IKEJA ELECTRIC

# ANNUAL REPORT

# FOR THE YEAR ENDED 31 DECEMBER 2020

# IKEJA ELECTRIC PLC
## FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2020

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# IKEJA ELECTRIC PLC
## FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2020

### CORPORATE INFORMATION

| | | Designation |
|---|---|---|
| **Directors** | Mr. Kola Adesina | Chairman |
| | Mr. Temitope Shonubi | Director |
| | Mr. Adedeji Odunsi | Director |
| | Mr. Alex Okoh | Director |
| | Mr. Aigbe Olotu | Director |
| | Ms. Ijeoma Nwogwugwu | Director |
| | Mr. Park SW (Korean) | Director |

**Registered Office**
Ikeja Electric Plc
178 Obafemi Awolowo Way
Alausa, Ikeja
Lagos State, Nigeria

**Registeration Number**
RC 638695

**Company Secretary**
Ejiro Gray
178 Obafemi Awolowo Way
Alausa, Ikeja
Lagos State, Nigeria

**Bankers**
Citi Bank Nigeria Limited
Ecobank Nigeria Plc
Fidelity Bank Plc
First City Monument Bank Limited
Keystone Bank Limited
Polaris Bank Limited
Sterling Bank Plc
Union Bank of Nigeria Plc
United Bank for Africa Plc
Zenith Bank Plc.

**Solicitors**
Udo Udoma & Belo-Osagie
10th/13th Floor St. Nicholas House CMS, Lagos Island, Lagos

Law Guild Legal Practitioners & Arbitrator
Investment House, 8th Floor, Broad Street, Lagos.

Lawlinks Legal Practitioners
23, Sunmola Street, Mende, Maryland, Lagos

**Independent Auditor**
KPMG
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
Lagos, Nigeria

**TIN**
17777279-0001

# IKEJA ELECTRIC PLC
## FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2020
## FINANCIAL HIGHLIGHTS

| Results | 2020 | (Restated)* 31 Dec 2019 | | Change |
|---|---|---|---|---|
| | ₦'000 | ₦'000 | | % |
| Revenue | 124,978,034 | 100,588,240 | ▲ | *24%* |
| Operating profit | 14,344,406 | 114,781,489 | ▼ | *88%* |
| Profit for the year | 8,783,474 | 158,612,788 | ▼ | *94%* |
| Total Comprehensive Income | 8,830,792 | 158,612,788 | ▼ | *94%* |
| Total Equity | 31,568,239 | 22,737,447 | ▲ | *39%* |
| **Data per ₦1.00k shares** | | | | |
| Earnings per share - Basic (Naira) | 353 | 6,345 | ▼ | *94%* |
| Net Assets per share | 1,263 | 909 | ▲ | *39%* |

* See note 36

## REPORT OF THE DIRECTORS

The Directors are pleased to present to members, their report and the audited Financial Statement of Ikeja Electric Plc ("the Company") for the year ended 31 December 2020 with the independent auditor's report for the year ended 31 December 2020.

### Legal form and principal activity
Ikeja Electric Plc ("the Company"), was incorporated on November 8, 2005 as a Limited Company to take over as a going concern, the electricity distribution activities and related business of the Power Holding Company of Nigeria ("PHCN") within the franchise area of its network which comprised of six (6) business units namely Ikeja, Oshodi, Shomolu, Ikorodu, Akowonjo and Abule-Egba business units respectively.

The principal activity of the Company is the distribution of electricity to its customers and consumers across its franchise network.

### Operating results
The summary of the operating results of the Company is as follows:

| | 31 Dec 2020 N'000 | 31 Dec 2019 N'000 |
|---|---|---|
| Revenue | 124,978,034 | 100,588,240 |
| Profit before minimum tax and income tax | 13,190,440 | 158,917,380 |
| Minimum tax | (396,602) | (505,768) |
| Profit before income tax | 12,793,538 | 158,411,612 |
| Income tax (expense)/credit | (4,010,063) | 201,176 |
| Profit for the year | 8,783,475 | 158,612,788 |
| Other comprehensive income | 69,586 | - |
| Related tax | (22,268) | - |
| Total comprehensive Profit for the year | 8,830,793 | 158,612,788 |

### Dividend
The Directors did not recommend any dividend payment for the financial year ended 31 December 2020 (2019: Nil).

### Property, plant and equipment
Information relating to changes in property, plant and equipment is disclosed in Note 13 to the financial statements.

### Subsequent events
Other than as stated in Note 34, there are no events after the reporting date which could have a material effect on the financial position of the Company as at 31 December 2020 and on the profit and other comprehensive income for the year then ended which have not been adequately accounted for or disclosed in the financial statements.

### Directors' interest in contracts
None of the Directors has notified the Company for the purpose of section 303 of the Companies and Allied Matters Act (CAMA) 2020, of their direct or indirect interest in contracts or proposed contract with the Company during the year.

The Directors also confirm the availability of all records of the Board and the Annual General Meetings for inspection as required under sections 266 and 267 of CAMA 2020.

### Board matters
There was no change in the board composition during the year ended 31 December 2020.

## REPORT OF THE DIRECTORS (CONT'D)

### Directors and their interests

For the purpose of section 301 of the Companies and Allied Matters Act (CAMA) 2020, the Directors have no direct interest in the shares of the Company. However, the following Director is representing the interest of the Bureau of Public Enterprises (BPE) on the Board:

**Number of ordinary shares held**

| Director | Direct Holding 31 Dec. 2020 | Indirect Holding Through Bureau of Public Enterprise (BPE) 31 Dec. 2020 | Direct Holding 31 Dec. 2019 | Indirect Holding Through Bureau of Public Enterprise (BPE) 31 Dec. 2019 |
|---|---|---|---|---|
| Mr. Alex Okoh | Nil | 8,000,000 | Nil | 8,000,000 |

### Shareholding structure

The issued share capital of the Company is ₦25,000,000 made up of 25,000,000 units of ordinary share capital of N1.00k each. The beneficiaries are as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Names of shareholder** | **Nos of shares held** | **%** | **Nos of shares held** | **%** |
| New Electricity Distribution Company Ltd - NEDC | 15,000,000 | 60 | 15,000,000 | 60 |
| Bureau of Public Enterprises – BPE | 8,000,000 | 32 | 8,000,000 | 32 |
| Ministry of Finance Incorporated | 2,000,000 | 8 | 2,000,000 | 8 |
| **Total issued ordinary shares** | **25,000,000** | **100** | **25,000,000** | **100** |

### Directors

The Directors of the Company who held office during the year under review are as follows:

| Name | Designation |
|---|---|
| Mr. Kola Adesina | Chairman |
| Mr. Temitope Shonubi | Director |
| Mr. Adedeji Odunsi | Director |
| Mr. Alex Okoh | Director |
| Mr. Aigbe Olotu | Director |
| Mr. Sang-Woo Park | Director |
| Ms. Ijeoma Nwogwugwu | Director |

### Corporate governance

The Board carried out its functions in line with legal requirements and in accordance with best practice. The Board recognises the importance of high standard corporate governance and is committed to same. The Board has implemented, and operates in accordance with, a set of corporate governance requirements which are fundamental to the Company's continued growth and success. As at the date of this report, the Company has in place, the following Board Committees which assisted the Board:

Audit, Risk & Governance Committee, chaired by Mr. Ade Odunsi
Finance, Investment & General-Purpose Committee, chaired by Mr. Tope Shonubi
Technical and Operations Committee, chaired by Mr. Alex Okoh

**REPORT OF THE DIRECTORS (CONT'D)**

**Corporate governance (cont'd)**

Since the inaugural board meeting of the Company under the new dispensation in November 2013, the board has held several meetings. In the year under review, the company held Four (4) Board meetings (held on 20th of February, 22nd of May, 24th of July and 5th of November 2020).

**Directors' attendance at board meetings**

The Board held four (4) Board meetings during the year and below is the record of attendance of the directors at the meeting:

| NAME | NUMBER OF MEETINGS ATTENDED |
|---|---|
| Mr. Temitope Shonubi | 4/4 |
| Mr. Kola Adesina | 4/4 |
| Mr. Adedeji Odunsi | 3/4 |
| Ms. Ijeoma Nwogwugwu | 3/4 |
| Mr. Alex Okoh *(Represented by Mr. Toibudeen Oduniyi)* | 4/4 |
| Mr. Sang-Woo Park | 4/4 |
| Mr. Aigbe Olotu | 4/4 |

**Board committees**

The Board Committees and their members also held meetings during the year as follow:

**Audit, risk & governance committee**

The Audit, Risk & Governance Committee met four times during the year under review. The meetings were held on 19th February, 20th of May, 14th of Aug and 24th November 2020.

| NAME | NUMBER OF MEETINGS ATTENDED |
|---|---|
| Mr. Adedeji Odunsi | 3/4 |
| Mr. Aigbe Olotu | 4/4 |
| Mr. Alex Okoh/Toibudeen Oduniyi | 4/4 |
| Mr. Temitope Shonubi | 1/4 |

**Finance, investment & general purpose committee**

The Finance, Investment & General Purpose Committee met four times during the year under review. The s were held on 19th Feb 2020, 10th July 2020, 16th Oct 2020, 23rd Oct 2020.

| NAME | NUMBER OF MEETINGS ATTENDED |
|---|---|
| Ms. Ijeoma Nwogwugwu | 4/4 |
| Mr. Temitope Shonubi | 3/4 |
| Mr. Adedeji Odunsi | 2/4 |
| Mr. Alex Okoh | 4/4 |

**Technical and operations committee**

Technical and operations committee did not meet during the year.

**Mode of meeting**

All the meetings during the year were held via video conference.

**Employment of physically challenged persons**
It is the policy of the Company that there should be no discrimination in considering applications for employment including those from physically challenged persons if academically qualified and medically fit. All employees whether physically challenged or not are given equal opportunities to develop their expertise and knowledge and qualify for promotion in furtherance of their career.

The Company had two (2) physically challenged people in its employment as at 31 December 2020 (2019: two (2)).

**Health, Safety & Environment (HSE)**
Ikeja Electric is committed to an Environmental Health & Safety system that promotes a safe environment for all employees, customers, consumers, contractors and network assets under its network. The Company has created and maintained a proactive safety culture with the belief that all injuries and occupational hazards are foreseeable and preventable. Hence, the health and safety practices have continued to remain paramount to the organisation.

As a responsible organization, we learnt from our QHSE Performance in 2019 and implemented innovative solutions through the "Work Safely OR Go Home" Strategy so that all staff take responsibility of their individual safety and that of the collective interest of Ikeja Electric in 2020.

This Strategy demonstrates our commitment through a thorough implementation of our organizational, technical and operational controls aimed at achieving zero harm to our interested parties and is premised on four elements; Zero injuries to our people, contractors and visitor; Zero tolerance of unsafe behaviour and acts, Zero compromise on safety and Zero impacts on our families and communities.

In 2020, we have continued the Technical Safety Village Meeting which convenes all Technical Staff and Leadership Team companywide and acts as a platform for sharing lessons learnt from accidents and as a forum for workers' consultation and participation on issues bordering on Occupational Health, Safety and Environment.

**Employees' involvement and training**
Ikeja Electric Plc places considerable value on the involvement of its employees in major policy matters and keeps them informed on matters affecting them as employees and on various factors affecting the performance of the company.

Management, professional and technical expertise are the Company's major assets and the Company gives adequate attention to the investment in developing these skills. The Company has best in-class in-house training facilities. Training is carried out at various levels of employees through both in-house training and external training, where necessary. This has created opportunities for career development within the organisation.

**Personal & corporate social responsibilities**
The Company continued its initiatives in Personal and Corporate Social Responsibilities in 2020 and engaged in several activities amongst others including:

**COVID-19 Support** – IE partnered with its parent company, Sahara Group to provide financial donations and materials to the Federal and State Governments in support of the campaign against COVID-19. IE's contribution to this partnership was N 50 million.

**"Safety Start with Me" Campaign** – This campaign is aimed at sensitizing children about electricity safety while also showing them the dangers of electrical hazards. This was done in an interactive teaching style using familiar household appliances and emphasizing on practical safety measures around them. The campaign commenced with a visit to Ansach Nursery & Primary school in Oshodi business area.

## REPORT OF THE DIRECTORS (CONT'D)

### Personal & corporate social responsibilities (cont'd)

**Project Zero** - Ikeja Electric Partnered with the Lagos State Universal Basic Education Board (LASUBEB) to sponsor Two hundred (200) out of school children back to school through the Project Zero initiative; an initiative set up to combat the rate of school drop out for various socioeconomic reasons

**Season to Share** – This initiative was to provide support to families and communities during the yuletide period. The company donated several items to communities within its 6 business units.

Finally, the Company, through its Employee Voluntary Scheme (EVS), embarked on various cleaning and donating activities throughout the year.

The amount invested in PCSR activities (including donations) in year 2020 is over ₦56.6 million (2019: ₦13.9 million).

In accordance with section 43(2) of the Companies and Allied Matters Act (CAMA) 2020, the company did not make any donations or gifts to any political party, political association or for any political purpose in the course of the year (2019: Nil).

### Acquisition of own shares
The Company did not purchase any of its own shares during the year (2019: Nil).

### Independent Auditors
Messrs. KPMG Professional Services were appointed External Auditors on 5 November 2020. In accordance with Section 401 (2) of the Companies and Allied Matters Act (CAMA) 2020, Messrs. KPMG Professional Services have indicated their willingness to continue in office as External Auditors of the Company. A resolution will be proposed at the next Annual General Meeting authorizing the directors to determine their remuneration.

**BY ORDER OF THE BOARD**

29 October 2021

**Ejiro Gray**
**Company Secretary/Legal Adviser**
**FRC/2014/NBA/00000005929**

## STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS

The Directors of Ikeja Electric Plc ("the Company) are responsible for the preparation of the financial statements that give a true and fair view of the financial position of the Company as at 31 December 2020, and the results of its operations, cash flows and changes in equity for the year ended 31 December 2020, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria, 2020 and the Financial Reporting Council of Nigeria Act, 2011.

In preparing the financial statements, the Directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when in compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company and Company's financial position and financial performance; and
- making an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

**Going concern:**
The Directors of Ikeja Electric Plc, having evaluated the considerations as disclosed in Note 1.2, believe that the use of the going concern is appropriate for the preparation of the 2020 financial statements. The Directors are positive that the Company will achieve adequate resources to continue operations into the foreseeable future with proposed reforms in the sector.

The financial statements of the Company for the year ended 31 December 2020 were approved by the Board on ..........29 October.............., 2021

**On behalf of the Directors of the Company**

| | |
|---|---|
| **Kola Adesina** | **Adedeji Odunsi** |
| **Chairman** | **Director** |
| **FRC/2016/CIIN/00000014687** | **FRC/2013/ICAN/00000005046** |

**STATEMENT OF CORPORATE RESPONSIBILITY**
**FOR THE PREPARATION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 December 2020**

Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Managing Director/CEO and Chief financial Officer, hereby certify the financial statements of the (name of the Company) for the year ended 31 December 2020 as follows:

a) That we have reviewed the audited financial statements of the Company for the year ended 31 December 2020.

b) That the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading, in the light of the circumstances under which such statement was made.

c) That the audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for, the year ended 31 December 2020.

d) That we are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Company is made known to the officer by other officers of the companies, during the year end 31 December 2020.

e) That we have evaluated the effectiveness of the Company's internal controls within 90 days prior to the date of audited financial statements, and certify that the Company's internal controls are effective as of that date.

f) That there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective action with regard to significant deficiencies and material weaknesses.

g) That we have disclosed the following information to the Company's Auditors and Audit Committee:

(i) there are no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data, and have identified for the Company's auditors any material weaknesses in internal controls, and

(ii) there is no fraud that involves management or other employees who have a significant role in the Company's internal control.

**Folake Soetan**
**Chief Executive Officer (CEO)**
**FRC/2021/002/00000023599**

**Olubunmi Olukoju**
**Chief Financial Officer**
**FRC/2017/ICAN/00000007483**

## REPORT OF THE AUDIT, RISK & GOVERNANCE COMMITTEE

### To the members of Ikeja Electric Plc

In compliance with section 404(1) of the Companies and Allied Matters Act (CAMA 2020), we the members of the Audit, Risk & Governance Committee of Ikeja Electric Plc, have reviewed the Audited Report for the year ended 31 December, 2020 and hereby declare as follows:

1. The scope and planning of the audit for year ended 31 December, 2020 were adequate in our opinion;

2. The accounting and financial reporting policies of the Company conformed to legal requirements and agreed ethical practices;

3. The Internal Control and Internal Audit were operated effectively through robust internal control framework;

4. The External Auditor's findings as stated in the management letter received satisfactory response from executive management;

5. The External Auditors confirmed receiving full co-operation from the Company's management and that their scope of work was not restricted in any way.

**Dated:** 29 October **2021**

Mr. Adedeji Odunsi
Chairman, Audit, Risk & Governance Committee
FRC/2014/ICAN/00000005046

**MEMBERS OF THE COMMITTEE**

| | |
|---|---|
| Mr. Adedeji Odunsi | - Chairman |
| Mr. Aigbe Olotu | - Member |
| Mr. Alex Okoh | - Member |
| Ms. Ijeoma Nwogwugwu | - Member |

KPMG Professional Services
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# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ikeja Electric PLC

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of Ikeja Electric PLC (the Company), which comprise:

- the statement of financial position as at 31 December, 2020;
- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Emphasis of Matter – Comparative Information*

We draw your attention to Note 36 of the financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2019 has been restated. Our opinion is not modified in respect of this matter.

### *Other Matter relating to comparative information*

The financial statements of Ikeja Electric Plc as at and for the years ended 31 December 2019 and 31 December 2018 (from which the statement of financial position as at 1 January 2019 has been derived), excluding the adjustments described in Note 36 to these financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 September 2020.

As part of our audit of the financial statements as at and for the year ended 31 December 2020, we audited the adjustments described in Note 36 that were applied to restate the comparative information presented as at and for the year ended 31 December 2019 and the statement of financial position as at 1 January 2019.

We were not engaged to audit, review, or apply any procedures to the financial statements for the year ended 31 December 2019 or 31 December 2018 (not presented herein) or to the statement of financial position as at 1 January 2019, other than with respect to the adjustments described in Note 36 to these financial statements. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole. However, in our opinion, the adjustments described In Note 36 are appropriate and have been properly applied.

***Material Uncertainty Related to Going Concern***

We draw attention to Note 1.2 of the financial statements, which indicates that although the Company recorded a net profit of ₦ 8.78 billion (2019: ₦ 158.61 billion) during the year ended 31 December, 2020 and as of that date, the Company's current liabilities exceeded its current assets by ₦ 71.62 billion (2019: ₦ 85.04 billion). As stated in Note 1.2, these events or conditions, along with other matters as set forth in Note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| ***The key audit matter*** | |
|---|---|
| ***Revenue recognition*** | ***How the matter was addressed in our audit*** |
| Revenue recognition was a matter of significance in our audit of the financial statements due to:<br><br>• Significant judgment and estimation involved in determining revenue from unmetered customers based on an estimated billing methodology; and<br><br>• Significant judgment and estimation involved in determining: unbilled revenue for postpaid energy sales to customers between the date of their last bill and the year-end date, and deferred revenue from prepaid energy sales as at year end which require estimation of electricity units consumed by customers up to the year-end date with reference to electricity unit purchases and other assumptions.<br><br>Additionally, tariffs are regulated and include multiple guidelines issued by the regulator, Nigerian Electricity Regulatory Commission ("NERC"). The Company's process of implementing the multiple guidelines is manual and prone to error. | Our audit procedures in this area included the following:<br><br>• We obtained an understanding of the Company's customer billing and meter reading processes and evaluated the design and implementation of the relevant controls in relation to revenue estimation and billing systems.<br><br>• For revenue recognised in respect of unmetered customers, we evaluated the reasonableness of the assumptions underlying the Company's estimated billing methodology by recomputing energy billed to test that the total energy billed is not higher than total energy received. We evaluated the reasonableness of billings to unmetered customers by comparing unmetered customer billings in the respective tariff classes to billings made to metered customers in the same tariff classes. We also re-computed the estimate made for unbilled revenue at year end.<br><br>• With respect to the estimation of deferred revenue from prepaid energy sales, we re-computed deferred revenue using parameters such as customers' |

| | |
|---|---|
| | average monthly consumption and compared these to amounts determined by the Company. On estimation of unbilled revenue from postpaid energy sales, we obtained an understanding of the Company's billing cycle and re-computed estimated unbilled revenue as at year end to account for the days between the period of the billing cycle for December 2020 and the year end.<br><br>• We evaluated the various NERC guidelines issued with respect to metering and billing of customers and assessed how the Company had complied with those guidelines in formulating its billing and revenue recognition methodology by recomputing revenue based on the guidelines. |
| *The Company's accounting policy on revenue recognition and related disclosures are shown in Notes 3(A) and 6 to the financial statements respectively.* | |

| ***Recognition of assets under the Meter Asset Providers (MAP) Regulation*** | ***How the matter was addressed in our audit*** |
|---|---|
| In line with the Meter Asset Providers (MAPs) regulation issued by NERC, meters were procured and installed for customers within the Company's distribution network by the MAPs. The initial recognition of the meters was a matter of significance to our audit and involved significant judgment due to the novelty of the transactions and the changes made to the relevant regulations issed by NERC during the year. The changes in regulation significantly altered the structure of the MAP programme and required significant judgment in determining the appropriate accounting treatment as no entries were initially recorded in the prior year financial statements. | Our audit procedures in this area included the following:<br><br>• We read the MAP regulation issued and the Metering Service Agreements, checking that the terms of the regulation and contracts have been adhered to.<br><br>• We checked the value of the assets to the NERC approved meter prices, checking that the amounts used in the determination of costs are appropriate.<br><br>• We evaluated the accounting treatment of the assets by assessing whether the Company obtains control of the assets. We also evaluated management's judgment in determining the appropriate accounting for the meters in view of the changes in the regulation by evaluating whether the changes in the regulation were reflective of conditions that existed as at the end of the comparative period. |
| *The Company's accounting policy on recognition of property, plant and equipment and related disclosures are shown in Notes 3(B) and 13 to the financial statements respectively.* | |

### *Information Other than the Financial Statements and Audit Report thereon*

The Directors are responsible for the other information. The other information comprises the Financial Highlights, Directors' Report, Statement of Directors' Responsibilities, Statement of Corporate Responsibilities, Report of the Audit, Risk and Governance Committee, and Other National Disclosures, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Directors for the Financial Statements*

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

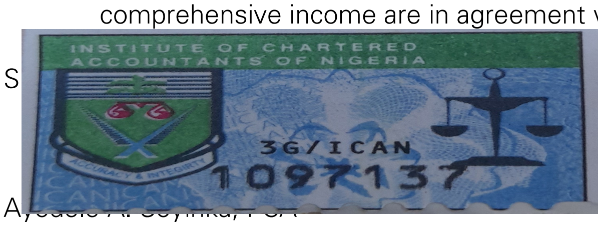
We communicate with the Audit, Risk & Governance Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Audit, Risk & Governance Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**
*Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act (CAMA), 2020*

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
ii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books.
iii. The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

S





Ayodele A. Soyinka, FCA
*FRC/2012/ICAN/ 00000000405*
For: KPMG Professional Services
Chartered Accountants
9 December 2021
Lagos, Nigeria

# IKEJA ELECTRIC PLC
## ANNUAL REPORT
## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | 2020 ₦'000 | (Restated)* 2019 ₦'000 |
|---|---|---|---|
| Revenue | 6 | 124,978,034 | 100,588,240 |
| Cost of sales | 7 | (90,410,995) | (60,526,162) |
| **Gross profit** | | **34,567,039** | **40,062,078** |
| Other income | 9 | 33,723,387 | 124,690,523 |
| Impairment loss on trade and other receivables | 31.5 | (19,888,983) | (17,377,620) |
| Distribution and Administrative costs | 8 | (34,057,037) | (32,593,492) |
| **Operating profit** | | **14,344,406** | **114,781,489** |
| Finance income | 10(a) | 54,148 | 45,350,221 |
| Finance costs | 10(a) | (1,208,115) | (1,214,330) |
| **Net finance (costs)/income** | | **(1,153,967)** | **44,135,891** |
| **Profit before minimum tax and income tax** | | **13,190,440** | **158,917,380** |
| Minimum tax | 12(a) | (396,902) | (505,768) |
| **Profit before income tax** | | **12,793,538** | **158,411,612** |
| Income tax (expense)/ credit | 12(b) | (4,010,064) | 201,176 |
| **Profit for the year** | | **8,783,474** | **158,612,788** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified subsequently to income statement* | | | |
| Remeasurement of defined benefit plan | 22(a) | 69,586 | - |
| Related tax | 12(c) | (22,268) | - |
| Other comprehensive income for the year, net of tax | | **47,318** | **-** |
| **Total comprehensive income for the year** | | **8,830,792** | **158,612,788** |
| Basic and diluted earnings per share (Naira) | 28 | **353** | **6,345** |

* See note 36

*The accompanying notes form an integral part of the financial statements.*

# IKEJA ELECTRIC PLC
## ANNUAL REPORT
## STATEMENT OF FINANCIAL POSITION
## FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | 31 Dec 2020 ₦'000 | (Restated)* 31 Dec 2019 ₦'000 | (Restated)* 1 Jan 2019 ₦'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 13(a) | 117,077,109 | 112,795,198 | 115,557,261 |
| Right-of-use assets | 29(a) | 414,140 | 534,270 | - |
| Intangible assets | 14 | 271,814 | 302,481 | 45,243 |
| Deferred tax assets | 12(f) | - | 892,994 | - |
| Trade and other receivables | 15 | 5,166,490 | 2,640,040 | 1,686,757 |
| **Total non-current assets** | | **122,929,553** | **117,164,983** | **117,289,261** |
| **Current assets** | | | | |
| Inventories | 16 | 522,683 | 377,118 | 323,966 |
| Trade and other receivables | 15 | 19,727,402 | 7,220,556 | 8,054,361 |
| Prepaid expenses | 17 | 322,637 | 295,109 | 355,603 |
| Cash and bank balances | 18 | 12,105,775 | 6,632,443 | 6,741,267 |
| **Total current assets** | | **32,678,497** | **14,525,226** | **15,475,197** |
| **TOTAL ASSETS** | | **155,608,050** | **131,690,209** | **132,764,458** |
| **EQUITY AND LIABILITIES** | | | | |
| **Capital and reserves** | | | | |
| Share capital | 25 | 25,000 | 25,000 | 25,000 |
| Revaluation reserve | 27(b) | 82,993,635 | 82,993,635 | 82,993,635 |
| Other reserve | 27(a) | 131,392,850 | 131,392,850 | 131,392,850 |
| Accumulated deficit | 26 | (182,843,246) | (191,674,038) | (350,286,826) |
| **Total Equity** | | **31,568,239** | **22,737,447** | **(135,875,341)** |
| **Non-current liabilities** | | | | |
| Loans and borrowings | 19 | 6,093,384 | 6,561,512 | 6,675,985 |
| Defined benefit obligation | 22 | 1,433,512 | 1,211,322 | 101,912 |
| Trade and other payables | 21 | 9,140,674 | 1,043,331 | - |
| Deferred income | 20 | 680,004 | 569,838 | 710,282 |
| Deferred tax liabilities | 12(f) | 2,393,095 | - | - |
| **Total non-current liabilities** | | **19,740,669** | **9,386,003** | **7,488,179** |
| **Current liabilities** | | | | |
| Current tax liabilities | 12(d) | 2,040,232 | 1,357,385 | 479,268 |
| Loans and borrowings | 19 | 1,906,516 | 1,683,497 | 422,071 |
| Trade and other payables | 21 | 98,670,728 | 95,817,372 | 259,733,570 |
| Contract liabilities | 6(c) | 1,402,562 | 568,060 | 376,650 |
| Provisions | 23 | 61,605 | - | - |
| Deferred income | 20 | 217,499 | 140,445 | 140,061 |
| **Total current liabilities** | | **104,299,142** | **99,566,759** | **261,151,620** |
| **TOTAL LIABILITIES** | | **124,039,811** | **108,952,762** | **268,639,799** |
| **TOTAL EQUITY AND LIABILITIES** | | **155,608,050** | **131,690,209** | **132,764,458** |

* See note 36

The financial statements were approved by the Board of Directors of the Company on 29 October, 2021. They were signed on its behalf by:

**Kola Adesina**
**Chairman**
FRC/2016/CIIN/00000014687

**Adedeji Odunsi**
**Director**
FRC/2014/ICAN/00000005046

Additionally certified by:

**Folake Soetan**
**Chief Executive Officer (CEO)**
FRC/2021/002/00000023599

**Olubunmi Olukoju**
**Chief Financial Officer**
FRC/2017/ICAN/00000007483

*The accompanying notes form an integral part of the financial statements.*

# IKEJA ELECTRIC PLC
**ANNUAL REPORT**
**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2020**

| | Note | Share Capital | Accumulated Deficit | PPE Revaluation Reserves | Other Reserves | Total Equity |
|---|---|---|---|---|---|---|
| | | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| **Balance as at 1 January 2019 as previously stated** | | **25,000** | **(350,223,109)** | **82,993,635** | **131,392,850** | **(135,811,624)** |
| Impact of correction of errors (Note 36) | | - | (63,717) | - | - | (63,717) |
| **Balance as at 1 January 2019 (Restated)** | | **25,000** | **(350,286,826)** | **82,993,635** | **131,392,850** | **(135,875,341)** |
| Profit for the year - 2019 | | | 158,612,788 | - | - | 158,612,788 |
| **Balance as at 1 January 2020 (Restated)** | | **25,000** | **(191,674,038)** | **82,993,635** | **131,392,850** | **22,737,447** |
| Profit for the year - 2020 | | | 8,783,474 | - | - | 8,783,474 |
| Other comprehensive income, net of tax | | - | 47,318 | - | - | 47,318 |
| **Balance as at 31 December 2020** | | **25,000** | **(182,843,246)** | **82,993,635** | **131,392,850** | **31,568,239** |

*The accompanying notes form an integral part of the financial statements.*

# IKEJA ELECTRIC PLC
## ANNUAL REPORT
## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2020

| | | | (Restated)* |
|---|---|---|---|
| **Cash flows from operating activities** | **Note** | **2020** | **2019** |
| | | **₦'000** | **₦'000** |
| Profit for the year | | 8,783,474 | 158,612,788 |
| **Adjustments for:** | | | |
| Depreciation on distribution assets | 7 | 7,938,804 | 7,241,408 |
| Depreciation on non-distribution assets | 8 | 401,462 | 454,695 |
| Amortisation of right-of-use assets | 8 | 237,390 | 211,285 |
| Amortisation of intangible assets | 14 | 154,851 | 138,166 |
| Amortisation of government intervention | 9 | (396,025) | (140,061) |
| Customer - granted assets | 6(a) | (206,222) | (195,471) |
| Actuarial gain on long service award | 9 | - | (8,394) |
| Impairment loss on trade and other receivables | 31.5 | 19,888,983 | 17,377,620 |
| Finance income | 10(a) | (54,148) | (45,350,221) |
| Finance costs | 10(a) | 1,208,115 | 1,214,330 |
| Current service cost - end of service benefit | 22(a) | 234,277 | 612,238 |
| Current service cost - long service award | 22(b) | 17,442 | 26,393 |
| Interest cost - end of service benefit | 22(a) | 168,843 | 480,360 |
| Interest cost - long service aware | 22(b) | 13,031 | 20,657 |
| Actuarial loss on long service award | 22(b) | 16,399 | - |
| Minimum tax expense | 12(a) | 396,902 | 505,768 |
| Income tax expense/ (credit) | 12(b) | 4,010,064 | (201,176) |
| Provisions | 23 | 61,605 | - |
| | | **34,091,773** | **(17,612,403)** |
| **Movements in working capital** | | | |
| Increase in trade and other receivables | 15(b) | (33,625,454) | (17,497,098) |
| (Increase) in inventory | | (145,568) | (53,152) |
| Increase in prepaid expenses | 17(a) | (27,528) | (82,534) |
| Increase/ (decrease) in trade and other payables | 21(c) | 2,843,974 | (118,754,900) |
| Increase in contract liabilities | | 834,502 | 191,410 |
| **Total movements in working capital** | | **(30,120,074)** | **(136,196,274)** |
| **Total adjustments and movements** | | **3,971,699** | **(153,808,677)** |
| Income tax paid | 12(d) | (460,297) | (319,469) |
| End of service paid | 22(a,b) | (158,216) | (21,844) |
| **Net cash generated from operating activities** | | **12,136,660** | **4,462,798** |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | 13(e) | (4,331,706) | (3,695,238) |
| Additions to right-of-use assets | 29(b) | (34,675) | - |
| Additions to intangible assets | 14 | (111,090) | (395,404) |
| Advance payment for property, plant and equipment | 15(b) | (1,296,824) | - |
| Interest received | 10(a) | 54,148 | 188,923 |
| **Net cash used in investing activities** | | **(5,720,147)** | **(3,901,719)** |
| **Cash flows from financing activities** | | | |
| Proceeds from loans and borrowings | 19(d) | 1,262,811 | 1,397,326 |
| Principal repayment of loans and borrowings | 19(d) | (1,288,958) | (1,031,550) |
| Interest repayment of loans and borrowings | 19(d) | (762,124) | (894,168) |
| Payment on lease liabilities | 19(d) | (154,910) | (141,511) |
| **Net cash used in financing activities** | | **(943,181)** | **(669,903)** |
| Net increase/(decrease) in cash and cash equivalents | | 5,473,332 | (108,824) |
| Cash and cash equivalents at 1 January | | 6,632,443 | 6,741,267 |
| **Cash and cash equivalents at 31 December** | 18 | **12,105,775** | **6,632,443** |

* See note 36

*The accompanying notes form an integral part of the financial statements.*

## 1.0 The Company

Ikeja Electric Plc ("the Company"), was incorporated on November 8, 2005 as a Limited Company to take over as a going concern, the electricity distribution activities and related business of the Power Holding Company of Nigeria ("PHCN") within the franchise area of its network which comprised of six (6) business units namely Ikeja, Oshodi, Shomolu, Ikorodu, Akowonjo and Abule-Egba business units respectively. The
Company is domiciled in Nigeria and has its registered office address at 178 Obafemi Awolowo Way, Alausa, Ikeja, Lagos.

The Company was in the distribution sector of the PHCN which was a state-owned Electric Power Company. However, it was sold to the consortium of New Electricity Distribution Company Limited (NEDC), with Korean Electric Power Corporation (KEPCO) as its technical partner, in 2007 as part of the privatization of the electric power sector. The sale was authorized by the Bureau of Public Enterprises (BPE). Effective from 1 November 2013 (referred to as the handover date), the Federal Government of Nigeria (FGN) handed over the Company and other unbundled assets to their new owners.

## 1.1 Shareholding structure

The shareholding structure of the Company is as follows:

| | N'000 | % |
|---|---|---|
| *New Electricity Distribution Company Ltd - NEDC* | | |
| 15,000,000 ordinary shares of N1.00k each | 15,000 | 60 |
| *Bureau of Public Enterprises - BPE* | | |
| 8,000,000 ordinary shares of N1.00k each | 8,000 | 32 |
| *Ministry of Finance Incorporated* | | |
| 2,000,000 ordinary shares of N1.00k each | 2,000 | 8 |
| *Total issued ordinary shares* | **25,000** | **100** |

## 1.2 Going concern consideration

As at the reporting date, the Company's current liabilities exceed current assets by ₦71.62 billion (2019: ₦85.04 billion) and the Company earned profit after tax of ₦8.78 billion (2019: ₦158.61 billion). In addition, the company recorded a positive operating cash flows of ₦12.14 billion (2019: ₦4.46 billion). Although the Company is profitable in current year, the net current liability is mainly due to historical statutory liabilities and amounts due to related parties for which payments were delayed to support the continued operation of the business.

Despite improvements in the Nigerian Electricity Supply Industry (NESI) such as the awarding of tariff shortfalls to the DISCOs, revision of the MYTO to higher tariff rates, various meter asset schemes such as the Meter Asset Providers (MAP) Regulation, the National Mass Metering Project (NMMP), etc, the Company still has a back-log of unsettled historical liabilities due to historical losses incurred by the Company. These liabilities create a material uncertainty on the Company's ability to continue as a going concern unless they are restructured under favorable terms or subordinated.

The Directors however prepared the financial statements on a going concern basis on the following considerations:

• The Company will continue to have operational cashflows to carry on its business. It is expected that collections from customers will be enough to pay the minimum remittance levels to the Market Operators as contained in the MYTO Minor Order released by NERC and cover operational expenses. Currently, the Company has been meeting its minimum remittance levels.

• NERC will continue to recognise tariff shortfall until cost-reflective tariffs are implemented. This in turn will free up cashflows to settle the legacy statutory and related party liabilities.

• The Market Operators will not demand for full payment for their invoices from Distribution companies as the minimum remittance level for each Disco has been determined. The Federal Government will continue to pay the balance of the invoices as part of its support to the industry.

• There is currently no indication that all the statutory and related party liabilities will be called for payment within 12 months of the reporting period.

The Directors have also considered the following in assessing the Going Concern status of the Company as the mitigations to off-set the risk of going concern:

1. The regulatory pronouncement of NERC via the various MYTO Minor Reviews Orders on the determination of minimum remittance levels, service-based tariffs are aimed at improving the financial records of the Company.

2. World Bank Led Power Sector Recovery Plan (PSRP): The World Bank Group is assisting the FGN in executing a power sector recovery program. The World Bank Group support is geared towards improving the metering gap and infrastructure development in the sector. It is expected that this will be finalised very soon.

3. CBN has been intervening in the power sector by providing long-term intervention facility to support the industry and in 2020, CBN has commenced the disbursement of the Meter acquisition loan for the free metering programme. It is expected that this will enable the company to reduce its metering gap significantly and thereby, earn higher revenues. In 2020, the disbursement from this intervention facility made on behalf of the Company is ₦1.26 billion. In 2021, ₦4.56 billion has been disbursed from this intervention facility on behalf of the Company.

4. Ongoing efforts of the management in the reduction of technical, commercial and collection loss will boost the operational cash flow/working capital management of the Company. Such efforts include:
- Expand bilateral sales agreements with customers
- Explore purchase of off grid power to underserved locations
- Distribution network upgrades
- Increase customer metering leveraging on the Intelligent Data Box (IDB) initiative

5. Government's commitment to ensuring prompt settlement of Debt owed to the Company by Ministries, Department and Agencies (MDAs).

On the basis of the above, the directors have concluded that they have reasonable expectation that the Company will be able to realize its assets and settle its liabilities in the ordinary course of business.
Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern.

### 1.3 Principal activities

The Company is primarily involved in the distribution of electricity. This includes activities such as billing, metering and maintenance of its network assets and all other related services within its franchise network.

### 1.4 Financial period, Functional and Presentation currency

These financial statements cover the financial year from 1 January 2020 to 31 December 2020, with comparative figures for the financial year from 1 January 2019 to 31 December 2019.

This set of financial statements have presented in Nigerian Naira ("NGN"), whih is the Company's functional currency. All amounts stated in NGN have been rounded to the nearest thousands, unless otherwise stated.

### 1.5 Composition of IFRS financial statements

The financial statements are drawn up in Nigerian Naira (₦), the functional currency of Ikeja Electric Plc, in accordance with IFRS accounting presentation. The financial statements comprise:

(i) Statement of profit or loss and other comprehensive income
(ii) Statement of financial position
(iii) Statement of changes in equity
(iv) Statement of cash flows
(v) Notes to the financial statements

### 1.6 Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) as adopted by the Financial Reporting Council of Nigeria (FRC) and in conformity with the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council Act, 2011.

## 2 Accounting standards and interpretations issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted the following amended standard in preparing these financial statements.

| New or amended standards | Summary of the requirements and assessment of impact | Effective date periods beginning on or after |
|---|---|---|
| Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) | The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Company expects no significant impact on the application of this Standard. | 1 January 2022 |

**Other standards**

The following new and amended standards are not expected to have a significant impact on the Company's financial statements.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

## 3 Basis of preparation

**Basis of preparation of the financial statements**

This financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), International Financial Reporting Standards Interpretations Committee ("IFRSIC") Interpretations (collectively referred to as IFRS), and in manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria (FRC) Act, 2011. The Financial Statements were authorised for issue by the Board of Directors on 29 October 2021.

Details of the Company's accounting policies are included below.

The financial statements have been prepared in a historical cost basis except for plant and machinery class within property, plant and equipment which has been recognized on a revaluation model basis.

The financial statements have been prepared in accordance with the following accounting policies approved by the Board of Directors of the Company.

## A Revenue recognition

The company is in the business of distribution of electricity. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The performance obligation of the Company is satisfied overtime as electricity is supplied to the customers. Therefore, revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured. Revenue is measured at fair value of the consideration received/receivable, excluding Value Added Tax (VAT). Revenue from the sale of electricity to post-paid and prepaid customers is the value of the volume of energy units supplied to the customers or upon completion of services rendered in line with the applicable tariff framework. Prices charged by the Company for electricity distribution are regulated through Multi Year Tariff Order (MYTO). Revenue from the sales of electricity to post-paid customers is the value of the volume of units supplied during the year. In the case of prepaid customers, revenue is recognised based on the estimation of energy consumed as at year end, while unutilized energy is regarded as unearned revenue and it is included in the financial statement as contract liability. The Company does not recognise an asset or liability, as the case may be, on account of under recovery or over recovery except where it is obligated to provide future services at a loss in which case a provision is recognized.

| Category of revenue | Nature and timing of satisfaction of performance obligations, including significant payment terms | Revenue recognition policies |
|---|---|---|
| Postpaid revenue | The performance obligation of the Company is satisfied overtime as electricity is supplied to the customers. Billing is done on a monthly basis and payment is contractually within 30 days of billing. | Revenue is recognised over time as electricity is provided. The amount of revenue to recognise during the year (including unbilled revenue for the value of units consumed by customers in December, extracted from the December meter reading (which will be billed in January) is assessed based on the unit consumed method. The stand-alone selling price is determined based on the NERC approved tariff for the different categories of customers and rates agreed in bilateral agreements with specific customers. |

| | | |
|---|---|---|
| Prepaid revenue | Satisfaction of performance obligation is same as postpaid revenue. Payment is received in advance of consumption of electricity | Revenue is recognised over time as electricity is provided. In case of prepaid customers, an estimate is made for unearned revenue as at year-end and this is included in the statement of financial position as contract liability. The stand-alone selling price is determined based on the NERC approved tariff for the different categories of customers and rates agreed in bilateral agreements with specific customers. |

**B Property, plant and equipment**

**1. Distribution network assets**

The Company's distribution network assets are stated at fair value using the revaluation model less accumulated depreciation and accumulated impairment losses and is generally depreciated over the estimated useful life of the assets. Operating assets includes the core assets which the Company uses in carrying out its normal course of business; distributing power to high network and other customers. They include the overhead lines and cables, underground cables, plant and Machinery (transformers, feeder pillars), meters, towers and substation buildings.

Revaluations are performed by independent professional valuers with sufficient regularity to ensure that the carrying amount is not materially different from the fair value. Generally this is carried out once in five years unless required earlier to meet any external covenant to ensure that the carrying amount of these assets does not differ materially from that which would be determined using the fair values at the end of the reporting period.

Any increase in value, on revaluation, is recognized in other comprehensive income and presented in the revaluation reserve in equity unless it offsets a previous decrease in value recognized in profit or loss in respect of the same asset. A decrease in value is recognized in profit or loss to the extent it exceeds an increase previously recognized in other comprehensive income in respect of the same asset. The revaluation surplus within the revaluation reserve is realised upon disposal of a revalued asset.

Assets under construction are stated at cost which includes cost of material and direct labour and any costs incurred in bringing it to its present location and condition.

**2. Non distribution assets**

The Company's non distribution assets are measured at cost, less accumulated depreciation and any accumulated impairment losses. Depreciation is on a straight line method over the estimated useful lives of the assets. Non-operating assets includes land, administrative office building, furniture and fittings, motor vehicles, etc. Land is not depreciated.

In line with IAS 16, subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of the replaced component us derecognized.

**3. Donated Assets**

The company receives donations/transfers of certain items of Property, Plant and Equipment (PPE) from customers. The company assesses whether the donated/transferred item meets the definition of an asset and if so, recognises such asset as PPE. At initial recognition, the asset is measured at fair value and a corresponding amount is recognised as revenue when the company has no future obligations, otherwise as deferred income.

**4. Depreciation**

The main depreciation rate and basis used by the Company for its assets are as set out below:

| Asset Class | Useful life (yrs.) |
|---|---|
| **Distribution assets** | |
| Plant and machinery | 5 to 35 |
| Work-in-Progress | Nil |
| **Non distribution assets** | |
| Buildings | 10 to 50 |
| Equipment, furniture & fittings | 5 |
| Motor Vehicles | 4 |
| Computer Software | 3 |

**5. Subsequent expenditure**

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

**6. Derecognition of Property, Plant & Equipment**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

### C Financial instruments

***i. Recognition and initial measurement***

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

***ii. Classification and subsequent measurement***

**Financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**Financial assets – Business model assessment**

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
– how the performance of the portfolio is evaluated and reported to the Company's management;
– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
– how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

**Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:
– contingent events that would change the amount or timing of cash flows;
– terms that may adjust the contractual coupon rate, including variable-rate features;
– prepayment and extension features; and
– terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

**Financial assets – Subsequent measurement and gains and losses**
**Financial assets at amortised cost**
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

**Financial liabilities – Classification, subsequent measurement and gains and losses**
The Company classifies non-derivative financial liabilities into the other financial liabilities category.

All financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities with maturity date more than twelve months from the year end are classified as non-current. Otherwise they are classified as current.

***iii. Derecognition***

**Financial assets**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all
of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

**Financial liabilities**

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

***iv. Offsetting***

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

***Cash and cash equivalents***

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short term deposits with an original maturity of three months or less, but exclude any restricted cash which is not available for use by the Company and therefore is not considered highly liquid. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**D Finance income and expense**

Finance expense comprises interest expense on interest bearing liabilities. Finance income comprises interest earned on cash and cash equivalents, short-term investments and financial instruments through profit or loss.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

**E Employee benefit obligations**

***Defined contribution plan***

The Company maintains a Defined Contribution Pension Scheme in accordance with the Pension Reform Act, 2014. The contribution by the employer and employee is 10% and 8% each of the employees' monthly basic salary, transport, and housing allowances respectively. Contribution by the employer to defined contribution retirement benefit plans are recognised as an expense in the income statement.

***Short-term employee benefits***

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employee renders the related service. Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

***Medical Insurance Scheme***

The Company subscribes to a medical insurance plan on behalf of its employees, paying a gross premium to a health management organization based on the level of the employee. This premium is treated as a prepayment and charged to staff costs on a monthly basis.

***End of Service benefits***

End of Service benefits is a lump sum payment for qualifying employees who have spent a minimum of 5 years at the time of departure.

The calculation of end of service benefits is performed annually by a qualified actuary using the projected unit credit method. Currently, this plan is not funded.

Remeasurements of the end of service benefits, which comprise actuarial gains and losses are recognized immediately in OCI.

The Company determines the net interest expense (income) on the end of service benefit liability for the period by applying the discount rate used to measure the end of service benefit at the beginning of the annual period to the then net end of service benefit, taking into account any changes in the end of service benefit during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

***Other long term employee benefits***

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

***Termination benefits***

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

**F Leases**

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

**i. As a leasee**

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

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
– fixed payments, including in-substance fixed payments;
– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– amounts expected to be payable under a residual value guarantee; and
– the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

*Short-term leases and leases of low-value assets*

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### G Inventories

Inventories are stated at the lower of cost and net realizable value. Inventories represent spare parts and other consumables, the majority of which is consumed by our projects in provision of their services within one financial year. Cost comprises; direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Cost is determined by the First In, First Out (FIFO) method.

Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**H Provisions and contingent liabilities**

**Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in statement of profit or loss and other comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost in statement of profit or loss and other comprehensive income.

**Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are only disclosed and not recognized as liabilities in the statement of financial position.

If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

**I Foreign currencies**

The functional currency of the Company is the Nigerian Naira (“NGN’’), which represents the currency of the primary economic environment in which the Company operates. Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Assets and liabilities denominated in foreign currencies at the statement of financial position date are reported at the foreign exchange rate prevailing at that date. Any gains or losses arising from changes in exchange rates subsequent to the date of transaction are included as an exchange gain or loss in the statement of profit or loss and other comprehensive income. Foreign exchange gains and losses are recognized on net basis. Foreign currency differences are generally recognized in profit or loss and presented within finance cost and income.

**J Taxation**

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

**1. Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income tax, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:

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

Current tax assets and liabilities are offset if certain criteria are met.

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

**2. Minimum tax**

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

Minimum tax is determined as 0.5% of turnover. Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognised in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as minimum tax.

Following the issue of the Finance Act 2020, the Federal government granted palliatives to taxpayers by introducing a 50% reduction in minimum tax rate from 0.5% of gross turnover less franked investment income to 0.25%. The reduced minimum tax rate is however applicable for the Years of Assessment (YOA) due from 1 January 2020 to 31 December 2021.

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

**3. Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:
– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
– temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
– taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences.

If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company as approved by the Board.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax are reassessed at each reporting date and recognised to the extent that it has become probable that future profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

**K Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Acquired computer software licences are capitalized on the basis of costs incurred to acquire and bring the specific software to the useful state.

***Subsequent expenditure***

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

***Amortisation***

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. The estimated useful lives for current and comparative periods are as follows:

| | |
|---|---|
| Software | 3 years |

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**L Operating profit**

Operating profit is the result generated from the continuing principal revenue producing activities of the Company as well as other income and expenses related to operating activities. Operating profit/loss excludes net finance costs, minimum tax, and income taxes.

**M Impairment**

**i. Non-derivative financial assets**

**Financial instruments and contract assets**

The Company recognises loss allowances for expected credit losses (ECLs) on:
- financial assets measured at amortised cost; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

– the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or

– the financial asset is more than 90 days past due.

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

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

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

***Measurement of ECLs***

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

ECLs are discounted at the effective interest rate of the financial asset.

***Credit-impaired financial assets***

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

***Presentation of allowance for ECL in the statement of financial position***

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

***Write-off***

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For customers, the Company makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

**i. Non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**N Share capital - Ordinary shares**

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

**O Government intervention (IAS 20)**

Government interventions are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. They are then recognized in profit or loss as an other income on a systematic basis over the useful life of the associated asset.

Grants that compensate the Company for expenses incurred are recognized in profit or loss as a reduction from the related expense on a systematic basis in the periods in which the expenses are recognized.

**P Fair value measurement**

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities (see Note 4).

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

**Q Cost of sales**

Cost of sales are comprised primarily of cost of energy purchased from the Nigerian Bulk Electricity Trading Company (NBET) and Operator of the Nigerian Electricity Market, purchase of off grid power, depreciation of plant and machinery, repair and maintenance expenses.

Cost of sales is recognised on an accrual basis.

**4 Measurement of fair values**

Some of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. The Chief Finance Officer (CFO) has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Audit Committee and Board of Directors.

The CFO regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the CFO assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Audit Committee and Board of Directors. When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

## 5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy to be followed could materially affect the reported amounts of revenues, expenses, assets and liabilities of the company should it later be determined that a different choice would be more appropriate. In addition, in preparing the accounts in conformity with IFRS, the company is required to make estimates and assumptions that impact on the reported amounts of revenues, expenses, assets, and liabilities of the company. Actual results may differ from these estimates. These are discussed in more details below. These critical accounting judgments and key sources of estimation uncertainty should be read in conjunction with the full statement of Accounting Policies at Note 3.

### 5.1 *Critical accounting judgement*

***Revenue - Collectability of amounts receivable***

Revenue may only be recognised if it is believed at the time of sale that the revenue is likely to be recovered from the customer. This recoverability requirement is not considered to have been met in contracts with customers who have a poor payment history and for which the Company believes the ability to manage the related credit risk on such contracts is impaired as a result. The Company does not recognise revenue on billings made on such contracts. Where the recoverability requirement is met, revenue is recognised on an accrual basis. The risk of non-collection is reflected as an adjustment to the revenue recognised as against recognising an impairment expense using the expected credit loss (ECL) method.

### 5.2 *Key sources of estimation uncertainty*

**Impairment of Trade Receivables**

Information about assumptions and estimation uncertainties at 31 December 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

• Note 6(c) - Recognition of contract liabilities - determination of a consumption factor to estimate contract liabilities from prepaid arrangements
• Note 33 – Recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources
• Note 31.5 - Impairment of trade receivables; measurement of ECL allowance for trade receivables;
• Notes 22 (a) and (b): Measurement of employee benefit obligations: key actuarial assumptions

### 6 Revenue

**a.) Revenue streams**

The Company generates revenue primarily from the sale of electricity to customers in different sectors of the economy. Revenue is also earned from the transfer of network distribution assets from customers.

| | 2020 | 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Sale of electricity (revenue from contracts with customers) | 124,771,812 | 100,392,769 |
| Customer - granted assets (Note 13 (d)) | 206,222 | 195,471 |
| | **124,978,034** | **100,588,240** |

**b.) Disaggregation of revenue from contracts with customers**

Revenue from sale of electricity was earned from various classes of customers thus:

| | 2020 | 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Residential | 32,760,947 | 44,335,398 |
| Industrial | 22,245,220 | 31,460,964 |
| Commercial | 11,761,895 | 19,188,509 |
| Other electricity sales | 2,830,098 | 4,215,567 |
| Street lighting | 7,767 | 13,107 |
| Bilateral | 4,267,160 | 1,179,224 |
| Service Band A - Platinum | 16,345,620 | - |
| Service Band B - Diamond | 8,284,435 | - |
| Service Band C - Gold | 17,195,348 | - |
| Service Band D - Silver | 8,742,219 | - |
| Service Band E - Bronze | 331,103 | - |
| | **124,771,812** | **100,392,769** |

During the year (effective 1 September 2020), the Company adopted the new end-user electricity tariff 'MYTO 2020' which introduced tariffs based on 5 service bands with stipulated minimum daily average hours of energy supply.

Revenue is also analysed into:

| | 2020 | 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Post-paid | 103,174,001 | 89,392,431 |
| Prepaid | 21,597,811 | 11,000,338 |
| | **124,771,812** | **100,392,769** |

Revenue recorded represents the total value of billed energy distributed to customers for the year, in line with the multi year tariff order (MYTO) structure.

**c.) Contract balances**

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

| | 31-Dec-20 ₦'000 | 31-Dec-19 ₦'000 |
|---|---|---|
| Receivables, which are included in 'trade and other receivables' | 19,513,651 | 7,011,922 |
| Contract liabilities | 1,402,562 | 568,060 |

The contract liabilities primarily relate to the advance consideration received from customers for supply of electricity, for which revenue is recognised over time. This is derived by calculating an energy consumption factor for each customer based on energy unit purchases during the year and using this on a prorated basis to estimate quantity of the last units of energy purchased by the customer that should be deferred. The amount of N568.06 million included in contract liabilities at 31 December 2019 has been recognised as revenue in 2020 (2019: N376.65 million).

## 7 Cost of sales

| | 2020 ₦'000 | 2019 ₦'000 |
|---|---|---|
| Cost of energy purchased from the Grid - NBET and TCN | 127,035,577 | 99,594,616 |
| Cost of energy purchased through bilateral agreement - Comercio | 11,724,053 | 12,071,980 |
| Recovery of tariff shortfall (Note 7 (a)) | (58,649,000) | (60,358,104) |
| Depreciation expense (Note 13 (b)) | 7,938,804 | 7,241,408 |
| Employee benefit expenses - Core technical | 807,541 | 732,541 |
| Repairs and maintenance | 1,554,020 | 1,243,721 |
| **Total cost of sales** | **90,410,995** | **60,526,162** |

**a.) Tariff shortfall awarded by NERC**

The tariff shortfall relates to the tariff differential for the 2020 and 2019 financial years respectively as computed in the MYTO Minor Review Model, which is based on Orders issued by NERC to address the provision of cost reflective tariffs in ensuring that prices charged by the distribution companies are fair to customers and sufficient in allowing the distribution companies operate efficiently to recover the full cost of operating their respective licencees including a reasonable return on capital. The tariff shortfall awarded by NERC includes amounts for previous financial years. The element of the tariff shortfalls for those previous financial years have been recognised as Other income (Note 9). In line with the orders, the awarded tariff shortfalls are netted off the Company's payables to NBET.

### 8 Administrative and distribution expenses

| | 2020 | 2019 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Operations and implementation expenses | 8,682,347 | 8,152,154 |
| Employee benefit expenses - Non technical | 9,798,970 | 10,429,942 |
| Contract labor | 1,374,160 | 1,172,532 |
| Staff welfare costs | 235,926 | 44,951 |
| Billing and Collection expenses | 6,048,282 | 4,641,575 |
| Other administrative costs | 2,627,950 | 2,441,965 |
| Data and Information Technology connectivity | 2,864,753 | 3,566,104 |
| Depreciation of non-distribution assets (Note 13 (b)) | 401,462 | 454,695 |
| Amortisation of right-of-use assets (Note 29 (a)) | 237,390 | 211,285 |
| Amortisation of intangible assets (Note 14) | 154,851 | 138,166 |
| Repairs and Maintenance | 1,544,101 | 1,238,802 |
| Directors' remuneration | 36,320 | 36,320 |
| Audit fees | 50,525 | 65,000 |
| **Total administrative and distribution expenses** | **34,057,037** | **32,593,492** |

### 9 Other income

| | 2020 | 2019 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Other non operating income | 103,927 | 8,885 |
| Reconnection fees and other operating income | 293,105 | 367,618 |
| Recovery of Tariff Shortfall (Note 9 (a)) | 32,930,330 | 124,165,565 |
| Amortisation of day-1 fair value gain on loans | 396,025 | 140,061 |
| Actuarial gain on long service award (Note 22 (b)) | - | 8,394 |
| | **33,723,387** | **124,690,523** |

**a.) Tariff shortfall awarded by NERC**

The tariff shortfall relates to the tariff differential for the financial years before the 2019 financial year which is covered in the MYTO Minor Review Model and as described in Note 7 (a) above.

### 10 Net finance cost/ (income)

**a.) Net finance cost comprises:**

| | 2020 | 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Interest income on bank deposits | 54,148 | 188,923 |
| Net interest on NBET bills (Note 10(b)) | - | 45,161,298 |
| **Finance income** | **54,148** | **45,350,221** |
| Interest expense on CBN-NEMSF intervention loan(Note 15) | 865,995 | 983,822 |
| Interest on Group Loan | 213,691 | 122,500 |
| Interest expense on CBN-NMMP intervention loan(Note 15) | 2,005 | - |
| Interest expense on lease liabilities (Note 21(ii)) | 117,042 | 108,008 |
| Foreign exchange loss | 9,382 | - |
| **Finance costs** | **1,208,115** | **1,214,330** |
| **Net finance cost/ (income)** | **1,153,967** | **(44,135,891)** |

**b.) Net interest on NBET bills**

| | 2020 | 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Accrued interest on NBET outstanding payable balance | - | 32,845,197 |
| Accrued interest on NBET outstanding payable written off | - | (78,006,495) |
| | **-** | **(45,161,298)** |

The accrued interest on NBET represents the interest payable on outstanding amounts which were written off in prior year on the basis of the 2019 Multi-Year Tariff Order (MYTO) Minor Review.

### 11 Profit before taxation

| | 2020 | 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| This is stated after charging: | | |
| Auditor's remuneration (Note 8) | 50,525 | 65,000 |
| Depreciation of property, plant and equipment (Note 13) | 8,340,266 | 7,696,103 |
| Amortisation of right-of-use assets (Note 20 (i)) | 237,390 | 211,285 |
| Amortisation of intangible assets (Note 14) | 154,851 | 138,166 |
| Employee benefit expenses (Notes 7 and 8) | 10,606,511 | 11,162,483 |
| Impairment of trade receivables | 19,888,983 | 17,377,620 |
| Directors' remuneration (Note 24 (j)) | 36,320 | 36,320 |

### 12 Taxation

**a.) Minimum tax**

The Company has applied the provisions of the Companies Income Tax Act that mandates a minimum tax assessment, where a tax payer does not have taxable profit which would generate an eventual tax liability when assessed to tax. The Company's assessment based on the minimum tax legislation for the year ended 31 December 2020 is ₦396.90 million (2019: ₦505.77 million).

| | 2020<br>₦'000 | 2019<br>₦'000 |
|---|---|---|
| Minimum tax | 396,902 | 505,768 |
| | **396,902** | **505,768** |

**b.) Income tax expense - amounts recognised in profit or loss**

The Company is subject to tax under the Companies Income Tax (CIT) Act as amended to date. Income tax charge for the year represents Tertiary education tax (TET) at 2% of assessable profit and Nigeria Police Trust Fund levy which is computed as 0.005% of net profit as the Company did not have taxable profit for the year ended 31 December 2020 (2019: Nil).

Amounts recognised in profit or loss are as follows:

| | 2020<br>₦'000 | Restated*<br>2019<br>₦'000 |
|---|---|---|
| **Current tax expense** | | |
| Prior year under provision of company income tax | - | 475,595 |
| Prior year under provision of tertiary education tax | - | 162,979 |
| Tax impact of prior year adjustments | - | 45,284 |
| Nigeria Police Trust Fund levy | 660 | 7,960 |
| Tertiary education tax | 745,582 | - |
| | **746,242** | **691,818** |
| **Deferred tax expense/ (credit)** | | |
| Origination and reversal of temporary differences | 3,263,822 | (892,994) |
| **Total income tax expense/ (credit)** | **4,010,064** | **(201,176)** |

* See note 36

**c.) Income tax expense - amounts recognised in other comprehensive income**

| | 2020<br>₦'000 | 2019<br>₦'000 |
|---|---|---|
| **Items that will not be reclassified to Profit or Loss:** | | |
| ***Remeasurements of defined benefit liability*** | | |
| Amounts before tax | 69,586 | - |
| Tax expense | (22,268) | - |
| Amounts, net of tax | 47,318 | - |

**d.) Movement in current tax liability**

| | 31-Dec-20 | Restated* 31-Dec-19 |
|---|---|---|
| | ₦'000 | ₦'000 |
| At 1 January | 1,357,385 | 479,268 |
| Minimum tax (Note 12 (a)) | 396,902 | 505,768 |
| Income tax expense (Note 12 (b)) | 746,242 | 691,818 |
| Payment during the year | (460,297) | (319,469) |
| At 31 December | **2,040,232** | **1,357,385** |

*See Note 36

**e.) Reconciliation of effective tax rate**

| | 2020 | 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Profit before minimum tax and income tax | 13,190,440 | 158,917,380 |
| Tax using the Company's domestic tax rate | 4,220,941 | 50,853,561 |
| Tax effect of: | | |
| Tax incentives | (401,625) | - |
| Non-deductible expenses* | 190,087 | 6,812 |
| Recognition of previously unrecognised tax losses | - | (7,740,437) |
| Recognition of previously unrecognised deductible temporary differences | - | (4,234,666) |
| Other income taxes | 660 | 7,960 |
| Changes in estimates related to prior years | - | (39,094,406) |
| Total income tax expense/ (credit) | **4,010,063** | **(201,176)** |

*Included in non-deductible expenses is the effect of Tertiary Education Tax (TET) rate on depreciation expense.

(f) **Movement in deferred tax**

| | | | | | Restated* Balance at 31 December 2019 | | |
|---|---|---|---|---|---|---|---|
| | **Net Balance at 1 January** | **Recognized in profit or loss** | **Recognized in other comprehensive income** | **Recognized in equity** | **Net Balance at 31 December** | **Deferred tax assets** | **Deferred tax liabilities** |
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Property, plant and equipment | - | 21,276,099 | - | - | 21,276,099 | - | 21,276,099 |
| Provision for doubtful debts | - | (14,050,724) | - | - | (14,050,724) | (14,050,724) | - |
| Unrelieved tax losses | - | (7,764,445) | - | - | (7,764,445) | (7,764,445) | - |
| Defined benefit obligation | - | (387,623) | - | - | (387,623) | (387,623) | - |
| Leases | - | (11,121) | - | - | (11,121) | (11,121) | - |
| Amortisation of fair value gain | - | 44,820 | - | - | 44,820 | - | 44,820 |
| Net tax (assets)/ liabilities | - | (892,994) | - | - | (892,994) | (22,213,913) | 21,320,919 |

| | | | | | Balance at 31 December 2020 | | |
|---|---|---|---|---|---|---|---|
| | **Net Balance at 1 January** | **Recognized in profit or loss** | **Recognized in other comprehensive income** | **Recognized in equity** | **Net Balance at 31 December** | **Deferred tax assets** | **Deferred tax liabilities** |
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Property, plant and equipment | 21,276,099 | 513,614 | - | - | 21,789,713 | - | 21,789,713 |
| Provision for doubtful debts | (14,050,724) | (4,950,114) | - | - | (19,000,838) | (19,000,838) | |
| Unrelieved tax losses | (7,764,445) | 7,764,445 | - | - | - | - | - |
| Defined benefit obligation | (387,623) | (93,369) | 22,268 | - | (458,724) | (458,724) | - |
| Leases | (11,121) | (52,751) | - | - | (63,872) | (63,872) | - |
| Amortisation of fair value gain | 44,820 | 126,728 | - | - | 171,548 | - | 171,548 |
| Provision for inventory | - | (25,018) | - | - | (25,018) | (25,018) | - |
| Provision for legal claims | - | (19,714) | - | - | (19,714) | (19,714) | - |
| Net tax (assets) / liabilities | (892,994) | 3,263,822 | 22,268 | - | 2,393,095 | (19,568,165) | 21,961,260 |

*See Note 36

(g) The Company has no unrecognized deferred tax assets or liabilities (2019: Nil).

### 13 Property, plant and equipment
#### a.) Reconciliation of carrying amount

| | DISTRIBUTION ASSETS | NON DISTRIBUTION ASSETS | | | | |
|---|---|---|---|---|---|---|
| | Plant and machinery | Equipment, Furniture & fittings | Motor vehicles | Buildings | Capital work-in-progress | Total |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| **Cost or valuation** | | | | | | |
| At 1 January 2019 | **274,719,018** | **1,271,075** | **542,551** | **4,266,734** | **59,202** | **280,858,580** |
| Additions for the year | 4,038,937 | 427,693 | 265,323 | 105,207 | 96,880 | 4,934,040 |
| Transfers | - | 30,197 | - | 98,872 | (129,069) | - |
| At 31 December 2019 (Restated)* | **278,757,955** | **1,728,965** | **807,874** | **4,470,813** | **27,013** | **285,792,620** |
| At 1 January 2020 (Restated)* | **278,757,955** | **1,728,965** | **807,874** | **4,470,813** | **27,013** | **285,792,620** |
| Additions for the year | 12,233,092 | 374,817 | 453 | 16,965 | 9,944 | 12,635,271 |
| Transfers to intangible assets | - | - | - | - | (13,094) | (13,094) |
| At 31 December 2020 | **290,991,047** | **2,103,782** | **808,327** | **4,487,778** | **23,863** | **298,414,797** |
| **Accumulated depreciation and impairment** | | | | | | |
| At 1 January 2019 | **160,417,555** | **554,649** | **412,486** | **3,916,629** | **-** | **165,301,319** |
| Charge for the year | 7,241,408 | 282,909 | 109,074 | 62,712 | - | 7,696,103 |
| At 31 December 2019 (Restated)* | **167,658,963** | **837,558** | **521,560** | **3,979,341** | **-** | **172,997,422** |
| At 1 January 2020 (Restated)* | **167,658,963** | **837,558** | **521,560** | **3,979,341** | **-** | **172,997,422** |
| Charge for the year | 7,938,804 | 262,124 | 122,904 | 16,434 | - | 8,340,266 |
| At 31 December 2020 | **175,597,767** | **1,099,682** | **644,464** | **3,995,775** | **-** | **181,337,688** |
| **Carrying amount** | | | | | | |
| At 1 January 2019 | **114,301,463** | **716,426** | **130,065** | **350,105** | **59,202** | **115,557,261** |
| At 31 December 2019 (Restated)* | **111,098,992** | **891,407** | **286,314** | **491,472** | **27,013** | **112,795,198** |
| At 31 December 2020 | **115,393,280** | **1,004,100** | **163,863** | **492,003** | **23,863** | **117,077,109** |

*See Note 36

b.) The depreciation charge for the year is allocated as follows:

| | 2020 | 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Cost of sales | 7,938,804 | 7,241,408 |
| Administrative expenses | 401,462 | 454,695 |
| | **8,340,266** | **7,696,103** |

c.) The Company had capital commitments amounting to ₦176.67 million (2019: Nil) as at year end.

d.) **Customer - granted assets**
Included in the plant & machinery are distribution network assets granted to the Company by its customers. The fair value of these assets was estimated at ₦206.22 million (2019: ₦195.47 million) by the directors based on prices of similar items purchased during the year. This has been recognised as revenue (Note 5) in line with IFRIC 18, Transfers of Assets from Customers.

e.) Reconciliation of additions to property, plant and equipment in statement of cashflows:

| | | Restated* |
|---|---|---|
| | 2020 | 2019 |
| | ₦'000 | ₦'000 |
| Total acquisition of PPE (Note 13 (a)) | 12,635,271 | 4,934,040 |
| Assets transferred under MAP scheme (Note 21 (b)) | (8,097,343) | (1,043,331) |
| Customer granted assets (Note 6) | (206,222) | (195,471) |
| | **4,331,706** | **3,695,238** |

*See Note 36

f.) No item of property, plant and equipment were pledged as security for any borrowings (2019: Nil).

g.) The carrying amount of construction work in progress represents cost incurred with respect to ongoing works with respect to new substations as at year end.

## 14 Intangible assets

**Cost**

| | Computer Software | Work -in-progress | Total |
|---|---|---|---|
| | **₦'000** | **₦'000** | **₦'000** |
| Balance at 1 January 2019 | 95,824 | - | 95,824 |
| Additions | 395,404 | - | 395,404 |
| Balance at 31 December 2019 | **491,228** | **-** | **491,228** |
| Balance at 1 January 2020 | 491,228 | - | 491,228 |
| Additions | 111,090 | - | 111,090 |
| Transfer from PPE | - | 13,094 | 13,094 |
| Balance at 31 December 2020 | **602,318** | **13,094** | **615,412** |
| **Amortisation** | | | |
| Balance at 1 January 2019 | 50,581 | - | 50,581 |
| Charge for the year | 138,166 | - | 138,166 |
| Balance at 31 December 2019 | **188,747** | **-** | **188,747** |
| Balance at 1 January 2020 | 188,747 | - | 188,747 |
| Charge for the year | 154,851 | - | 154,851 |
| Balance at 31 December 2020 | **343,598** | **-** | **343,598** |
| **Carrying amount** | | | |
| 1 January 2019 | **45,243** | **-** | **45,243** |
| 31 December 2019 | **302,481** | **-** | **302,481** |
| 31 December 2020 | **258,720** | **13,094** | **271,814** |

The amortisation of computer software is included as a part of "Administrative expenses" in Note 8 to these financial statements.

## 15 Trade and other receivables

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Energy customers | 142,498,563 | 110,137,660 |
| Other debtors | 168,192 | 167,388 |
| Unpaid share capital | 20,000 | 20,000 |
| Staff advances | 25,559 | 21,246 |
| Advance payment for property, plant and equipment | 1,296,824 | - |
| Other Deposit (DSRA Bank Balance) (Note 15 (a)) | 3,869,666 | 2,640,040 |
| | **147,878,804** | **112,986,334** |
| Impairment allowance | (122,984,912) | (103,125,738) |
| **Net trade and other receivables** | **24,893,892** | **9,860,596** |

Carrying amount is analysed into:

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Current | 19,727,402 | 7,220,556 |
| Non-current | 5,166,490 | 2,640,040 |
| | **24,893,892** | **9,860,596** |

The net trade debtors disclosed above are amounts due at the end of the reporting period after allowance for those considered doubtful of recovery. There has not been a significant change in credit quality and the amounts outstanding are still considered recoverable.

a.) Other deposit represent Debt Service Reserve Account (DSRA) with a balance of NGN3.87 billion (2019: NGN2.64 billion) in a commercial bank held as guarantee in favour of the Nigerian Bulk Electricity Trading Company Plc (NBET) and the Transmission Company of Nigeria (TCN). These deposits will mature at the expiration of the guarantees which are long-term in nature.

b.) Reconciliation of changes in trade and other receivables to the statement of cash flows

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Changes in trade and other receivables | (15,033,296) | (119,478) |
| Advance payment for property, plant and equipment | 1,296,824 | - |
| Impairment loss on trade and other receivables | (19,888,983) | (17,377,620) |
| | **(33,625,454)** | **(17,497,098)** |

Information about the Company's exposure to credit and market risks, and impairment losses for trade receivables is included in Note 31.

## 16 Inventories

| | 31-Dec-20 ₦'000 | 31-Dec-19 ₦'000 |
|---|---|---|
| Distribution spares | 522,683 | 377,118 |
| | **522,683** | **377,118** |

Inventories recognised as expense include distribution spares and other consumables used in maintenance during the year. They are included as part of maintenance expenses under administrative expenses and amounted to NGN1.50 billion (2019: NGN1.09 billion). During the year, an allowance of NGN78.18 million was recorded to write down inventories to their net realisable value (2019: NGN99.57 million). The allowance is recorded under Repairs and maintenance in cost of sales (See Note 7).

## 17 Prepaid expenses

| | 31-Dec-20 ₦'000 | Restated* 31-Dec-19 ₦'000 | 31-Dec-18 ₦'000 |
|---|---|---|---|
| Insurance | 322,637 | 295,109 | 355,603 |
| | **322,637** | **295,109** | **355,603** |

* See note 36

a.) Reconciliation of changes in prepaid expenses to the statement of cash flows

| | 31-Dec-20 ₦'000 | 31-Dec-19 ₦'000 |
|---|---|---|
| Changes in prepayments | (27,528) | 60,494 |
| Adjustment on initial adoption of IFRS 16 | - | (143,028) |
| | **(27,528)** | **(82,534)** |

## 18 Cash and bank balances

| | 31-Dec-20 ₦'000 | 31-Dec-19 ₦'000 |
|---|---|---|
| Cash on hand | 1,943 | 2,853 |
| Bank balances | 11,961,892 | 5,665,308 |
| Short-term fixed deposits | 141,940 | 964,282 |
| **Cash and cash equivalents at end of the year** | **12,105,775** | **6,632,443** |

Information about the Company's exposure to credit and market risks, and impairment losses for cash and cash equivalents is included in Note 31.

### 19 Loans and borrowings

| | 31-Dec-20<br>₦'000 | Restated*<br>31-Dec-19<br>₦'000 | Restated*<br>31-Dec-18<br>₦'000 |
|---|---|---|---|
| **Total** | | | |
| CBN-NEMSF (Note 19 (a)) | 5,659,154 | 6,675,985 | 7,098,056 |
| CBN- NMMP (Note 19 (b)) | 985,974 | - | - |
| Sahara Group (Note 19 (c)) | 741,032 | 1,000,000 | - |
| Lease liabilities | 613,740 | 569,024 | - |
| | **7,999,900** | **8,245,009** | **7,098,056** |
| **Analyzed into:** | | | |
| Non-current | 6,093,384 | 6,561,512 | 6,675,985 |
| Current | 1,906,516 | 1,683,497 | 422,071 |
| | **7,999,900** | **8,245,009** | **7,098,056** |

* See note 36

Information about the Company's exposure to interest rate and liquidity risks is included in Note 31.

a.) In year 2016, the Nigerian Electricity Supply Industry (“NESI”), the Central Bank of Nigeria (“CBN”), the Federal Ministry of Petroleum Resources, the Federal Ministry of Power and the Nigerian Electricity Regulatory Commission (“NERC”), activated the Central Bank Nigeria-Nigerian Electricity Market Stabilization Facility (“CBN-NEMSF”) contract under the Disco Disbursement Agreement.

The stabilization fund was partly to resolve the sector "NESI" liquidity issues. As such, intervention was determined for all market participants based on MYTO.

The Central Bank Nigeria-Nigerian Electricity Market Stabilization Facility (“CBN-NEMSF”) is secured on disco's collections from the sale of energy as first line charge. Interest rate charged on the facility is at 5% per anum.

b.) The CBN-NNMP loan is the Mass metering programme that involve the supply of Prepaid meters to the customers at no cost to them. The programme is to replace the previous Meter Asset Procurement (MAP) program where customers pay for their meters. Under this arrangement, disbursement for procurement of the meters is made directly to the meter vendors by the CBN on behalf of the Company with a 1st line charge on the Company's cash collections as security for repayment. The 1st disbursement was done in December 2020 with an interest rate of 5% per annum.

c.) On 29 April 2019, the Company entered into a loan agreement with Sahara Power Group Limited under the terms of which a total facility amount of NGN1 billion for a 2-year tenor and at 18% interest per annum was made available to the Company for meeting technical upgrade expenditure requirements. The loan agreement provided for a 12-month moratorium on principal and interest which was further extended by 3 months during the year.

d.) Reconciliation of movement of liabilities to cash flows arising from financing activities

| | 31-Dec-20<br>₦'000 | 31-Dec-19<br>₦'000 |
|---|---|---|
| Opening Balance | 8,245,009 | 7,098,056 |
| Proceeds from loans and borrowings | 1,262,811 | 1,397,326 |
| Interest expense on loans and borrowings | 1,081,691 | 1,106,322 |
| Interest expense on lease liabilities | 117,042 | 108,008 |
| Day-1 fair value on loans | (583,245) | - |
| Principal repayment of loans and borrowings | (1,288,958) | (1,031,550) |
| Interest repayment of loans and borrowings | (762,124) | (894,170) |
| Adjustment on initial application of IFRS 16 | - | 602,528 |
| Initial recognition of new lease arrangements | 82,584 | - |
| Payment of lease liabilities | (154,910) | (141,511) |
| Closing Balance | **7,999,900** | **8,245,009** |

**20 Deferred income**

| | 31-Dec-20<br>₦'000 | Restated*<br>31-Dec-19<br>₦'000 | Restated*<br>31-Dec-18<br>₦'000 |
|---|---|---|---|
| Day-1 fair value gain on loans (Note 19(a)) | 897,503 | 710,282 | 850,344 |
| | **897,503** | **710,282** | **850,344** |

* See note 36

Analysed into:

| | 31-Dec-20<br>₦'000 | 31-Dec-19<br>₦'000 | 31-Dec-18<br>₦'000 |
|---|---|---|---|
| Non current | 680,004 | 569,838 | 710,282 |
| Current | 217,499 | 140,445 | 140,061 |
| | **897,503** | **710,283** | **850,344** |

a.) Amount relates to the benefits derived by the Company from the low interest loans received from the Central Bank of Nigeria (CBN) (Notes 19 (a) and(b)). The difference between the fair value of the facility and face value of the loan has been accounted for as government intervention. The government intervention is amortized over the life of the associated assets.

### 21 Trade and other payables

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Direct Trade Creditors (Energy Market) | 9,731,425 | 27,385,907 |
| Amount due to related parties (Energy Market) (Note 24 (i)) | 24,280,260 | 17,756,207 |
| Amount due to other Distribution Companies | 1,055,397 | 1,055,397 |
| Other payables and accrued expenses | 37,408,413 | 26,720,057 |
| Amount due on Meter Asset Provider (MAP) programme (Note 21 (b)) | 9,140,674 | 1,043,331 |
| Amount due to other related parties (Note 24 (i)) | 26,195,233 | 22,899,804 |
| | **107,811,402** | **96,860,703** |

Information about the Company's exposure to interest rate, foreign currency and liquidity risks is included in Note 31.

Carrying amount is analysed into:

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Current | 98,670,728 | 95,817,372 |
| Non-current | 9,140,674 | 1,043,331 |
| | **107,811,402** | **96,860,703** |

a.) Direct trade creditors (Energy Market) is analysed into:

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Nigerian Bulk Electricity Trading Company (NBET) | - | - |
| Operator of the Nigerian Electricity Market (ONEM) | 9,731,425 | 27,385,907 |
| | **9,731,425** | **27,385,907** |

b.) Under the Meter Asset Provider (MAP) scheme, the Company's customers are provided with meters by approved vendors with the cost of the meters to be repaid by the Company through billing deductions to the customer over a period no longer than 3 years. The carrying amount has been classified as non-current on the basis that the repayment of the liability is yet to commence and is not expected to commence within 12 months of the reporting period as the modalities for repayment have not been finalized as at the year end.

c.) Reconciliation of changes in trade and other payables to the statement of cash flows

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Changes in trade and other payables | 10,950,699 | (162,872,867) |
| Net interest on NBET bills offset against payables | - | 45,161,298 |
| Assets transferred under the MAP scheme | (8,097,343) | (1,043,331) |
| Foreign exchange loss | (9,382) | - |
| | **2,843,974** | **(118,754,900)** |

## 22 Defined benefit obligation

| | 31-Dec-20<br>₦'000 | Restated*<br>31-Dec-19<br>₦'000 | Restated*<br>31-Dec-18<br>₦'000 |
|---|---|---|---|
| End of Service Benefit Costs (Note 22 (a)) | 1,335,472 | 1,070,754 | - |
| Long Service Award (Note 22 (b)) | 98,040 | 140,568 | 101,912 |
| | **1,433,512** | **1,211,322** | **101,912** |

* See note 36

### a.) End of Service Benefit Costs

The Company operates an end of service benefits plan for qualifying employees of the company. The most recent actuarial valuation of the benefit was carried out on 31st December, 2020 by Alexander Forbes Consulting Actuaries Nigeria (FRC Number: FRC/2012/0000000000504).
The scheme is unfunded and is administered by the Company's Human Resources (HR) department. The defined benefit plan exposes the Company to actuarial risks such as longevity risk, interest rate risk and market (investment) risk.

The economic assumptions used in this valuation are based on market information as at 31st December, 2020 as stated below:
* Discount Rate - 8.3% (2019: 13.30%)
* Salary increase rate - 8.3% (2019: 12.0%)
* Pre retirement mortality rate - A1967/70 Tables (2019: A1967/70 Tables)

The movement in the end of service benefit costs during the year was as follows:

| | 31-Dec-20<br>₦'000 | 31-Dec-19<br>₦'000 |
|---|---|---|
| Balance, beginning of year | 1,070,754 | - |
| **Included in profit or loss (as part of administrative expenses)** | | |
| Current service cost | 234,277 | 612,238 |
| Interest cost | 168,843 | 480,360 |
| **Included in other comprehensive income** | | |
| Actuarial gain due to change in assumptions | (69,586) | - |
| **Other** | | |
| Benefits paid | (68,816) | (21,844) |
| **Balance at 31 December** | **1,335,472** | **1,070,754** |

**b.) Long Service Awards**

This scheme entitles employees who have worked for 5 years and above to a monetary reward. The independent actuarial valuation was performed by Alexander Forbes Consulting Actuaries Nigeria (FRC Number: FRC/2012/0000000000504) using the projected unit credit method. This scheme is not funded.

The economic assumptions used in this valuation are based on market information as at 31st December, 2020 as stated below:
* Discount Rate - 6.5% (2019: 11.5%)
* Salary increase rate - 8.3% (2019:12.0%)
* Pre retirement mortality rate - A1967/70 Tables (2019:A1967/70 Tables)

The movement in the long service awards during the year was as follows:

| | 31-Dec-20 ₦'000 | 31-Dec-19 ₦'000 |
|---|---|---|
| Balance, beginning of year | 140,568 | 101,912 |
| **Included in profit or loss (as part of administrative expenses)** | | |
| Current service cost | 17,442 | 26,393 |
| Interest cost | 13,031 | 20,657 |
| Actuarial loss/(gain) due to change in assumptions | 16,399 | (8,394) |
| **Other** | | |
| Benefits paid | (89,400) | - |
| **Balance at 31 December** | **98,040** | **140,568** |

**c.) Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions holding other assumptions constant, would have affected the defined benefit scheme by the amounts shown below:

| | ₦'000<br>End of Service Benefit Costs | ₦'000<br>Long Service Awards |
|---|---|---|
| **31 December 2020** | | |
| Discount rate (+1% movement) | (99,940) | (3,886) |
| Discount rate (-1% movement) | 109,983 | 4,207 |
| Mortality rate (+1% year) | (338) | 3,900 |
| Mortality rate (-1% year) | (3,983) | (3,690) |
| Salary increase rate (+1% movement) | 109,376 | 4,073 |
| Salary increase rate (-1% movement) | (101,207) | (3,823) |
| **31 December 2019** | | |
| Discount rate (+1% movement) | (70,479) | (2,333) |
| Discount rate (-1% movement) | 79,997 | 2,506 |
| Mortality rate (+1% year) | 2,071 | 2,411 |
| Mortality rate (-1% year) | (1,862) | (2,290) |
| Salary increase rate (+1% movement) | 80,652 | 2,514 |
| Salary increase rate (-1% movement) | (72,216) | (2,370) |

## 23 Provisions

Provisions represent legal provisions recorded based on the advice of the Company's legal advisers with respect to legal claims made against the Company. The movement in the account is as follows:

| | 31-Dec-20<br>₦'000 | 31-Dec-19<br>₦'000 |
|---|---|---|
| Balance at 1 January | - | - |
| Charge for the year | 61,605 | - |
| Balance at 31 December | **61,605** | - |
| Amount is analysed into: | | |
| Amounts falling due within one year | **61,605** | - |
| Amounts falling due after one year | - | - |

## 24 Related parties disclosures

### (a) Parent and ultimate controlling party

Under the privatization scheme, Sahara Group-, through a special purpose vehicle, New Electricity Distribution Company Limited (NEDC), acquired a 60% stake in Ikeja Electricity Distribution Company PLC (IKEDC), from Bureau of Public Enterprises - BPE and Ministry of Finance Incorporated MOFI on November 01, 2013. Consequently, the Company's parent is New Electricity Distribution Company Limited - NEDC while its ultimate parent Company is Sahara Group.

### (b) Sahara Power Group Limited

The Company has a Business partner / Management support services Agreement with its related company, Sahara Power Group Limited. Under the agreement, Sahara Power Group Limited provides support services including but not limited to human resources management, information technology support, corporate affairs, legal, business development and general management services to the Company. Sahara Power Group Limited receives a fee of 5% of the reimbursable amount (actual cost) for the services stated above.
Total cost incurred during the year with respect to services rendered by Sahara Power Group Limited during the year was ₦1.3 billion (2019: ₦1.3 billion). Amount due to Sahara Power Group Limited as at year end was ₦124.9 million (2019: ₦308.0 million).
In addition, the ₦1 billion naira loan provided to the Company in 2019 had an outstanding amount of ₦741.03 million as at year end (2019: ₦1 billion).

### (c) Wade Multi Trading Limited

The Company is related to Wade Multi Trading Limited through common shareholding. Wade Multi Trading Limited is responsible for the provision of the below services to the company during the year: utility management support service, revenue management support, information technology, revenue aggregate and reconciliation and provision and support for billing and Customer Relationship Management (CRM) application.
Total cost incurred during the year with respect to services rendered by Wade Multi Trading Limited during the year was ₦8.3 billion (2019: ₦6.3 billion). Amount due to Wade Multi Trading Limited as at year end was ₦25.3 billion (2019: ₦21.6 billion).

### (d) Comercio Electricity Exchange Limited

The Company is related to Comercio Electricity Exchange Limited through common shareholding. Comercio Electricity Exchange Limited is the administrator and collection agent of Egbin Power Plc in respect of 100MW excess power contract with the Company.
Total cost incurred during the year with respect to services rendered by Comercio Electricity Exchange Limited during the year was ₦11.7 billion (2019: ₦12.1 billion. The amount due to Comercio Electricity Exchange Limited for services rendered at year end is ₦24.2 billion (2019:₦17.8 billion).

**(e) Centrum Properties Limited**

The Company is related to Centrum Properties Limited through common shareholding. Centrum Properties Limited is responsible for the provisioning of renovation and construction services to the Company.
Total cost incurred during the year with respect to services rendered by Centrum Properties Limited during the year was ₦8.2 million (2019: ₦19.8 million). The amount due to Centrum Properties Limited for services rendered at year end is ₦0.6 million (2019:₦0.2 million).

**(f) Rak Unity Petroleum Plc**

The Company is related to Rak Unity Petroleum Plc through common shareholding. Rak Unity Petroleum Plc is responsible for the supply of petroleum products to the Company.
Total cost incurred during the year with respect to petroleum products and transformer oil supplied by Rak Unity Petroleum Plc during the year was ₦33.9 million (2019: ₦56.9 million). The amount due to Rak Unity Petroleum Plc for the products supplied at year end was ₦ NIL (2019: ₦2.5 million).

**(g) Asharami Energy**

The Company is related to Asharami Energy Limited through common shareholding. Asharami Energy Limited is responsible for the supply of petroleum products to the Company.
Total cost incurred during the year with respect to petroleum products supplied by Asharami Energy Limited during the year was ₦60.04 million (2019: Nil). The amount due to Asharami Energy Limited for the products supplied as at year end was ₦16.34 million (2019: Nil).

**(h) Amounts due to related companies**

| | 31-Dec-20<br>₦'000 | 31-Dec-19<br>₦'000 |
|---|---:|---:|
| Comercio Electricity Exchange Limited - Energy Market | 24,280,260 | 17,756,207 |
| Centrum Properties Limited | 634 | 161 |
| Sahara Power Group Limited | 865,927 | 1,308,015 |
| Rak Unity Petroleum Plc | - | 2,540 |
| Asharami Energy | 16,355 | - |
| Wade Multi Trading Company | 25,312,317 | 21,589,088 |
| | **50,475,493** | **40,656,011** |

**(i) Transactions with key management personnel**
**Loans to key management personnel**
During the year ended 31 December, 2020, loans issued to key management personnel was Nil (2019: Nil) and the balance outstanding was Nil (2019: Nil).

**Key management personnel compensation**
Key management personnel of the Company include the Directors. The details of compensation provided to Directors during the year is as shown below:

| Directors | 31-Dec-20 ₦'000 | 31-Dec-19 ₦'000 |
|---|---|---|
| Directors' emoluments (provided for) comprise: | | |
| Fees | 27,000 | 27,000 |
| Other expenses | 9,320 | 9,320 |
| Long-term employee benefit | - | - |
| | **36,320** | **36,320** |
| **Amount payable at the year end** | **291,810** | **255,490** |

The number of Directors including the Chairman whose emoluments were within the bands stated below were:

| | 31-Dec-20 Number | 31-Dec-19 Number |
|---|---|---|
| Up to NGN 2,400,000 | 7 | 7 |

**Key management personnel transactions**
A number of key management personnel, or their related parties hold positions in other companies that result in them having control or significant influence over these companies. A number of these companies transacted with the Company during the year. The aggregate value of transactions and outstanding balances related to these companies are as disclosed in Notes a-g above.

### 25 Share capital

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| | **₦'000** | **₦'000** |
| **Authorised** | | |
| 100,000,000 ordinary shares of N1.00k each (2019: 100,000,000 ordinary shares of N1.00k each). | **100,000** | **100,000** |
| ***Issued, alloted and fully paid*** | | |
| 5,000,000 ordinary shares of N1.00k each | **5,000** | **5,000** |
| ***Issued, alloted and unpaid*** | | |
| 20,000,000 ordinary shares of N1.00k each | **20,000** | **20,000** |

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| *In thousands of shares* | | |
| In issue as at 1 January | 25,000 | 25,000 |
| Issued during the year | - | - |
| In issue as at 31 December | **25,000** | **25,000** |

| **Shareholders** | **Unit** | **Unit** |
|---|---|---|
| New Electricity Distribution Company Ltd - NEDC | 15,000,000 | 15,000,000 |
| Bureau of Public Enterprises - BPE | 8,000,000 | 8,000,000 |
| Ministry of Finance Incorporated | 2,000,000 | 2,000,000 |
| | **25,000,000** | **25,000,000** |

| **Percentage (%) Distribution** | **%** | **%** |
|---|---|---|
| New Electricity Distribution Company Ltd - NEDC | 60 | 60 |
| Bureau of Public Enterprises - BPE | 32 | 32 |
| Ministry of Finance Incorporated | 8 | 8 |
| | **100** | **100** |

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the general meetings of the Company.

### 26 Accumulated deficit

| | 31-Dec-20 | Restated* 31-Dec-19 |
|---|---|---|
| | **₦'000** | **₦'000** |
| As at 1 January | (191,674,037) | (350,286,826) |
| Profit for the year | 8,783,474 | 158,612,788 |
| | **(182,890,563)** | **(191,674,037)** |
| Actuarial gain on End of Service Benefit (Note 22 (a)) | 69,586 | - |
| Related tax | (22,268) | - |
| | **(182,843,245)** | **(191,674,037)** |

* See note 36

### 27 Reserves

**a) Other reserves**

Other reserves represents non-core net liabilities written off to Nigerian Electricity Liability Management Company (NELMCO) in line with the Purchase Agreement.

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| | ₦'000 | ₦'000 |
| | 131,392,850 | 131,392,850 |
| | **131,392,850** | **131,392,850** |

**b) Revaluation reserves**

The property, plant and equipment revaluation reserves is used to record surplus arising from the revaluation of property, plant and equipment. The reserve is transferred to retained earnings upon disposal of the related item of property, plant and equipment.

### 28 Basic and diluted earnings per share

| | 2020 | Restated* 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Profit for the purpose of basic earnings per share is based on net profit attributable to equity holders of the Company. | **8,830,792** | **158,612,788** |

| **Number of shares** | **2020** | **2019** |
|---|---|---|
| | **Number** | **Number** |
| Issued ordinary shares at 1 January | **25,000,000** | **25,000,000** |
| Weighted-average number of ordinary shares at 31 December | **25,000,000** | **25,000,000** |

| | 2020 | 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Earnings per share - Basic and diluted | **353** | **6,345** |

* See note 36

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the general meetings of the Company.

## 29 Leases

### Leases as lessee

The Company leases a number of buildings. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after expiration. Lease payments are renegotiated when necessary to reflect market rentals.

Information about leases for which the Company is a lessee is presented below.

***(a) Right-of-use assets***

Right-of-use assets related to leased properties are presented on the statement of financial position in these financial statements. The movement in the account is as follows:

| | Buildings | Total |
|---|---|---|
| | ₦'000 | ₦'000 |
| **2020** | | |
| Balance at 1 January | 534,270 | 534,270 |
| Depreciation charge for the year | (237,390) | (237,390) |
| Additions to right-of-use assets | 117,259 | 117,259 |
| **Balance at 31 December** | **414,140** | **414,140** |
| | | |
| **2019** | | |
| Balance at 1 January | - | - |
| Adjustment on initial application of IFRS 16 | 745,556 | 745,556 |
| | **745,556** | **745,556** |
| Depreciation charge for the year | (211,285) | (211,285) |
| Additions to right-of-use assets | - | |
| **Balance at 31 December (Restated)*** | **534,270** | **534,270** |

* See note 36

(b) Reconciliation of additions to right-of-use assets in statement of cashflows:

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Additions to right-of-use assets | 117,259 | - |
| Initial recognition of new lease arrangements | (82,584) | - |
| | **34,675** | **-** |

***(c) Amounts recognised in profit or loss***

| | 2020 | 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Interest on lease liabilities | 117,042 | 108,008 |

***(d) Amounts recognised in statement of cash flows***

| | 2020 | 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Total cash outflow for leases | (154,910) | (141,511) |

***(e) Extension options***

Some property leases contain extension options exercisable by the Company up to one year before the end of the noncancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors.
The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options.
The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

## 30 Capital management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from prior year.

The Company monitors capital using a ratio of 'net debt' to 'equity'. Net debt is calculated as total liabilities (as shown in the statement of financial position) less cash and cash equivalents.

The Company is not subject to any externally imposed capital requirements.

**Gearing ratio**

| The gearing ratio is as follows: | **31-Dec-20** <br> **₦'000** | **Restated** <br> **31-Dec-19** <br> **₦'000** |
|---|---|---|
| Debt | 124,039,811 | 108,952,762 |
| Less: Cash and cash equivalents | (12,105,775) | (6,632,443) |
| Net debt | **111,934,036** | **102,320,319** |
| Equity | **31,568,239** | **22,737,447** |
| Net debt to equity ratio | **3.546** | **4.500** |

## 31 Financial instruments

### 31.1 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

### 31.2 Categories of financial instruments

The following table summarizes the Company's financial instruments:

| | 31-Dec-20 ₦'000 | 31-Dec-19 ₦'000 |
|---|---|---|
| **31.2.1 Financial assets** | | |
| Cash and cash equivalents | 12,105,775 | 6,632,443 |
| Trade and other receivables (Note 15)* | 23,597,068 | 9,860,596 |
| | **35,702,843** | **16,493,039** |

*Amount excludes advance payment for property, plant and equipment.

**31.2.1 Financial liabilities**
**Financial liabilities at amortised cost**

| | 31-Dec-20 ₦'000 | 31-Dec-19 ₦'000 |
|---|---|---|
| Trade and other payables (Note 21)** | 72,521,693 | 71,532,684 |
| Loans and Borrowings (Note 19) | 7,999,900 | 8,245,009 |
| | **80,521,593** | **79,777,693** |

**Amount excludes statutory deductions

**31.2.1 Fair value of financial instruments**

In the opinion of the Directors, the carrying amounts of financial instruments as stated above approximate their fair values.

### 31.3 Financial risk management objectives

The Company monitors and manages financial risks relating to its operations through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include foreign exchange risk, credit risk, liquidity risk and cash flow interest rate risk.

Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Company's activities. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

### 31.4 Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters to ensure minimal impact. The Company monitors the movement in the currency rates on an ongoing basis.

**Exposure to currency risk**

The Company's transactional exposure based on notional amounts is as follows:

**31 December 2020**

**Financial liabilities**

| | **$'000** |
|---|---|
| Trade and other payables | (320) |
| Net statement of financial position exposure | **(320)** |

**31 December 2019**

| | |
|---|---|
| Net statement of financial position exposure | Nil |

The following significant exchange rates were applied during the year

| | **Average rate** | **Reporting date rate** |
|---|---|---|
| US$ | 382.06 | 400.33 |

The Company translates its US Dollar denominated balances using the Nigerian autonomous foreign exchange (NAFEX) rate.

**Sensitivity analysis**

A strengthening (weakening) of the Naira, as indicated below against the USD at 31 December 2020 would have increased profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period and has no impact on equity. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is not performed for 2019 on the basis of no net exposure to currency risk as highlighted above.

| | Increase in profit or loss Strengthening ₦'000 | Increase in profit or loss Weakening ₦'000 |
|---|---|---|
| **31 December 2021** | | |
| USD (10% movement) | 12,811 | (12,811) |

### 31.5 Credit risk management

The company is exposed to both settlement risk defined as the risk of a counterparty failing to pay for energy and/or services which have been delivered. Credit risk is mitigated by active engagement and reconciliation of energy supplied to the customers and promotion of compliance with the MYTO agreement. Credit risk is an activity managed by the Directors with all relevant stakeholders to ensure reduced impact on provisioning policy. The allowance for doubtful debts is analyzed at each reporting date and this is estimated by management taking into account future cash flows, prior experience, ageing analysis and an assessment of the current economic climate within which the company operates. The maximum exposure to credit risk in respect of trade receivables is the carrying value of the trade receivables at the reporting date. The carrying value of trade receivables is stated net of the allowance for recoverability provision.

The credit risk on liquid funds and non-derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and related companies.

The carrying amount of financial assets represents the Company's maximum exposure, which as at the reporting date, was as follows:

| | 31-Dec-20 ₦'000 | 31-Dec-19 ₦'000 |
|---|---|---|
| Cash and cash equivalents | 12,105,775 | 6,632,443 |
| Trade and other receivables* | 23,597,068 | 9,860,596 |
| | **35,702,843** | **16,493,039** |

*Excludes advance payment for property, plant and equipment

**Collateral held as security and other credit enhancements**

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

| | 2020 | 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Impairment loss on trade receivables | 19,888,983 | 17,377,620 |
| | **19,888,983** | **17,377,620** |

**Trade and other receivables**

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base. The Company has a large customer base within its licensed area of supply thereby reducing its concentration of credit risk. To further mitigate credit risk, the Company is continually increasing the share of prepaid customers in its portfolio. The Company's exposure to credit risk is influenced by the characteristics of each category of customers.

In monitoring credit risk, customers are grouped according to common credit risk characteristics – geographic region, metering status and volume of consumption. No security is provided for the electricity supplied though the Company retains the right to disconnect non paying customers to enforce collections.

The Company does not require collateral in respect of trade and other receivables. The company does not have trade receivable for which no loss allowance is recognised because of collateral.

*Trade receivables*

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Government institutions | 9,889,199 | 7,868,668 |
| Maximum demand customers | 25,359,824 | 20,583,337 |
| Non-maximum demand customers | 107,249,541 | 81,685,655 |
| | **142,498,563** | **110,137,660** |

*Expected credit loss assessment for customers*

The Company uses an allowance matrix to measure the expected credit losses (ECLs) of trade receivables from customers. Loss rates are based on actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast gross domestic product rates.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers as at 31 December 2020.

| 31 December 2020 | Weighted average loss rate | Gross carrying amount ₦'000 | Loss allowance ₦'000 |
|---|---|---|---|
| 0 - 30 days | 21% | 4,192,851 | 877,206 |
| 30 - 60 days | 91% | 5,659,339 | 5,121,894 |
| 60 - 90 days | 92% | 2,448,209 | 2,248,340 |
| 90 - 120 days | 91% | 4,626,188 | 4,192,870 |
| 120 - 150 days | 86% | 1,575,594 | 1,361,319 |
| 150 - 180 days | 93% | 1,145,264 | 1,070,336 |
| 180 - 210 days | 73% | 615,180 | 446,180 |
| 210 - 240 days | 35% | 151,036 | 53,025 |
| 240 - 270 days | 0% | - | - |
| 270 - 300 days | 11% | 36,493 | 4,096 |
| 300 - 330 days | 11% | 34,165 | 3,835 |
| 330 - 360 days | 11% | 48,352 | 5,427 |
| Greater than 360 days | 88% | 121,965,891 | 107,600,384 |
| | | **142,498,563** | **122,984,912** |

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers as at 31 December 2019.

| 31 December 2019 | Weighted average loss rate | Gross carrying amount ₦'000 | Loss allowance ₦'000 |
|---|---|---|---|
| 0 - 30 days | 20% | 1,784,579 | 359,370 |
| 30 - 60 days | 94% | 2,038,705 | 1,915,888 |
| 60 - 90 days | 96% | 963,996 | 924,855 |
| 90 - 120 days | 99% | 853,173 | 842,508 |
| 120 - 150 days | 92% | 1,284,252 | 1,183,485 |
| 150 - 180 days | 99% | 1,095,323 | 1,081,631 |
| 180 - 210 days | 11% | 24,356 | 2,734 |
| 210 - 240 days | 99% | 26,323 | 25,994 |
| 240 - 270 days | 36% | 105,259 | 37,652 |
| 270 - 300 days | 11% | 27,616 | 3,100 |
| 300 - 330 days | 11% | 69,619 | 7,815 |
| 330 - 360 days | 11% | 76,380 | 8,574 |
| Greater than 360 days | 95% | 101,788,079 | 96,732,132 |
| | | **110,137,660** | **103,125,738** |

*Movements in the allowance for impairment in respect of trade receivables and contract assets*

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Balance at 1 January | 103,125,738 | 85,748,118 |
| Net remeasurement of loss allowance | 19,859,174 | 17,377,620 |
| **Balance at 31 December** | **122,984,912** | **103,125,738** |

**Cash at bank**

The Company held cash and cash equivalents of NGN 12.11 billion at 31 December 2020 (2019:NGN 6.63 billion). The cash and cash equivalents are held with bank and reputable financial institutions in Nigeria.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

**Staff advances**

The Company advances funds to employees for operational activities. To mitigate credit risk, the Company monitors the progress of such activities which have been funded. Employees are held responsible and accountable for the advance until the requisition for advance is settled. Any unretired/outstanding advance is systematically deducted from monthly salaries of the employees until fully recovered.

**Debt Service Reserve Account (DSRA)**

The Company has Debt Service Reserve Account (DSRA) with a balance of NGN3.87 billion (2019: NGN2.64 billion) in a commercial bank held as guarantee in favour of the Nigerian Bulk Electricity Trading Company Plc (NBET) and the Transmission Company of Nigeria (TCN). The Company considers that the DSRA has low credit risk based on the external credit ratings of the counterparty.

## 31.6 Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Management's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. As part of this strategy, included in the cash and cash equivalents is NGN 3.82 billion (2019:NGN 2.51 billion), which was not available for use as the reporting date in line with the accounts management restrictions imposed by the Central Bank of Nigeria (CBN) as part of the requirements for the CBN-NEMSF facility towards repayment of the facility. Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built a liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company maintains adequate liquid reserves, by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivity run for different scenarios including, but not limited to, changes in Energy Tariff and changes in distribution class and status of customers. The Company also continues to intensify efforts to collect its trade receivables.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The amounts are based on undiscounted cashflows and the earliest date on which the Company can be required to pay.

| | | Contractual cash flows | | | | |
|---|---|---|---|---|---|---|
| | **Carrying amount** | **Total** | **0 - 3 Months** | **4 - 12 Months** | **2-5 years** | **Above 5 years** |
| **Non-derivative financial liabilities** | | | | | | |
| **31 December 2020** | | | | | | |
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Trade and other payables* | 72,521,693 | 72,521,693 | 63,381,019 | - | 9,140,674 | - |
| Loans and borrowings | 7,999,900 | 11,972,227 | 765,498 | 1,931,828 | 7,617,352 | 1,657,549 |
| | **80,521,593** | **84,493,919** | **64,146,517** | **1,931,828** | **16,758,025** | **1,657,549** |

*Amount excludes statutory deductions

| | | Contractual cash flows | | | | |
|---|---|---|---|---|---|---|
| | **Carrying amount** | **Total** | **0 - 3 Months** | **4 - 12 Months** | **2-5 years** | **Above 5 years** |
| **Non-derivative financial liabilities** | | | | | | |
| **31 December 2019** | | | | | | |
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Trade and other payables* | 71,532,684 | 71,532,684 | 70,489,353 | - | 1,043,331 | - |
| Loans and borrowings | 8,245,009 | 10,783,704 | 467,276 | 1,967,336 | 8,349,092 | - |
| | **79,777,693** | **82,316,388** | **70,956,629** | **1,967,336** | **9,392,423** | **-** |

**31.7** ***Interest Rate Risk***

In managing interest rate risk, the Company aims to reduce the impact of short-term fluctuations in earnings. At the moment, the Company manages this risk by ensuring that all its borrowings are at fixed rates. At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

| | Carrying amount | |
|---|---|---|
| | **31-Dec-20** | **31-Dec-19** |
| | **₦'000** | **₦'000** |
| **Fixed rate instruments** | | |
| Financial liabilities | 7,999,900 | 8,245,009 |

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the end of the reporting period would not affect profit or loss.

## 32 Information regarding directors and employees

### 32.1 Directors

| | 31-Dec-20 ₦'000 | 31-Dec-19 ₦'000 |
|---|---|---|
| Directors' emoluments (provided for) comprise: | | |
| Fees | 27,000 | 27,000 |
| Other expenses | 9,320 | 9,320 |
| | **36,320** | **36,320** |

The directors' remuneration shown above includes:

| | 31-Dec-20 ₦'000 | 31-Dec-19 ₦'000 |
|---|---|---|
| Chairman | 6,400 | 6,400 |
| Highest paid director | 6,400 | 6,400 |

The number of Directors including the Chairman whose emoluments were within the bands stated below were:

| | 31-Dec-20 Number | 31-Dec-19 Number |
|---|---|---|
| Up to NGN 2,400,000 | 7 | 7 |

### 32.2 Employees

| Total number of employees as at year-end: | 31-Dec-20 Number | 31-Dec-19 Number |
|---|---|---|
| Management | 21 | 21 |
| Senior | 1,903 | 1,836 |
| Junior | 1,252 | 1,306 |
| | **3,176** | **3,163** |

**Aggregate staff costs:**

| | 31-Dec-20 ₦'000 | 31-Dec-19 ₦'000 |
|---|---|---|
| Salaries and wages | 8,596,011 | 8,108,413 |
| Employer pension contributions | 513,768 | 484,340 |
| Medical expenses | 417,369 | 341,679 |
| Current service cost on end of service benefit | 234,277 | 612,238 |
| Current service cost on long service award | 17,442 | 26,393 |
| Interest cost on end of service benefit | 168,843 | 480,360 |
| Interest cost on long service award | 13,031 | 20,657 |
| Actuarial loss on long service award | 16,399 | - |
| Training costs | 55,839 | 100,820 |
| ITF & NSITF | 156,232 | 161,581 |
| Other staff costs | 417,299 | 826,002 |
| | **10,606,511** | **11,162,483** |

The number of paid employees with gross emoluments within the bands stated below were:

| | 31-Dec-20 Number | 31-Dec-19 Number |
|---|---|---|
| N500,000-N1,000,000 | 795 | 1046 |
| N1,000,000 - N1,500,000 | 307 | 214 |
| N1,500,001 - N2,000,000 | 683 | 707 |
| N2,000,001 - N2,500,000 | 319 | 266 |
| N2,500,001 and above | 1072 | 930 |
| | **3,176** | **3,163** |

### 33 Contingent liabilities

The Company has contingent liabilities in respect of pending litigation and claims separately and jointly amounting to NGN 250.73 million as at the date of approval of these financial statements in the normal course of business. The Directors, on the advice of the solicitors are confident that the Company will suffer no material loss as the suits are likely to be decided in their favour. Consequently, no provisions have been made in these financial statements.

### 34 Subsequent events

Subsequent to year end, the Nigerian Electricity Regulatory Commission issued various Minor Review Orders revising the tariff rates charged by the Company for the supply of electicity to customers and also awarded a total tariff shortfall of NGN 32.29 billion for the 2021 financial year.

### 35 Non-audit services provided by KPMG Professional Services

During the year, KPMG Professional Services did not provide any non-audit service to the Company (2019: Nil).

### 36 Correction of errors/ reclassification

i) During the year, the Company discovered that the loans obtained from the Central Bank of Nigeria (CBN) in previous years were not initially measured at fair value. The error resulted in an overstatement of loans and borrowing and a corresponding understatement of deferred income arising from government intervention. The error has been corrected by restating each of the affected financial statements line items for the prior periods as follows:

*Statement of financial position*

| | 1-Jan-19 ₦'000 | 31-Dec-19 ₦'000 |
|---|---|---|
| Loans and borowings: | | |
| Impact of fair value gains | (888,539) | (676,386) |
| Deferred income: | | |
| Impact of fair value gains | 850,344 | 710,282 |
| Deferred tax assets | - | (44,820) |
| Adjustment to retained earnings | **(38,195)** | **(10,923)** |

*Statement of profit or loss and other comprehensive income*

| | 31-Dec-19<br>₦'000 |
|---|---|
| Finance cost: | |
| Impact of change in effective interest rate on loans and borrowings | 212,153 |
| Other income: | |
| Impact of amortisation of deferred income | (140,061) |
| Adjustment before income tax | **72,092** |

ii) During the year, the Company discovered that an actuarial valuation on its long service award scheme had not been performed and therefore, the scheme was not measured using the Projected Credit Unit method. The error resulted in an understatement of employee benefit liabilities and a corresponding overstatement of retained earnings. The error has been corrected by restating each of the affected financial statements line items for the prior periods as follows:

*Statement of financial position*

| | 1-Jan-19<br>₦'000 | 31-Dec-19<br>₦'000 |
|---|---|---|
| Defined benefit obligations: | | |
| Impact of actuarial valuation on long-service award | 101,912 | 140,568 |
| Deferred tax asset | | (44,982) |
| Adjustment to retained earnings | **101,912** | **95,586** |

*Statement of profit or loss and other comprehensive income*

| | 31-Dec-19<br>₦'000 |
|---|---|
| Administrative expenses: | |
| Interest and current service costs on long-service award | 47,050 |
| Other income: | |
| Actuarial gains on actuarial valuation of long-service award | (8,394) |
| | **38,656** |

iii) The Company discovered that meters transferred to the company by customers during the previous year under the Meter Asset Procurement (MAP) programme had not been recorded in the financial statements. The error resulted in an understatement of property, plant and equipment and a corresponding understatement of trade and other payables. The error has been corrected by restating each of the affected financial statements line items for the prior periods as follows. The error had no impact on the statement of profit or loss and other comprehensive income.

*Statement of financial position*

| | **1-Jan-19** | **31-Dec-19** |
|---|---|---|
| | **₦'000** | **₦'000** |
| Property, plant and equipment: | | |
| Impact of MAP assets | - | 1,043,331 |
| Trade and other payables: | | |
| Impact of MAP assets | - | (1,043,331) |
| Adjustment to retained earnings | **-** | **-** |

iv) During the year, the Company discovered that certain lease arrangements which qualify for measurement under IFRS 16 were accounted for in line with previous standard, IAS 11. The error resulted in an understatement of right-of-use assets and loans and borrowing with an overstatement of prepaid expenses. The error has been corrected by restating each of the affected financial statements line items for the prior periods as follows:

*Statement of financial position*

| | **1-Jan-19** | **31-Dec-19** |
|---|---|---|
| | **₦'000** | **₦'000** |
| Right-of-use assets: | | |
| Impact of previously ommitted leases | | 534,270 |
| Prepaid expenses: | | |
| Impact of adopting IFRS 16 | | (143,028) |
| Loans and borrowings: | | |
| Impact of previously ommitted leases | | (569,024) |
| Deferred tax asset | | 11,121 |
| Adjustment to retained earnings | **-** | **(166,661)** |

*Statement of profit or loss and other comprehensive income*

| | **31-Dec-19** |
|---|---|
| | **₦'000** |
| Administrative expenses: | |
| Impact of amortisation of right-of-use assets | 211,285 |
| Reversal of amortisation of prepaid expenses | (141,511) |
| Finance cost: | |
| Impact of interest expense on lease liabilities ommitted | 108,008 |
| | **177,782** |

v) During the year, subsequent changes in the deferred taxes that arose as revalued items of property, plant and equipment were depreciated in prior year were not recognised in profit or loss. Also, the Company discovered that deferred tax assets and liabilities were not offset but stated separately on the statement of financial position. In addition, the Company discovered that the amounts ascribed to certain temporary differences were not updated to reflect changes in the underlying income tax computations for the year. The errors resulted in an understatement of deferred tax assets with a corresponding overstatement of deferred tax expense. The error has been corrected by restating each of the affected financial statements line items for the prior periods as follows:

*Statement of financial position*

| | **1-Jan-19** | **31-Dec-19** |
|---|---|---|
| | **₦'000** | **₦'000** |
| Deferred tax asset: | | |
| Offset of deferred tax assets and liabilities | (35,568,703) | (35,568,703) |
| Impact of changes in deferred tax from depreciation of revalued amounts | | 10,629,893 |
| Impact of changes in temporary timing differences | - | 693,844 |
| Deferred tax liability: | | |
| Offset of deferred tax assets and liabilities | 35,568,703 | 35,568,703 |
| Adjustment to retained earnings | **-** | **11,323,737** |

*Statement of profit or loss and other comprehensive income*

| | **31-Dec-19** |
|---|---|
| | **₦'000** |
| Income tax expense: | |
| Impact of changes in deferred tax from depreciation of revalued amounts | (10,629,893) |
| | **(10,629,893)** |

vi) The above changes (increased)/ decreased current tax liabilities as follows:

| | **1-Jan-19** | **31-Dec-19** |
|---|---|---|
| | **₦'000** | **₦'000** |
| Current tax liabilities: | - | - |
| Recogniton of CIT on prior year adjustments | - | 45,284 |
| Adjustment to retained earnings | - | 45,284 |

vii) The above changes increased/ (decreased) the retained earnings as follows:

| | **1-Jan-19** | **31-Dec-19** |
|---|---|---|
| | **₦'000** | **₦'000** |
| Fair value on initial recognition of loans and borrowings | (38,195) | (10,923) |
| Actuarial valuation on long-service awards | 101,912 | 95,586 |
| Accounting for leases under IFRS | - | (166,661) |
| Deferred taxes on revalued items of PPE | - | 11,323,737 |
| Recognition of CIT on prior year adjustments | - | 45,284 |
| | 63,717 | 11,287,023 |

viii) Amounts received from customer in advance of energy supply was previously disclosed within trade and other payables. In the current year, the Company has disclosed these amounts separately on the statement of financial position as Contract liabilities.

The following table summarises the impact of the above identified errors on the financial statements.

**(i) Statement of financial statements**

| | As previously reported ₦'000 | Adjustments/ reclassifications ₦'000 | As restated ₦'000 |
|---|---|---|---|
| **1 January 2019** | | | |
| Deferred tax assets | 35,568,703 | (35,568,703) | - |
| Others | 132,764,458 | - | 132,764,458 |
| **Total assets** | **168,333,161** | **(35,568,703)** | **132,764,458** |
| Loans and borrowings | 7,986,595 | (888,539) | 7,098,056 |
| Deferred income | - | 850,344 | 850,344 |
| Defined benefit obligation | - | 101,912 | 101,912 |
| Deferred tax liabilities | 35,568,703 | (35,568,703) | - |
| Others | 260,589,487 | - | 260,589,487 |
| **Total liabilities** | **304,144,785** | **(35,504,986)** | **268,639,799** |
| Accumulated deficits | (350,223,109) | (63,717) | (350,286,826) |
| Others | 214,411,485 | - | 214,411,485 |
| Total equity | **(135,811,624)** | **(63,717)** | **(135,875,341)** |

| | As previously reported ₦'000 | Adjustments/ reclassifications ₦'000 | As restated ₦'000 |
|---|---|---|---|
| **31 December 2019** | | | |
| Property, plant and equipment | 111,751,867 | 1,043,331 | 112,795,198 |
| Right-of-use assets | - | 534,270 | 534,270 |
| Prepaid expenses | 438,137 | (143,028) | 295,109 |
| Deferred tax assets | 25,137,960 | (24,244,966) | 892,994 |
| Others | 17,172,638 | - | 17,172,638 |
| **Total assets** | **154,500,602** | **(22,810,392)** | **131,690,209** |
| Loans and borrowings | 8,352,371 | (107,362) | 8,245,009 |
| Deferred income | - | 710,283 | 710,283 |
| Defined benefit obligation | 1,070,754 | 140,568 | 1,211,322 |
| Trade and other payables | 96,385,431 | (568,059) | 95,817,372 |
| Contract liabilities | - | 568,060 | 568,060 |
| Deferred tax liabilities | 35,568,703 | (35,568,703) | - |
| Others | 1,312,102 | 1,088,613 | 2,400,715 |
| **Total liabilities** | **142,689,361** | **(33,736,599)** | **108,952,762** |
| Accumulated deficits | (202,600,244) | 10,926,206 | (191,674,038) |
| Others | 214,411,485 | 1 | 214,411,486 |
| **Total equity** | **11,811,241** | **10,926,207** | **22,737,447** |

**(ii) Statement of profit or loss and other comprehensive income**

| | As previously reported ₦'000 | Adjustments ₦'000 | As restated ₦'000 |
|---|---|---|---|
| **For the year ended 31 December 2019** | | | |
| Other income | 184,900,172 | (60,209,649) | 124,690,523 |
| Finance cost | (894,169) | (320,161) | (1,214,330) |
| Distribution and Administrative costs | (32,476,667) | (116,825) | (32,593,492) |
| Income tax expense | (11,077,277) | 11,278,453 | 201,176 |
| Others | 7,170,806 | 60,358,105 | 67,528,911 |
| **Profit for the year** | **147,622,865** | **10,989,923** | **158,612,788** |
| **Total comprehensive Income** | **147,622,865** | **10,989,923** | **158,612,788** |

**(iii) Statement of cashflows**

| | As previously reported ₦'000 | Adjustments ₦'000 | As restated ₦'000 |
|---|---|---|---|
| **For the year ended 31 December 2019** | | | |
| Profit for the year | 147,622,865 | 10,989,923 | 158,612,788 |
| Others | (143,242,463) | (10,907,527) | (154,149,990) |
| **Net cash generated from operating activities** | **4,380,402** | **82,396** | **4,462,798** |
| **Net cash used in investing activities** | **(3,901,719)** | **-** | **(3,901,719)** |
| **Net cash used in financing activities** | **(587,508)** | **(82,396)** | **(669,903)** |
| **Net increase/(decrease) in cash and cash equivalents** | **(108,825)** | **-** | **(108,825)** |
| Cash and cash equivalents at 1 January | 6,741,267 | - | 6,741,267 |
| **Cash and cash equivalents at 31 December** | **6,632,443** | **-** | **6,632,442** |

# Other National Disclosures

# IKEJA ELECTRIC PLC
## ANNUAL REPORT
## STATEMENT OF VALUE ADDED
## FOR THE YEAR ENDED 31 DECEMBER 2020

| | 31-Dec-20 ₦'000 | % | 31-Dec-19 ₦'000 | % |
|---|---|---|---|---|
| Revenue | 124,978,034 | | 100,588,240 | |
| Bought in materials and services | | | | |
| - Imported | - | | - | |
| - Local | (125,017,996) | | (90,902,010) | |
| | (39,962) | | 9,686,230 | |
| Other income | 54,148 | | 45,350,221 | |
| Finance income | 33,723,387 | | 124,690,523 | |
| **Value added** | **33,737,573** | **100** | **179,726,974** | **100** |
| ***Distributed as follows:*** | | | | |
| **To Government** | | | | |
| Taxation | 4,406,966 | 13 | 691,818 | - |
| **To Employees** | | | | |
| Salaries, wages and allowances | 10,606,511 | 31 | 11,162,483 | 6 |
| **To Providers of Finance** | | | | |
| Finance cost | 1,208,115 | 4 | 1,214,330 | 1 |
| **Maintenance of assets and future expansion** | | | | |
| For replacement of assets, including lease assets | 8,577,656 | 25 | 7,907,388 | 4 |
| Amortisation of intangible assets | 154,851 | - | 138,166 | - |
| Retained in the business as profit | 8,783,474 | 26 | 158,612,788 | 88 |
| **Value added** | **33,737,573** | **99** | **179,726,974** | **99** |

Value added represents the change in the Company's wealth through its operations and those of its employees. This statement shows the allocation of that wealth among employees, the government and the portion consumed for the future creation of wealth.

# IKEJA ELECTRIC PLC
**FINANCIAL STATEMENTS**
**FIVE YEAR FINANCIAL SUMMARY**
**FOR THE YEAR ENDED 31 DECEMBER 2020**

| | 31 Dec 2020<br>₦'000<br>(IFRS) | Restated*<br>31 Dec 2019<br>₦'000<br>(IFRS) | Restated*<br>31 Dec 2018<br>₦'000<br>(IFRS) | 31 Dec 2017<br>₦'000<br>(IFRS) | 31 Dec 2016<br>₦'000<br>(IFRS) |
|---|---|---|---|---|---|
| **Statement of financial position** | | | | | |
| **Assets** | | | | | |
| Property, plant and equipment | 117,077,109 | 112,795,198 | 115,557,261 | 125,213,553 | 134,757,675 |
| Right-of-use Assets | 414,140 | 534,270 | - | - | - |
| Intangible assets | 271,814 | 302,481 | 45,243 | 12,929 | 14,168 |
| Deferred tax asset | - | 892,994 | - | 35,568,703 | 35,568,703 |
| Non-current trade and other receivables | 5,166,490 | 2,640,040 | 1,686,757 | 1,055,022 | - |
| Current assets | 32,678,497 | 14,525,226 | 15,475,197 | 14,290,936 | 13,851,381 |
| | **155,608,050** | **131,690,209** | **132,764,458** | **176,141,143** | **184,191,927** |
| **Capital and Liabilities** | | | | | |
| Non-current liabilities | 19,740,669 | 9,386,003 | 7,488,179 | 41,318,939 | 40,832,043 |
| Current liabilities | 104,299,142 | 99,566,759 | 261,151,620 | 172,325,615 | 104,382,059 |
| Share capital | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| Revaluation reserves | 82,993,635 | 82,993,635 | 82,993,635 | 82,993,635 | 82,993,635 |
| Accumulated reserves/(deficits) | (182,843,246) | (191,674,038) | (350,286,826) | (251,914,896) | (175,433,660) |
| Other reserves | 131,392,850 | 131,392,850 | 131,392,850 | 131,392,850 | 131,392,850 |
| **Total Equity and Liabilities** | **155,608,050** | **131,690,209** | **132,764,458** | **176,141,143** | **184,191,927** |
| **Statement of profit or loss and other comprehensive income** | | | | | |
| Revenue | 124,978,034 | 100,588,240 | 88,832,783 | 68,225,362 | 64,497,695 |
| Loss before taxation | 13,190,440 | 158,917,380 | (90,406,765) | (76,395,463) | (90,296,156) |
| Taxation | (4,010,064) | 201,176 | (111,563) | (85,773) | 24,659,852 |
| Profit/(Loss) for the year | 8,783,474 | 158,612,788 | (90,518,328) | (76,481,236) | (65,636,304) |
| Other comprehensive income | 47,318 | - | - | - | (24,936,672) |
| **Total comprehensive gain/(loss)** | **8,830,792** | **158,612,788** | **(90,518,328)** | **(76,481,236)** | **(90,572,976)** |
| Profit/(Loss) per share - Basic (Naira) | 353 | 6,345 | (3,621) | (3,059) | (2,625) |
| Net Assets/(Liabilities) per share | 1,263 | 909 | (5,435) | (1,500) | 1,559 |

*See Note 36

**Notes**

Profit/(Loss) per share is based on the profit / (loss) for the year and it is computed on the basis of the number of ordinary shares in issue as at the end of the respective statement of financial position date.

Net assets/ liabilities per share is based on the net assets/liabilities and the number of ordinary shares in issue as at the end of the respective statement of financial position date