original effective interest rate. Changes to this provision are recognised under administrative costs. When a trade receivable is uncollectable, it is written off against the provision of trade receivables.

### 2.8 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, deposit held at call with banks, other short term investments (money market investments) with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

### 2.9 Share capital

The Company has only one class of shares; Ordinary shares.

### 2.10 Inventory

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of actual costs incurred. Costs of 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 cost necessary to make sale.

### 2.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

### 2.12 Borrowing costs

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

### 2.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method.

### 2.14 Deferred income tax

Deferred income 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 income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by each 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 income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred 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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.14.1 Pioneer status

In line with the Industrial Development (Income Tax Relief) Act of 1971 (as amended), the Nigerian Investment Promotion Commission (NIPC) has approved Pioneer Status Incentive in respect of the Company's captive power generation.

The Pioneer Status Incentive is for an initial period of three years with effect from the production date of 01 November 2014. The Company's current status has expired and have currently applied for a two year pioneer status extension in line with the industrial development (income tax relief) Act of 1971. (Note 9).

### 2.15 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for services rendered, in the ordinary course of the Company's activities and is stated net of value-added tax (VAT), rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured and it is probable that future benefits will flow to the entity.

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales, the significant risks and rewards of ownership have been transferred to the customer and there is no continuing management involvement. If the discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. Transfer of significant risk and rewards of ownership is determined to be transferred to the buyer at the point of rendering of services to the buyer.

### 2.16 Interest income

Interest income is accrued on a time basis in the profit or loss, 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.

### 2.17 Dividend income

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

**2.18 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Leases of assets where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

**3 Critical accounting estimates and judgements**

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

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

**3.1 Critical accounting estimates and assumptions**

**3.1.1 Impairment of trade and other receivables**

The Company annually tests whether the trade receivables have suffered any impairment in accordance with the Company'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.

**3.1.2 Income and deferred taxation**

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

**3.2 Critical judgements in applying accounting policies**

The financial statements for the years ended 31 December 2016 and 2017 were audited by PriceWaterhouseCoopers, while the financial statements for the years ended 31 December 2014 and 2015 were audited by Grant Thornton and restated by PriceWaterhouseCoopers. We have examined the financial statements of GEL for the years ended 31 December 2015, 2016, and 2017. The financial statements comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity, and explanatory notes.

**3.2.1 Useful lives of assets**

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

**4.0 Financial risk**

**4.1 General**

Pursuant to a financial policy maintained by the Board of Directors, the Company uses several financial instruments in the ordinary course of business. The Company's financial instruments are cash and cash equivalents, trade and other receivables, interest-bearing loans and bank overdrafts and trade and other payables.

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

- Credit risk
- Liquidity risk
- Market risk, consisting of: foreign exchange risk, interest rate risk and price risk

Notes to the Financial Statements

**(a) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Liquidity projections including available credit facilities are incorporated in the regular management information reviewed by the Board or Management. The focus of the liquidity review is on the net financing capacity, being free cash plus available credit facilities in relation to the financial liabilities.

The following tables detail the Company's contractual maturity for its non derivative financial liabilities with agreed maturity periods. The tables have been drawn based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Company can be required to pay.

| | Due within one year | 1-3 years | 3-5 years | Over 5 years |
|---|---|---|---|---|
| **31 December 2017** | **N'000** | **N'000** | **N'000** | **N'000** |
| First Bank of Nigeria Loan | 2,755,753 | 9,120,772 | - | - |
| General Electric Loan | 1,062,434 | 1,736,289 | - | - |
| Trade and other payables | 4,158,543 | 825,077 | - | - |
| | **7,976,730** | **11,682,138** | **-** | **-** |

| | Due within one year | 1-3 years | 3-5 years | Over 5 years |
|---|---|---|---|---|
| **31 December 2016** | **N'000** | **N'000** | **N'000** | **N'000** |
| First Bank of Nigeria Loan | 2,377,112 | 5,282,007 | 5,560,383 | - |
| General Electric Loan | 1,021,679 | 1,132,419 | 1,369,109 | - |
| Trade and other payables | 3,535,475 | 551,224 | - | - |
| | **6,934,266** | **6,965,650** | **6,929,492** | **-** |

| | Due within one year | 1-3 years | 3-5 years | Over 5 years |
|---|---|---|---|---|
| **31 December 2015** | **N'000** | **N'000** | **N'000** | **N'000** |
| First Bank of Nigeria Loan | 1,312,870 | 3,178,926 | 3,653,918 | 1,815,073 |
| General Electric Loan | 33,329 | 584,432 | 730,773 | 855,153 |
| Trade and other payables | 1,000,381 | 113,543 | - | - |
| | **2,346,580** | **3,876,901** | **4,384,691** | **2,670,226** |

**(b) Market risk**

Market risk concerns the risk that income or the value of investments in financial instruments is adversely affected by changes in market prices, such as exchange rates and interest rates. The objective of managing market risks is to keep the market risk position within acceptable boundaries while achieving the best possible return.

**(i) Interest rate risk**

The Company has fixed interest rate liabilities. In respect of controlling interest risks, the policy is that, in principle, interest rates for loans payable are primarily fixed for the entire maturity period. This is achieved by contracting loans that carry a fixed interest rate.

**(ii) Price risk**

The company is not exposed to the risk as it does not have any equity investment which is subject to any changes in price.

**(iii) Foreign exchange risk**

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

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

Notes to the Financial Statements

| | 31 December 2017 N'000 | 31 December 2016 N'000 | 31 December 2015 N'000 |
|---|---|---|---|
| **Financial assets** | | | |
| Trade receivables | 5,298,710 | 4,990,375 | 1,561,334 |
| Cash and cash equivalents | 77,102 | 684,640 | 171,556 |
| | **5,375,812** | **5,675,015** | **1,732,890** |
| **Financial liabilities** | | | |
| Trade payables | (4,158,543) | (3,535,475) | (1,000,381) |
| Net Exposure | **1,217,269** | **2,139,540** | **732,509** |

| The following significant exchange rates were applied during the period: | 31 December 2017 | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| USD 1 | 305.50 | 302.57 | 196.25 |

**( c) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade and other receivables. The Company's exposure to credit risk is mainly determined by the individual characteristics of each of the customers and the location of these customers. A large part of the Company's projects in progress is directly or indirectly with state controlled authorities and (contractors of) oil and gas producers. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The maximum credit risk as per statement of financial position, without taking into account the aforementioned financial risk coverage instruments and policy, consists of the book values of the financial assets as stated below:

| | 31 December 2017 N'000 | 31 December 2016 N'000 | 31 December 2015 N'000 | 31 December 2014 N'001 |
|---|---|---|---|---|
| Trade receivables | 5,298,710 | 4,990,375 | 1,561,334 | 511,186 |
| Cash and cash equivalents | 406,038 | 698,282 | 172,490 | 129,244 |
| | 5,704,748 | 5,688,657 | 1,733,824 | 640,430 |

As at reporting date there is no concentration of credit risk with certain customers.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. Banks with good reputation are accepted by the Company for business transactions.

Cash is held with the following institutions:

| | 31 December 2017 N'000 | 31 December 2016 N'000 | 31 December 2015 N'000 | 31 December 2014 N'000 |
|---|---|---|---|---|
| First Bank of Nigeria Plc - USD | 328,936 | 13,642 | 934 | 129,236 |
| First Bank of Nigeria Plc - Naira | 77,102 | 684,640 | 171,556 | 8 |
| | 406,038 | 698,282 | 172,490 | 129,244 |

Notes to the Financial Statements

**Financial assets that are neither past due nor impaired**

| **Cash and cash equivalents** | **31 December 2017 N'000** | **31 December 2016 N'000** | **31 December 2015 N'000** |
|---|---|---|---|
| Bank | 406,038 | 698,282 | 172,490 |
| Others | - | - | - |
| Non rated | - | - | - |
| | 406,038 | 698,282 | 172,490 |

**Fitch - National long- term rating**

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

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

These above ratings are explained as follows:

'B' National Ratings denote a significantly elevated default risk relative to other issuers or obligations in the same country. Financial commitments are currently being met but a limited margin of safety remains and capacity for continued timely payments is contingent upon a sustained, favorable business and economic environment.

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

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

This is based on Fitch national lont-term rating.

**4.2 Fair value estimation**

Financial instruments accounted for under assets and liabilities are cash and cash equivalents, receivables, and current and non-current liabilities. The fair value of the financial instruments does not differ materially from the book value.

**4.3 Capital management**

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

The Company monitors capital on the basis of net debt ratio, that is, the ratio of net debt to net debt plus equity. Net debt is calculated as gross debt as shown in the balance sheet, less cash and cash equivalent. The gearing ratios as at 31 December 2017, 31 December 2016 and 31 December 2015 were as follows:

| | **N'000** | **N'000** | **N'000** |
|---|---|---|---|
| Total liabilities | 19,658,869 | 21,936,551 | 13,992,860 |
| Less cash and cash equivalents | (406,038) | (698,282) | (172,490) |
| Net debt | 19,252,831 | 21,238,269 | 13,820,370 |
| Total equity | 7,619,019 | 6,400,418 | 2,888,800 |
| Total capital | 26,871,850 | 27,638,687 | 16,709,170 |
| **Gearing ratio** | **72%** | **77%** | **83%** |

Notes to the Financial Statements

### 4.4 Financial assets & liabilities

**Accounting classification, measurement, basis and fair values.**

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 recognised in the statement of income or comprehensive income. Those categories are fair value through profit or loss; loans and receivables; and for liabilities, amortised cost and those designated at fair value through profit and loss.

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).

**31 December 2017**

| *In N'000s* | Amortised cost | Carrying Amount | Fair value | | |
|---|---|---|---|---|---|
| | **instruments at amortised cost** | **Total carrying amount** | **Level 1** | **Level 2** | **Fair value** |
| **Assets** | | | | | |
| Trade receivables | 5,298,710 | 5,298,710 | - | 5,298,710 | 5,298,710 |
| Cash and cash equivalents | 406,038 | 406,038 | 406,038 | - | 406,038 |
| | **5,704,748** | **5,704,748** | **406,038** | **5,298,710** | **5,704,748** |
| **Liabilities** | | | | | |
| First Bank of Nigeria Loan | 11,876,526 | 11,876,526 | - | 11,876,526 | 11,876,526 |
| General Electric Loan | 2,798,723 | 2,798,723 | - | 2,798,723 | 2,798,723 |
| First Bank overdraft | - | - | - | - | - |
| Trade and Other payables | 4,158,543 | 4,158,543 | - | 4,158,543 | 4,158,543 |
| | **18,833,792** | **18,833,792** | **-** | **18,833,792** | **18,833,792** |

Notes to the Financial Statements

**31 December 2016**
*In N'000s*

| | Amortised cost | Carrying Amount | Fair value | | |
|---|---|---|---|---|---|
| | Financial instruments at amortised cost | Total carrying amount | Level 1 | Level 2 | Fair value |
| **Assets** | | | | | |
| Trade receivables | 4,990,375 | 4,990,375 | - | 4,990,375 | 4,990,375 |
| Cash and cash equivalents | 698,282 | 698,282 | 698,282 | - | 698,282 |
| | **5,688,657** | **5,688,657** | **698,282** | **4,990,375** | **5,688,657** |
| **Liabilities** | | | | | |
| First Bank of Nigeria Loan | 13,129,502 | 13,129,502 | | 13,129,502 | 13,129,502 |
| General Electric Loan | 3,523,207 | 3,523,207 | | 3,523,207 | 3,523,207 |
| First Bank overdraft | 1,107,143 | 1,107,143 | | 1,107,143 | 1,107,143 |
| Trade and Other payables | 3,535,475 | 3,535,475 | | 3,535,475 | 3,535,475 |
| | **21,295,327** | **21,295,327** | - | **21,295,327** | **21,295,327** |

**31 December 2015**
*In N'000s*

| | Amortised cost | Carrying Amount | Fair value | | |
|---|---|---|---|---|---|
| | Financial instruments at amortised cost | Total carrying amount | Level 1 | Level 2 | Level 3 |
| **Assets** | | | | | |
| Trade receivables | 1,561,334 | 1,561,334 | - | 1,561,334 | - |
| Cash and cash equivalents | 172,490 | 172,490 | 172,490 | - | - |
| | **1,733,824** | **1,733,824** | **172,490** | **1,561,334** | - |
| **Liabilities** | | | | | |
| First Bank of Nigeria Loan | 9,960,787 | 9,960,787 | - | 9,960,787 | - |
| General Electric Loan | 2,203,687 | 2,203,687 | - | 2,203,687 | - |
| First Bank overdraft | 714,462 | 714,462 | - | 714,462 | - |
| Trade and Other payables | 1,000,381 | 1,000,381 | - | 1,000,381 | - |
| | **13,879,317** | **13,879,317** | - | **13,879,317** | - |

**Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The loans were valued using the effective interest rate method which applied market rates on the projected cash flows based on the loan agreements.

The forward exchange contract derivatives were valued using the spot exchange rate of the USD to the Naira on the measurement date and present value of the cash flows. The quoted foreign exchange rates on the reporting date were used as well as the quoted interest rates as the discounting factor for Naira denominated future cash flows and LIBOR interest rates as the discounting factors for the future USD denominated cash flows.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Notes to the Financial Statements

**4.5 Key sources of estimation uncertainty**

Critical accounting judgements and key sources of estimation uncertainty.

The preparation of Financial Statements requires management to make certain judgement, accounting estimates and assumptions that affect the amounts reported to the assets and liabilities as at the reporting date and the amounts reported as expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates. There are no applicable sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities.

**5 Revenue**

| | 31 December 2017 N'000 | 31 December 2016 N'000 | 31 December 2015 N'000 | 31 December 2014 N'000 |
|---|---|---|---|---|
| Energy sales | 5,131,838 | 4,259,424 | 3,420,740 | 381,783 |

This relates to income earned for supply of uninterrupted power to Port Harcourt Refining Company.

**6 Cost of sales**

| | 31 December 2017 N'000 | 31 December 2016 N'000 | 31 December 2015 N'000 | 31 December 2014 N'000 |
|---|---|---|---|---|
| Operating and maintenance | 379,763 | 277,419 | 273,953 | 355,057 |
| Depreciation (Note 10) | 1,240,017 | 1,019,462 | 777,175 | 63,334 |
| Insurance | 305,024 | 200,416 | 184,857 | - |
| | **1,924,804** | **1,497,297** | **1,235,985** | **418,391** |

This relates to cost incurred in respect of supply of uninterrupted power.

**7 Operating expenses**

| | 31 December 2017 N'000 | 31 December 2016 N'000 | 31 December 2015 N'000 | 31 December 2014 N'000 |
|---|---|---|---|---|
| Professional and consultancy fees | 324,850 | 75,693 | 14,716 | 34,697 |
| Community relations | - | 1,008 | 28,561 | - |
| Depreciation (Note 10) | 12,537 | 10,396 | 7,690 | - |
| Security expenses | 2,205 | 2,505 | 2,146 | - |
| Management fees* | 298,448 | 179,891 | 109,663 | 10,798 |
| Auditors remuneration | 12,993 | 12,307 | 15,796 | 10,587 |
| Other operating expenses | 49,779 | 26,912 | 72,248 | 14,253 |
| | **700,812** | **308,712** | **250,820** | **70,335** |

* Management fees are paid to Genesis Energy Group for human resources outsourced to the entity.

Notes to the Financial Statements

**8 Other income/costs**

| (a) **Other income:** | **31 December 2017 N'000** | **31 December 2016 N'000** | **31 December 2015 N'000** | **31 December 2014 N'000** |
|---|---|---|---|---|
| Miscellaneous income | 291,285 | 216,996 | 2,082 | - |
| Unrealised exchange gain | - | 196,146 | - | - |
| Realised exchange gain | - | - | 10,823 | - |
| | **291,285** | **413,142** | **12,905** | **-** |

Miscellaneous income was the insurance cost incurred in respect to the plant, and reimbursed by NNPC.

| (b) **Other costs:** | | | | |
|---|---|---|---|---|
| Interest expense | 1,284,248 | 1,249,552 | 1,110,075 | - |
| Unrealised exchange loss | 341,057 | - | 5,493 | - |
| | **1,625,305** | **1,249,552** | **1,115,568** | **-** |
| **Net finance costs** | **(1,334,020)** | **(836,410)** | **(1,102,663)** | **-** |

**9 Current income tax**

Company income tax and education tax are based on the provisions of the Income Tax Act, CAP E4, LFN, 2004 which is 30% on taxable income and 2% of the assesable profit for the year respectively. However, in line with the Industrial Development (Income Tax Relief) Act of 1971 (as amended), Nigerian Investment Promotion Commission (NIPC) earlier approved Pioneer Staus Incentive in respect of the entity's captive power generation. Hence, there is no provision for income tax.

The Pioneer Status Incentive is for an initial period of three years with effect from the production date of 01 Novemeber 2014 with the possibility of extension by one (1) or two (2) years consequent to fulfilling certain prescribed requirements.

On 25 July 2017, GEL Utility Limited submitted a letter of request to Nigerian Investment Promotion Commission(NIPC) for an extension of their pioneer status by another two (2) years in line with the Industrial Development (Income Tax Relief) Act of 1971 as amended. Consequently, GEL Utility Limited was invited to make a project presentation to the Nigerian Investment Promotion Commission (NIPC) on 11 January 2018. This has taken place as at the time of this report. Due to this, there was no provision for income tax.

**10 Property, Plant and Equipment**

| | **Plant & machinery N'000** | **Motor vehicle N'000** | **Computer equipment N'000** | **Total N'000** |
|---|---|---|---|---|
| **Cost** | | | | |
| **At 1 January 2015** | **10,417,238** | **26,745** | **-** | **10,443,983** |
| Additions | 12,190 | - | 631 | 12,821 |
| Transfers from assets under construction | 3,550,939 | - | - | 3,550,939 |
| Translation differences | 1,874,869 | 4,630 | 13 | 1,879,512 |
| **At 31 December 2015** | **15,855,236** | **31,375** | **644** | **15,887,255** |
| **At 1 January 2016** | **15,855,236** | **31,375** | **644** | **15,887,255** |
| Additions | 138,980 | - | - | 138,980 |
| Translation differences | 8,742,839 | 17,244 | 270 | 8,760,353 |
| **At 31 December 2016** | **24,737,055** | **48,619** | **914** | **24,786,588** |
| **At 1 January 2017** | **24,737,055** | **48,619** | **914** | **24,786,588** |
| Additions | - | - | - | - |
| Translation differences | 81,393 | 160 | 126 | 81,679 |
| **At 31 December 2017** | **24,818,448** | **48,779** | **1,040** | **24,868,267** |

Notes to the Financial Statements

| | | | | |
|---|---|---|---|---|
| **Accumulated depreciation** | | | | |
| **At 1 January 2015** | **57,874** | **743** | - | **58,617** |
| Charge for the year | 777,175 | 7,690 | - | 784,865 |
| Translation differences | 25,592 | 282 | - | 25,874 |
| **At 31 December 2015** | **860,641** | **8,715** | - | **869,356** |
| **At 1 January 2016** | **860,641** | **8,715** | - | **869,356** |
| Charge for the year | 1,019,316 | 10,087 | 309 | 1,029,712 |
| Translation differences | 682,018 | 6,858 | 64 | 688,940 |
| **At 31 December 2016** | **2,561,975** | **25,660** | **373** | **2,588,008** |
| **At 1 January 2017** | **2,561,975** | **25,660** | **373** | **2,588,008** |
| Charge for the year | 1,240,017 | 12,186 | 351 | 1,252,554 |
| Translation differences | 9,485 | 93 | 1 | 9,579 |
| **At 31 December 2017** | **3,811,477** | **37,939** | **725** | **3,850,141** |
| **Net book amount** | | | | |
| **31 December 2017** | **21,006,971** | **10,840** | **315** | **21,018,126** |
| **31 December 2016** | **22,175,080** | **22,959** | **541** | **22,198,580** |
| **31 December 2015** | **14,994,595** | **22,660** | **644** | **15,017,899** |
| **31 December 2014** | **11,193,186** | **28,095** | - | **11,221,280** |

| **Depreciation expense** | **31 December 2017 N'000** | **31 December 2016 N'000** | **31 December 2015 N'000** |
|---|---|---|---|
| Included in cost of sales | 1,240,017 | 1,019,316 | 777,175 |
| Included in operating expense | 12,537 | 10,396 | 7,690 |
| | **1,252,554** | **1,029,712** | **784,865** |

| **Assets under construction** | **31 December 2017 N'000** | **31 December 2016 N'000** | **31 December 2015 N'000** | **31 December 2014 N'000** |
|---|---|---|---|---|
| Carrying amount at 1 January | - | - | 3,087,533 | - |
| Addition for the year | - | - | - | 2,883,848 |
| Transfer to property, plant and equipment | - | - | (3,550,939) | - |
| Translation differences | - | - | 463,406 | 203,685 |
| | - | - | - | **3,087,533** |

Notes to the Financial Statements

**15B Borrowings movement schedule**

| | First Bank of Nigeria N'000 | General Electric N'000 | Total N'000 |
|---|---|---|---|
| **01 January 2017** | **13,219,502** | **3,523,207** | **16,742,709** |
| Additions | 1,109,998 | - | 1,109,998 |
| Payments | (3,463,403) | (1,051,384) | (4,514,787) |
| Interest expense | 967,853 | 316,395 | 1,284,248 |
| Translation difference | 42,576 | 10,505 | 53,081 |
| **31 December 2017** | **11,876,526** | **2,798,723** | **14,675,249** |
| **01 January 2016** | **9,960,787** | **2,203,687** | **12,164,474** |
| Payments | (2,780,659) | (218,071) | (2,998,730) |
| Interest expense | 941,776 | 307,776 | 1,249,552 |
| Translation difference | 5,097,598 | 1,229,815 | 6,327,413 |
| **31 December 2016** | **13,219,502** | **3,523,207** | **16,742,709** |
| **01 January 2015** | **9,905,950** | **1,922,398** | **11,828,348** |
| Payments | (2,495,536) | (292,679) | (2,788,215) |
| Interest expense | 867,926 | 242,149 | 1,110,075 |
| Translation difference | 1,682,447 | 331,819 | 2,014,266 |
| **31 December 2015** | **9,960,787** | **2,203,687** | **12,164,474** |

**16 Deposit for shares**

| | 31 December 2017 N'000 | 31 December 2016 N'000 | 31 December 2015 N'000 | 31 December 2014 N'000 |
|---|---|---|---|---|
| Engro Powergen Limited | 1,583,773 | 1,578,588 | 1,018,695 | 938,247 |
| Genesis Electricity Limited | 1,723,537 | 1,717,895 | 1,108,593 | 1,021,045 |
| | **3,307,310** | **3,296,483** | **2,127,288** | **1,959,292** |

Deposit for shares represent amount deposited by the above named entities for the Company's shares.

**17 Trade and other payables**

| | 31 December 2017 N'000 | 31 December 2016 N'000 | 31 December 2015 N'000 | 31 December 2014 N'000 |
|---|---|---|---|---|
| Trade payables | 1,097,346 | 581,165 | 805,386 | 440,060 |
| Value added tax | 825,077 | 551,224 | 113,543 | 18,910 |
| Other payables | 3,061,197 | 2,954,310 | 194,995 | 80,885 |
| | **4,983,620** | **4,086,699** | **1,113,924** | **539,855** |

The carrying value of trade and other payables classified as financial liabilities are measured at amortised cost and approximates fair value.

Trade and other payables comprise amounts outstanding for trade purchases and on going costs. The Directors consider the carrying amount of trade and other payables to approximate its fair value.

| | | | | |
|---|---|---|---|---|
| **Current** | | | | |
| Loan from First Bank of Nigeria Plc. | 2,557,381 | 2,377,112 | 1,312,870 | - |
| Bank overdraft converted to short term loan | 198,373 | - | - | - |
| Loan from General Electric (GE) International | 1,062,434 | 1,021,679 | 33,329 | - |
| | **3,818,188** | **3,398,791** | **1,346,199** | **-** |
| **Total** | **14,675,249** | **16,742,709** | **12,164,474** | **12,778,282** |

In 2013, the Company entered into loan agreements with First Bank of Nigeria (FBN) Plc and Generic Electric (GE) International to finance its plant construction. FBN Plc loan has about 96 months tenor from the date of the utilisation of the facility at an interest rate of 7% per annum. The capitalised interest from the FBN loan is repayable in equal instalments of 84 months. The interest repayment on First Bank loans has a moratorium period of twelve months from the date of utilisation, while GE International loan was at an interest rate of 12.5% per annum, with a repayment period of six and half years.

Notes to the Financial Statements

**18 Bank overdraft**

| | 31 December 2017 N'000 | 31 December 2016 N'000 | 31 December 2015 N'000 | 31 December 2014 N'000 |
|---|---|---|---|---|
| Bank overdraft | - | **1,107,143** | **714,462** | - |

**19 Cash generated from operations**

| | 31 December 2017 N'000 | 31 December 2016 N'000 | 31 December 2015 N'000 |
|---|---|---|---|
| Reconciliation of profit before tax to cash used in operations | | | |
| Profit before tax | 1,172,202 | 1,617,005 | 831,272 |
| **Adjustments for:** | | | |
| - Depreciation (property, plant & equipment) (note 10) | 1,252,554 | 1,029,712 | 784,865 |
| - Unrealised exchange loss (note 8) | 341,057 | - | 5,493 |
| - Interest expense | 1,284,248 | 1,249,552 | 1,110,075 |
| **Changes in working capital:** | | | |
| Increase in inventory | (82,580) | (183,293) | (50,411) |
| Incerease in trade and other receivables | (672,094) | (3,565,543) | (1,167,672) |
| Increase in trade and other payables | 896,921 | 2,972,775 | 614,271 |
| Translation adjustment | 28,043 | 374,810 | 673,176 |
| **Cash generated from operations** | **4,220,351** | **3,495,018** | **2,801,069** |

**20 Capital and capital commitments**

**20.1 Contigencies**

There were no contigent liabilities as the end of the year (2016:Nil).

**20.2 Capital commitments**

**Operating lease commitments - GEL Utility as lessor**

Some property, plant and equipment are leased to the Port Harourt Refining Company under long-term operating leases with rentals payable monthly. Minimum lease payments under the operating lease are as follows:

| | 31 December 2017 N'000 | 31 December 2016 N'000 | 31 December 2015 N'000 |
|---|---|---|---|
| Within one year | 4,840,053 | 4,825,036 | 3,122,224 |
| Later than one year but not later than five | 19,376,643 | 19,313,364 | 12,463,304 |
| Later than five years | 57,732,474 | 62,368,551 | 43,361,379 |
| **Total** | **81,949,170** | **86,506,951** | **58,946,907** |

Included in revenue for the year is minimum lease rentals of N4.8 billion (2016: N4 Billion).

**21 Going concern**

The directors have no doubt that the Company would remain in existence after 12 months from the date of this financial statements.

**22 Events after reporting date**

There were no significant events after the statement of financial position date which could have a material effect on the state of affairs of the Company as at 31 December 2017 and on the profit for the year ended on that date, which have not been adequately provided for or disclosed in these set of financial statements.

Notes to the Financial Statements

**24 Employment and employees**

The Company has no direct employees as it uses the services of the staff of its related entity, Genesis Energy Limited.

**25 Related party transactions**

Significant related party transactions and balances relating to the Company's financia statements are as follows:

| **(a) Management fees** | **Nature of relationship** | **31 December 2017 N'000** | **31 December 2016 N'000** | **31 December 2015 N'000** | **31 December 2014 N'000** |
|---|---|---|---|---|---|
| i) Engro PowerGen Limited | Parent | 320,425 | 302,829 | 231,157 | - |
| ii) Genesis Electricity Limited | Parent | 298,448 | 176,757 | 109,612 | 11,964,298 |

These amounts represent operations and management expenses charged by Engro Powergen Limited and management fee for outsourced human resources by Genesis Electricity Limited during the period.

**(b) Sales to related parties**

There were no sales to related parties in the year ended 31 December 2017 (2016:nil).

**( c) Purchases from related parties**

There were no purchases from related parties in the year ended 31 December 2017 (2016:nil).

**(d) Receivables from related parties**

There were no receivables from related parties in the year ended 31 December 2017 (2016:nil).

| **( e) Payables due to related parties** | **Nature of relationship** | **31 December 2017 N'000** | **31 December 2016 N'000** | **31 December 2015 N'000** | **31 December 2014 N'000** |
|---|---|---|---|---|---|
| Engro Powergen Limited | Parent | 351,936 | 244,209 | 106,700 | 108,942,296 |

This amount represents amounts payable to Engro Powergen Limited for Operations & Maintenance and Management Fee for the period.

**(f) Transactions with key management personnel**

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director of the Company. There were no transactions with key management personnel in the year ended 31 December 2017 (2016:nil).

**(g) Key management compensation**

The directors of the Company did not receive any renumeration during the year ended 31 December 2017 (2016:nil).

Statement of Value Added

| | 2017 N'000 | % | 2016 N'000 | % | 2015 N'000 | % | 2014 N'000 | % |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | 5,131,838 | | 4,259,424 | | 3,498,162 | | 381,783 | |
| Other income | 291,285 | | 413,142 | | - | | - | |
| | 5,423,123 | | 4,672,566 | | 3,498,162 | | 381,783 | |
| Bought-in materials and services (local) | (1,714,119) | | (776,297) | | (1,353,464) | | (477,929) | |
| **Value added** | 3,709,004 | 100% | 3,896,269 | 100% | 2,144,698 | 100% | (96,146) | 100% |
| **Applied as follows:** | | | | | | | | |
| **To pay employees** | | | | | | | | |
| Salaries, wages and other benefits | - | - | - | - | 101,359 | 5% | 10,798 | -11% |
| **Providers of capital** | | | | | | | | |
| To pay interest on borrowings | 1,284,248 | 34% | 1,249,552 | 32% | 1,157,774 | 54% | - | - |
| **Maintenance of assets** | | | | | | | | |
| Depreciation | 1,252,554 | 34% | 1,029,712 | 26% | (7,224) | 0% | - | - |
| **For the future** | | | | | | | | |
| Profit for the year | 1,172,202 | 32% | 1,617,005 | 42% | 892,788 | 42% | (106,944) | 111% |
| **Value added** | 3,709,004 | 100% | 3,896,269 | 100% | 2,144,697 | 100% | (96,146) | 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.

Four Year Financial Summary

**Statement of Financial Position**

| | IFRS | | | |
|---|---|---|---|---|
| | **31 December 2017 N'000** | **31 December 2016 N'000** | **31 December 2015 N'000** | **31 December 2014 N'000** |
| **Asset employed** | | | | |
| Non-current assets | 21,018,126 | 22,198,580 | 15,017,899 | 14,557,327 |
| Current assets | 6,259,762 | 6,138,389 | 1,863,761 | 640,430 |
| Non-current liabilities | (10,857,061) | (13,343,918) | (10,818,275) | (12,778,281) |
| Current liabilities | (8,801,808) | (8,592,633) | (3,174,585) | (539,855) |
| **Net assets** | **7,619,019** | **6,400,418** | **2,888,800** | **1,879,621** |
| **Total equity** | | | | |
| Ordinary shares | 27,273 | 27,273 | 27,273 | 27,273 |
| Retained earnings/(loss) | 4,284,436 | 3,076,662 | 734,239 | (106,944) |
| Deposit for equity issue | 3,307,310 | 3,296,483 | 2,127,288 | 1,959,292 |
| **Shareholders' funds** | **7,619,019** | **6,400,418** | **2,888,800** | **1,879,621** |

**Statement of Profit or Loss and Other Comprehensive Income**

| | IFRS | | | |
|---|---|---|---|---|
| | **31 December 2017 N'000** | **31 December 2016 N'000** | **31 December 2015 N'000** | **31 December 2014 N'000** |
| Revenue | 5,131,838 | 4,259,424 | 3,420,740 | 381,783 |
| Profit before tax | 1,172,202 | 1,617,005 | 831,272 | (106,944) |
| Taxation | - | - | - | - |
| **Profit/(loss) for the year** | 1,172,202 | 1,617,005 | 831,272 | (106,944) |

Statement of Adjustments

| | 31 December 2017 N'000 | 31 December 2016 N'000 | 31 December 2015 N'000 | 31 December 2014 N'000 |
|---|---|---|---|---|
| **Per audited (2014) and restated financial statements (2015,2016,2017):** | | | | |
| **Equity** | | | | |
| Deposit for equity issue | 3,307,310 | 3,296,483 | 2,127,288 | 1,813,338 |
| **Reclassification** | | | | |
| Reclassification to Non-current liabilities | (3,307,310) | (3,296,483) | (2,127,288) | (1,813,338) |
| | - | - | - | - |
| **Per audited (2014) and restated financial statements (2015,2016,2017):** | | | | |
| **Non-current liabilities** | | | | |
| Deposit for equity issue | - | - | - | - |
| **Reclassification** | | | | |
| Reclassification from Equity | 3,307,310 | 3,296,483 | 2,127,288 | 1,813,338 |
| | **3,307,310** | **3,296,483** | **2,127,288** | **1,813,338** |

| | 31 December 2015 N'000 |
|---|---|
| **Per restated financial statements:** | |
| **Statement of Changes in Equity** | |
| Balance as at 1 January 2015 | (3,190,463) |
| **Adjustment** | |
| Reversal of the restated value of Assets Under Construction previously recorded as part of Transalation Differences | 3,087,533 |
| | **(102,930)** |

| | 31 December 2016 N'000 | 31 December 2015 N'000 |
|---|---|---|
| **Per restated (2015) and audited (2016) financial statements:** | | |
| **Statement of Changes in Equity** | | |
| Translation difference for the year | 2,307,697 | 1,511,151 |
| **Adjustments** | | |
| Reversal of overstated translation difference | (1,582,279) | (1,505,254) |
| | **725,418** | **5,897** |

| | 31 December 2016 N'000 | 31 December 2015 N'000 |
|---|---|---|
| **Per restated (2015) and audited (2016) financial statements:** | | |
| **Statement of Profit and Loss and Other Comprehensive Income** | | |
| Translation difference for the year | 2,307,697 | 1,511,151 |
| **Adjustment** | | |
| Reversal of overstated translation difference | (1,582,279) | (1,505,254) |
| | **725,418** | **5,897** |

## RISK FACTORS

*The following section does not describe all the risks (including those relating to each prospective investor's particular circumstances) with respect to an investment in the Bonds. The risks in the following section are provided as general information only. Prospective investors should refer to and carefully consider the risks described below and the information contained elsewhere in this Shelf Prospectus, which may describe additional risks associated with the Bonds. Investors should also seek professional advice before making investment decisions in respect of the Corporate Bonds.*

### RISKS RELATING TO NIGERIA

***Nigeria experiences risks typical of an emerging market***

Investing in securities of emerging market countries generally involves a higher degree of risk relative to those of corporates in more developed economies. The Company's operations are based in Nigeria and as such face the same risks typical of an emerging market. These risks include, but not limited to, higher volatility and more limited liquidity in respect of the Bonds, greater political risk, terrorism, changes to the economic environment, inflation, currency volatility, budget deficits, infrastructure gaps, and delays in reform and transformation agenda. Emerging markets are also more likely to experience higher instances of corruption, fraud, bribery and criminal activity. Failure to prevent any of the aforementioned risks may result in criminal penalties and reputational damage that may materially affect the Company's financial condition or operations.

***Nigeria's dependence on crude oil***

The oil sector plays a central role in Nigeria's economy, accounting for a substantial portion of export earnings. The sector accounted for approximately 9.6% and 8.2% of real GDP in 2015 and 2016 respectively and over 90% of export earnings in 2016. The effect of global shocks in oil prices, as experienced in mid-2014, can have a grave effect on Nigeria's economy, causing a substantial withdrawal of portfolio capital and a corresponding decline in the stock market, fall in government revenues, weakening of the currency and a substantial drop in foreign currency reserves, and ultimately, economic recession.

### RISK RELATING TO THE BONDS

***Change in interest rates may affect the price of the Bonds***

Where bonds are offered with a fixed rate of interest they are subject to price risk. Consequently, the price of the bonds may vary inversely with changes in prevailing interest rates. That is, a rise in interest will cause the price of a fixed rate bond to fall and when interest rates fall, the price increases. Accordingly, the extent of the fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of the prevailing interest rates. Increased interest rates which frequently accompany inflation and/or a growing economy are also likely to have a negative effect on the price of the Bonds.

***Liquidity risk for the Bonds***

There is a risk that the bonds may not have an established trading market when issued. There is no guarantee that a secondary market for bonds or liquidity will exist upon issuance. Consequently, investors may not be able to readily sell their bonds or at prices that will enable them to realise a yield comparable to that of similar instruments, if any, with a developed secondary market.

The trading market for Debt Securities may be volatile and may be adversely impacted by many events.The market for Debt Securities is influenced by economic and market conditions, interest rates and currency exchange rates. Global events may lead to market volatility which may have an adverse effect on the price of the Bonds.

***Credit Rating***

The bonds will be assigned a rating by at least one Ratings Agency. Credit ratings are an assessment of the issuer's ability to pay its debt obligations when due. The rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed herein, and other factors that may affect the value of the Bond. Consequently, a security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Bonds

***Early redemption of the Bonds***

The Issuer may choose to redeem the Bonds at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Bonds.

**Exchange rate risks and exchange controls**

The company undertakes a number of projects which involve foreign exchange either in terms of manpower and equipment or other foreign currency denominated elements. Adverse movements in the value of the Naira may stall the execution of its projects and expansion potentials, limiting its revenue generation and profitability.

Additionally, given that the Bonds will be denominated in Naira, it presents certain risks relating to currency conversion for investors with operational currencies other than the Naira. These include the risk that exchange rate may significantly change against the Naira causing a decrease in the foreign-currency-equivalent yield of the bonds, the principal and the market value. The government may impose exchange controls that could adversely affect an applicable exchange rate leading to a reduction in the FX-adjusted returns of the bonds.

**RISKS RELATED TO THE INDUSTRY AND THE POWER SECTOR**

**Regulatory Risks:**

The main industry-related risk the GELUL faces is potential changes in government regulation. The company is currently operating in a heavily regulated industry. The current Government has outlined few details with regards to power sector policy. Whilst GELUL operates as a private operator, the Government may, at any time in the future, change sector regulation or implement new regulation that may adversely affect the company.

The Nigerian government has intensified efforts to create an enabling environment for investors in the power sector. In recent times, the government has taken steps to ensure the financial viability of the Nigerian power sector with its favourable policies such as tax holidays to power companies as well as sector funding.

## RISKS RELATED TO THE ISSUER

***Change in Law:***

The Terms and Conditions of the SPV are based on Nigerian law in effect as at the date of this Shelf Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Nigerian law or the official application or interpretation of Nigerian law after the date of this Shelf Prospectus.

***Repayment Risk:***

There is a likelihood that the Issuer may not be able to repay outstanding Principal and Interest on the bond on a payment date. Where applicable according to the Final Terms, there shall be a provision in the structure of the Bond for a Minimum Reserve Account which shall be initially funded on the Closing Date with such amount specified in applicable Final Terms or structure of the bond. GELUL shall under the Trust Deed, jointly and severally, irrevocably and unconditionally undertake, not merely as a surety but also as a primary obligor and co-debtor, joint and several liability with the Issuer in respect of the Bond.

## RISKS RELATED TO THE CO-OBLIGOR

***The loss of key management personnel could adversely affect the business:***

The loss of key management personnel or inability to hire and retain qualified employees could have an adverse effect on the company's business, financial condition and results of operations. Operations depend on the continued efforts of executive officers and senior management. The Company is not able to guarantee that any member of management at the corporate or subsidiary level will continue in his or her capacity for any particular period of time. If the company were to lose one or more key personnel, its operations could be adversely affected.

***Risk management activities might not prevent losses:***

The company is exposed to commodity risk, interest-rate risk and foreign exchange risk arising from operating, financing and investment activities. Although there is a risk management system in place that uses various methodologies to quantify risk, these systems might not always be followed or might not always work as planned. Further, such risk measurement systems do not in themselves manage risk, and adverse changes involving volatility, adverse correlation of commodity prices and the liquidity of markets might still adversely affect earnings and cash flows and the Company's balance sheet, even if such risks have been identified.

## TAX AND OTHER CONSIDERATION

The foregoing summary does not purport to be comprehensive and does not constitute advice on tax to any actual or prospective investor in Bonds issued under the Programme. In particular, it does not constitute a representation by the Issuer or its advisers on the tax consequences attaching to a subscription or purchase of Bonds issued under the Programme. Tax considerations that may be relevant to a decision to acquire, hold or dispose of Bonds issued under the Programme and the tax consequences applicable to each actual or prospective purchaser of the Bonds may vary. Any actual or prospective purchaser of the Bonds who intends to ascertain his/her tax position should seek professional advice from his/her preferred professional advisers as to the tax consequences arising from subscribing to or purchasing the Bonds, bearing in mind his/her peculiarities. Neither the Issuer nor its advisers shall be liable to any subscriber or purchaser of the Notes in any manner for placing reliance upon the contents of this section.

Under current legislation in Nigeria, the tax consequences of an investment in the Bonds to be issued under the Programme are quite broad and extensive. These include exemption from Companies Income Tax, Value Added Tax and Personal Income Tax respectively, by virtue of the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011, the Value-Added Tax (Exemption of Proceeds of the Disposal of Government and Corporate Securities) Order 2011 and the Personal Income Tax (Amendment) Act 2011.

In addition, the Bonds qualify for a waiver from Capital Gains Tax[4] the tax waiver approved by the Federal Government in March 2010.

[4] Necessary legal backing for this is subject to completion of the administrative and legislative processes

### Incorporation and Share Capital History of the Obligor

GEL Utility Limited was incorporated as a private limited liability company in September 2012 under the Companies and Allied Matters Act. The company is domiciled and engages in the business of dedicated electric power supply including power generation, distribution and other associated services.

Currently, GELUL has an authorized share capital of ₦27,272,727 comprising of 27,272,727 ordinary shares of ₦1 each, and its issued and fully paid up is ₦27,272,727 comprising of 27,272,727 ordinary shares of ₦1 each.

The following changes have taken place in GELUL's authorized and issued capital since its inception:

| Date | Authorised Share Capital | | Issued Share Capital | |
|---|---|---|---|---|
| | Increase | Cumulative | Increase | Cumulative |
| **2012** | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 |
| **2013** | 12,272,727 | 27,272,727 | 12,272,727 | 27,272,727 |
| **2014** | Nil | 27,272,727 | Nil | 27,272,727 |
| **2015** | Nil | 27,272,727 | Nil | 27,272,727 |
| **2016** | Nil | 27,272,727 | Nil | 27,272,727 |
| **2017** | Nil | 27,272,727 | Nil | 27,272,727 |

### Shareholding Structure

As at 31 December 2017 the shareholding structure of GEL Utility Limited is as follows:

| Shareholders | No. of shares | % holdings |
|---|---|---|
| Engro Powergen Limited | 12,272,727 | 45% |
| Genesis Energy Limited | 15,000,000 | 55% |
| | **27,272,727** | **100%** |

### Directors' Interests

None of the directors of GELUL hold any direct interests in issued share capital of the Company.

### Statement of Indebtedness

Details of all indebtedness of the Co-Obligor at the time of issuance of any Bonds under the Programme will be disclosed in the Supplementary Prospectus relating to the series of Bonds to be issued.

### Claims & Litigation

As at 19, November 2018 GELUL had no Claims and Litigation.

### Off Balance Sheet Items

As at 31 December 2017, GELUL had no off-Balance-Sheet Items.

**Declarations**

Except as otherwise disclosed in this Shelf Prospectus:

(a) No share of the Company is under option or agreed conditionally or unconditionally to be put under option;
(b) No commissions, brokerages or other special terms have been granted by the Company to any person in connection with the Medium Term Note Programme or sale of any securities of the Company;
(c) Save as disclosed herein, the directors of the Company have not been informed of any holding representing 5% or more of the issued share capital of the Company;
(d) There are no founders, management or deferred shares or any options outstanding in the Company;
(e) There are no material service agreements between the Company or any of its Directors and employees other than in the ordinary course of business;
(f) There are no long-term service agreements between the Company or any of its Directors and employees other than in the ordinary course of business;
(g) No Director of the Company has had any interest, direct or indirect, in any property purchased or proposed to be purchased by the Company in the five years prior to the date of this SP;
(h) No prosecution has commenced against the Company or any of its subsidiaries in respect of any breach of any securities laws or CAMA; and
(i) No action has been taken against the Company by FMDQ and NSE in respect of any breach of the listing requirements of the Exchange.

Further declarations/information in respect of shareholders/key management staff:

It is further declared that to the best of knowledge of Directors as at 31st December, 2017:

(a) None of the above is under any bankruptcy or insolvency proceedings in any court of law;
(b) None of them has been convicted in any criminal proceeding; and
(c) None of them is subject of any order, judgment or ruling of any court of competent jurisdiction or regulatory body relating to fraud or dishonesty.

**Material Contracts**

The following agreements have been entered into and are considered material to this programme:

- A Vending Agreement dated [●] between GEL Utility Funding SPV PLC on the one part and the issuing houses on the other part by which the latter have agreed to act as issuing houses to the ₦50billion bond issuance programme.
- A Programme Trust Deed dated [●] between GEL Utility Funding SPV PLC on the one part and the Note Trustee on the other part by which the latter has agreed to act as Note Trustee in connection with the ₦50 billion bond issuance programme.
- An Account Bank Agreement [●].

**Costs & Expenses**

The cost, charges and expenses of and incidental to the Issue, including fees payable to SEC, FMDQ, NSE, CSCS, professional parties' fees, brokerage commission, printing and distribution expenses will be determined at each issuance. These costs are payable by the Issuer and deductible from the proceeds of the Issue. This shall be specified in the relevant PS/SSP to be issued under this Programme.

**Relationship between the Parties**

As of the date of this prospectus, there is no known relationship between the Issuer and any of its advisers except in the ordinary course of business.

**Mergers or Takeovers**
As at the date of this Shelf Prospectus, the Directors were not aware of the following during the preceding financial year or current financial year:

- A merger or takeover offer by third parties in respect of the Company's securities; and
- A merger or takeover by the Company in respect of another Company's securities.

**Consents**
The under listed parties have given and not withdrawn their written consents to the issue of this Prospectus with their names and reports (where applicable) included in the form and context in which they appear:

| | |
|---|---|
| **Representatives of the Board of Directors:** | **Mr. Akinwole Omoboriowo II**<br>Executive Director |
| | **Mr. Simon Shaibu**<br>Executive Director |
| | **Mr. Felix Achibiri**<br>Non Executive Director |
| | **Mr. Shahab Qader Khan**<br>Non Executive Director |
| | **Mr. Shamsuddin Ahmed Shaikh**<br>Non Executive Director |
| | **Mr. Ahsan Zafar Syed**<br>Non Executive Director |
| **Company Secretary:** | G.Elias & Co. |
| **Issuing House:** | United Capital Plc |
| **Note Trustee:** | Stanbic IBTC Trustees Limited |
| **Solicitors to the Issue:** | F.O Akinrele & Co. |
| **Solicitors to the Trustees:** | Templars (Barristers & Solicitors) |
| **Reporting Accountant** | Deloitte & Touche |
| **Registrars:** | Africa Prudential PLC |

**Documents Available For Inspection**
The following documents will be available for inspection throughout the life of the Bonds at the Principal offices of the Issuing Houses addresses as listed on [●] between 8.00am and 5.00pm on any Business Day throughout the validity of the Programme.

- Certificate of Incorporation of the Issuer;
- Memorandum and Articles of Association of the Issuer;
- Reporting Accountants' Report on 12 months historical financials of the Company ended December 2017 and audited accounts ended June 2018
- Board Resolution of the Issuer dated 8th October 2018 authorising the ₦50 billion bond issuance Programme;
- Shareholder Resolution of the Issuer dated 8th October 2018 authorising the ₦50 billion bond issuance Programme;
- Letter from the Securities & Exchange Commission approving the registration of the Programme;

- Audited Financial Statement of the Company for the years ended 31, December 2017
- Shelf Prospectus issued with respect to the Bond Issuance Programme;
- Consents of Parties referred to on pages 76;
- The Vending Agreement;
- The Programme Trust Deed;
- The Account Bank Agreement;
- The Schedule of Claims & Litigations involving the Company, together with the opinion of Solicitors to the Issue prepared in connection therewith; and
- The Rating Reports issued by Agusto and Co. Limited for in respect of the Issuer

## FORM OF PRICING SUPPLEMENT

*Set out below is the form of Pricing Supplement which will be prepared by the Issuer for each Series of Bonds issued under the Programme:*

# GEL UTILITY FUNDING SPV PLC

**Offer for Subscription**

**Of**

[●]

**Series [●]: [●]-Year [●]%**

**Under a ₦50,000,000,000.00 Bond Issuance Programme**

**Issue Price: [●] per unit**

**Payable in full on Application**

Application List Opens: [●]
Application List Closes: [●]

This Pricing Supplement is prepared for the purpose of Rule 279(3) of the Rules and Regulation of the Securities & Exchange Commission ("the Commission" or SEC) in connection with the ₦50, 000,000,000.00 Medium Term Note Programme established by GEL Utility Funding SPV PLC ("the Issuer"). This Pricing Supplement is supplemental to, and should be read in conjunction with, the Shelf Prospectus dated [●] 2018 and any other supplements to the Shelf Prospectus to be issued by the Issuer. Terms defined in the Shelf Prospectus have the same meaning when used in this Pricing Supplement.

To the extent that there is any conflict or inconsistency between the contents of this Pricing Supplement and the Shelf Prospectus, the provisions of this Pricing Supplement shall prevail. This Pricing Supplement may be used to offer and sell the Bonds only if accompanied by the Shelf Prospectus. Copies of the Shelf Prospectus can be obtained from any of the Issuing Houses.

The registration of the Shelf Prospectus and this Pricing Supplement shall not be taken to indicate that the Commission endorses or recommends the Securities or assumes responsibility for the correctness of any statements made or opinions or reports expressed in the Shelf Prospectus or this Pricing Supplement. No Securities will be allotted or issued on the basis of the Shelf Prospectus read together with this Pricing Supplement later than three years after the date of the issue of the Shelf Prospectus.

This Pricing Supplement contains particulars in compliance with the requirements of the Commission for the purpose of giving information with regard to the Securities being issued hereunder (the "Series 1 Bonds" or "Bonds"). Application has been made to the FMDQ/Governing Council of The NSE for the admission of the Bonds to the Daily Official List of the Exchange. The Bonds now being issued will upon admission to the Daily Official List qualify as a security in which Trustee may invest under the Trustee Investments Act (Cap T22) Laws of the Federation of Nigeria, 2004.

The Issuer accepts full responsibility for the accuracy of the information contained in this Pricing Supplement. The Issuer declares that having taken reasonable care to ensure that such is the case, the information contained in this Pricing Supplement is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information and that, save as disclosed herein, no other significant new factor, material mistake or inaccuracy relating to the information included in the Shelf Prospectus has arisen or has been noted, as the case may be, since the publication of the Shelf Prospectus. Further, the material facts contained herein are true and accurate in all material respects and the Issuer confirms that, having made all reasonable enquiries, to the best of its knowledge and belief, there are no material facts, the omission of which would make any statement contained herein misleading or untrue.

This Pricing Supplement is dated [●] 2018

| FINAL TERMS OF THE SERIES [•] BONDS | | |
|---|---|---|
| **1.** | Issuer | [•] |
| **2.** | Co-Obligor | [•] |
| **3.** | Series Number: | 1 |
| **4.** | Aggregate Principal Amount of Bonds: | [•] |
| **5.** | Issue Price:<br>Net Proceeds: | [•] |
| **6.** | Denomination(s): | [•] |
| **7.** | Issue Date:<br>Interest Commence Date (if different from Issue Date) | [•] |
| **8.** | Maturity Date: | [•] |
| **9.** | Principal Moratorium: | [•] |
| **10.** | Interest Basis: | [•] |
| **11** | Redemption/Payment Basis: | [•] |
| **12.** | Status: | [•] |
| **13.** | Security: | [•] |
| **14.** | Listing(s): | [•] |
| **15.** | Method of Distribution: | [•] |
| **16.** | Offer Period | [•] |
| **Provisions Relating To Interest (If Any) Payable** | | |
| **17.** | Fixed Rate Note Provisions | |
| | - Interest Rate: | [•] |
| | - Coupon Payment Date(s) /Payment Dates: | [•] |
| | - Interest Amount(s): | [•] |
| | - Business Day Convention: | [Following Business Day Convention/ Preceding Business Day Convention/ Modified Business Day] |
| | - Business Day: | Modified Business Day |
| | - Other terms relating to method of calculating interest for Fixed Rate Bonds: | [•] |
| **18.** | Floating Rate Note Provisions | [•] (if not delete the remaining sub-paragraphs of this paragraph) |
| | - Coupon Payment Date(s): | [•] |

| FINAL TERMS OF THE SERIES [•] BONDS | | |
|---|---|---|
| | - Reference Banks: | [•] |
| | - Spread (if applicable): | [•] |
| | - Party responsible for calculating interest rate and interest amount(s) | [•] |
| | - Relevant Time (if applicable): | [•] |
| | - Screen Rate Determination:<br>• Benchmark:<br>• Coupon Determination Dates(s):<br>• Relevant Screen Page: | Actual/Actual: Actual/360 |
| | - Day Count Fraction | [•] |
| **Provisions Relating To Redemption** | | |
| **19.** | Optional Early Redemption (Call Option): | [Applicable/Not Applicable] |
| **20.** | Optional Early Redemption (Put Option): | [Applicable/Not Applicable] |
| **21.** | Scheduled Redemption/Amortization: | [Applicable/Not Applicable] |
| **22.** | Redemption Amount(s): | [•] |
| **23.** | Scheduled Redemption Dates: | [•] |
| **24.** | Final Redemption Amount: | [•] |
| **General Provisions Applicable to the Bonds** | | |
| **25.** | Form of Bonds:<br>Form of Dematerialized Bonds:<br>Registrar: | Dematerialised Bonds<br>[Registered/Certificate/Dematerialized]<br>[•] |
| **26.** | Trustee(s): | [•] |
| **27.** | Record Date: | [•] |
| **28.** | Other terms or special conditions: | [•] |
| **Distribution, Clearing and Settlement Provisions** | | |
| **29.** | Underwritten/Book-building: | [•] |
| **30.** | If Underwritten, names of Underwriters | [•] |
| **31.** | Clearing System: | Central Securities Clearing System Plc |
| **General** | | |
| **32.** | Rating: | [•] |
| **33.** | Taxation: | [•] |
| **34.** | Governing Law | Nigeria |

## FINAL TERMS OF THE SERIES [•] BONDS

### Appendices

| | |
|---|---|
| **35.** Appendices: | [List and Attach Appendices if applicable] |

### Use of Proceeds

**[Insert details of use of proceeds]**

### Material Adverse Change Statement

**Except as disclosed in this document and in the Shelf Prospectus dated [•] 2018, there has been no significant change in the financial or trading position of the Issuer since [insert date of last audited accounts or interim accounts (if later)] and no material adverse change in the financial position or prospects of the Issuer since [insert date of last published annual accounts].**

### Responsibility

**The Issuer accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Shelf Prospectus referred to above, contains all information that is material in the context of the issue of the Bonds.**

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Signed on [•]

____________________________________

Name:

Capacity