Eko Electricity Distribution Plc

Annual Report

31 December 2019

Contents

Corporate Information
Registration Number RC. 638862

Directors:	Charles Momoh - Chairman Adeoye Fadeyibi - Managing Director/CEO Alex Okoh Ernest Oji Tunji Olowolafe Dere Otubu George Etomi
Registered and Principal office address:	24/25 Marina Lagos
Company secretary:	GEP Nominees Limited 1b, Prof. Tiamiyu Belo-Osagie Street Parkview Estate, Ikoyi Lagos
Solicitor:	George Etomi & Partners (Legal practitioners) 1b, Prof. Tiamiyu Belo-Osagie Street Parkview Estate, Ikoyi Lagos
Auditor:	KPMG Professional Services KPMG Tower Bishop Aboyade Cole Street Victoria Island Lagos
Principal bankers:	First City Monument Bank Ltd Polaris Bank Limited Zenith Bank Plc Union Bank of Nigeria Plc Fidelity Bank Plc United Bank for Africa Plc Access Bank Plc Wema Bank Plc Ecobank Nigeria Limited

Results at a glance

	31 Dec 2019 NGN'000	Restated 31 Dec 2018 NGN'000	Change %
Revenue	81,283,798	76,156,820	7
Profit/(loss) before minimum tax and income tax	126,733,531	(58,803,842)	(316)
Minimum tax	(588,823)	(95,208)	518
Profit/(loss) for the year	123,420,376	(58,899,050)	(310)
Total assets	101,979,965	89,768,812	14
Total liabilities	49,530,050	160,934,273	(69)
Equity	52,449,915	(71,165,461)	(174)

Directors' Report

For the year ended 31 December 2019

The directors present their report on the affairs of Eko Electricity Distribution Plc ("the Company" or "EKEDP"), together with the financial statements and auditor's report for the year ended 31 December 2019.

Principal Activity and Business Review

Eko Electricity Distribution Plc ("the Company" or "EKEDP") was incorporated in Nigeria on November 8, 2005 as a public limited liability 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 Eko Zone, which comprised of 10 districts namely Apapa, Agbara/ Badagry, Ojo, Festac, Ijora, Islands, Lekki and Mushin, Orile and Ibeju districts.

As part of the Federal Government of Nigeria’s ("FGN's") initiative to transform the power sector, the Nigerian Electricity Regulatory Commission ("NERC") was established in October 2005 as required under the Electric Power Sector Reform Act (EPSRA) 2005. NERC is Nigeria’s independent regulatory agency for the Nigerian electricity industry comprising generation, transmission and distribution sectors and regulates the activities of the Company.

In 2013, the FGN completed its planned privatisation of the electricity sector effectively handing over 5 generation and 10 distribution companies to new owners under various share sale agreements. As a result of this, 60% equity interest in the Company was acquired by a Nigerian Company, West Power and Gas Ltd. (“WPG”). In 2008, NERC introduced a Multi-Year Tariff Order (MYTO) as the framework for determining the industry pricing structure and this forms the basis of revenue earned by the Company after taking into consideration changes as applicable per the Transitional Electricity Market (TEM) rules as issued by NERC via Order number 136 dated 29 January 2015 and effective 1 February 2015. The TEM rules were amended on 18 March 2015 and the amended rules became effective 1 April 2015.

The Company’s revenue increased by 7% from NGN76.16 billion to NGN81.28 billion. The increase in revenue is as a result of the tariff shortfall recorded during the year. During the year, NERC awarded the Company an accumulated tariff shortfall for 2015 to 2018 of NGN95.6 billion and tariff shortfall for 2019 of NGN58.26 billion. The shortfall was settled via a net off of payables. Accrued interest arising from the liabilities for 2015-2019 (up to the date of the NERC award) amounting to NGN43.4 billion was written off to profit or loss. Thus, the Company reported a gross profit of NGN45.75 billion (2018: gross loss of NGN9.85 billion).

The Company reported a profit after tax of NGN123.42 billion for the year ended 31 December 2019 (2018: loss after tax of NGN58.90 billion). Also as of that date, the Company's total assets exceeded its total liabilities by NGN52.45 billion while the current liabilities exceed current assets by NGN1.04 billion respectively compared to prior year when its current liabilities and total liabilities exceeded its current assets and total assets by (2018: NGN123.04 billion and NGN71.17 billion) respectively.

The directors have continued with certain initiatives aimed at improving the financial position and operations of the Company. These include:

-Subsidies for past and future tariff shortfalls. During the year, NERC awarded the Company an accumulated tariff shortfall for 2015 to 2018 of NGN95.65 billion, tariff shortfall for 2019 of NGN58.26 billion and a projected tariff shortfall for 2020 of NGN54 billion. The shortfall have been settled via a net off of NBET payables. Similarly, interest related to tariff shortfall for 2015 to 2018 of NGN25.91 billion and interest related to tariff shortfall for 2019 of NGN17.54 billion have been netted off of the interests payable on the NBET payables.

- Deployment of meters to unmetered customers under the Meter Asset Provider (MAP) scheme.

Directors' Report - cont'd

Operating results

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

	31 Dec 2019 NGN'000	31 Dec 2018 NGN'000
Revenue	81,283,798	76,156,820
Results from operating activities	109,740,258	(41,889,136)
Profit/(loss) before minimum tax and income tax	126,733,531	(58,803,842)
Minimum tax	(588,823)	(95,208)
Profit before income tax	123,420,376	(58,899,050)

No dividend has been recommended by the directors (2018: Nil).

Directors and their interests
The directors who served during the year were as follows:

Name	Designation
Charles Momoh	Chairman
Adeoye Fadeyibi	Managing Director
Alex Okoh/*Yunana Malo**	
Ernest Orji	
Tunji Olowolafe	
Dere Otubu	
George Etomi	

**Yunana Malo is the alternate director to Alex Okoh who is the representative of BPE (Bureau of Public Enterprises) on the Board of Directors.*

The directors' direct and indirect interest (through its Ultimate holding company - WPG International Limited) in the shares of the Company as recorded in the Register of Members and/or as notified by the directors' for the purposes of Section 275 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 are as follows:

Directors' Report - cont'd

Directors Interest
Except as disclosed below, the directors had no direct interest in the shares of the Company during the year.

Indirect shares

	31 Dec 2019		31 Dec 2018	
	Unit	**NGN**	**Unit**	**NGN**
Atlantic Meridean Limited (through Charles Momoh)	35,507,800	17,753,900	35,507,800	17,753,900
Kagera Limited (through Tunji Olowolafe)	10,849,000	5,424,500	10,849,000	5,424,500
Jachazes Investments Limited (through Ernest Orji)	3,864,000	1,932,000	3,864,000	1,932,000
Eastcorp Investment Limited (through George Etomi)	1,300,000	650,000	1,300,000	650,000

For the purpose of Section 277 of the Companies and Allied Matters Act of Nigeria, Cap C.20, Laws of the Federation of Nigeria, 2004, no other director has notified the Company of any declarable interests in contracts with the Company, except as disclosed in Note 27 to these financial statements.

Shareholding structure
The shareholding structure of the Company was as follows:

	Ordinary Shares of 50 kobo each as at			
	31 Dec 2019		31 Dec 2018	
	Number	**%**	**Number**	**%**
West Power and Gas Ltd (WPG)	240,000,000	60	6,000,000	60
Bureau of Public Enterprises	128,000,000	32	3,200,000	32
Ministry of Finance Incorporated	32,000,000	8	800,000	8
	400,000,000	**100**	**10,000,000**	**100**

During the year, on 18 February 2019, the Company increased its authorized share capital by 390m shares and issued same on that date.

Corporate Governance
Subsequent to WPG's acquisition of 60% equity interest in the Company, and consistent with applicable NERC rules, the Board re-emphasized the maintenance of high standards of corporate governance, central to achieving the Company’s objective of maximizing shareholder value. As a result, the Board has a schedule of matters reserved specifically for its decision and the Directors have been empowered by the provision of access to learning appropriate professional skills and knowledge development.

Directors' Report - cont'd

NERC rules require that the Company has at least five directors of which at least one must be an independent director. The Company has seven (7) directors comprising five (5) non-executive directors, one (1) independent director and one (1) executive director.
The Managing Director has extensive knowledge of the power sector while the non-executive directors bring to the table their broad knowledge of business and their financial, commercial and technical experience.

The attendance of the directors at board meetings during the year was as follow:

Directors	**Designation**	**18-Jan-19**	**3-Aug-19**
Charles Momoh	Chairman	**X**	**X**
Adeoye Fadeyibi	Managing director	**X**	**X**
Alex Okoh	* Director (B.P.E)	**X**	**X**
Ernest Orji		**X**	**X**
Tunji Olowolafe		**X**	**-**
Dere Otubu		**X**	**X**
George Etomi		**X**	**X**
Yunana Malo	* Alternate Director (B.P.E)	**-**	**-**

* *Both directors are representatives of BPE on EKEDP's board. Yunana Malo is the alternate director to Alex Okoh at all EKEDP board meetings in the absence of the latter.*
X = Attended
- = Absent

Sub Committees of the Board
The Board has established Committees consistent with NERC rules, each with written terms of reference approved by the Board. Currently, there are five (5) sub-committees that have been approved. The sub-committees are established to assist the Board to effectively and efficiently perform guidance and oversight functions, amongst others.

1. Finance and General Purpose Committee
The attendance of the members of this committee during the year was as follows:

Directors	**Designation**	**18-Jan19**	**1-Mar-19**	**3-Aug-19**
Dere Otubu	Chairman	**X**	**X**	**X**
Adeoye Fadeyibi		**X**	**X**	**X**
Alex Okoh		**-**	**X**	**-**
George Etomi		**X**	**-**	**X**
Ernest Orji		**X**	**X**	**X**
Tunji Olowolafe		**-**	**X**	**-**
Yunana Malo		**-**	**-**	**-**

The primary objective of the Committee is to carry out oversight functions on matters relating to or affecting the Company's financial direction and the development and implementation of necessary initiatives. The Committee is responsible for proffering independent recommendations to the Board on financial matters.

The Committee also has the following responsibilities:

- To provide oversight with respect to capital structure, cash flows and key financial ratios of the Company and make recommendations with respect to the Company's financial policies.

Directors' Report - cont'd

- Review policies with respect to distributions to shareholders generally, make recommendations with respect to the declaration of dividends, and also recommend the repurchase of shares of the Company from time to time consistent with authority levels established by the Board.
- Review the Company's liquidity position, including the Company's credit facilities.
- To review the Company's credit ratings and monitor its activities with respect to credit rating agencies.
- To review financial plan and make recommendations on behalf of the Board as part of its oversight functions.
- To assist the Board in fulfilling its responsibilities relating to managing the financial activities of the Company.
- Periodically review the Company's investor relation's program, shareholder profile and analyst coverage.
- Any additional matters delegated to the Committee by the Board.

2. Board Strategy and Technical Matters Committee

The attendance of the members of this committee during the year was as follows:

Directors	Designation	17-Jan-19	3-Aug-19
Ernest Orji	Chairman	X	X
Adeoye Fadeyibi		X	X
Alex Okoh		X	X
Dere Otubu		X	X
George Etomi		X	X
Tunji Olowolafe		X	-

The primary objective of the Committee is to assist the Board in its oversight of the strategic and technical operations and activities of the Company in delivering its business plans whilst not diluting the accountability of the Company's executive team for the management of strategy and technical operations of the Company.

3. Board Human Resources and Administration Committee

The attendance of the members of this committee during the year was as follows:

Directors	Designation	17-Jan-19	1-Mar-19	11-Jun-19	31-Jul-19
Tunji Olowolafe	Chairman	X	X	X	X
Adeoye Fadeyibi		X	X	X	X
Alex Okoh		-	-	-	-
Dere Otubu		X	X	X	X
George Etomi		X	X	X	X
Ernest Orji		X	-	-	-

The Board Human Resources and Administration Committee is responsible for assisting the Board of Directors in fulfilling its oversight responsibilities in relation to:

- The compensation of the Managing Director/Chief Executive Officer and senior management;
- The selection and retention of staff;
- Planning for the succession of staff;
- Professional development for staff; and
- The management of pension and significant benefit plans for employees; and any additional matters delegated to the Human Resources Committee by the Board.

Directors' Report - cont'd

4. Legal, Corporate Governance and Regulatory Committee

The attendance of the members of this committee during the year was as follows:

Directors	Designation	17-Jan-19	31-Jul-19
George Etomi	Chairman	X	X
Adeoye Fadeyibi		X	X
Alex Okoh		-	X
Dere Otubu		X	X
Ernest Orji		X	
Tunji Olowolafe		X	

The primary objective of the Committee is to carry out oversight functions on matters relating to the Company in respect of corporate procedures, corporate governance, statutory/regulatory and procedural compliance, general legal matters and policies. The Committee is also responsible for the following:

- Review of the Company's corporate governance matters and make recommendation to the Board.
- Review and advise the Company on contentious legal issues that may arise and proffering solutions
- To seek any information it requires from any employee of the Company.
- To obtain any independent legal or other professional advice and to source the attendance of external advisers at its meetings if it considers this necessary, at the Company's expense.

5. Audit and Compliance Committee

The attendance of the members of this committee during the year was as follows:

Directors	Designation	18-Jan-19	1-Mar-19	31-Jul-19
Dere Otubu	Chairman	X	X	X
Alex Okoh		X	-	-
George Etomi		X	-	X
Ernest Orji		X	X	X
Tunji Olowolafe		X	X	-
Yunana J. Malo		-	X	X

The Audit and Compliance Committee’s overall purpose is to enhance confidence in the integrity of the Company’s processes and procedures relating to internal control and corporate reporting. The Audit and Compliance Committee is responsible for the review of financial reporting, appointment and provision of oversight for the work of the external auditor. The Committee makes recommendations to the Board concerning internal financial controls, effectiveness of its internal audit functions viz a viz compliance with internal processes and procedures. It also ensures statutory compliance with the provisions of Companies and Allied Matters Act of Nigeria, Cap C.20, Laws of the Federation of Nigeria, 2004.

The Committee derives its authority from the Board to:

- Assist the Board in effectively discharging its responsibilities prescribed by applicable laws relating to financial accountability, audit, risk assessment, financial and performance management and financial reporting process.
- Adequately monitor and manage the Company’s system of internal control, audit process and ensure due compliance with relevant Corporate Governance and Regulatory Policies.

Directors' Report - cont'd

- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-recommend all auditing and non-audit services.

Material Agreements

The Company has entered into the following material agreements:

1. Deeds of assignment of pre-completion receivables and liabilities

The Company signed a deed of assignment of pre-completion receivables and liabilities with the Nigerian Electricity Liability Management Company Limited (NELMCO) effective 31 October 2013. As part of the privatisation initiative and the restructuring of the Nigerian power sector, NELMCO was established to take over and manage the stranded assets and liabilities in the Power sector.

(a) Pre-Completion receivables

Per the deed of Assignment of pre-completion receivables, all the trade receivables of the Company as at 31 October 2013 were transferred to NELMCO without recourse. Further interpretation accorded to the definition of pre-completion receivables by NERC expanded this to include cash and cash equivalents held as at 31 October 2013.

(b) Pre-Completion liabilities

Per the deed of Assignment of pre-completion liabilities, all liabilities and contingent liabilities of the Company as at 31 October 2013 were transferred to NELMCO subject to certain terms and conditions, which the Board believes do not limit the transfers.

On the basis of the agreements above, management derecognised qualifying assets and liabilities as at 31 October 2013 from the 2013 financial statements.

2. Technical Agreement with Related Party

The Company has an operations, management and maintenance contract with West Power and Gas Limited (a related party) for the provision of local, top level and expatriate staff to enable Eko Electricity Distribution Plc (EKEDP) meet the performance standard in the Performance Agreement entered into with BPE (Note 27(b)).

3. Revenue collection management

The Company entered into an agreement with Haleford Investment Limited ("Haleford") for provision of revenue collection management services. This agreement requires Haleford to ensure maximisation of revenue collections of the Company. It also sets out the terms and conditions under which the agreed scope of services would be performed to the Company. The agreement became effective on 1 August 2017. The fees relating to this service during the year were included in the revenue collection fees in Note 10(b) of these financial statements.

Directors' Report - cont'd

Geographical presence

To enable the Company operate within the Eko Zone where it distributes electricity, it has ten (10) (2018: ten (10)) districts excluding the head office. Each business unit is headed by a business manager who reports to the leadership team based at the head office

Property, plant and equipment

Information relating to changes in property plant and equipment is disclosed in Note 17 to these financial statements.

Charitable donations

In accordance with Section 38 (2) of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, the Company did not make any donation or gift to any political party, political association or for any political purpose in the course of the year (2018: Nil).

Events after the reporting period

Events after the reporting date have been disclosed in Note 31 to these financial statements.

Employment and employees

(a) Employee consultation and training

The Company places considerable value on the involvement of its employees in major policy matters and keeps them informed on matters affecting them as employees and on various factors affecting the performance of the Company. This is achieved through regular meetings with employees and consultations with their representatives.

Management, professional and technical expertise are the Company's major assets. The Company continues to invest in developing such skills. The Company has in-house training facilities, complemented, when and where necessary with external and overseas training for its employees. This has broadened opportunities for career development within the organization.

(b) Dissemination of information

In order to maintain shared perception of our goals, the Company is committed to communicating information to employees in a fast and effective manner, as possible. This is considered critical to the maintenance of team spirit and high employee morale.

(c) Employment of physically challenged persons

The Company has thirteen (13) physically challenged persons in its employment (2018: four (4)). Applications for employment by physically challenged persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming physically challenged, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that training, career development and promotion of physically challenged persons should, as far as possible, be identical with that of other employees.

(d) Employee health, safety and welfare

The Company places a high premium on the health, safety and welfare of its employees in their places of work. To this end, the Company has various forms of insurance policies, including workmen's compensation and group life insurance, to adequately secure and protect its employees.

The Company has a well-established Environmental Health and Safety (EH&S) management system, which formalises EH&S processes, procedures and programmes and provides for integration of EH&S issues into business planning and operations. It is the Company’s goal to ensure that incident free safety record in operations is amongst the best, both locally and globally, upon which it has set its safety policy.

Directors' Report - cont'd

Auditors

Messrs. KPMG Professional Services served as the independent auditor during the year under review. KPMG Professional Services in accordance with the existing regulation, which limits the tenure of the independent auditor, will not continue in office as the Company's independent auditor after the conclusion of the forthcoming Annual General Meeting. In accordance with Section 357(2) of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, the Board will propose at the forth coming Annual General Meeting, the appointment of another firm as the independent auditors to the Company effective after the conclusion of the meeting.

BY ORDER OF THE BOARD

G. E. & P.
NOMINEES LTD.

GEP Nominees Limited
Company Secretary
Lagos, Nigeria
4th August, 2021

Statement of directors' responsibilities in relation to the financial statements for the year ended 31 December 2019

The directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and Financial Reporting Council of Nigeria Act, 2011.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 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.

As disclosed in Note 32, the directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Signature

Charles Momoh
Name

4th August, 2021
Date

Signature

Dere Otubu
Name

4th August, 2021
Date

Report of the Audit and Compliance Committee

To the members of Eko Electricity Distribution Plc

In accordance with the terms of reference as contained in the Company's Audit and Compliance Committee Charter and the provisions of section 359(6) of the Companies and Allied Matters Act of Nigeria, Cap C.20, Laws of the Federation of Nigeria, 2004, we, the Members of the Audit and Compliance Committee of Eko Electricity Distribution Plc, having carried out our functions hereby report that:

- the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;
- the scope and planning of the audit for the year ended 31 December 2019 are satisfactory;
- having reviewed the independent auditor's memorandum of recommendations on accounting procedures and internal controls, we are satisfied with management responses thereon.

Members of the Audit and Compliance Committee are:

1. Dere Otubu — Chairman
2. Tunji Olowolafe
3. Ernest Oji
4. Alex Okoh
5. George Etomi

D.r. Ohe

Dere Otubu
Chairman, Audit and Compliance Committee
FRC/2013/IODN/00000004695
4th, August, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **Eko Electricity Distribution Plc**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Eko Electricity Distribution Plc (the Company), which comprise:

- the statement of financial position as at 31 December, 2019;
- 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, 2019, 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, Cap C.20, Laws of the Federation of Nigeria, 2004 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 32 of the financial statements, which indicates that the Company's current liabilities exceeded its current assets by ₦1.04 billion. As stated in Note 32, this event, along with other matters as set forth in Note 32, 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 was a matter of significance to our audit due to: • Significant judgement and estimate involved in the determination of deferred revenue for prepaid customers at year end. • Significant risk of fraud attached to revenue with respect to post-paid customers due to the judgment and estimate involved in its determination. • Several rules that the Company needs to comply with, in relation to tariff and billing methodology.	Our audit procedures included the following: • 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. • For revenue recognized in respect of unmetered customers, we evaluated the reasonableness of the assumptions underlying the Company's estimated billing methodology. • We assessed the reasonableness of the Company's assumptions and judgement with respect to the estimation of deferred revenue from pre-paid energy sales and unbilled revenue from post-paid customers. • We applied our data & analytics tool to re-perform a computation of deferred revenue and unbilled revenue using parameters such as average daily consumption and compared to amounts previously determined by the Company. • We evaluated billings to customers/revenue recognized to determine whether billings/revenue are consistent with NERC rules and guidelines. These include NERC guidance on back-billing, estimated billing of maximum demand customers, reading of customers' meters and billing of CAPMI customers. We assessed the reasonability of the parameters used by comparing them to parameters in the NERC tariff order.
See Note 7(a) (Accounting policy) and Note 9 (Revenue) to the financial statements.	

The Key audit matter	
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 during the year, meters were procured and installed for customers within the Company's distribution network by the MAPs and recognized as customer-contributed assets by the Company. The recognition and measurement of the fair values of these meters was a matter of significance to our audit due to the size and novelty of the transactions.	Our audit procedures in this area included the following: • We evaluated the Company's recognition of the customer contributed assets. • We agreed the fair value of the customer contributed assets recognised by the company to the costs reflected in the Metering Service Agreements. • We evaluated the accounting treatment of the customer contributed assets by assessing whether the Company obtained control of the customer-contributed assets.
The Company's accounting policy on recognition of customer contributed assets and related disclosures are shown in Notes 7(a(ii) and 9(a) to the financial statements respectively.	

The Key audit matter	
Recognition of tariff shortfalls	***How the matter was addressed in our audit***
During the year, the NERC issued Order No. NERC/GL/172A "The 2016 - 2018 Minor Review of the Multi Year Tariff Order (MYTO) 2015 and Minimum Remittance Order for the year 2019" and Order No. NERC/GL/186B/2019 "December 2019 Minor Review Multi Year Tariff Order 2015 and Minimum Remittance Order for the year 2020". These orders awarded tariff shortfalls to the Company. The shortfalls relate to the 2015 – 2018 and 2019 financial years respectively. This is the first year of the award and consequent recognition of the tariff shortfall by the Company. As such, recognition of the tariff shortfall was a matter of significance to our audit.	Our audit procedures in this area included the following: • We evaluated the various NERC orders issued with respect to the tariff shortfall and assessed how the Company complied with the orders in the recognition of the tariff shortfall. • We evaluated whether or not the offset of the tariff shortfalls against amounts due to the Nigerian Bulk Electricity Trading Plc (NBET) is appropriate given the criteria for derecognition of financial liabilities. • We evaluated whether the accounting treatment of the tariff shortfall is in line with the NERC order and our understanding of the business.
The Company's accounting policy on recognition of tariff shortfall and related disclosures are shown in Notes 7(i(a)), 10(a(i)) and 11 to the financial statements respectively.	

The Key audit matter	
Implementation of IFRS 16 - Measurement of right-of-use assets and lease liability	***How the matter was addressed in our audit***
The Company adopted IFRS 16 Leases which became effective on 1 January 2019. In adopting this standard, significant judgment and estimation were involved in: • The evaluation of relevant contractual terms in the various rental agreements of the Company. • Evaluation of the existence or otherwise of a lease in the various rental agreements of the Company. • Consideration of the key assumptions for the determination of the transition and other relevant adjustments. The Company has several contracts within the scope of the standard. This, together with the nature of judgments and estimates required made this a matter of significance to our audit.	Our audit procedures in this area included the following: • We tested the relevant inputs and key assumptions (e.g. discount rates, renewal options assessment) by comparing the assumptions to our expectations based on knowledge of the Company and other externally derived data. • We evaluated the key judgments and estimates made in preparing the transition adjustments. • We checked the accuracy of the relevant adjustments relating to the right-of-use assets and lease liability.
The Company's accounting policy on lease recognition and related disclosures are shown in Notes 7(j), 33 and 34 to the financial statements respectively.	

Other Information

The Directors are responsible for the other information. The other information comprises the Corporate information, Results at a glance, Directors' report, Statement of directors' responsibilities, Report of the audit and compliance committee and Other national disclosures.

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, Cap C.20, Laws of the Federation of Nigeria, 2004 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 and Compliance 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 and Compliance 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 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004

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.

Signed:

Chineme B. Nwigbo, FCA
FRC/2013/ICAN/00000001897
For: KPMG Professional Services
Chartered Accountants
Lagos, Nigeria
14 October 2021

Statement of Financial Position

As at

	Notes	31 Dec 2019 NGN'000	31 Dec 2018 NGN'000
ASSETS			
Property, plant and equipment	17	49,444,316	50,365,319
Right of use assets	33	2,628,119	-
Intangible assets	16	210,189	240,432
Prepayments	19	2,839,890	2,891,858
Trade and other receivables	20	4,147,151	2,300,000
Non-current Assets		59,269,665	55,797,609
Inventories	18	1,199,698	1,723,118
Prepayments	19	70,086	145,486
Trade and other receivables	20	31,136,818	24,611,218
Contract assets	20	2,887,242	2,866,944
Cash and cash equivalents	21	7,416,456	4,624,437
Current Assets		42,710,300	33,971,203
Total Assets		101,979,965	89,768,812
EQUITY			
Share capital	22	200,000	5,000
Retained earnings		52,249,915	(71,170,461)
Total equity		52,449,915	(71,165,461)
LIABILITIES			
Loans and borrowings	23	3,338,098	3,056,506
Lease Liability	33	1,771,800	-
Employee benefit obligation	14(e)	65,000	-
Deferred income	25(a)	600,360	863,490
Non-current liabilities		5,775,258	3,919,996
Loans and borrowings	23	2,285,898	1,664,369
Trade and other payables	24	35,566,596	154,014,183
Contract liabilities	9(b)	911,436	606,690
Deferred income	25(a)	365,774	339,266
Lease Liability	33	968,930	-
Provisions	28(b)	47,816	-
Current tax liabilities	15(d)	3,608,342	389,769
Current liabilities		43,754,792	157,014,277
Total liabilities		49,530,050	160,934,273
Total equity and liabilities		101,979,965	89,768,812

These financial statements were approved and authorized for issue by the Board of Directors on 4th August 2021 and signed on its behalf by:

O. S. M

Managing Director: Adeoye Fadeyibi
FRC/2014/IODN/00000018818

Director: Dere Otubu
FRC/2013/IODN/00000004695

Additionally certified by:

Chief Financial Officer: Joseph Esenwa
FRC/2013/ICAN/00000001049

The accompanying notes form an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended

	Notes	31 Dec 2019 NGN'000	31 Dec 2018 NGN'000
Revenue	*9*	81,283,798	76,156,820
Cost of sales	*10(a)*	(35,535,546)	(86,006,856)
Gross Profit/(Loss)		**45,748,252**	**(9,850,036)**
Other income	*11*	95,996,066	457,148
Operating expenses	*10(b)*	(27,217,378)	(22,742,132)
Impairment loss on financial assets	*29(a)*	(4,786,682)	(9,754,116)
Results from operating activities		**109,740,258**	**(41,889,136)**
Finance income	*12*	22,768,899	321,563
Finance costs	*12*	(5,775,626)	(17,236,269)
Net finance income/(costs)		**16,993,273**	**(16,914,706)**
Profit/(Loss) before minimum tax and income tax		**126,733,531**	**(58,803,842)**
Minimum tax	*15(a)*	(588,823)	(95,208)
Profit/(Loss) before income tax		**126,144,708**	**(58,899,050)**
Income tax expense	*15(b)*	(2,724,332)	-
Profit/(Loss) for the year		**123,420,376**	**(58,899,050)**
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		**123,420,376**	**(58,899,050)**

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

	Note	Share capital NGN'000	Retained Earnings NGN'000	Total equity NGN'000
For the year ended 31 December 2018				
Balance as at 1 January 2018		5,000	(14,815,555)	(14,810,555)
Adjustment on initial application of IFRS 9, net of tax		-	2,544,144	2,544,144
Adjusted balance as at 1 January 2018		5,000	(12,271,411)	(12,266,411)
Total comprehensive income				
Loss for the year		-	(58,899,050)	(58,899,050)
Other comprehensive income		-	-	-
Total comprehensive income		-	(58,899,050)	(58,899,050)
Transactions with owners of the company				
Issue of additional shares		-	-	-
Balance as at 31 December 2018		**5,000**	**(71,170,461)**	**(71,165,461)**
For the year ended 31 December 2019				
Balance as at 1 January 2019		5,000	(71,170,461)	(71,165,461)
Total comprehensive income				
Profit for the year		-	123,420,376	123,420,376
Other comprehensive income		-	-	-
Total comprehensive income		-	123,420,376	123,420,376
Transactions with owners of the company				
Issue of additional shares		195,000	-	195,000
Balance as at 31 December 2019		**200,000**	**52,249,915**	**52,449,915**

The accompanying notes form an integral part of these financial statements.

Statement of Cash flows

For the year ended

	Notes	31 Dec 2019 NGN'000	31 Dec 2018 NGN'000
Cash flows from operating activities			
Profit for the year		123,420,376	(58,899,050)
Adjustment for:			
Depreciation on Property Plant and Equipment	17	7,077,676	6,659,900
Depreciation on Right of Use Assets	33	695,357	-
Amortisation on intangible asset	16	74,930	56,711
Impairment loss on trade and other receivables	29(a)	4,786,682	9,754,116
Finance cost	12	5,775,768	17,236,269
Write down of inventory items	10(a)	231,151	31,337
Provisions	28(b)	47,816	-
Finance income	12	(22,768,899)	(321,563)
Long service award provision	14(f)	106,280	-
Customer granted assets	17(d)	(679,433)	(433,457)
Income tax expense	15(b)	2,724,332	-
Minimum tax expense	15(d)	588,823	95,208
Changes in working capital:			
Inventories	18(b)	292,269	(138,991)
Trade and other receivables	20(d)	(12,984,731)	(11,981,566)
Prepayments	19(a)	(4,762)	59,527
Trade and other payables	24(d)	(100,488,956)	44,893,163
Deferred revenue	25	304,746	293,017
Cash generated from operating activities		9,199,425	7,304,621
Long service award paid	14(f)	(41,280)	-
Income tax paid	15(d)	(94,582)	(1,006,152)
Net cash generated from operating activities		9,063,563	6,298,469
Cash flows from investing activities			
Acquisition of property, plant and equipment	17(e)	(5,477,239)	(4,907,605)
Acquisition of intangible assets	16	(44,687)	(171,618)
Interest received	12	133,540	90,239
Net cash flows used in investing activities		(5,388,386)	(4,988,984)
Cash flows from financing activities			
Loan received	23(d)	1,500,000	214,269
Loan repayment - principal	23(d)	(876,908)	(3,312,471)
Loan interest repayment	23(d)	(441,709)	(632,636)
Lease Charge Paid	23(d)	(903,934)	-
Bank charges paid	12	(160,443)	(457,336)
Net cash flows generated from/(used in) financing activities		(882,994)	(4,188,174)
Net increase/(decrease)increase in cash and cash equivalents		**2,792,183**	**(2,878,689)**
Cash and cash equivalents at 1 January		4,624,437	7,512,878
Effect of exchange rate fluctuations on cash held	12	(164)	(9,752)
Cash and cash equivalents 31 December		**7,416,456**	**4,624,437**

The accompanying notes on pages form an integral part of these financial statements.

Notes to the financial Statements

1. Reporting entity

Eko Electricity Distribution Plc ("the Company") was incorporated in Nigeria on November 8, 2005 as a public limited liability 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 Eko Zone, which comprised of 8 districts namely Apapa, Agbara/ Badagry, Ojo, Festac, Ijora, Islands, Lekki and Mushin districts. In 2017, Orile and Ibeju were separated from Mushin and Lekki respectively as stand alone districts. Thus the Company now has 10 districts.

The Company supplies electricity within the captive regions above based on a licence granted to it by the Nigerian Electricity Regulatory Commission ("NERC"). The licence is for a period of 15 years and expires in 2028 with an option to renew for another 10 years. Based on the terms and conditions of the licence and regulations as contained in the Electrical Power Sector Reform Act ("EPSRA") 2005, the Company is a monopoly within its geographical coverage area and operates under a price control regime known as the Multi Year Tariff Order ("MYTO"). As a result of the privatisation of the power sector, the business activity of the Company during the year was governed by the Interim Electricity Market Rules for the period between completion of privatisation and the start of the Transitional Electricity Market ("TEM") of the Nigerian Electricity Supply Industry ("NESI"), and the TEM Rules which became effective from 1 February 2015.

Effective 1 November 2013, West Power and Gas Ltd a Nigerian Company, acquired 60% interest in the Company thereby acquiring control of the Company. The remaining 40% shareholding is held by Bureau of Public Enterprises (32%) and Ministry of Finance Incorporated (8%). The acquisition of the 60% interest in the Company was as a result of the privatisation initiative of the power sector embarked on by the Federal Government of Nigeria.

2. Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Details of the Company's accounting policies, including changes during the year are included in Note 7 and Note 34 respectively.

This is the first set of the Company’s financial statements in which IFRS 16 *Leases* has been applied. The related changes to significant accounting policies are described in Note 34.

3. Functional and presentation currency

These financial statements are presented in Nigerian Naira (NGN), which is the Company’s functional currency. All amounts stated in Naira have been rounded to the nearest thousand, unless otherwise indicated.

4. Basis of measurement

These financial statements have been prepared on the historical cost basis except otherwise stated.

Notes to the financial statements - cont'd

5. Use of judgments and estimates

In preparing these financial statements, directors have made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a. Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in these financial statements is included in the following notes:

- Note 9 – Determination of whether billings to non-paying customers meet the revenue recognition criteria.
- Note 15(e) – Unrecognised deferred tax assets: availability of future taxable profit against which carryforward tax losses can be used
- Note 33 - Lease term: whether the Company is reasonably certain to exercise extension options.

b. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2019 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 9(a) - Recognition of contract assets – determination of consumption factor to estimate unbilled revenue from Post-paid arrangements
- Note 9(a) - Recognition of contract liabilities - determination of a consumption factor to estimate contract liabilities from prepaid arrangements
- Note 28(b) – Recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources
- Note 29(a) - Impairment of trade receivables; measurement of ECL allowance for trade receivables; key assumptions in determining the loss rate.
- Note 14(f): Measurement of employee benefit obligations: key actuarial assumptions

i. Measurement of fair values

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. The Company has an established control framework with respect to the measurement of fair values. The Chief Financial Officer (CFO) has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of Directors.

The CFO regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the CFO assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Board of Directors.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Notes to the financial statements - cont'd

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

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

6. 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 (Note 5(i)). 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. If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price. The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

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

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

7. Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements except as otherwise stated:

Notes to the financial statements - cont'd

a. (i) Revenue from contract with customers

Revenue primarily represents the sales value of electricity and other related energy services supplied to customers during the year and excludes Value Added Tax. The Company generally recognizes revenue when it transfers control over a good or service to a customer. Delivery is deemed complete when the risks and rewards associated with ownership have been transferred to the buyer as contractually agreed that is the electricity has been consumed by the customers, compensation has been contractually established and collection of the resulting receivable is probable. Revenue is measured at the fair value of the consideration received or receivable.

In line with the applicable tariff framework, prices charged by the Company for electricity distribution are regulated. However, the Company is allowed to recover excess costs incurred through future price increases charged on future deliveries. Similarly, where current regulated rates are determined to be excessive, the Company may be subject to a rate reduction in the future against future deliveries. 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 recognised. Revenue from rendering of services is recognised when such services are rendered. Revenue from customers are recognized based on the evaluation of the historical payment patterns of the customers to determine whether collection of consideration is probable in line with IFRS 15.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Category of revenue	**Nature and timing of satisfaction of performance obligations, including significant payments terms**	**Revenue recognition**
Pre-paid 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.

Notes to the financial statements - cont'd

Category of revenue	Nature and timing of satisfaction of performance obligations, including significant payments terms	Revenue recognition
Post-paid 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 expected within 30 days of billing.	Revenue is recognised over time as electricity is provided. The amount of revenue to recognise during the year is assessed based on the unit delivered method. The stand-alone selling price is determined based on the NERC approved tariff for the different categories of customers. Billings to customers are recognised as revenue based on the evaluation of whether collection of consideration is probable.

(ii) Other revenue:
Customer granted assets

Contributions by customers of items of property, plant and equipment (PPE), which require an obligation to supply goods to the customer in the future, are recognized at the fair value when the Company has control of the item. The Company assesses whether the transferred item meets the definition of an asset, and if so recognizes the transferred asset as PPE. At initial recognition, its cost is measured at fair value, and a corresponding amount is recognized as revenue as performance obligation is satisfied.

b. Finance income and finance cost

Finance income comprises interest income on short-term deposits with banks and foreign exchange gains. Interest income on short term deposits is recognised using the effective interest method.

Finance costs comprise interest expense on interest bearing liabilities, unwinding discount from CAPMI and bank charges. Interest expense on interest bearing borrowings is recognised using the effective interest method. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss using the effective interest method.
Foreign exchange gains and losses are recognized on net basis.
Write back of interest attributable to tariff shortfalls and interest expenses on liabilities to NBET are recognized on a net basis as either finance income or finance cost depending on whether the summation of both results in a net gain or a net loss position.

Notes to the financial statements - cont'd

c. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency using exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency (Nigerian Naira) at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

d. Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are recognised and measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Company including relevant borrowing costs.

Contributions of items of property, plant and equipment by customers, which require an obligation to supply goods to the customer in the future, are recognised at the fair value when the Company has control of the item. The Company assesses whether the transferred item meets the definition of an asset, and if so recognizes the transferred asset as Property, plant and equipment. At initial recognition, its cost is measured at fair value, and a corresponding amount is recognised as revenue when the Company has no future performance obligations. If the Company is yet to discharge the future performance obligation, the corresponding amount is recognised as a deferred income pending the performance of the obligation.

Assets under construction are stated at cost which includes cost of materials and direct labour and any costs incurred in bringing it to its present location and condition.
If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

ii. Subsequent expenditure

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

iii. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	40 - 50 years
Distribution network assets	10 - 30 years
Motor vehicles	4 - 5 years
Equipment, fixtures & fittings	5 years

Notes to the financial statements - cont'd

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Capital work in progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category at the point when the asset becomes available for use and is depreciated accordingly.

iv. Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal of the asset or when no future economic benefits are expected to accrue to the Company from its continued use. Any gain or loss arising on de-recognition is included in the statement of profit or loss in the period in which the asset is derecognised. The gain or loss is determined as the difference between the carrying value and the net proceeds on the sale of the assets, if any, at the time of disposal.

v. Contribution of assets by customer

Contributions by customers of items of property, plant and equipment (PPE), which require an obligation to supply goods to the customer in the future, are recognized at the fair value when the Company has control of the item. The Company assesses whether the transferred item meets the definition of an asset, and if so recognizes the transferred asset as PPE. At initial recognition, its cost is measured at fair value, and a corresponding amount is recognized as income when the Company has no future performance obligations. If the Company is yet to discharge the future performance obligation, the corresponding amount is recognized as a deferred income pending the performance of the obligation. This is then released to profit or loss as revenue as the performance obligation is discharged overtime.

e. 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.

i. Subsequent expenditure

Subsequent expenditure is capitalised 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.

ii. 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 life for the current and comparative years for computer software is 5 years.

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

f. 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.

Notes to the financial statements - cont'd

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.

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.

Notes to the financial statements - cont'd

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.

Notes to the financial statements - cont'd

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 derecognises 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 derecognises financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities
The Company derecognises 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.

g. Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and cash balances with banks. Bank overdrafts which are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of statement of cash flows. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

h. Inventories
Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on weighted average cost. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. Allowance is made for obsolete, slow-moving or defective items where appropriate. Inventories are stated net of write-downs and provisions.

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

Notes to the financial statements - cont'd

Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

(a) Tariff shortfalls

Tariff shortfalls arising from the difference between actual end-user tariffs approved by the Nigerian Electricity Regulatory Commission (NERC) and cost-reflective tariffs allowed by NERC for recovery are based on regulatory orders and subject to recovery through means other than recovery through billings to customers. Shortfalls received recognized in profit or loss as cost of sales in the periods the shortfalls are approved by NERC. Tariff shortfalls relating to prior periods are recognised in other income in the current period upon NERC approval.

j. Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

***i.* As a lessee**

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

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. 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.

Notes to the financial statements - cont'd

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 insubstance 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.

Policy applicable before 1 January 2019
For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:
— fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
— the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

i. As a lessee
In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Notes to the financial statements - cont'd

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

k. 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

The Company measures loss allowances at an amount equal to lifetime ECLs except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables 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 held); or
- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when the security is held with a financial institution that have high credit ratings and meet the cash and liquidity thresholds set by the Central Bank of Nigeria (CBN). 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 and debt securities at FVOCI 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:

Notes to the financial statements - cont'd

- significant financial difficulty of the obligor or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- it is probable that the obligor 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. 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. The amount written off is included in impairment loss on financial assets in the Statement of profit or loss and other Comprehensive income.

ii. 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.

l. Employee benefits
i. Short-term employee benefits
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.

ii. Defined contribution plans
Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in future payments is available.
The Company operates a defined contribution pension scheme. Staff contributions to the scheme amount to 8% of the employee's basic salary, housing and transport allowances which are funded through payroll deductions while the Company's contribution of 10% of the employee's basic salary, housing and transport allowances is recognised in profit or loss as employee benefit expense in the periods during which services are rendered by employees.

Notes to the financial statements - cont'd

l. Employee benefits cont'd

iii. Other long-term employee benefits

The Company's other long-term employee benefits represents a Long Service Award scheme for employees on the completion of designated long service milestones from 5, 10, 15, 20, 25 and 30years respectively. This scheme is instituted for all permanent employees. The Company's obligations in respect of these schemes are the amounts of future benefits that employees have earned in return of their service in the current and prior periods. The benefit is discounted to its present value. The discount rate is a result of the Company's objective to ensure that the underlying cost inflation remains below the country's headline inflation, having considered the weighted average of 10 and 20 year Nigerian Government Bond Yields approximating the term of the Company's obligation.. The calculation is performed using the Projected Unit Credit method. Remeasurements are recognized in profit or loss in the period in which they arise. This scheme is not funded. The obligations are paid out of the Company's cashflows as and when due.

iv. 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 recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

m. Provisions

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract

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.

Notes to the financial statements - cont'd

n. Income tax

Income tax expense comprises current tax (Companies 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.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income 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.

ii. 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.

In line with the Finance Act 2019, minimum tax is determined as 0.5% of turnover. In previous years, minimum tax was determined based on the sum of (i) the highest of; 0.25% of revenue of N500,000, 0.5% of gross profit, 0.25% of paid up share capital and 0.5% of net assets; and (ii) 0.125% of revenue in excess of N500,000.

Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognized 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.

iii. Deferred tax

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

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 reversal of relevant taxable temporary differences.

Notes to the financial statements - cont'd

iii. Deferred tax cont'd

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.

o. Share capital

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

p. Statement of cash flows

The statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows such as fair value changes and other non-cash items, have been eliminated for the purpose of preparing the statement. Finance costs paid is also included in financing activities while finance income received is included in investing activities.

8. New standards and interpretations not yet adopted

A number of new Standards, Amendments to Standards, and Interpretations are effective for annual periods beginning on or after 1 January 2019. The Company has not applied the following new or amended standards in preparing these financial statements.

Those which may be relevant to the Company are set out below. The Company does not plan to early adopt these standards. The standards will be adopted in the period that they become mandatory unless otherwise indicated:

Notes to the financial statements - cont'd

Standard not yet effective	Effective date	Summary of the requirements and impact assessment
Amendments to IFRS 3 (Definition of a Business)	1 January 2020 Early adoption is permitted	Defining a business is important because the financial reporting requirements for the acquisition of a business are different from the requirements for the purchase of a group of assets that does not constitute a business. The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3. In October 2018 the IASB issued this amendment to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments: • Confirm that a business must include inputs and a process, and clarified that: (i) the process must be substantive and (ii) the inputs and process must together significantly contribute to creating outputs. • Narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and • Add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted. The Company expects no significant impact on the application of this Standard. The Company is yet to complete its detailed assessment of the potential impact of this standard on its financial statements.
Amendments to IAS 1 and IAS 8 (Definition of Material)	1 January 2020 Early adoption is permitted	The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework. The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality.

Notes to the financial statements - cont'd

Standard not yet effective	Effective date	Summary of the requirements and impact assessment
Conceptual Framework amendments (Amendments to references to conceptual framework in the IFRS Standards)	1 January 2020 Early adoption is permitted	The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes: • A new chapter on measurement; • Guidance on reporting financial performance; • Improved definitions of an asset and a liability, and guidance supporting these definitions; and • Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. Although we expect this to be rare, some companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs. The Company expects no significant impact on the application of this Standard.

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

- *Amendments to references to conceptual Framework in IFRS standards*
- *Definition of a Business* (Amendments to IFRS 3)
- *Definition of Material* (Amendments to IAS 1 and IAS 8)
- IFRS 17 *Insurance contracts*

9. Revenue

Revenue comprise amounts derived from delivering of electricity and other related activities across the Company's distribution network in Lagos state.

	2019	2018
	NGN'000	NGN'000
Revenue from contract with customers	80,604,365	75,723,363
Other revenue		
Customer granted assets (Note 17(d))	679,433	433,457
Total revenue	**81,283,798**	**76,156,820**

a. Customer contributed assets

The Nigerian Electricity Regulatory Commission (NERC) issued the Meter Asset Provider (MAP) Regulation requiring all distribution companies to engage the services of MAPs towards covering the metering gap in the country.

Notes to the financial statements - cont'd

During the year, the Company appointed three (3) MAP entities to supply and install meters to its customers within the network. In line with the regulation, the customers bear all costs relating to delivery, activating and maintaining the meters though ownership resides with the Company and these meters are a requirement of the Company to fulfil its contract with the customers. Meters amounting to NGN 307.93 million were contributed by the customers during the year and have been recorded at their fair values (see Note 17(d)).
During the year, the Company also received donation to its substation amounting to NGN 371.507 million from its customers (see Note 17(d)).

Classification by customer payment mode

	2019	2018
	NGN'000	NGN'000
Post-paid revenue	69,619,441	65,500,817
Pre-paid revenue	10,984,924	10,222,546
	80,604,365	**75,723,363**
Customer granted assets (Note 17(d))	679,433	433,457
Total revenue	**81,283,798**	**76,156,820**

b. Contract balances

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

	31 December 2019	1 January 2019
	NGN'000	NGN'000
Receivables, included in "trade and other receivables" (Note 20)	28,619,261	22,560,984
Contract assets (Note 20(a))	2,887,242	2,866,944
Contract liabilities*	911,436	606,690

The contract assets primarily relate to the Company's right to consideration for electricity supplied to post paid customers but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the company issues a bill to the customer.

The contract liabilities primarily relate to the advance consideration received from prepaid 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.

*Included in the contract liabilities are collections from prepaid customers amounting to NGN392.44 million (2018:NGN203.16 million) representing payments received for which units were yet to be allotted.

10. Expenses by nature

Expenses by nature comprise:

a. Cost of sales

	2019	2018
	NGN'000	NGN'000
Cost of energy purchased from ONEM and NBET	86,805,447	79,618,859
Impairment of inventory (Note 18(a))	231,151	31,337
Depreciation (Note 17(a))	6,761,948	6,356,660
	93,798,546	**86,006,856**
Tariff shortfall awarded by NERC (2019) (Note 10(a)(i))	(58,263,000)	-
Total cost of sales	**35,535,546**	**86,006,856**

Notes to the financial statements - cont'd

(i) Tariff shortfall awarded by NERC

As part of the initiative towards improving the liquidity of Discos, on 1 July 2019 and 31 December 2019, the Nigerian Electricity Regulatory Commission (NERC) issued the Minor Review and Minimum Remittance Order - Order No. NERC/GL/172A "The 2016 - 2018 Minor Review of the Multi Year Tariff Order (MYTO) 2015 and Minimum Remittance Order for the year 2019" and Order No. NERC/GL/186B/2019 "December 2019 Minor Review Multi Year Tariff Order 2015 and Minimum Remittance Order for the year 2020". One of the objectives of the Orders is to resolve the impairment of the financial records of the distribution companies arising as a consequence of the deficits in tariffs over the years. These Orders award the Company a sum of NGN 95.65 billion as the computed tariff shortfall for the years 2015 to 2018 and NGN 58.26 billion as the tariff shortfall for 2019.In line with the order, the awarded tariff shortfalls are netted off the Company's payables to NBET and ONEM and transferred off the statement of financial position.

b. Operating expenses

	2019	2018
	NGN'000	NGN'000
Depreciation (Others) (Note 17(a))	315,727	303,240
Depreciation (ROU Assets) (Note 33(a(i)))	695,357	-
Amortisation (Note 16)	74,930	56,711
Maintenance expenses	6,251,565	4,796,994.
Consultancy fees	5,509,271	4,505,536
Employee benefits expenses (Note 14(a))	5,616,171	5,316,370
Directors' remuneration (Note 14(d))	339,928	500,841
Auditors' remuneration	70,000	70,000
Provision for litigation and claims (Note 28(b))	47,816	-
Staff training and welfare	1,372,862	833,017
Transport, travels and insurance	489,812	505,560
Rent and rates	1,084,482	934,271
Vehicle lease expense	-	315,614
Publicity and advertisement	328,583	269,314
Revenue collection fees	3,014,443	2,990,543
Switching company charge	533,427	-
Consumables	187,766	184,974
Penalties	14,327	14,520
Office expenses	471,033	467,700
Health, safety and environment	491,621	422,876
Security expenses	308,257	254,051
Total operating expenses	**27,217,378**	**22,742,132**

Notes to the financial statements - cont'd

11. Other income

	2019	2018
	NGN'000	NGN'000
Re-connection fee	187,790	237,275
Contractor registration fees	4,200	8,000
Service connection fee	96,830	69,293
Insurance compensation	13,462	4,303
Donation of materials by USAID	-	28,521
Donation of asset	-	70,000
Car park income	47,860	29,857
Proceed from sale of obsolete inventory	-	9,899
	350,142	457,148
Tariff shortfall awarded by NERC (2015 - 2018)(Note 10a(i))	95,645,924	-
	95,996,066	**457,148**

12. Finance income and costs

	2019	2018
	NGN'000	NGN'000
Finance income		
Interest income on financial instruments held at amortised cost	133,540	90,239
Write-back of interest attributable to tariff shortfall (Note 12(b))	22,398,736	-
Fair value gain on loans and borrowings	236,623	231,324
Total finance income	**22,768,899**	**321,563**
Finance costs		
Interest expense on loans and borrowings (Note 23(d))	(721,738)	(914,370)
Bank charges	(160,443)	(457,336)
Lease Interest (Note 33(a(ii)))	(453,318)	-
Net foreign exchange loss	(22)	(38,860)
Interest on shortfall remittance to electricity suppliers (12(a))	(4,440,105)	(15,825,703)
Total finance costs	**(5,775,626)**	**(17,236,269)**
Net finance income/(costs)	**(16,993,273)**	**(16,914,706)**

Finance cost for cashflow purposes

	2019	2018
	NGN'000	NGN'000
Interest expense on loans and borrowings (Note 23(d))	(721,738)	(914,370)
Bank charges	(160,443)	(457,336)
Lease Interest (Note 33(a(ii)))	(453,318)	-
Interest on shortfall remittance to electricity suppliers (12(a))	(4,440,105)	(15,825,703)
Unrealized exchange difference	(164)	(38,860)
	(5,775,768)	**(17,236,269)**

Notes to the financial statements - cont'd

(a). Interest on shortfall remittance to electricity suppliers

This represents interest arising from the Company's default with respect to amounts due on NBET, ONEM and Paras Energy invoices during the year. In line with the Transitional Electricity Market Rule, the Company is required to remit 100% of the Nigeria Bulk Electricity Trading Company Plc (NBET) and Operator of Nigeria Electricity Market (ONEM) monthly bills from 1 February 2015. The shortfall on baseline remittance attracts interest at NIBOR plus 4%. Also, in line with the agreement between the Company and Paras Energy, any default in payment of any amount due shall bear interest at NIBOR plus 1.5%. The interest on amounts due still remained unpaid as at year end and forms part of amounts due to NBET, ONEM and Paras Energy in trade and other payables. Current year amount has been adjusted for interest attributable to tariff shortfall for current year (Note 12(b)).

(b). **Write back of interest attributable to the tariff shortfalls**

This represents write back of interests attributable to the tariff shortfall awarded by NERC during the year. In line with the NERC order No. NERC/GL/172A/2019 “The 2016 - 2018 Minor Review of the Multi Year Tariff Order (MYTO) 2015 issued during the year, the Company has written back interest payable on unpaid NBET and ONEM invoices attributable to 2015 - 2018 tariff shortfall. The amount relating to current year has been adjusted accordingly in the expense calculation.

(c) During the year, amortization of day-one fair value gain on CBN loan into profit or loss is NGN 236.62 million (2018: NGN231.32 million) (25).

13. Profit/(Loss) before income tax

a. Profit/(Loss) before income tax is stated after charging/(crediting):

	2019	2018
	NGN'000	NGN'000
Depreciation (Note 17)	7,077,676	6,659,900
Depreciation ROU assets (Note 33(a))	695,357	-
Amortization (Note 16)	74,930	56,711
Employee benefits (Note 14(a))	5,616,171	5,316,370
Auditor's remuneration	70,000	70,000
Fair value gain on loans and borrowing	236,623	231,324
Net foreign exchange loss/(gain)	(22)	38,860

Notes to the financial statements - cont'd

14. Employee benefit expense and director's remuneration

a. Employee benefit expense during the year amounted to:

	2019	2018
	NGN'000	NGN'000
Salaries	5,038,154	4,858,175
Pension costs	471,737	458,195
Long service award (Note 14(f))	106,280	-
	5,616,171	5,316,370

b. The average number of full time persons employed by the Company during the year was as follows:

	2019	2018
	Number	Number
Finance	170	189
Administrative	225	250
Operations	1,397	1,383
	1,792	1,822

c. Employees of the Company, other than directors, whose duties were wholly or mainly discharged in Nigeria received remuneration (excluding pension costs and certain benefits) in the following ranges**:**

			2019	2018
			Number	Number
Below		NGN1,000,000	106	118
NGN1,000,001	-	NGN2,000,000	758	789
NGN2,000,001	-	NGN3,000,000	379	349
NGN3,000,001	-	NGN4,000,000	318	325
NGN4,000,001	-	NGN5,000,000	104	113
Above	-	NGN5,000,001	127	128
			1,792	1,822

d. Directors' remuneration

Directors' remuneration paid during the year includes:

	2019	2018
	NGN'000	NGN'000
Fees as directors	12,500	12,500
Other emoluments	327,428	488,341
	339,928	500,841

The directors' remuneration shown above includes:

	2019	2018
	NGN'000	NGN'000
Chairman and highest paid director	93,559	105,569

Notes to the financial statements - cont'd

The other directors received remuneration in the following ranges:

		2019	2018
		Number	Number
Below	NGN40,000,000	1	-
NGN40,000,000 -	NGN50,000,000	1	-
Above	NGN50,000,000	4	6
		6	**6**

e. Employee benefits obligation

	2019	2018
	NGN'000	NGN'000
Long service award (Note 14(f))	65,000	-

f. Long service award

On 19th February 2019, the company introduced a long service award scheme.

Staff who attained the milestone for the specified number of years of service in the company are rewarded with cash award as indicated below:

Milestones (Years)	Amount (NGN)
5	30,000
10	50,000
15	100,000
20	130,000
25	150,000
30	200,000

The movement in the present value of the long term employee benefit is as follows:

	2019	2018
	NGN'000	NGN'000
Balance as at 1 January	-	-
Current service cost	106,280	-
Payment made during the year	(41,280)	-
Balance as at 31 December	**65,000**	-
Amount recognised in profit or loss (Note 14(a))	106,280	-

Notes to the financial statements - cont'd

Actuarial Assumptions

The following were the principal actuarial assumptions at the reporting date (expressed in weighted averages) the year was as follows:

	2019
Discount rate	12.00%
Future salary growth	10.00%

The assumptions and the liability at the end of the year depicts management's estimate of the current and likely future experience of the Company.

15. Taxation

a. Minimum tax

The Company has applied the provisions of the Companies Income Tax Act and the Finance Act 2019 that mandates a minimum tax assessment, where a tax payer's tax liability based on taxable profit is less than the minimum tax liability. The Company's assessment based on the minimum tax legislation for the year ended 31 December 2019 is NGN588.82 million (2018: NGN95.21 million).

b. Income tax expense

The Company is subject to tax under the Companies Income Tax Act as amended to date. No deferred tax has been recorded by the Company because of the uncertainties around the recoverability of the losses (Notes 15 (e)).

Amount recognized in profit or loss are as follows:

	2019 NGN'000	2018 NGN'000
Tertiary Education Tax (TET)	2,718,161	-
Nigeria Police Trust Fund Levy (NPTF)*	6,171	-
Total	2,724,332	-

*The Nigeria Police Trust Fund (Establishment) Act, 2019 imposes a levy of 0.005% of the net profit of companies operating businesses in Nigeria.

c. Reconciliation of effective tax rates

	%	2019 NGN'000	%	2018 NGN'000
Profit/(Loss) before minimum tax and income tax	100	126,733,531	100	(58,803,841)
Income tax using the statutory tax rate	32	40,561,067	32	(18,817,229)
Effect of deductible temporary difference for which no deferred tax is recognized	(28)	(34,965,910)	1	(408,154)
Current year losses for which no deferred tax is recognized	-	-		14,558,440
Tax exempt income	-	(75,720)	30	(74,024)
Tax incentives	-	(203,218)	-	(107,712)
Effect of non-deductible expenses	-	170,912	(1)	720,632
Changes in prior year estimate	(2)	(2,762,799)	-	4,128,047
Total income tax expense	2	2,724,332	-	-

Notes to the financial statements - cont'd

d. Movement in current tax liability

	2019	2018
	NGN'000	NGN'000
Balance as at 1 January	389,769	1,300,713
Minimum tax (Note 15(a))	588,823	95,208
Tertiary education tax (Note 15(b))	2,718,161	-
Nigeria Police Trust Fund Levy (NPTF) (Note 15(b))	6,171	-
Payments during the year	(94,582)	(1,006,152)
Balance as at year end	**3,608,342**	**389,769**

e. Unrecognised deferred tax assets

Due to uncertainty about the amounts and timing of sufficient future taxable profits, deferred tax assets have not been recognised in respect of the following items:

	2019	2018
	NGN'000	NGN'000
Deductible temporary differences	22,129,832	26,166,196
Tax losses (will never expire)	-	25,620,632
	22,129,832	**51,786,828**

16. Intangible assets

	Computer software	Total
Cost	**NGN'000**	**NGN'000**
Balance as at 1 January 2018	225,026	225,026
Additions during the year	171,618	171,618
Balance as at 31 December 2018	396,644	396,644
Balance as at 1 January 2019	396,644	396,644
Additions during the year	44,687	44,687
Balance as at 31 December 2019	441,331	441,331
Amortisation		
Balance as at 1 January 2018	99,501	99,501
Charge for the year	56,711	56,711
Balance as at 31 December 2018	156,212	156,212
Balance as at 1 January 2019	156,212	156,212
Charge for the year	74,930	74,930
Balance as at 31 December 2019	231,142	231,142
Carrying amounts		
At 1 January 2018	**125,525**	**125,525**
At 31 December 2018	**240,432**	**240,432**
At 31 January 2019	**210,189**	**210,189**

The amortisation of computer software is included in "Administrative expenses" in Note 10(b) to these financial statements.

Notes to the financial statements - cont'd

17. Property, plant and equipment

	Land and building	Distribution network assets	Equipment fixtures & fittings	Motor vehicles	Capital work in progress	Total
	NGN'000	NGN'000	NGN'000	NGN'000	NGN'000	NGN'000
Cost						
Balance as at 1 January 2018	580,935	131,005,976	1,020,103	1,515,296	2,227,730	136,350,040
Additions during the year	110,000	2,963,730	154,685	303,450	1,950,669	5,482,534
Transfers	-	626,669	10,845	-	(637,514)	-
Balance as at 31 December 2018	690,935	134,596,375	1,185,633	1,818,746	3,540,885	141,832,574
Balance as at 1 January 2019	690,935	134,596,375	1,185,633	1,818,746	3,540,885	141,832,574
Additions during the year	95,690	4,059,108	276,892	-	1,724,982	6,156,672
Transfers	15,950	2,437,943	1,633	-	(2,455,526)	-
Write-offs	-	-	-	(13,035)	-	(13,035)
Balance as at 31 December 2019	802,575	141,093,426	1,464,158	1,805,711	2,810,341	147,976,211
Accumulated Depreciation						
Balance as at 1 January 2018	100,851	82,736,756	698,075	1,271,673	-	84,807,355
Charge for the year	12,726	6,356,660	128,594	161,920	-	6,659,900
Balance as at 31 December 2018	113,577	89,093,416	826,669	1,433,593	-	91,467,255
Balance as at 1 January 2019	113,577	89,093,416	826,669	1,433,593	-	91,467,255
Charge for the year	13,209	6,761,948	154,860	147,659	-	7,077,676
Write-offs	-	-	-	(13,035)	-	(13,035)
Balance as at 31 December 2019	126,786	95,855,364	981,529	1,568,217	-	98,531,896
Carrying amounts						
At 1 January 2018	**480,084**	**48,269,220**	**322,028**	**243,623**	**2,227,730**	**51,542,685**
At 31 December 2018	**577,358**	**45,502,959**	**358,964**	**385,153**	**3,540,885**	**50,365,319**
At 31 December 2019	**675,789**	**45,238,062**	**482,629**	**237,494**	**2,810,341**	**49,444,316**

Notes to the financial statements - cont'd

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

	2019	2018
	NGN'000	NGN'000
Cost of sales (Note 10(a))	6,761,948	6,356,660
Administrative expenses (Note 10(b))	315,727	303,240
	7,077,675	**6,659,900**

b. The Company had capital commitments amounting to NGN15.77 billion (2018: NGN15.93 billion) as at year end.

c. Capital work in progress (CWIP) comprises:

	2019	2018
	NGN'000	NGN'000
Ongoing works with respect to substations	1,616,244	1,613,715
PPE items in store *	1,194,097	1,927,170
	2,810,341	3,540,885

*PPE items in store consist mainly of transformers of NGN86.38 million (2018: NGN120.03 million) and meters of NGN1.107 billion (2018: NGN1.81 billion) that are yet to be energised.

d. Customer granted assets

Included in Property, Plant and Equipment are distribution network assets transferred to the Company by its customers during the year. The fair value of these assets was estimated by the directors based on observable prices of similar items purchased during the year. This has been recognised as revenue (Note 9).

	2019	2018
	NGN'000	NGN'000
Customer Donated Assets (Substations/Transformers)	(371,507)	(433,457)
Customer Donated Assets (MAP scheme) (Note 9(b))	(307,926)	-
	(679,433)	**(433,457)**

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

	2019	2018
Total Acquisition of property, plant and equipment (Note 17)	NGN'000	NGN'000
Additions to property, plant and equipment for cashflows	(6,156,672)	(5,482,534)
Recognition of NIPP and PMU assets (Note 24 (d))	-	141,472
Customer granted assets (Note 17(d))	679,433	433,457
Additions to property, plant and equipment for cashflow	**(5,477,239)**	**(4,907,605)**

The amounts relating to NIPP and PMU assets are included in other payables and have been adjusted for in the statement of cashflows.

f. The Company has contingent assets amounting to NGN12.34billion (2018: Nil). These assets relate to property to be transferred by the Bureau of Public Enterprises (BPE) to the Company. The Company is in continued discussions with the BPE regarding the transfer and has deemed the inflow of these assets as probable.

Notes to the financial statements - cont'd

18. Inventories

	2019	2018
	NGN'000	NGN'000
Consumable spare parts	1,150,063	1,661,161
Other consumables	49,635	61,957
	1,199,698	**1,723,118**

a. Inventories recognised as expense include consumable spare parts and other consumables used in maintenance during the year. They are included as part of maintenance expenses under administrative expenses and amounted to NGN376.27 million (2018: NGN296.63 million).
During the year, an allowance of NGN231.15 million was recorded to write down inventories to their net realisable value (2018: NGN31.34 million).

b. Reconciliation of changes in inventories to statement of cashflows is as follows:

	2019	2018
	NGN'000	NGN'000
Changes in inventories	523,420	(107,654)
Impairment of inventory	(231,151)	(31,337)
	292,269	**(138,991)**

19. Prepayments

	2019	2018
	NGN'000	NGN'000
Prepaid expense	70,086	197,454
Advance payment for construction of non-current assets (Note 27(c)(iii))	2,839,890	2,839,890
	2,909,976	**3,037,344**
Prepayments are analysed into:		
Non-current	2,839,890	2,891,858
Current	70,086	145,486
	2,909,976	**3,037,344**

a. Reconciliation of changes in prepayments to statement of cashflows is as follows:

	2019	2018
	NGN'000	NGN'000
Changes in prepayments	127,368	59,527
Transfer to right of use asset	(132,130)	-
	(4,762)	**59,527**

Notes to the financial statements - cont'd

20. Trade and other receivables

	2019 NGN'000	2018 NGN'000
Trade receivables	28,619,261	22,560,984
Contract asset (Note 20(a))	2,887,242	2,866,944
Other receivables	141,604	355,057
Other deposits (Note 20(c))	4,147,151	2,300,000
	35,795,258	28,082,985
Advance payments to vendors (Note 20(b))	2,375,953	1,695,177
	38,171,211	**29,778,162**
Trade and other receivables are analysed into:		
Current	31,136,818	24,611,218
Non-current (Other deposits (Note 20(c))	4,147,151	2,300,000
Contract asset (Note 20(a))	2,887,242	2,866,944
	38,171,211	**29,778,162**

a. Contract assets are derived by using a consumption factor based on billings for the year multiplied by the number of outstanding days till the period end from the last billing date**.**

b. Advance payments to vendors represent amounts advanced for the acquisition of consumable spare parts and other consumables, which were yet to be delivered as at year end.

c. Other deposits represent cash deposits of NGN4.15 billion held as collateral with respect to bank guarantees issued in favour of the Nigerian Bulk Electricity Trading Company Plc (NBET) and the Operator of the Nigeria Electricity Market (ONEM). These bank guarantees were issued by a Nigerian commercial bank (Note 28(c)). These deposits will mature at the expiration of the guarantees which are long-term in nature and have been classified as non-current in these financial statements**.**

d. Reconciliation of changes in trade and other receivables and contract asset to statement of cashflows is as follow**:**

	2019 NGN'000	2018 NGN'000
Changes in trade and other receivables	(8,393,049)	(4,771,594)
Impairment loss on trade receivables (Note 29(a))	(4,591,682)	(3,450,342)
Trade receivables written off	-	(6,303,774)
Effect of IFRS 9 (Note 35b)	-	2,544,144
	(12,984,731)	**(11,981,566)**

Information about the Company's exposure to credit and market risks, and impairment losses for trade and other receivables is included in Notes 29(a) and (c).

21. Cash and cash equivalents

	2019 NGN'000	2018 NGN'000
Bank balances	7,404,869	4,618,974
Cash on hand	11,587	5,463
	7,416,456	**4,624,437**

Notes to the financial statements - cont'd

22. Capital and reserves

Share capital comprises:

	2019 NGN'000	2018 NGN'000
Issued, called-up and fully paid:		
10,000,000 ordinary shares of 50k each	5,000	5,000
Unpaid share capital:		
390,000,000 ordinary shares of 50k each	195,000	-

	2019 NGN'000	2018 NGN'000
In thousand of shares		
In issue as at 1 January	5,000	5,000
Issued during the year	195,000	-
In issue as at 31 December	200,000	5,000

All shares rank equally with regard to the company's residual assets.

During the year, the Company made filings with the Corporate Affairs Commission (CAC) to increase the Company's authorized share capital from NGN5 million to NGN200 million by creation of 390,000,000 ordinary shares of NGN0.50k each and issued same to the existing shareholders according to their percentage shareholding. The shares were yet to be paid for as at the reporting date.

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.

23. Loans and borrowings

	2019 NGN'000	2018 NGN'000
Loans from customers - CAPMI (Note 23(a))	1,074,784	1,383,528
Loans from CBN - NEMSF Intervention Fund (Note 23(b))	3,056,506	3,337,347
Loans from commercial bank (Note 23(c))	1,492,706	-
	5,623,996	**4,720,875**
Loans and borrowings are analysed into:		
Non-current	3,338,098	3,056,506
Current	2,285,898	1,664,369
	5,623,996	**4,720,875**

a. Customer loan (CAPMI)

In a bid to bridge metering gap and reduce estimated billings, NERC issued the Credit Advanced Payment for Metering Implementation (CAPMI) scheme. This scheme allowed willing customers to advance funds to the distribution companies for meter procurement and installation. Amount advanced by a customer under this scheme plus a one-off nominal interest of 12% less cost of installation, is refundable to the customer in monthly instalments such that the repayment period shall not exceed 3 years.
As at year end, all the outstanding balance on the loan was repayable on demand.

Notes to the financial statements - cont'd

b. CBN - Nigerian Electricity Market Stabilization Facility (CBN - NEMSF)

The Central Bank of Nigeria commenced disbursement to market participants who have met the condition precedent to the disbursement of the CBN-Nigerian Electricity Market Stabilization Facility ("CBN-NEMSF") in 2015. The NEMSF, also known as the CBN Intervention fund is aimed at settling the outstanding payment obligations due to the market participants during the Interim Rules Period ("IRP Debts") as well as the legacy gas debt of the PHCN generation companies owed to gas suppliers ("Legacy Gas Debt") which has been transferred to the Nigerian Electricity Liability Management Company Limited by Guarantee ("NELMCO"). The Company received NGN5.8 billion from this fund in 2015. The loan is repayable over a 10-year period, with a 1 year moratorium on the principal repayment beginning from the date of first disbursement. Interest is payable on outstanding loan balances at an interest rate of 10%.

In 2018, a disbursement of NGN214 million was made by CBN to Market Operators. This disbursement was made directly to the Market Operators and EKEDP did not receive any cash for the disbursement.
Interest expenses for the year amounted to NGN749.66 million (2018: NGN799.161 million).
Subsequent to the year end, on 25 March 2020, there was a reduction in the interest rate from 10% to 5% by the CBN as part of the measures to mitigate the impact of the COVID-19 pandemic. The reduction was for an initial 1 year period but was subsequently extended to February 2022 (Note 32).

c. Loan from commercial bank

On 17 December 2019, the Company obtained two facilities from a local commercial bank. The first facility was a loan of NGN1 billion to finance urgent working capital requirement and payment of contractors. The tenor of this facility is 12 months. The loan principal will be repaid at maturity, while the interest is payable upfront upon disbursement of the facility. The Company made no draw down during the year.

The second facility is a loan of NGN1.5 billion to finance the rehabilitation of 100MVA evacuation project at a substation through the expansion of three substation within the Company's network. The tenor of this facility is 18 months. Interest rate as agreed by parties would be 15% per annum with a moratorium of 6 months effective from the date of first disbursement. During moratorium, the loan interest will be repaid at six(6) equal and consecutive monthly payments. After moratorium, principal and interest is payable at equal and consecutive monthly payments. As at year end, the Company had drawn down the total amount of the loan facility. Interest expense for the year amounted to NGN2.71 million.

Notes to the financial statements - cont'd

d. Reconciliation of liabilities to cashflows arising from financing activities:

2019	Loans and Borrowings NGN'000	Lease Liability NGN'000	Total NGN'000
Opening Balance at 1 January 2019	4,720,875	1,487,598	6,208,473
Changes from financing cashflows			
Proceeds from loans and borrowings	1,500,000		1,500,000
Repayments of loans and borrowings	(876,908)	-	(876,908)
Repayments of interest on loans and borrowings	(441,709)	-	(441,709)
Payment of lease charge (Note 33(a(ii))	-	(903,934)	(903,934)
Total changes from financing cashflows	**181,383**	**(903,934)**	**(722,551)**
Other changes			
Liability-related			
New leases (Note 33(a(ii))	-	1,703,748	1,703,748
Interest expense (Note 12)	721,738	453,318	1,175,056
Total liability-related other changes	**721,738**	**2,157,066**	**2,878,804**
Balance at 31 December	**5,623,996**	**2,740,730**	**9,852,324**

2018	Loans and Borrowings NGN'000	Total NGN'000
Opening Balance at 1 January 2018	7,569,502	7,569,502
Changes from financing cashflows		
Proceeds from loans and borrowings	214,269	214,269
Repayments of loans and borrowings	(3,312,471)	(3,312,471)
Repayments of interest on loans and borrowings	(632,636)	(632,636)
Total changes from financing cashflows	**(3,730,838)**	**(3,730,838)**
Other changes		
Liability-related		
Interest expense (Note 12)	914,370	914,370
Day-one fair value gain on initial recognition of loan	(61,266)	(61,266)
Effect of changes in foreign exchange rate	29,107	29,107
Total liability-related other changes	**882,211**	**882,211**
Balance at 31 December	**4,720,875**	**4,720,875**

Notes to the financial statements - cont'd

24. Trade and other payables

	2019	2018
	NGN'000	NGN'000
Trade payables (NBET and ONEM)	7,271,873	130,819,382
Other trade payables (Note 24(a))	4,664,717	3,313,889
Other employee related liabilities	1,393	104
Payable to NELMCO (Note 24(b))	1,138,931	1,138,931
Accruals	4,326,614	4,397,554
Other payables	91,158	164,409
	17,494,686	**139,834,269**
Statutory liabilities (Note 24(c))	18,071,910	14,179,914
	35,566,596	**154,014,183**

a. Other trade payables is analysed into:

	2019	2018
	NGN'000	NGN'000
Trade payables to Egbin Power Plc	1,412,195	1,452,195
Trade payables to Paras Energy	1,035,018	950,499
Trade payables to other suppliers	2,217,504	911,195
	4,664,717	**3,313,889**

The Company's exposure to liquidity and market risks for trade and other payables is included in Note 29.

b. This represents amount due to NELMCO with respect to cash collections received from customers in respect of the legacy debts which had been transferred to NELMCO in line with the deed of assignment of pre-completion receivables. Per the deed, these collections by the Company should be remitted to NELMCO.

Included in this balance is an amount of NGN35 million which represents rent payable to NELMCO as at year end by the Company (2018: NGN35 million).

c. This represents statutory deductions which are mandated by law or statute. They include Value Added Tax (VAT), Withholding Tax (WHT) and Pay As You Earn (PAYE) liabilities.

d. Reconciliation of changes in trade and other payables to the statement of cashflows is as follows:

	2019	2018
	NGN'000	NGN'000
Changes in trade and other payables	(118,447,587)	60,860,338
Interest accrued on baseline remittance shortfall on market operator's bill (Note 12)	(4,440,105)	(15,825,703)
NIPP/PMU assets recognised during the year (Note 17(e))	-	(141,472)
Write back of interest attributable to tariff shortfall	22,398,736	-
	(100,488,956)	**44,893,163**

Notes to the financial statements - cont'd

25. Deferred income

	2019	2018
	NGN'000	NGN'000
Deferred income on CAPMI scheme (Note 23(a))	134,548	134,548
Government grant (25(b))	831,586	1,068,208
	966,134	**1,202,756**

a. Deferred income is analysed into:

	2019	2018
	NGN'000	NGN'000
Current portion	365,774	339,266
Non-current portion	600,360	863,490
	966,134	**1,202,756**

b. Day-one fair value gain on CBN-NEMSF loan intervention fund relates to the benefits derived by the Company from the low interest loan received from the Central Bank of Nigeria (CBN) (Note 23(b)). The difference between the fair value of the facility and face value of the loan has been accounted for as government grant. The government grant is amortized over the life of the associated asset.

c. Reconciliation of changes in deferred income to the statement of cashflows is as follows:

	2019	2018
	NGN'000	NGN'000
Changes in deferred income	68,123	122,959
Additions during the year (Note 23 (e))	-	(61,266)
Day-one value gain released to profit or loss (Note 12(c))	236,623	231,324
	304,746	**293,017**

26. Audit and non- audit services provided by KPMG Professional Services

During the year, KPMG Professional Services did not provide any non-audit service to the Company (2018: Nil).

During the year, KPMG Professional Services provided an audit related services - audit of the uniform system of accounting (USOA) to the Company for a fee of NGN20 million (2018: Nil).

27. Related party transactions

a. Parent and Ultimate Controlling party

Effective 1 November 2013, a majority of the Company's shares was acquired by West Power and Gas Ltd from BPE and MOFI. Consequently, the Company's parent is West Power and Gas Ltd. The ultimate controlling party of the Company is WPG international Limited, a Company incorporated in Mauritius. A novation agreement was signed by West Power and Gas Limited and WPG Services and became effective 3 August 2018. The agreement is for the provision of technical support services to Eko Electricity Distribution Plc.

b. WPG Services Limited

In 2013, the Company entered into an operations, management and maintenance contract with WPG Services Limited for the provision of local, top level and expatriate staff to enable the Company meet the performance standards in the Performance Agreement entered into with BPE. This was novated to West Power and Gas Limited in prior year. During the year, expenses incurred by the Company with respect to services provided on this contract amounted to \$16.5 million (NGN6.2 billion) (2018: \$16.5 million (NGN5.7 billion). These expenses were included in the consultancy and maintenance expenses for the year. No amount was due to WPG Services Limited as at year end (2018: Nil).

Notes to the financial statements - cont'd

c. Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. These are the directors and employees of the Company from Principal Manager up to the Managing Director. During the year, the Company had transactions with:

i. Alpha Consortium Limited

Alpha Consortium Limited (ACL) is related to the Company through a Director; Ernest Orji who exercises significant influence over both the Company and Alpha Consortium Limited. In 2018, ACL provided installation and maintenance services and also supplied electrical equipment to the Company. There was no transaction with ACL during the year (2018: NGN6.8 million). No amount was due to ACL as at year end (2018: Nil).

ii. George Etomi & Partners Legal Practitioners

George Etomi & Partners Legal Practitioners is related to the Company through a Director; George Etomi who exercises significant influence over the Company and has control over George Etomi & Partners Legal Practitioners. George Etomi & Partners provided legal services to the Company during the year. Also, some staff of George Etomi & Partners were seconded to the Legal department of the Company to assist the department in discharging its functions during the year. The total expenses incurred during the year with respect to the services provided by George Etomi & Partners was NGN117.2 million (2018: NGN104.4 million). These expenses were included in the consultancy expenses for the year. The Company paid NGN117.2 million (2018: NGN104.4 million) during the year. No amount was due to George Etomi & Partners as at year end (2018: Nil).

iii. Deux Projects Limited

Deux Projects Limited is related to the Company through a Director; Dr. Tunji Olowolafe who exercises significant influence over both the Company and Deux Projects Limited. Deux Projects Limited (DPL) is the contractor in charge of the on-going Supervisory Control and Data Acquisition (SCADA) project embarked on by the Company. In 2016, the Company made an advance payment amounting to NGN2.88 billion with respect to the Design, installation and implementation of SCADA/DMS phase of the project and NGN220 million in 2017 for the renovation of 5th and 6th floor of EKEDP head office as the SCADA control center and Supply and installation of ICT facilities for SCADA operations phase of the project. In 2019, no payment was made to DPL (2018: NGN434.62 million). The amount advanced as at the year end to DPL with respect to the Design, installation and implementation of SCADA/DMS of the SCADA project are disclosed as non-current prepayments (Note 19) in these financial statements. During the year, no expense was incurred on Deux project. No other amount was due from DPL as are yearend (2018: Nil). The directors confirm that the project is on-going and that the amounts advanced is being monitored and are not impaired.

iv. CFL Swift Technology (CFL)

CFL Swift Technology is related to the Company through Charles Momoh, a shareholder of the Company. CFL Swift Tech (CST) provided IT supplies to the Company during the year. The total expenses incurred during the year with respect to the services provided by CST was Nil (2018: Nil). The Company did not make any payment to CFL in current year (2018: NGN11 million). The amount due to CFL as at year end was Nil (2018: Nil).

Notes to the financial statements - cont'd

v. Senforce Insurance Brokers Limited (SIBL)

Senforce Insurance Brokers Limited is related to the Company through a Director; Dere Otubu who exercises significant influence the Company and has control over Senforce Insurance Brokers Limited. Senforce Insurance Brokers Limited (SIBL) provided insurance services to the Company during the year. The total expenses incurred during the year with respect to the services provided by SIBL was NGN124.5 million (2018: NGN163.5 million). These expenses were included in the Transport, travels and insurance expenses for the year. The Company paid NGN124.5 million (2018: NGN163.5 million). No amount was due to SIBL as at year end (2018: Nil).

***vi.* Key management personnel compensation comprised:**

	2019	2018
	NGN'000	NGN'000
Short-term benefits (Note (14(d)))	339,928	500,841

28. Provisions, contingent liabilities and guarantees

a. Transfer of pre-completion liabilities and trade receivables

As part of the privatisation completion, the Company through the Bureau of Public Enterprises signed a deed of assignment of pre-completion receivables and liabilities with the Nigerian Electricity Management Company Limited (NELMCO) effective 31 October 2013. The Company and NELMCO are yet to agree on the individual trade debtors and liabilities transferred as at 1 November 2013.

The Directors, based on independent legal advice obtained as well as their understanding of the Share Purchase Agreement between West Power and Gas Ltd, BPE and the Ministry of Finance Incorporated are of the opinion that all liabilities (crystallised or contingent) as at 31 October 2013 have been effectively transferred.

The Company does not have an estimate of those debtors and liabilities since in its view this is the responsibility of NELMCO. The Company believes that it will neither realise those receivables nor settle any liabilities existing as at 31 October 2013 and as such, no recognition of provision is required. If in the process of agreeing the individual trade debtors and liabilities, certain items are identified and agreed to be borne by the Company, the amounts would be recorded in the period they are identified.

b. Litigations and claims

The Company is involved in a number of litigations and claims (separate from those taken over by NELMCO). Maximum exposure based on the damages being claimed by the litigants amounts to NGN1.40 billion (2018: NGN824 million). Based on management assessment, a provision of NGN47.82 million has been recorded in these financial statements for cases which are assessed to succeed against the company.

	1 January 2019
	NGN'000
At 1 January	-
Additions	47,816
At 31 December	47,816

Notes to the financial statements - cont'd

c. Guarantees

The Company has obtained bank guarantees amounting to NGN7.78 billion (2018: NGN7.78 billion) in favour of Nigeria Bulk Electricity Trading Company Plc (NBET) and NGN3.49 billion (2018: NGN1.47 billion) in favour of Operator of Nigeria Electricity Market (ONEM). This is to guarantee payment to NBET and ONEM for 90 days power purchase and also to ONEM for provision of administrative service. The directors do not expect any significant loss to arise from these guarantees.

29. Financial risk management

This Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors is also responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company's internal audit oversees and monitors compliance with risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company

a. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterpart to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and government related entities.

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

	Notes	2019	2018
		NGN'000	NGN'000
Trade and other receivables*	20	35,795,258	28,082,985
Cash and cash equivalents**	21	7,404,869	4,618,974
		43,200,127	32,701,959

**The carrying amount of Trade and other receivables excludes advance payments to contractors.*
***The carrying amount of cash and cash equivalents excludes amounts held as petty cash.*

Notes to the financial statements - cont'd

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

	2019	2018
	NGN'000	NGN'000
Impairment loss on trade receivables and contract assets arising from contracts with customers	(4,591,682)	(3,450,342)
Impairment loss on unpaid share capital	(195,000)	-
Write off of trade receivables	-	(6,303,774)
	(4,786,682)	(9,754,116)

Trade receivables and contract assets

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 – tariff rates, 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 and contract assets

	2019	2018
	NGN'000	NGN'000
Residential customers	19,673,536	14,751,633
Commercial customers	6,992,438	6,093,037
Industrial customers	910,262	931,608
Special customers and street light	3,930,267	3,651,649
Total	**31,506,503**	**25,427,927**

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.

Loss rates are calculated separately for exposures in different segments based on nature of customers as this reflects common credit risk characteristics of the customers.

Notes to the financial statements - cont'd

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

	Expected credit loss rate	Gross carrying amount	Loss allowance
	%	NGN'000	NGN'000
Residential customers	43	33,753,550	(14,080,014)
Commercial customers	46	12,151,774	(5,159,336)
Industrial customers	12	997,104	(86,842)
Special customers and street light	37	5,790,603	(1,860,336)
		52,693,031	(21,186,528)

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 December 2018.

	Expected credit loss rate	Gross carrying amount	Loss allowance
	%	NGN'000	NGN'000
Residential customers	41	24,907,304	(10,155,671)
Commercial customers	46	10,479,685	(4,386,648)
Industrial customers	9	1,006,299	(74,691)
Special customers and street light	41	5,629,485	(1,977,836)
		42,022,773	(16,594,846)

	2019	2018
		Collective impairments
	NGN'000	NGN'000
Balance at 1 January	16,594,846	13,144,504
Net remeasurement of loss allowance	4,591,682	3,450,342
Balance at 31 December	21,186,528	16,594,846

Cash at bank

The Company held cash and cash equivalents of NGN 7.42 billion at 31 December 2019 (2018: NGN 4.62 billion). The cash and cash equivalents are held with bank and reputable financial institution 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.

Other receivables

Other receivables include staff debtors and sundry receivables. The Company reviews the balances due from this category on a periodic basis taking into consideration factors such as continued business/ employment relationship and ability to offset amounts against transactions due to the parties. Where such does not exist, the amounts are impaired. No impairment was recorded with respect to this amount in the current year as they are considered fully recoverable and thus have minimal credit risk (2018: Nil).

Notes to the financial statements - cont'd

Other deposits

Other deposits represent cash deposits used to collateralize Bank Guarantees (BGs) issued in favour of Nigerian Bulk Electricity Trading Company Plc (NBET) and the Operator of the Nigeria Electricity Market (ONEM). These cash deposits are held by reputable banks and financial institutions. In the directors' view, all amounts are collectible. No impairment was recorded with respect to this amount in the current year as they are considered fully recoverable and thus have minimal credit risk (2018: Nil).

b. Liquidity risk

Liquidity risk is the risk that the Company either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access them only at excessive cost. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses after making payments for monthly bills with respect to energy purchases by

- intensifying efforts to collect its trade receivables and continuous effort to improve its cash collection process**;**
- accessing the various financial interventions applicable to the Company under the PSRP.
- Managing operational cashflows by delaying payments to the ONEM/NBET on the basis that the implication of such delays are limited to interest charges.

Notes to the financial statements - cont'd

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Notes	Carrying amount NGN'000	Total NGN'000	Contractual cash flows 0 - 6 months NGN'000	6 - 12 months NGN'000	1 - 2 years NGN'000	Over 2 years NGN'000
Non - derivative financial liabilities							
31 December 2019							
Loans and borrowings	23	5,623,996	8,039,406	1,983,589	1,182,845	1,695,377	3,177,595
Trade and other payables*	24	17,494,686	17,494,686	17,494,686	-	-	-
		23,118,682	**25,534,092**	**19,478,275**	**1,182,845**	**1,695,377**	**3,177,595**
31 December 2018							
Loans and borrowings	23	4,720,875	5,140,664	177,441	164,086	370,653	4,428,484
Trade and other payables*	24	139,834,269	139,834,269	139,834,269	-	-	-
		144,555,144	**144,974,933**	**140,011,710**	**164,086**	**370,653**	**4,428,484**

* Carrying amounts of trade and other payables does not include statutory liabilities.

c. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company manages market risks by keeping costs low through various cost optimisation programs. Moreover, market developments are monitored and discussed regularly, and mitigating actions are taken where necessary.

Currency risk

The Company is exposed to currency risk on borrowings that are denominated in currencies other than the functional currency which is the Nigerian Naira (NGN). The currency in which these transactions primarily are denominated is the US Dollar (USD). The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

In managing currency risk, the Company aims to reduce the impact of short-term fluctuations on earnings. Although the Company has various measures to mitigate exposure to foreign exchange rate movement, over the longer term, permanent changes in exchange rates would have an impact on profit.

Notes to the financial statements - cont'd

The Company monitors the movement in the currency rates on an ongoing basis.

Exposure to currency risk
The company's main exposure to currency risks arose from foreign currency denominated balances as follows:

	2019	2018
	$'000	**$'000**
Financial assets		
Cash and cash equivalents	**49**	**24**
Net statement of financial position exposure	**49**	**24**

Sensitivity analysis
A reasonable possible strengthening (weakening) of the Naira, as indicated below against the US Dollar at 31 December would have increased (decreased) 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.

	Increase/(decrease) in profit or loss	
	NGN'000	**NGN'000**
31 December 2019		
USD (10 percent strengthening/(weakening))	**(1,787)**	**1,787**
31 December 2018		
USD (10 percent strengthening/(weakening))	**(874)**	**874**

The following significant exchange rates were applied during the year:

	Average rate		Spot rate at Report date	
	2019	**2018**	**2019**	**2018**
	NGN	**NGN**	**NGN**	**NGN**
USD	361.66	361.77	364.70	364.18

This is the rate at which the Company sourced foreign exchange from its approved vendor during the year.

Exposure to interest rate risk
The interest rate profile of the Company's interest-bearing financial instruments is as follows:

	2019	2018
	NGN'000	**NGN'000**
Fixed rate instruments		
Financial liabilities	5,623,996	4,720,875
	5,623,996	**4,720,875**
Variable rate instruments		
Financial liabilities	9,717,334	27,675,965
	9,717,334	**27,675,965**

Notes to the financial statements - cont'd

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Effect on Profit or Loss	
	NGN'000	**NGN'000**
31 December 2019		
Variable rate instruments	97,173	(97,173)
31 December 2018		
Variable rate instruments	276,760	(276,760)

d. Fair values

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Financial assets at amortised cost	Other financial liabilities	Total carrying amount	Fair value (Level 2)
31 December 2019	**NGN'000**	**NGN'000**	**NGN'000**	**NGN'000**
Financial Assets				
Trade and other receivables* (Note 20)	35,795,258	-	35,795,258	-
Cash and cash equivalents (Note 21)	7,416,456	-	7,416,456	-
	43,211,714	**-**	**43,211,714**	**-**
Financial liabilities				
Trade and other payables**(Note 24)	-	17,494,686	17,494,686	-
Loans and borrowings (Note 23)	-	5,623,996	5,623,996	5,623,996
	-	**23,118,682**	**23,118,682**	**5,623,996**
31 December 2018				
Financial Assets				
Trade and other receivables (Note 20)	28,082,985	-	28,082,985	-
Cash and cash equivalents (Note 21)	4,624,437	-	4,624,437	-
	32,707,422	**-**	**32,707,422**	**-**
Financial liabilities				
Trade and other payables* (Note 24)	-	139,834,269	139,834,269	-
Loans and borrowings (Note 23)	-	4,720,875	4,720,875	4,720,875
	-	**144,555,144**	**144,555,144**	**4,720,875**

* *Carrying amount of trade and other receivables does not include advance payment to vendors.*

** *Carrying amount of trade and other payables does not include statutory liabilities and lease liabilities.*

Notes to the financial statements - cont'd

30. Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity.

The Company monitors capital using a ratio of adjusted net debt to equity. For this purpose, adjusted net debt is defined as total liabilities less cash and cash equivalents. Equity comprises all components of equity. The Company's adjusted net debt to equity ratio was as follows:

	2019	2018
	NGN'000	NGN'000
Total liabilities	49,530,050	160,934,273
Less: Cash and cash equivalents	(7,416,456)	(4,624,437)
Adjusted net debt	42,113,594	156,309,836
Total equity	52,449,915	(71,165,461)
Net adjusted debt to equity ratio	0.80	(2.20)

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

31. Events after the reporting period

(a) COVID-19 Outbreak

On 11 March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a pandemic and most governments took restrictive measures to contain its further spread by introducing lockdowns, closure of borders and travel restrictions which affected the free movement of people and goods. The impact of the restrictions continues to disrupt major business activities, and this may have an adverse effect on the Company's financial position and operating results in the medium and longer term. As part of the country's essential commercial service providers, electricity distribution companies were exempted from the lockdown imposed by the government to curb the spread of the virus as the Company continued to operate with all mitigation measures in place.

On 5 May 2020, the government began the phased easing of the lockdown. On 5 March 2021, the Federal Government commenced the vaccination of citizens with the prioritization of the elderly and frontline workers.

The Company considers this outbreak to be a non-adjusting subsequent event and the Directors do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak. The Directors will continue to monitor the situation closely and will respond to mitigate the impact of such events and circumstances as they occur.

As at the date these financial statements were authorised for issue, the Directors were not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

(b) Cost reflective tariffs

Subsequent to year end, on 25 February 2020, NERC issued the "Consultation Paper on Proposed Extra-Ordinary Tariff Review of the MYTO-2015 Tariff Order for the Nigerian Electricity Supply Industry" to facilitate stakeholder participation in this regulatory process. NERC's decision on these proposals are to be incorporated in the MYTO model and an Order issued accordingly upon completion of the consultation process. Based on this, management of the Company issued a notification of the commencement of service reflective tariff. Although the implementation of this Order was put on hold to allow for consultations with organized labour, the Company commenced the implementation of the service reflective tariffs with the issuance of the multi year tariff order (MYTO) 2020 (Order/NERC/200B/2020) by NERC which became effective on 1 November 2020.

Notes to the financial statements - cont'd

On 31 March 2021, the Nigerian Electricity Regulatory Commission issued an order titled the revised December 2020 minor review of multi-year tariff order (MYTO) 2020 and minimum remittance order for Eko Electricity Distribution PLC (NERC/260/2021). The effective date of the Order was 1 April 2021.

(c) Companies and Allied Matters Act (CAMA), 2020

The Companies and Allied Matters Act 2004 was repealed and replaced with the Companies and Allied Matters Act (CAMA), 2020 on 7 August 2020. The Company is in the process of assessing the financial reporting implication of the Companies and Allied Matters Act (CAMA), 2020 on its business operations.

32. Going concern

Indicators of uncertainty

At the reporting date, the Company's current liabilities exceeds its current assets by NGN1.04 billion (2018: NGN123.04 billion). The ability of the Company to continue as a going concern is largely dependent on the successful actualization of the budgeted results of the Company which is premised on assumptions that cost reflective tariffs would be fully implemented in the immediate future or the receipt of tariff shortfalls will continue until cost reflective tariffs are fully available, the amount due to Operator of the Nigeria Electricity Market (ONEM) and Nigerian Bulk Electricity Trading Plc (NBET) for immediate payment will not be called, and/or the regime of settling only 65.06% of NBET bills in line with NERC order No. NERC/260/2021 “December 2020 Minor Review Multi Year Tariff Order and 2020 Minimum Remittance Order for the year 2021” will continue in the foreseeable future. These matters are not wholly within the control of the Company.

There is a general acknowledgment that the Nigerian Electricity Supply Industry (NESI) is far from where it should be. The recent fall in the value of the Naira together with the non-cost reflective nature of the tariffs present significant challenges to planned future investments required to achieve the growth targets of the Company.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as going concern in the foreseeable future.

Mitigating factors

In April 2017, the Federal Government of Nigeria (FGN), approved the Power Sector Recovery Program (PSRP) backed by the World Bank which is expected to address the liquidity issues in the NESI. The implementation of the PSRP commenced in 2017 with the issuance of a NGN701 billion Payment Assurance Guarantee (PAG) by the FGN to NBET and the FGN's payment of Ministries, Departments, and Agencies' (MDA) verified debts to the Distribution Companies (DISCOs).

The implementation of the PSRP continued during the year as follows:

1. The CBN continued to make disbursement to NBET on the NGN701 billion Payment Assurance Guarantee (PAG) by the FGN.
2. The PSRP backed by the World Bank, is expected to address the liquidity issues in the NESI. The industry reset promised in the PSRP continued during the year with NERC issuing two Minor Review Orders. These Orders awarded tariff shortfall of NGN95.6 billion for 2015-2018; NGN58.6 billion for 2019 and projected NGN54 billion for 2020. In accordance with the guidance of the NERC Orders, these tariff shortfalls are offset against the payables to NBET/ONEM.

Notes to the financial statements - cont'd

Paragraph 10 (d) of the NERC order No. NERC/GL/172A "The 2016 - 2018 Minor Review of the Multi Year Tariff Order (MYTO) 2015 and Minimum Remittance Order for the year 2019" states that "All interest payable by DisCos on unpaid invoices issued by NBET and the MO and attributable to tariff shortfall shall be transferred off the statement of financial position of the utilities.

Also, subsequent to year end, on 25 February 2020, NERC issued the "Consultation Paper on Proposed Extra-Ordinary Tariff Review of the MYTO-2015 Tariff Order for the Nigerian Electricity Supply Industry" to facilitate stakeholder participation in this regulatory process. NERC's decision on these proposals are to be incorporated in the MYTO model and an Order issued accordingly upon completion of the consultation process. Based on this, management of the Company issued a notification of the commencement of service reflective tariff. Although the implementation of this Order was put on hold to allow for consultations with organized labour, the Company commenced the implementation of the service reflective tariffs with the issuance of the multi year tariff order (MYTO) 2020 (Order/NERC/200B/2020) by NERC which became effective on 1 November 2020.

On 1 April 2021, the Company commenced the implementation of the Revised December 2020 Minor Review of MYTO-2020 and Minimum Remittance Order. The order introduced a minor increase in the tariffs charged to customers for energy sold.
The Federal Government in October 2020 introduced the National Mass Metering Programme geared towards the provision of meters through the provision of loans to the distribution companies for the procurement of meters. The tenor on the facility is 10 years with a moratorium of 2 years. This is expected to aid liquidity within the sector.

The directors have considered that the FGN has acknowledged in the PSRP, that the illiquidity of the distribution companies is mainly due to the tariff deficit and has instituted various mechanisms that will enable the Company continue to operate for at least one year from the financial year end. These include:

- Continued disbursement of payments to NBET by the DISCOs on liabilities incurred on the purchase of electricity. This approach allows the Company to only settle 65.06% of its NBET bills as required in NERC order No. NERC/260/2021 "December 2020 Minor Review Multi Year Tariff Order 2020 Minimum Remittance Order for the year 2021"
- Timely payments of monthly billings and planned offset of historical MDA debts.
- Projected tariff shortfall of NGN54 billion for 2020 to be awarded to the Company.

The Company has also continued its various initiatives aimed at improving its billings and collections such as:

- Rapid deployment of meters to previously unmetered customers in line with NERC's Meter Asset Provider Regulation to improve billing and collection efficiency. The waiver of import levy on electricity meters for one year by the FGN (in August 2020) is expected to accelerate mass metering of unmetered customers.
- Strengthening the revenue assurance function to identify areas of revenue losses and putting in place mechanisms to reduce these losses.
- Partnering with an experienced and qualified debt collection agent that offers unlimited options for achieving maximum recoveries of receivables. This will also improve collections in the remote and unbanked areas.
- Metering all distribution transformers for better energy accounting and proper estimation of bills across the Company's network.
- Enforcing regular customer meter reading in accordance with the NERC guidelines.
- Reporting instances of energy theft to relevant authorities to deter future occurrences

Notes to the financial statements - cont'd

- The Company was granted a reduction in the interest rate charged on the CBN-NEMSF facility from 10% to 5%, effective 1 March 2020 till February 2022. This implies a reduction in the finance costs incurred by the Company during the period covered. This is part of CBN palliative for COVID-19 impacts on companies in Nigeria.

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

33. **Leases**

(a) Leases as lessee (IFRS 16)

Lease liabilities are mainly in respect of the Company's lease obligations for rent on the building and hire of motor vehicles which it uses for its operational activites. The leases typically run with an option to renew the lease after expiration. Lease payments are renegotiated when necessary to reflect market rentals. Previously, these leases were classified as operating leases under IAS 17.

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

(i) Right-of-use assets

Right-of-use assets are presented on the Statement of Financial Position in these financial statements.

2019	**Building**	**Motor Vehicle**	**Total**
Cost	**NGN'000**	**NGN'000**	**NGN'000**
Balance at 1 January	-	-	-
Transition Adjustment	599,034	1,020,694	1,619,728
Adjusted Balance 1 January	599,034	1,020,694	1,619,728
Additions to right-of-use assets	28,444	1,675,304	1,703,748
Balance at 31 December	**627,478**	**2,695,998**	**3,323,476**
Depreciation			
Balance at 1 January	-	-	-
Charge for the year	92,361	602,996	695,357
Balance at 31 December	**92,361**	**602,996**	**695,357**
Carrying Amount			
At 1 January 2019	599,034	1,020,694	1,619,728
At 31 December 2019	**535,117**	**2,093,002**	**2,628,119**

(ii) Lease Liability

Lease payables are analysed as follows:

2019	**Buildings**	**Motor Vehicles**	**Total**
Lease Liability	**NGN'000**	**NGN'000**	**NGN'000**
Balance at 1 January	-	-	-
Transition Adjustment	466,904	1,020,694	1,487,598
Adjusted Balance 1 January	466,904	1,020,694	1,487,598
Additional Lease liability	28,444	1,675,304	1,703,748
Interest Expense	63,410	389,908	453,318
Payment	(62,027)	(841,907)	(903,934)
Balance at 31 December	**496,731**	**2,243,999**	**2,740,730**

Notes to the financial statements - cont'd

Lease Liability	**Total NGN'000**
Current	968,930
Non-current	1,771,800

(iii) Amounts recognized in profit or loss

	2019 NGN'000
2019 Lease under IFRS 16	
Interest on lease liabilities	453,318
2018 Operating Leases under IAS 17	
Lease expense	293,850

(iv) Amounts recognised in statement of cash flows

	2019 NGN'000
Total cash outflow for leases	(903,934)

(v) Extension Options

Some leased properties contain extension options exercisable by the Company before the end of the non-cancellable 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.

The Company has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of NGN1,059 billion (Note 34 (c(i))). This is included in the lease liability balance as at the reporting date.

34. Changes to significant accounting policies

The Company has initially applied IFRS 16 Leases (Note 33(a)) from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

The Company applied IFRS 16 using the modified retrospective approach, under which the right-of-use assets are recognised on the basis of the lease liabilities. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

a. Definition of a Lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 7(j)

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under International Accounting Standards (IAS) 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

Notes to the financial statements - cont'd

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

- did not recognise right-of-use assets and liabilities for leases of low value assets

-excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and used hindsight when determining the lease term.

b. As a Lessee

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on the statement of financial position. The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

i. Leases classified as operating leases under IAS 17

Previously, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019.

c. Impact on financial statements

i. impact on transition

On transition to IFRS 16, the Company recognised additional right-of-use assets and additional lease liabilities with no impact to retained earnings. The impact on transition is shown below.

	1 January 2019
	NGN'000
Right-of-use assets – property, plant and equipment	1,619,728
Lease liabilities	(1,487,598)
Prepayment	(132,129)

For the impact of IFRS 16 on profit or loss for the period, see Note 33(a). For the details of accounting policies under IFRS 16 and IAS 17, see Note 7(j) .

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 16.57%.

	1 January 2019
	NGN'000
Operating lease commitments at 31 December 2018	492,299
Discounted using the incremental borrowing rate as at 1 January 2019	427,826
Extension period reasonably certain to be exercised (Cashflow)	1,666,918
Extension period reasonably certain to be exercised (Present Value)	1,059,773
Lease Accrual (in prior years)	-
Lease liability recognised as at 1 January 2019	1,487,599

Other national disclosures

Value Added Statement

For the year ended 31 December

	2019 NGN'000	%	2018 NGN'000	%
Revenue	81,283,798		76,156,820	
Bought-in materials and services				
-Imported	-		-	
- Local	(49,644,219)		(96,215,166)	
	-		-	
Other income	95,996,066		457,148	
Finance income	22,768,899		321,563	
	150,404,544	**100**	**(19,279,635)**	**100**
To Government:				
- taxes	588,823	0	95,208	-
To employees:				
- as salaries, wages, directors' remuneration and other staff costs	5,956,099	4	5,817,211	(30)
To providers of finance:				
- finance costs and similar charges	10,562,308	7	26,990,385	(140)
Retained earnings in business				
- to maintain and replace property, plant and equipment	7,077,676	5	6,659,900	(35)
- to maintain and replace intangibles assets	74,930	0	56,711	-
- to augment/(deplete) reserves	126,144,708	84	(58,899,050)	305
Value added	**150,404,544**	**100**	**(19,279,635)**	**100**

Financial Summary

Statement of profit or loss and other comprehensive income
For the year ended 31 December

	2019	2018	2017	2016	2015
Revenue	81,283,798	76,156,820	69,065,249	56,536,377	51,007,001
Cost of sales	(35,535,546)	(86,006,856)	(76,067,069)	(53,036,490)	(38,301,190)
Result from operating activities	109,740,258	(41,889,136)	(31,941,434)	(9,317,355)	(3,232,847)
Profit/(loss) before taxation	126,733,531	(58,803,842)	(39,709,729)	(28,468,825)	(6,126,049)
Profit/(loss) for the year	123,420,376	(58,899,050)	(39,796,072)	(28,662,720)	(6,577,375)
Total comprehensive income/(loss) for the year	123,420,376	(58,899,050)	(39,796,072)	(28,662,720)	(6,577,375)

Statement of financial position
As at 31 December

	2019	2018	2017	2016	2015
Employment of funds					
Property, plant and equipment	49,444,316	50,365,319	51,542,685	53,343,494	54,806,682
Intangible assets	2,628,119	-	-	-	-
Intangible assets	210,189	240,432	125,525	156,348	142,763
Prepayments	2,839,890	2,891,858	3,060,212	2,841,750	-
Trade and other receivables	4,147,151	2,300,000	1,500,000	-	-
Net current (liabilities)/assets	(1,044,492)	(123,043,074)	(65,086,793)	(24,646,200)	3,100,960
Non-current liabilities	(5,775,258)	(3,919,996)	(5,952,184)	(6,709,875)	(4,402,168)
	-	-	-	-	-
Net assets/(liabilities)	**52,449,915**	**(71,165,461)**	**(14,810,555)**	**24,985,517**	**53,648,237**
Funds employed					
Share capital	200,000	5,000	5,000	5,000	5,000
Retained earnings	52,249,915	(71,170,461)	(14,815,555)	24,980,517	53,643,237
	52,449,915	**(71,165,461)**	**(14,810,555)**	**24,985,517**	**53,648,237**