

ENUGU ELECTRICITY DISTRIBUTION PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Enugu Electricity Distribution Plc
Annual Report
For the Year Ended 31 December 2021

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Enugu Electricity Distribution Plc
Annual Report
For the Year Ended 31 December 2021
Corporate Information

Company Registration No.	RC 6385654																
Corporate office	62, Okpara Avenue Enugu.																
Board of Directors	<table> <tr> <td>Sir Emeka Offor</td> <td>Chairman</td> </tr> <tr> <td>Engr. Praveen Chorghade (Indian)</td> <td>Managing Director (Appointed 17 June 2021)</td> </tr> <tr> <td>Okey Nwosu</td> <td>Managing Director (Resigned 17 June 2021)</td> </tr> <tr> <td>Dr Stephen Dike</td> <td>Director</td> </tr> <tr> <td>Senator Ken Nnamani (GCON)</td> <td>Director</td> </tr> <tr> <td>Prince Adetokunbo Kayode(SAN)</td> <td>Director</td> </tr> <tr> <td>Mr. Kester Enwereonu</td> <td>Director</td> </tr> <tr> <td>Mr. Alex Okoh</td> <td>Director</td> </tr> </table>	Sir Emeka Offor	Chairman	Engr. Praveen Chorghade (Indian)	Managing Director (Appointed 17 June 2021)	Okey Nwosu	Managing Director (Resigned 17 June 2021)	Dr Stephen Dike	Director	Senator Ken Nnamani (GCON)	Director	Prince Adetokunbo Kayode(SAN)	Director	Mr. Kester Enwereonu	Director	Mr. Alex Okoh	Director
Sir Emeka Offor	Chairman																
Engr. Praveen Chorghade (Indian)	Managing Director (Appointed 17 June 2021)																
Okey Nwosu	Managing Director (Resigned 17 June 2021)																
Dr Stephen Dike	Director																
Senator Ken Nnamani (GCON)	Director																
Prince Adetokunbo Kayode(SAN)	Director																
Mr. Kester Enwereonu	Director																
Mr. Alex Okoh	Director																
Auditors	Ernst & Young 10th and 13th Floors UBA House, 57 Marina Lagos, Nigeria.																
Principal bankers	<p>Ecobank Plc Plot 270 B1, Ozumba Mbadiwe Avenue Victoria Island Lagos State.</p> <p>First Bank of Nigeria Ltd Samuel Asabia House 35, Marina Lagos State.</p> <p>United Bank for Africa Plc UBA House 57, Marina Lagos State.</p> <p>Fidelity Bank Plc 2, Kofo Abayomi Street Victoria Island Lagos State.</p> <p>Zenith Bank Plc Zenith Heights Plot 84/87, Ajoye Adeogun Street P.O. Box 75315, Victoria Island, Lagos State.</p>																
Company secretary	Mr. Anthony Chidolue Achebe 62, Okpara Avenue Enugu.																

Enugu Electricity Distribution Plc
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Results at a Glance

	31 December 2021 ₦'000	31 December 2020 ₦'000	Increase/ (decrease) %
Revenue	119,252,899	314,998,766	(62)
(Loss) /profit before taxation	(39,796,915)	181,778,410	(122)
Income tax expense	-	(4,013,964)	(100)
(Loss) /profit for the year	(39,796,915)	177,764,446	(122)
Share capital	5,000	5,000	-
Shareholders' fund	(66,686,983)	(27,060,857)	146
Basic (loss) /earnings per share (₦)	(3,980)	17,776	(122)
Number of Employees	1,955	1,888	4

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Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 31 December 2021, to the members of Enugu Electricity Distribution Plc. ("the Company"). This report discloses the financial performance and state of affairs of the Company.

Incorporation and address

Enugu Electricity Distribution Plc. was incorporated in Nigeria under the Companies and Allied Matters Act, 2020, as a Public Limited Company on 8 November 2005. The Company is domiciled in Nigeria.

Business transition

In 1999, the Federal Government of Nigeria set up the Electric Power Sector Implementation Committee (EPIC) to undertake a comprehensive study of the electricity power industry. The EPIC created Power Holding Company of Nigeria (PHCN), a company registered under the Companies and Allied Matters Act, to assume the assets, liabilities and employees of the former Federal Government parastatal- National Electric Power Authority ("NEPA") that was in charge of electricity generation, transmission and distribution in Nigeria. PHCN was set up to achieve greater operational autonomy. The shares of PHCN were wholly owned by the Federal Government of Nigeria.

In 2005, PHCN was unbundled to form 6 electricity generation, 1 electricity transmission and 11 electricity distribution companies with the intent of sale of shares in these companies to private investors. Enugu Electricity Distribution Plc is one of the electricity distribution companies. The Federal Government also set up a special purpose agency, Nigeria Electricity Liability Management Company Ltd (NELMCO), to take over some assets and liabilities of these companies in order to sell the shares of the companies.

On 1 November 2013, Interstate Electrics Limited took over the management of EEDC after successful purchase of 60% of the shares of the company from the Federal Government. All electricity companies are regulated by the Nigerian Electricity Regulatory Commission (NERC), a Federal Government parastatal that ensures efficiency, stability and reliability in the supply of electricity in Nigeria. On 1 November 2013, NERC set up interim rules to regulate the electricity sector. These rules were a bridge to the Transitional Electricity Market ("TEM"). Transitional Electricity Market establishes a framework to govern trading arrangements during the Interim period when Power Purchase Agreements (PPAs) between the privatised Power Holding Company of Nigeria (PHCN), successor generation companies and Nigerian Bulk Electricity Trading Plc (NBET) and Vesting Contracts between Nigerian Bulk Electricity Trading "NBET" and the privatised PHCN successor distribution companies will not be effective.

Principal activities

The Company is in the business of distribution of electric power to customers in the following states in Nigeria: Abia, Anambra, Ebonyi, Enugu and Imo.

Enugu Electricity Distribution Plc
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Report of the Directors- Continued

State of Affairs

In the opinion of the Directors, the state of the Company's affairs is satisfactory and no events have occurred since the reporting date, which would affect the financial statements as presented.

Results

	31 December 2021 ₦'000	31 December 2020 ₦'000
Revenue	119,252,899	314,998,766
(Loss) /profit before income tax	(39,796,915)	181,778,410
Income tax expense	-	(4,013,964)
(Loss) /profit for the year	(39,796,915)	177,764,446

Economic and business performance review

Enugu Electricity Distribution Plc had the following:

	2021	2020
Total number of customers	1,315,388	1,227,138
Total energy received (thousand kilowatts)	2,843,560	2,426,824
Total cash collections (millions of naira)	69,148	46,080

Directors

The names of the directors as at the date of this report and those who held office during the year are as shown in page 3.

Directors' interest in shares

Pursuant to Section 301 and 302 of the Companies and Allied Matters Act ,2020, none of the Directors has direct or indirect interest in the shares of the company.

Directors' interests in contracts

None of the directors has notified the Company for the purpose of section 303 of the Companies and Allied Matters Act, 2020 of any disclosable interest in contracts with which the Company is involved as at 31 December 2021.

Enugu Electricity Distribution Plc
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Report of the Directors- Continued

Shareholdings

As of 31 December 2021 and 31 December 2020, the shares of the Company were held as follows:

	2021		2020	
	No. of shares	Percentage	No. of shares	Percentage
Interstate Electrics Limited	6,000,000	60%	6,000,000	60%
Bureau of Public Enterprises	3,200,000	32%	3,200,000	32%
Ministry of Finance Incorporated	800,000	8%	800,000	8%
	10,000,000	100%	10,000,000	100%

Employment of disabled persons

The Company has a policy of fair consideration of job applications by disabled persons having regard to their abilities and aptitude. The company has six (6) physically challenged persons in its employment as at 31 December 2021 and 2020. 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. The Company's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees.

Employee health, safety and welfare

Health and safety regulations are in force within the Company's premises and employees are aware of existing regulations. Careful attention is given to employees' health with Health Maintenance Organisations.

Fire prevention and fire-fighting equipments are installed in strategic locations within the Company's premises. Field staff are also provided with Personal Protective Equipment.

Employees' Training and Involvement

The directors maintain regular communication and consultation with the employees and staff representatives on matters affecting them as employees and various factors affecting the performance of the company. The company organises various in-house and local training courses and also sends staff abroad for training when the training capacity is not available locally.

Property, plant and equipment

Information relating to changes in Property, plant and equipment is provided in Note 13 to the financial statements. In the opinion of the Directors, the market value of the Property, plant and equipment is not less than the carrying value.

Format of the financial statements

The financial statements are presented with the reporting and presentation requirements of the Companies and Allied Matters Act, 2020, International Financial Reporting Standards and the Financial Reporting Council of Nigeria Act, No.6, 2011. The Directors consider that the format adopted is the most suitable for the Company.

Enugu Electricity Distribution Plc
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Report of the Directors- Continued

Donations and gifts

The Company made donations amounting to N72.8 million during the year ended 31 December 2021 (2020: N171.1 million). The details of the donations during the year is as follows:

	31 December 2021 N'000	31 December 2020 N'000
Procurement of medical equipment for Enugu State University of Science and Technology and University of Nigeria Teaching Hospital	-	52,148
Procurement of hospital beds for Nigeria Police Force Medical Unit	-	52,466
Procurement of hospital beds for Federal Medical Centre, Owerri	-	17,373
Support for cancer treatment at Medical Cancer Foundation	-	20,000
Others	11,478	29,072
	<u>11,478</u>	<u>171,059</u>

In accordance with Section 43 of the Companies and Allied Matter Act, 2020, the Company did not make any donation or gift to any political party, political association, or for any political purpose during the year.

Dividend

The Directors do not recommend to members the payment of dividend in respect of the year ended 31 December 2021 (2020: Nil).

Events after the reporting date

As stated in Note 29, there were no subsequent events requiring adjustment of, or disclosure in the financial statements which could have had a material effect on the state of affairs of the Company as at 31 December 2021 and on the total comprehensive income for the year ended on that date which has not been adequately provided for or recognised.

Auditors

The Auditors, Ernst & Young, have expressed their willingness to continue in office as the Company's auditors in accordance with section 401 of the Companies and Allied Matters Act, 2020.

A Resolution will be proposed at the Annual General meeting empowering the Director to fix their remuneration.

By order of the Board



Mr. Anthony Chidolue Achebe
Head Legal/Company Secretary
FRC/2021/02/00000024437

29 November 2022

**Enugu Electricity Distribution Plc
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Corporate Governance Report

Corporate Governance

The Company is committed to the principles of Corporate Governance and global best practices and therefore takes account of and complies with the principles of good corporate governance. At Enugu Electricity Distribution Plc, the Board is committed to full disclosure and transparent in providing information to all stakeholders.

Corporate Governance Policies are designed to ensure the protection of the long term interest of all stakeholders, in consideration of this, the Board exercises the best of judgment in policy making, monitoring executive actions and directing the company's strategies.

Directors meet regularly and also meet regularly with stakeholders in pursuant of the objectives of the Company.

The policies of the Board are designed to maintain its distinct duty as the link between shareholders and the Company's Management led by the Chief Executive Officer (MD/CEO).

The Board of Directors is currently composed of seven directors, comprising of six non-executive directors and the Managing Director/CEO.

Members of the Board are:

Sir Emeka Offor	Chairman (Non-Executive)
Engr. Praveen Chorghade	Managing Director
Dr Stephen Dike	Non-Executive
Senator Ken Nnamani (GCON)	Non-Executive
Prince Adetokunbo Kayode(SAN)	Non-Executive
Mr. Kester Enwereonu	Non-Executive
Mr. Alex Okoh	Non-Executive

We attest that our Non-Executive Directors are strong caliber individuals who contribute actively to Board deliberations and decision making.

Responsibilities at the top of the Company are well defined and the Board is not dominated by one individual. The position of the Chairman is separate from the Chief Executive Officer. The Chairman is not involved in the day-to-day operations of the Company. The Board is responsible for controlling and managing the strategic business plans of the company and constantly reviews and presents a balanced and comprehensive assessment of the company's performance and future prospects in line with the Nigeria Electricity Sector Industries purchase agreement.

The Board meets regularly, sufficient notices with clear agenda/ reports are given ahead of such meetings. All the directors have access to the Company Secretary who can only be appointed or removed by the Board and is also responsible to the Board.

Also, a Management Executive Committee meets regularly to address policy implementation and other operational issues.

**Enugu Electricity Distribution Plc
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Corporate Governance Report- Continued

The Board of Directors met four times in the financial year ended 31 December 2021 as follows:

1. 10th March 2021
2. 6th October 2021
3. 22nd October 2021
4. 21st December 2021

All board members were in attendance at all the meetings.

The Board functions as a full Board and through the under listed Committees which are constituted as follows:

Audit and Corporate Governance Committee

In compliance with the provisions of Section 404 of the Company and Allied Matters Act , 2020, the Company constituted an Audit and Corporate Governance Committee.

The Audit and Corporate Governance Committee consists of four directors namely:

Senator Ken Nnamani (GCON)	Chairman
Prince Adetokunbo Kayode (SAN)	Member
Mr. Kester Enwereonu	Member
Mr. Alex Okoh	Member

The Committee has the responsibility of reviewing the scope, results of the audit independence and objectivity of the Auditors.

The responsibilities of the committee are as follows:

1. review of the integrity of the data and information provided in the audited financial reports.
2. provide oversight functions with regard to both the Company's Financial Statements and its internal control.
3. receive and review the internal audit report and makes recommendation to the Board on issues raised.
4. review the procedures put in place to encourage whistle blowing.
5. review and recommend the terms of engagement and compensation of External Auditors to the Board.
6. ensure compliance to regulatory directives.

The Audit and Corporate Governance Committee met two times in the financial year ended 31 December 2021 as follows:

1. 15th October 2021
2. 20th October 2021

All members were in attendance in all the meetings.

**Enugu Electricity Distribution Plc
Annual Report
For the Year Ended 31 December 2021**

Corporate Governance Report- Continued

Risk Committee

The Risk Committee consists of 4 directors namely:

Prince Adetokunbo Kayode (SAN)	Chairman
Dr. Stephen Dike	Member
Mr. Kester Enwereonu	Member
Mr. Alex Okoh	Member

The Risk Committee has the responsibility to review business and financial transactions of the company to ascertain the inherent risk and advise the Board accordingly.

The Risk committee met three times in the financial year ended 31 December 2021 as follows:

1. 11th May 2021
2. 9th June 2021
3. 20th December 2021

All the committee members were in attendance at all the meetings.

**Enugu Electricity Distribution Plc
Annual Report
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Statement of Directors' Responsibilities

The Companies and Allied Matters Act, 2020, requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the company at the end of the year and of its profit or loss. The responsibilities include ensuring that the company:

- a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company and comply with the requirements of the Companies and Allied Matters Act, 2020 and the Financial Reporting Council of Nigeria Act, No 6, 2011;
- b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with international Financial Reporting Standards and the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its loss for the year ended 31 December 2021. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of its financial statements, as well as adequate systems of internal financial control.

Going Concern: As stated in Note 28, the Directors have made an assessment of the Company's ability to continue as a going concern and conclude that it is appropriate to prepare the financial statements on a going concern basis.

The financial statements of the Company for the year ended 31 December 2021 were approved by the Directors on 29 November 2022.



Engr. Praveen Chorghade
Managing Director
FRC/2022/PRO/DIR/003/664140



Dr Stephen Dike
Director
FRC/2018/100N/00000018417

Statement of Corporate Responsibilities

Certification Pursuant to Section 405(1) of Companies and Allied Matters Act, 2020.

We the undersigned hereby certify the following with regards to our Annual Report for the year ended 31 December 2021 that:

a) We have reviewed the report;

To the best of our knowledge, the report does not contain:

- any untrue statement of a material fact, or
- omit to state a material fact, which would make the statements misleading in the light of circumstances under which such statements were made;

b) To the best of our knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition and results of operation of the company as of, and for the periods presented in this report.

c) We:

- are responsible for establishing and maintaining internal controls.
- have designed such internal controls to ensure that material information relating to the Company is made known to such officers by others within those entities particularly during the period in which the periodic reports are being prepared;
- have evaluated the effectiveness of the Company's internal controls as of date within 90 days prior to the report;
- have presented in the report our conclusions about the effectiveness of our internal controls based on our evaluation as of that date;

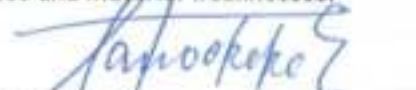
d) We have disclosed to the auditors of the Company and Audit Committee:

- all significant deficiencies in the design or operation of internal controls which would adversely affect the company's ability to record, process, summarise and report financial data and have identified for the company's auditors any material weakness in internal controls, and
- any fraud, whether or not material, that involves management or other employees who have significant role in the company's internal controls;

e) We have identified in the report whether or not there were significant changes in internal controls or other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.



Engr. Praveen Chorghade
Managing Director
FRC/2022/PRO/DIR/003/664140



Paul Okeke
Chief Financial Officer
FRC/2013/ICAN/00000000925

..... 29 November 2022

**Independent Auditor's Report
To the Members of Enugu Electricity Distribution Plc**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Enugu Electricity Distribution Plc ('the Company') set out on pages 18 to 80, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Enugu Electricity Distribution Plc as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria Act No. 6, 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 the 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. 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 28 of the financial statements which indicates that the Company made loss after tax of ₦39.8 billion (2020 profit after tax: ₦177.76 billion). As at date, the Company had net current liabilities of ₦71.4 billion (2020: ₦53.01 billion) and net liabilities of ₦66.69 billion (2020: ₦27.06 billion). The company generated a profit in the prior year as a result of a once-off tariff but continues to make losses and have negative cash flows.

The ability of the company to fully execute plans to resolve these matters and service debt is dependent on the company receiving additional funding and or support from the Federal Government of Nigeria and other shareholders.

These conditions along with other matters discussed in Note 28 indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore may be unable to realise its assets and settle its liabilities in the ordinary course of business. 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 the audit of the financial statements of the current period. In addition to the matter(s) described in the Material uncertainty related to going concern section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report. This matter was addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the

**Independent Auditor's Report
To the Members of Enugu Electricity Distribution Plc - Continued**

financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How the matter was addressed in the Audit
<p>Huge impairment losses on Trade Receivable</p> <p>The Company has trade receivables of ₦190.13 billion and provision for impairment of ₦138.48 billion. This provision for impairment represents 72.83% of the total trade receivables as at 31 December 2021.</p> <p>The Company's customers are classified based on their payment pattern as pre-paid or post-paid customers. There is consistent default by post-paid customers in making payment on due bills, which is due to the poor attitude and unwillingness of the customers to pay their bills as at when due. This in turn led to recognition of huge impairment loss of ₦19.09 billion in the year.</p> <p>We consider this as key audit matter because of the significance of the amount and involvement of high level of management judgement.</p> <p>Also, the forward looking, and Expected Credit Loss (ECL) model used in determining the impairment on receivables based on the requirements of IFRS 9 requires significant judgement especially in building the economic scenarios used in the ECL model. Also, significant judgement is required both for timing of recognition of impairment and the estimation of the size of the impairment. The Company utilised the Simplified Approach for determining the ECL. Under this approach, ECL was arrived at by multiplying the outstanding receivable portfolio by the loss rate (determined based on historical information) adjusted for forward looking information (forecast inflation and GDP) which takes management's view of the future of the customer into account.</p> <p>See Note 4.1 (bii) to the financial statements for the accounting policies and balances of allowance for expected credit losses (ECL).</p>	<p>Our Audit Procedures include:</p> <ul style="list-style-type: none"> • We obtained an understanding of the Company's process for estimating the expected credit loss (ECL); • We reviewed the company's revenue billing systems and performed IT revenue and receivable assurance by recalculating the percentage of the amount received to the energy billed on a monthly basis. • We checked the appropriateness of the categorisation of the trade receivables portfolio based on shared credit risk characteristics. • We recalculated the loss rate spread across the aging buckets and compared to the historical loss rate calculated by the Company's management. • For forward looking assumptions (forecast inflation and GDP) used by the Company, we held discussions with management to determine the assumptions used and corroborated the assumptions using both internal and publicly available information. • We reviewed the IFRS 9 disclosures for reasonableness.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Enugu Electricity Distribution Plc Report of the Directors, Annual Report for the year ended 31 December 2021", which includes Results at a glance, the Directors' Report, Corporate Governance Report, Statement of Directors' Responsibilities, Statement of Corporate Responsibilities and Other National Disclosures as required by the Companies and Allied Matters Act, 2020. The other information does not include the financial statements and our auditor's report thereon.

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

Independent Auditor's Report To the Members of Enugu Electricity Distribution Plc - Continued

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 and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria Act No. 6, 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 judgement and maintain professional scepticism throughout the audit. We also:

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

**Independent Auditor's Report
To the Members of Enugu Electricity Distribution Plc - Continued**

•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 Directors 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 Directors, 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

In accordance with the requirement of the Fifth Schedule of the Companies and Allied Matters Act, 2020, we confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) in our opinion, proper books of account have been kept by the Company in so far as appears from our examination of those books; and
- 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.



Adewuyi Adeyemo, FCA
FRC/2012/ICAN/0000000148
For: Ernst & Young
Lagos, Nigeria

6 January 2023



Enugu Electricity Distribution Plc
Annual Report
For the Year Ended 31 December 2021

Statement of Profit or Loss and Other Comprehensive Income

	Notes	31 December 2021 ₦'000	31 December 2020 ₦'000
Revenue from contracts with customers	5	119,252,899	314,998,766
Cost of sales	6	(99,051,948)	(83,160,641)
Gross profit		20,200,951	231,838,125
Other income	7	2,689,072	1,833,851
Administrative expenses	8	(12,058,261)	(13,550,911)
Expected credit losses	9	(19,096,017)	(16,409,018)
Operating profit		(8,264,255)	203,712,047
Finance income	10	42,847	63,401
Finance costs	10	(31,275,958)	(21,204,798)
(Loss) /profit before minimum tax and income tax		(39,497,366)	182,570,650
Minimum tax	11.1	(299,549)	(792,240)
(Loss) /profit before income tax		(39,796,915)	181,778,410
Income tax expense	11.2	-	(4,013,964)
(Loss) /profit for the year		(39,796,915)	177,764,446
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods			
Remeasurement gain on defined benefit plan	23	170,789	432,642
Total comprehensive (loss) /income for the year net of tax		(39,626,126)	178,197,088
Basic (loss)/earnings per share (Naira)	12	(3,980)	17,776

The statement of significant accounting policies and accompanying notes are integral part of these financial statements.

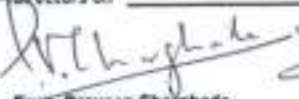
Enugu Electricity Distribution Plc
Annual Report
For the Year Ended 31 December 2021

Statement of Financial Position
As at

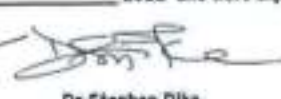
		31 December 2021 N'000	31 December 2020 N'000
ASSETS	Notes		
Non-current assets			
Property, plant and equipment	13	49,035,110	45,227,230
Intangible assets	14	486,646	558,816
Right-of-use-assets	15	221,996	440,940
Total non-current assets		49,743,752	46,226,986
Current assets			
Inventories	18	1,005,686	606,342
Trade and other receivables	17	56,342,163	37,737,355
Cash and cash equivalents	16	7,313,705	6,733,226
Total current assets		64,661,554	45,076,923
Total assets		114,405,306	91,303,909
EQUITY AND LIABILITIES			
Equity			
Share capital	24	5,000	5,000
Accumulated losses		(66,691,983)	(27,065,857)
Total equity		(66,686,983)	(27,060,857)
Non-current liabilities			
Borrowings	20	39,768,207	13,737,373
Government grants	21	4,674,763	5,655,340
Lease liabilities	22	68,419	314,193
Retirement benefit obligations	23	527,035	569,660
Total non-current liabilities		45,038,424	20,276,566
Current liabilities			
Trade and other payables	19	125,974,815	87,810,832
Current tax liabilities	11	5,651,285	5,351,736
Borrowings	20	2,007,675	3,160,144
Government grants	21	2,104,227	1,420,644
Lease liabilities	22	315,862	344,844
Total current liabilities		136,053,864	98,088,200
Total liabilities		181,092,288	118,364,766
Total equity and liabilities		114,405,306	91,303,909

The statement of significant accounting policies and accompanying notes are integral part of these financial statements.

The financial statements on pages 18 to 80 were approved and authorised for issue by the Board of Directors on 29 November 2022 and were signed on its behalf by:



Engr. Praveen Chorghade
Managing Director
FRC/2022/PRO/DIR/003/664140



Dr Stephen Dike
Director
FRC/2018/IODN/00000018417



Paul Okoko
Chief Financial Officer
FRC/2013/ICAN/0000000925

Enugu Electricity Distribution Plc
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Statement of Changes in Equity

	Notes	Share capital ₦'000	Accumulated losses ₦'000	Total equity ₦'000
Balance at 1 January 2020		5,000	(205,262,945)	(205,257,945)
Profit for the year		-	177,764,446	177,764,446
Other comprehensive income for the year	23	-	432,642	432,642
Balance at 31 December 2020		5,000	(27,065,857)	(27,060,857)
Balance at 1 January 2021		5,000	(27,065,857)	(27,060,857)
Loss for the year		-	(39,796,915)	(39,796,915)
Other comprehensive income for the year	23	-	170,789	170,789
Balance at 31 December 2021		5,000	(66,691,983)	(66,686,983)

The statement of significant accounting policies and accompanying notes are integral part of these financial statements.

Enugu Electricity Distribution Plc
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Statement of Cash Flows

	Notes	31 December 2021 ₦'000	31 December 2020 ₦'000
Cash flows from operating activities			
Cash (used in)/generated from operations	25	(9,149,673)	10,604,980
Payments of gratuity	23	(24,095)	(60,053)
Payments of Long Service Award (LSA)	23	(640)	(1,420)
VAT paid		(4,677,148)	(2,986,196)
Net cash flows (used in)/ from operating activities		(13,851,556)	7,557,311
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(5,558,259)	(2,716,273)
Purchase of intangible assets	14	(19,723)	-
Interest received	10	42,847	63,401
Net cash flows used in investing activities		(5,535,135)	(2,652,872)
Cash flows from financing activities			
Proceeds from borrowings	20	26,649,410	2,338,595
Repayment of borrowings	20	(4,051,916)	(3,667,845)
Interest paid	20	(1,853,556)	(1,287,933)
Payment of lease liabilities	22	(780,305)	(840,495)
Net cash flows from/ (used in) financing activities		19,963,634	(3,457,678)
Net increase in cash and cash equivalents		576,943	1,446,761
Net foreign exchange difference		1,608	424
Cash and cash equivalents at the beginning of year		6,750,203	5,303,018
Cash and cash equivalents at the end of year	16.1	7,328,754	6,750,203

The statement of significant accounting policies and accompanying notes are integral part of these financial statements.

Enugu Electricity Distribution Plc
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Notes to the Financial Statements

1 Corporate information

Enugu Electricity Distribution Plc. was incorporated in Nigeria under the Companies and Allied Matters Act, 2020 as a Public Limited Company on 8 November 2005. The Company is domiciled in Nigeria.

Enugu Electricity Distribution Plc. ('the Company') is one of the eleven (11) electricity distribution companies in Nigeria. The Company was licensed in 2006 by the Nigeria Electricity Regulatory Commission (NERC) to distribute electricity to consumers in five states in the south-east of Nigeria: Abia, Anambra, Ebonyi, Enugu and Imo States.

The Company currently services over 1,000,000 customers and has its registered address as 62, Okpara Avenue, Enugu, Enugu State, Nigeria.

Business transition

In 1999, the Federal Government of Nigeria set up the Electric Power Sector Implementation Committee (EPIC) to undertake a comprehensive study of the electricity power industry. The EPIC created Power Holding Company of Nigeria (PHCN), a company registered under the Companies and Allied Matters Act, to assume the assets, liabilities and employees of the former Federal Government parastatal- National Electric Power Authority ("NEPA") that was in charge of electricity generation, transmission and distribution in Nigeria. PHCN was set up to achieve greater operational autonomy. The shares of PHCN were wholly owned by the Federal Government of Nigeria.

In 2005, PHCN was unbundled to form 6 electricity generation, 1 electricity transmission and 11 electricity distribution companies with the intent of sale of shares in these companies to private investors. Enugu Electricity Distribution Plc is one of the electricity distribution companies. The Federal Government also set up a special purpose agency, Nigeria Electricity Liability Management Company Ltd (NELMCO), to take over some assets and liabilities of these companies in order to sell the shares of the companies.

On 1 November 2013, Interstate Electrics Limited took over the management of Enugu Electricity Distribution Plc after successful purchase of 60% of the shares of the company from the Federal Government. All electricity companies are regulated by the Nigerian Electricity Regulatory Commission (NERC), a Federal Government parastatal that ensures efficiency, stability and reliability in the supply of electricity in Nigeria. On 1 November 2013, NERC set up interim rules to regulate the electricity sector. These rules were a bridge to the Transitional Electricity Market ("TEM"). Transitional Electricity Market establishes a framework to govern trading arrangements during the Interim period when Power Purchase Agreements (PPAs) between the privatised Power Holding Company of Nigeria (PHCN), successor generation companies and Nigerian Bulk Electricity Trading Plc (NBET) and Vesting Contracts between Nigerian Bulk Electricity Trading "NBET" and the privatised PHCN successor distribution companies will not be effective.

Notes to the Financial Statements-Continued

2 Significant accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), the requirements of the Companies and Allied Matters Act, 2020 and the Financial Reporting Council of Nigeria Act, No. 6, 2011. The financial statements were authorised for issue by the Board of Directors on 29 November 2022.

The preparation of financial statements, in conformity with generally accepted accounting principles under IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Nigerian Naira. All values are rounded to the nearest thousand (₦'000), except where otherwise indicated.

2.1.1 Going concern

The financial statements have been prepared on a going concern basis. Refer to Note 28 for further information on going concern.

Notes to the Financial Statements-Continued

2 Summary of significant accounting policies

a) Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- ▶ Expected to be realised or intended to be sold or consumed in the normal operating cycle
- ▶ Held primarily for the purpose of trading
- ▶ Expected to be realised within twelve months after the reporting period Or
- ▶ Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- ▶ It is expected to be settled in the normal operating cycle
 - ▶ It is held primarily for the purpose of trading
 - ▶ It is due to be settled within twelve months after the reporting period
- Or
- ▶ There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

b) Revenue from contract with customers

The Company recognises revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those services. A valid contract is recognised as revenue after:

- The contract is approved by the parties.
- Rights and obligations are recognised.
- Collectability is probable.
- The contract has commercial substance.
- The payment terms and consideration are identifiable.

Notes to the Financial Statements-Continued

Sale and Distribution of Power

The Company derives its revenue from the supply of power to customers. Revenue from power supply is based on amount of energy supplied to the customers as recorded at the meters or estimated. This is computed using the MYTO template per customer class as regulated by Nigerian Electricity Regulatory Commission. Revenue from the supply of power is recognised overtime. However, the Company has elected to use the practical expedient of right of invoice to recognise revenue on the date electricity bills are sent to customers.

In the 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. The stand-alone selling price is determined based on the NERC approved tariff for the different categories of customers.

Payment of the transaction price is due immediately when the bills are sent to the customers and trade receivable is recognised thereafter.

Disaggregation of revenue from contract with customers

The Company recognises revenue overtime, however the Company applies the practical expedient of right to invoice for the ease of accounting. The Company derives revenue from different tariff codes broadly classified into residential, commercial, industrial, government and others.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Amount received from customers in advance of receiving the goods or services is recognised as liability in the statement of financial position described as unearned income.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

c) Current and deferred tax

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

Notes to the Financial Statements-Continued

Current and deferred tax-continued

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Also, there is an education tax which is provided at 2.5% of assessable profits of companies operating within Nigeria.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the Statement of profit or loss, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax liabilities on a net basis.

The Company has not recognised any deferred tax asset due to the uncertainty of future taxable profits.

d) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which Enugu Electricity Distribution Plc operates ('the functional currency'). The functional currency of the Company is the Nigerian Naira (N).

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the company's functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Notes to the Financial Statements-Continued

Foreign currency translation-continued

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the company determines the transaction date for each payment or receipt of advance consideration.

e) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost when they are available for use, and subsequently stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight line method to write down their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Asset class	Depreciation rate	Useful life
Buildings	2%- 5%	20 - 50 years
Plant & machinery	3%-10%	10 - 33.3 years
Furniture & equipment	10%-25%	4 - 10 years
Motor vehicles	20%-50%	2 - 5 years

Freehold land is not depreciated

Where the cost of a part of an item of property, plant and equipment is significant when compared to the total cost, that part is depreciated separately based on the pattern which reflects how economic benefits are consumed.

Notes to the Financial Statements-Continued

Property, plant and equipment-continued

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The carrying amount of an item of property, plant and equipment shall be derecognised:

(a) on disposal; or

(b) when no future economic benefits are expected from its use or disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

f) Intangible assets

Software

Software not integral to the related hardware acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of software over its estimated useful life.

The estimated useful life is ten (10) years and the amortisation is recognised in profit or loss.

The expected useful life is reviewed on an annual basis and, if necessary, changes in useful life is accounted for prospectively.

g) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

h) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, (i.e. capitalised) until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Currently, the Company has no qualifying assets on which borrowing costs are being capitalised.

Notes to the Financial Statements-Continued

i) Financial instruments (Recognition and measurement)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies of Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- ▶ Financial assets at amortised cost (debt instruments)
- ▶ Financial assets at fair value through profit or loss
- ▶ Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

Notes to the Financial Statements-Continued

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- ▶ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- ▶ Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.
- ▶ The Company's financial assets at amortised cost includes trade receivables, staff loans, cash and cash equivalents and treasury bills.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

The rights to receive cashflows from the assets have expired .

or

The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- ▶ Disclosures for significant assumptions (Note 3)
- ▶ Trade receivables (Note 17)

Notes to the Financial Statements-Continued

Impairment of financial assets -continued

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to the Company's financial assets classified at amortised cost. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The simplified approach is applied to trade receivables while the general approach is applied to cash and cash equivalents, and other receivables.

The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the Company's historical default rates observed over the expected life of the receivable and adjusted forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as 12 month ECL which is a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimate of expected cash recoveries after considering the historical pattern of the receivable and assessing the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period.

Notes to the Financial Statements-Continued

Impairment of financial assets-continued

External data was also sourced from Moody's corporate recovery rates to determine the LGD for some financial assets. The EAD is the total amount of outstanding receivable at the reporting period. These three components are multiplied together and adjusted for forward looking information, such as the unemployment rate in Nigeria, inflation rate, and crude oil prices to arrive at an ECL which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss and presented on the face of the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Notes to the Financial Statements-Continued

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of inventory includes purchase costs and costs directly attributable to the purchase.

Inventory comprises of distribution materials and stationery.

Subsequent to initial recognition, inventory is measured at the lower of cost and net realisable value. Any writedown of inventory to net realisable value is recognised in the statement of profit or loss. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

k) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

Bank overdrafts are shown within borrowings in current liabilities.

l) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Notes to the Financial Statements-Continued

Provisions-continued

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

m) 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability Or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or
- ▶ Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- ▶ Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, is summarised below:

- ▶ Financial instruments (including those carried at amortised cost)

n) Share capital

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

Notes to the Financial Statements-Continued

o) Leases

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

The Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Whenever the Company incurs an obligation for costs to restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies on Impairment.

The right-of-use assets are presented as a separate line item in the statement of financial position.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Notes to the Financial Statements-Continued

Lease liabilities-continued

In calculating the present value of lease payments, the Company uses the Incremental Borrowing Rate (IBR). After the commencement date, the amount of lease liabilities is reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The lease liabilities are presented as a separate line in the statement of financial position.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. All other leases are classified as finance leases. When a contract includes both lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

p) Employee benefits

i Wages, salaries and annual leave

Wages, salaries, bonuses, other contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the Company.

ii Defined contribution plan

The Company operates a defined contribution scheme for its employees in line with the Pension Reform Act 2014. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company contributes 10% while employees contribute 8% of basic, housing and transport allowances towards the scheme. Staff contributions are funded through payroll deductions while the Company's contribution is charged to the profit or loss account in the year in which they relate. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Company and employees. The Company's contributions to the defined contribution schemes are charged to profit or loss account in the year to which they relate.

Notes to the Financial Statements-Continued

iii Defined benefit plan

The Company provides defined benefit plan for its employees; Gratuity and long service awards (LSA). These benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income are not reclassified. Past service cost is recognised in profit or loss when the plan amendment or curtailment occurs, or when the Company recognises related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

Defined benefit costs are split into three categories: service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements; net interest expense or income; and remeasurements.

q) Government grants

The Company benefits from Federal Government intervention in the power sector through funds provided to ensure liquidity in the industry and assets granted to power sector participants. The Federal Government of Nigeria through the Central Bank of Nigeria provides finance to these power sector participants at subsidised interest rates. The Federal Government of Nigeria also provides vital core infrastructure to the market participants. Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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Notes to the Financial Statements-Continued

2.3 Changes in accounting policies and disclosures

a) Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Standard	Effective Year
Reference to the Conceptual Framework - Ammendments to IFRS 3	1-Jan-22
Property, Plant and Equipment: Proceeds before Intended Use - Ammendments to IAS 16	1-Jan-22
Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37	1-Jan-22
IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter	1-Jan-22
IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities	1-Jan-22
IAS 41 Agriculture - Taxation in fair value measurements	1-Jan-22
IFRS 17 Insurance Contracts	1-Jan-23
Definition of Accounting Estimates -Amendments to IAS 8	1-Jan-23
Disclosure of Accounting Policies -Amendments to IAS 1 and IFRS Practice Statement 2	1-Jan-23
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1-Jan-23

Reference to the Conceptual Framework - Ammendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Company.

Notes to the Financial Statements-Continued

Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The Company will apply these amendments, if applicable, when they become effective.

IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Company.

Notes to the Financial Statements-Continued

IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

IAS 41 Agriculture - Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments have no impact on the Company as it is not into agriculture..

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- ▶ A specific adaptation for contracts with direct participation features (the variable fee approach)
- ▶ A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

Notes to the Financial Statements-Continued

Definition of Accounting Estimates -Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

Disclosure of Accounting Policies -Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- ▶What is meant by a right to defer settlement
- ▶That a right to defer must exist at the end of the reporting period
- ▶That classification is unaffected by the likelihood that an entity will exercise its deferral right
- ▶That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Notes to the Financial Statements-Continued

3 Significant accounting judgements, estimates and assumptions

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- ▶ Financial instruments risk factors management and policies (Note 4.1)
- ▶ Sensitivity analysis disclosures (Note 4.1)
- ▶ Capital management (Note 4.2)

Judgements

In the process of applying the company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

The company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the timing of satisfaction

The company concluded that revenue from energy and capacity charge will be recognised overtime because, as the company performs, the customer simultaneously receives and consumes the benefits provided by the company's performance.

The company has determined that the output method is the best method in measuring progress rendering the services to the customer. The Output method recognises revenue based on direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract.

The company has assessed that there is a direct relationship between the company's measurement of the value of goods or services transferred to date, relative to the remaining goods or services promised under the contract.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the company. Such changes are reflected in the assumptions when they occur.

Notes to the Financial Statements-Continued

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The fair value of the assets is based on the market value. This is the price which an asset may be reasonably expected to be realised in a sale in a private contract. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Company. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 4.1.

Provision for expected credit losses of trade receivables

The company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type, customer type and rating).

The provision matrix is initially based on the company's historical observed default rates. The company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the company's trade receivables is disclosed in Note 4.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Notes to the Financial Statements-Continued

Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates .

Further details about retirement benefit obligations are provided in Note 23.

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease .The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Notes to the Financial Statements-Continued

4 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board has established the finance and investment committee, who is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risk it faces, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly by the executive management to reflect changes in the market conditions and the Company's activities.

The Board oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board is supported by various management functions that checks and undertakes both regular and ad hoc reviews of compliance with established controls and procedures.

4.1 Financial risk factors

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company does not hedge any of its risk exposures.

Risk management is carried out in line with policies approved by the board of directors. The board provides written policies for overall risk management, as well as set the overall risk appetite for the Company. Specific risk management approaches are defined for respective risks such as interest rate risk, credit risk, liquidity and investment risk. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk in the Company are borrowings and deposits.

(i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. Borrowings obtained at variable rates give rise to interest rate risk. The Company does not have any short term loans with variable interest and as such is not exposed to interest rate risk. The Company's long term borrowings have fixed interest rate.

(ii) Foreign currency risk

Foreign exchange risk arises when future commercial transactions and recorded assets and liabilities are denominated in a currency that is not the entity's functional currency e.g., foreign denominated loans, purchases and sales transactions, etc. The Company did not have any material balance denominated in foreign currency at 31 December 2021 as a result no foreign currency sensitivity analysis is provided.

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Notes to the Financial Statements-Continued

(iii) Price risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk. There are no financial instruments exposed to other price risk.

(b) Credit Risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers including outstanding receivables. The Company has policies in place to ensure that credit limits are set for commercial customers taking into consideration the customers' tariff class, past trading relationship, credit history and other factors. When customers default in paying bills on due date, the Company disconnects supply to such customers and charges a fee on reconnection.

(i) Risk management

There is no independent rating for customers. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The compliance with credit limits by customers is regularly monitored by line management.

Sales to customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Management monitors the aging analysis of receivables on a periodic basis. The analysis of neither past due nor impaired, past due but not impaired and impaired financial instruments is as follows:

Financial instruments exposed to credit risk	Maximum Exposure	
	31 December 2021 ₦'000	31 December 2020 ₦'000
Cash and Cash equivalents	7,318,110	6,737,549
Trade receivables	190,127,540	154,223,596
Gross amount	<u>197,445,650</u>	<u>160,961,145</u>
Expected credit losses on trade receivables	(138,476,802)	(119,376,048)
Expected credit losses on cash and cash equivalents	(15,049)	(16,977)
Net Amount	<u><u>58,953,799</u></u>	<u><u>41,568,120</u></u>

The gross amounts stated above are those subject to expected credit losses. There are cash security (within cash and cash equivalents), trade receivables, and salary advance (within other receivables).

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Notes to the Financial Statements-Continued

Explanation of inputs and variables used in measuring Expected Credit Loss

The parameters used to determine impairment using the general approach on receivables are shown below:

	Staff Loans	Cash and Bank Balances
Probability of Default (PD)	The company assessed the PD of the company's staff loans to be a notch lower than the PD assigned to Nigeria (with a rating of B) by Standards and Poor's (S&P). This was determined to be a B - . This resulted in a PD of 7.15% based on Standard and Poor's one PD of B- credit rating.	The rating of the Counterparty is used to determine the PD. The respective ratings were mapped to S&P's rating. The PD resulted in 3.6% based on Standards and Poor's one year PD of B credit rating.
Loss Given Default (LGD)	The company assessed LGD on each facility. This ranged from 52.1% to 100% which depends on management's assessment. This was further adjusted with the Basel downturn federal reserve formula for LGD.	The LGD was applied based on Moody's weighted average ultimate recovery from (1983 to 2017) for senior unsecured bonds. This resulted in LGD of 52.1%. This was further adjusted with the Basel federal reserve formula to produce a downturn PD of 56%.
Exposure at Default (EAD)	The EAD is the maximum exposure of the receivable to credit risk without taking account of any collateral but adjusted for repayment pattern and interest receivable.	The EAD is the maximum exposure of the receivable to credit risk without taking account of any collateral but adjusted for repayment pattern and interest receivable.
Macroeconomic indicators	The historical inflation rate, unemployment rate and crude oil prices were identified as economic variables affecting the credit risk. Historical data on GDP for the last 44 quarters was used to determine base, optimistic and downturn scenarios with a 95% confidence interval.	The historical inflation rate, unemployment rate and crude oil prices were identified as economic variables affecting the credit risk. Historical data on GDP for the last 44 quarters was used to determine base, optimistic and downturn scenarios with a 95% confidence interval.

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Probability Weightings	The Z score was used to calculate the probability of having a best, downturn and optimistic scenarios by comparing Nigeria GDP historical experience from 2006 to 2016. 82% weight was assigned to best case, 2% for optimistic and 16% for downturn.	The Z score was used to calculate the probability of having a best, downturn and optimistic scenarios by comparing Nigeria GDP historical experience from 2006 to 2016. 82% weight was assigned to best case, 2% for optimistic and 16% for downturn.
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The reconciliation of the gross carrying amount for the financial assets assessed for impairment is as follows:

	Trade receivables	Short term bank deposits
	N'000	N'000
Gross carrying amount as at 1 January	154,223,596	2,805,269
Additions	85,678,598	31
Repayments	(49,774,654)	-
Gross carrying amount as at 31 December	<u>190,127,540</u>	<u>2,805,300</u>

Reconciliation of impairment loss on financial assets

Movements in the impairment of provision of financial assets that are assessed for impairment are as follows:

	Trade receivables	Short term bank deposits
	N'000	N'000
At 1 January	119,376,048	16,977
Reversal of previously recognised impairment losses	-	(1,928)
Allowance for impairment recognised during the year	19,100,753	-
At 31 December	<u>138,476,802</u>	<u>15,049</u>

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Notes to the Financial Statements-Continued

Sensitivity analysis

The tables below show information on the sensitivity of the carrying amounts of the Company's financial assets to the methods, assumptions and estimates used in calculating impairment losses on the financial assets at the end of the reporting period. These methods, assumptions and estimates have a significant risk of causing material adjustments to the carrying amounts of the Company's financial assets.

Simplified approach:

Expected cash flow recoverable from trade receivables:

The table below demonstrates the sensitivity to a 10% change in the expected cash flows from trade receivables, with all other variables held constant:

	Effect on profit before tax 31 December 2021 ₦'000
Increase/(decrease) in estimated cash flows	
10%	6,041
(10%)	(8,382)

A 10% increase in the estimated cash flows would increase loss before tax by ₦6.04 million while a corresponding 10% decrease in the estimated cash flows will reduce loss before tax by ₦8.38 million.

The table below shows the sensitivity of 10% change in the forward looking variables incorporated in the ECL model on the profit before tax.

		Inflation rate Held constant		
		10%	(10%)	
		₦'000	₦'000	₦'000
GDP growth rate	10%	2,553,786	(2,569,706)	2,652,553
	Held constant	41.87	13.14%	
	(10%)	2,634,873		

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General Approach:

(a) Other receivables - staff loans

In establishing sensitivity to ECL estimates for financial assets, changes in the PD, LGD and macro-economic factors were considered individually.

Significant unobservable inputs

Increase/(decrease) of:	Impact on profit before tax		
	Probability of Default (PD) ₦'000	Loss Given Default (LGD) ₦'000	Macroeconomic indicators* ₦'000
10%	(15)	(15)	(9)
(10%)	15	15	11

(b) Cash and cash equivalents - fixed deposits and accounts placed on garnishee order

In establishing sensitivity to ECL estimates for financial assets, changes in the PD, LGD and macro-economic factors were considered individually.

The table below demonstrates the sensitivity to a 10% change in each estimate with all other variables held constant:

Increase/(decrease) of:	Impact on profit before tax		
	Probability of Default (PD) ₦'000	Loss Given Default (LGD) ₦'000	Macroeconomic indicators* ₦'000
10%	(2,408)	(2,364)	(1,389)
(10%)	2,408	2,364	1,341

*Macroeconomic indicators used in the model are inflation rate, crude oil price and unemployment rate.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	31 December 2021 ₦'000	31 December 2020 ₦'000
Cash	10,644	12,654
Bank balance		
AA	-	-
A+	-	-
AA-	-	-
B-	7,292,667	6,699,270
BBB	-	-
B	24,994	37,794
Not rated	449	485
	7,328,754	6,750,203

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Fitch - National long-term rating

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

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

These ratings are explained as follows:

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

'A' National ratings denote expectations of low default risk relative to other issuers or obligations in the same country. However, changes in circumstances or economic conditions may affect the capacity for timely repayment to a greater degree than is the case for financial commitments denoted by a higher rated category.

'BBB' National ratings denote a moderate default risk relative to other issuers or obligations in the same country. However, changes in circumstances or economic conditions are more likely to affect the capacity for timely repayment than is the case for financial commitments denoted by a higher rated category.

'BB' National ratings denote an elevated default risk relative to other issuers or obligations in the same country. Within the context of the country, payment is uncertain to some degree and capacity for timely repayment remains more vulnerable to adverse economic change over time.

	31 December	31 December
	2021	2020
	₦'000	₦'000
<u>Trade receivables</u>		
Counter parties without external credit rating:		
Group 3	190,127,540	154,223,596

Group 1 - new customers (less than 6 months).

Group 2 - existing counter parties/ customers (more than 6 months) with no defaults in the past.

Group 3 - existing customers (over 6 months with some defaults in the past).

There are no group 1 and group 2 customers.

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Notes to the Financial Statements-Continued

Financial risk factors - continued

(ii) Impairment of trade receivables

For trade receivables, the Company applied the simplified approach in computing ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECL). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Notes 17 . The Company does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Company's trade receivables using provisional matrix:

As at 31 Dec 2021	Trade receivables					
In thousands of naira	Days past due					Total
	<90 days	90 -180 days	181 - 270 days	270 - 360 days	> 360 days	
Expected credit loss rate	54.84%	60.44%	71.30%	84.86%	100.00%	
Estimated total gross carrying amount at default	76,044,048	19,509,096	13,032,001	38,686,082	42,856,313	190,127,540
Expected credit loss	41,705,915	11,792,161	9,291,766	32,830,646	42,856,314	138,476,802

As at 31 Dec 2020						
Expected credit loss rate	54.20%	56.46%	72.66%	77.03%	100.00%	
Estimated total gross carrying amount at default	57,174,920	11,741,688	7,467,088	6,556,600	71,283,301	154,223,596
Expected credit loss	30,986,996	6,629,235	5,425,850	5,050,668	71,283,301	119,376,049

Notes to the Financial Statements-Continued

Financial risk factors - continued

(ii) Impairment of trade receivables-Continued

Set out below is the movement in the allowance for expected credit losses of trade receivables:

In thousands of Naira	2021	2020
Balance as at 1 January	119,376,048	102,959,956
Provision for expected credit losses (Note 17a)	19,100,753	16,416,093
Balance at 31 December	<u>138,476,801</u>	<u>119,376,048</u>

(iii) Impairment of other financial assets

Expected credit loss measurement - other financial assets

The Company applied the general approach in computing expected credit losses (ECL) for other receivables. The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The 12-month and Lifetime PDs are derived by mapping the internal rating grade of the obligors to the PD term structure of an external rating agency for all asset classes. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs, etc. - are monitored and reviewed on a regular basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period. The significant changes in the balances of the other financial assets including information about their impairment allowance are disclosed below respectively.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Notes to the Financial Statements-Continued

Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 2 Summary of significant accounting policies and in Note 3 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Company obtains the data used from third party sources (Central Bank of Nigeria, Standards and Poor's etc.) and a team of expert within its credit risk department verifies the accuracy of inputs to the Company's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Company's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios as at 31 December 2020 and 31 December 2021.

The tables below show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario.

31 December 2021

Key drivers	Assigned		2022	2023	2024
	Probabilities	ECL Scenario			
Crude Oil Price (USD)	12%	Upturn	59.00	62.00	61.20
	79%	Base	57.00	62.00	57.30
	9%	Downturn	41.00	38.00	55.10
GDP Growth rate %	12%	Upturn	0.29	0.32	0.27
	79%	Base	0.19	0.15	0.32
	9%	Downturn	0.11	0.08	0.34
Inflation rate %	12%	Upturn	0.24	0.22	0.11
	79%	Base	0.32	0.33	0.11
	9%	Downturn	0.36	0.38	0.11

31 December 2020

Key drivers	Assigned		2021	2022	2023
	Probabilities	ECL Scenario			
Crude Oil Price (USD)	10%	Upturn	55.61	57.07	57.07
	80%	Base	53.5	54.96	54.96
	10%	Downturn	51.18	52.64	52.64
Unemployment rate %	10%	Upturn	0.32	0.32	0.32
	80%	Base	0.34	0.34	0.34
	10%	Downturn	0.36	0.36	0.36
Inflation rate %	10%	Upturn	0.11	0.11	0.11
	80%	Base	0.12	0.12	0.12
	10%	Downturn	0.12	0.12	0.12

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Notes to the Financial Statements-Continued

(iii) Impairment of other financial assets - continued

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

(c) Liquidity risk

Management of liquidity risk

Cash flow forecasting is performed by the finance department. The finance department monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Such forecasting takes into consideration the covenant compliance, and compliance with internal financial position ratio.

Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available through an adequate amount of committed credit facilities.

Maturity analysis

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. There is concentration risk in this regard as the Central Bank of Nigeria (CBN) is the major lender to the Company.

31 Dec 2021	Less than 1 year N'000	Between 1 and 2 years N'000	Between 2 and 5 years N'000	Between 5 and 10 years N'000	Over 10 years N'000	Total N'000
Financial liabilities						
Trade and other payables*	113,234,108	-	-	-	-	113,234,108
Borrowings	4,476,204	7,223,945	14,240,255	15,824,975	-	41,765,379
Lease Liabilities	392,544	128,040	-	-	-	520,584
	<u>118,102,857</u>	<u>7,351,985</u>	<u>14,240,255</u>	<u>15,824,975</u>	<u>-</u>	<u>155,520,071</u>

31 Dec 2020

Financial liabilities

Trade and other payables*	77,879,457	-	-	-	-	77,879,457
Borrowings	4,051,916	4,476,204	11,576,063	1,650,432	-	21,754,615
Lease Liabilities	665,015	339,879	-	-	-	1,004,894
	<u>82,596,388</u>	<u>4,816,083</u>	<u>11,576,063</u>	<u>1,650,432</u>	<u>-</u>	<u>100,638,966</u>

*Non-financial liabilities excluded include statutory liabilities (VAT and WHT Payables)

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4.2 Capital management

For the purpose of the Company's capital management, capital includes issued capital and retained earnings attributable to the equity holders of the Company. The primary objectives of the Company's capital management are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the return capital to shareholders. The Company monitors capital using a gearing ratio, which is 'net debt' divided by total equity capital plus net debt. The Company's policy is to keep the gearing ratio between 5% and 10%.

The Company includes within net debt, interest bearing loans and borrowings, less cash and bank balances.

The gearing ratio at the end of the reporting period is as follows:

	31 December 2021	31 December 2020
	N'000	N'000
Interest-bearing loans and borrowings (Note 20)	41,775,882	16,897,517
Less cash and bank balances (Note 16)	(7,313,705)	(6,733,226)
Debt	<u>34,462,177</u>	<u>10,164,291</u>
Equity	(66,686,983)	(27,060,857)
Capital employed (debt+equity)	<u>(32,224,805)</u>	<u>(16,896,566)</u>
Gearing ratio (debt/(debt+equity))	<u>-107%</u>	<u>-60%</u>

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Notes to the Financial Statements-Continued

4.3 Financial instruments and fair values

4.3.1 Measurement categories

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying Value		Fair Value	
	2021	2020	2021	2020
	N'000	N'000	N'000	N'000
Interest-bearing loans and borrowings	41,775,882	16,897,517	39,347,640	15,915,341

The management assessed that the fair values of cash and bank balances, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

4.3.2 Fair value measurement

Fair value measurement hierarchy for liabilities as at 31 December 2021:

Liabilities for which fair values are disclosed:

	Date of valuation	Total N'000	Fair value measurement using		
			Quoted prices in active markets (Level 1) N'000	Significant observable inputs (Level 2) N'000	Significant unobservable inputs (Level 3) N'000
Interest-bearing loans and borrowings:	31-Dec-21	39,347,640	-	39,347,640	-
Interest-bearing loans and borrowings:	31-Dec-20	15,915,341	-	15,915,341	-

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing, service, or regulatory agency, and those prices represent actual, and regularly occurring market transactions on an arm's length basis. Instruments included in level 1 comprise primarily Nigerian Stock Exchange (NSE) listed instruments classified as trading securities. There are no quoted market price for financial assets held by the company.

The fair value of the instruments classified as Level 2 (see above) was calculated using the discounted cash flow method. 3-month LIBOR rate was used for discounting future cash flows. There were no financial instruments that are measured at amortised cost that the fair value disclosed was classified as Level 3 either in current year or in prior year.

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	31 December 2021 ₦'000	31 December 2020 ₦'000
5 Revenue from contracts with customers		
Electricity distribution	119,252,899	314,998,766
Revenue represents charges on the power distributed to customers.		
The Company's revenue is analysed based on the customer categories as follows:		
By customer payment type:		
Postpaid customers	78,406,424	56,538,797
Prepaid customers	19,471,475	11,035,969
Revenue shortfall (Note 5b)	21,375,000	247,424,000
	119,252,899	314,998,766
By customer tariff class:		
Residential	50,850,131	42,497,146
Commercial	13,935,012	12,172,907
Industrial	8,540,519	9,234,183
Government and others	24,552,237	3,670,530
Revenue shortfall (Note 5b)	21,375,000	247,424,000
	119,252,899	314,998,766

During the year, total energy billed amounted to ₦97.88 billion (2020: ₦67.57billion), while total receipts within the year amounted to ₦69.15 billion (2020: ₦46.08 billion).

- 5b** This amount relates to tariff shortfall computed by the Nigerian Electricity Regulatory Commission (NERC). On 31st December 2020, NERC issued a minor review of Multi Year Tariff Order (MYTO) 2020 and Minimum Remittance Order (Order No: NERC/224/2021) titled "The revised December 2020 Minor review of MYTO - 2020 and Minimum Remittance Order for Enugu Electricity Distribution Plc ("EEDC")". The order was issued by NERC in a bid to steer the Nigerian Electricity Supply Industry (NESI) to a gradual transitioning to Cost Reflective Tariffs (CRT) so as to allow Electricity Distribution Companies cover their costs and earn returns on their investments. The order awarded the Company a total sum of NGN 21.4 billion for the year ended 31 December 2021 and NGN 247.4 billion as cumulative tariff shortfall between 2015 and 2020. This shortfall is to be recognised as a reduction in the liability due to the Nigerian Bulk Electricity Trading Plc (NBET).

	31 December 2021 ₦'000	31 December 2020 ₦'000
6 Cost of sales		
Cost of energy	94,646,886	78,334,436
Depreciation of plant and machinery (Note 13)	1,538,785	1,462,550
Staff cost (Note 8b)	2,095,031	2,227,025
Other direct cost*	771,246	1,136,630
	99,051,948	83,160,641

*Other direct cost comprise costs incurred in the maintainance of electricity distribution equipment. Total cost of energy imported during the year amounted to ₦94.65billion (2020: ₦78.33billion)while total payments for energy imported during the year amounted to ₦20.97 billion (2020:₦20.79billion).

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	31 December 2021 ₦'000	31 December 2020 ₦'000
7 Other income		
Re-connection fee	221,231	214,843
Loss of revenue*	156,121	93,752
Exchange gain	-	424
Amortisation of Government grant (Note 21)	2,165,124	1,420,644
Others**	146,596	104,188
	2,689,072	1,833,851
*Loss of revenue are amounts paid by those who disrupt electricity supply to customers as a result of constructions or accidents.		
**Others comprise penalty for electricity bypass and insurance		
8 Administrative expenses		
Advert and publicity	504,026	846,441
Amortisation of intangible asset (Note 14)	91,893	89,921
Audit fee	30,000	25,000
Bank charges	160,627	187,135
Cleaning Services	103,996	214,087
Consultancy*	499,812	365,212
Defined employee benefit costs (Note 8b)	152,899	222,021
Depreciation of right-of-use assets (Note 15)	342,700	398,049
Depreciation on property, plant and equipment (Note 13)	211,595	193,121
Directors fee	43,976	237,795
Donations	11,478	171,059
Electricity	9,527	11,193
Insurance	373,339	329,233
Lease rental	106,495	18,458
Legal	93,172	1,684,652
Pension costs- defined contribution plans (Note 8b)	257,550	245,577
Printing, stationery and internet	839,425	657,785
Rent	159,358	147,885
Security	311,692	341,617
Subscription and fees	61,728	61,216
Staff cost (Note 8b)	5,023,631	4,427,719
Technical service**	26,081	216,114
Transport and travelling	394,813	298,484
Vehicle maintenance	611,268	557,129
Others***	1,637,180	1,604,008
	12,058,261	13,550,911

*Included in Consultancy are payments to consultants for such services as customer verification services, meter monitoring exercises and other consultancy services.

**Technical service comprise payments to Feedback Infra, EEDC's Technical Service Partner on Power Distribution.

***Included in other expenses are amounts paid to the digital revenue collection service provider, office appliances, maintenance and hotel expenses.

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	31 December 2021 ₦'000	31 December 2020 ₦'000
8b Employee benefit expense		
Staff Cost (Note 6)	2,095,031	2,227,025
Staff Cost (Note 8)	5,023,631	4,427,719
Defined employee benefit costs (Note 23)	152,899	222,021
Pension costs - defined contribution plans (Note 8)	257,550	245,577
	7,529,111	7,122,342
9 Expected credit losses		
Reversal of credit losses on cash and cash equivalents (Note 16)	(1,928)	(4,572)
Expected credit losses on trade receivables (Note 17a)	19,100,753	16,416,093
Reversal credit losses on other receivables (Note 17b)	(2,808)	(2,503)
	19,096,017	16,409,018
10 Finance income and cost		
Interest income on deposits with banks	42,847	63,401
Interest expense on loans and borrowings (Note 20)	(6,002,557)	(3,937,791)
Interest expense on unpaid NBET invoices	(24,891,608)	(16,761,887)
Unwinding of discount on lease liabilities (Note 22)	(381,793)	(505,120)
	(31,275,958)	(21,204,798)
Finance cost - net	(31,233,111)	(21,141,397)
11 Taxation		
11.1 Minimum tax		
Minimum tax	299,549	792,240
	299,549	792,240
<p>The company is assessed based on minimum tax because it does not have an assessable profit and taxable profit for the year ended 31 December 2021. The Finance Act 2020 has reduced the minimum tax rate to 0.25% for the two tax returns that are due between 1 January 2019 to 31 December 2020 or 1 January 2020 to 31 December 2021. The company has, however, elected to opt for 0.25% for both the 2021 and 2022 years of assessment as a COVID-19 tax incentive for companies operating in Nigeria. Corporate income tax is calculated at 0.25% of gross turnover for the year, less franked investment income. The charge for taxation in these financial statements is based on the provisions of section 33 subsection (2) of the Companies Income Tax Act, CAP C21, LFN, 2004 as amended by the Finance Act, 2020. The company applied this rule in its financial statements and hence was liable to pay a minimum tax of ₦299.5 million (2020: ₦792.2 million) for the year.</p>		
11.2 Income tax expense		
	31 December 2021 ₦'000	31 December 2020 ₦'000
Profit or loss		
Current income tax charge	-	-
Education tax	-	4,013,964
Income tax expense reported in the statement of profit or loss	-	4,013,964
11.3 Statement of financial position		
As at 1 January	5,351,736	545,532
Minimum tax	299,549	792,240
Education tax	-	4,013,964
Tax paid	-	-
As at 31 December	5,651,285	5,351,736

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11.4 A reconciliation between tax expense and the product of accounting (loss)/profit multiplied by Nigeria's domestic tax rate (30%) for the years ended 31 December 2021 and 31 December 2020 is as follows:

	31 December 2021 N'000	31 December 2020 N'000
(Loss)/profit before minimum tax and income tax	<u>(39,497,366)</u>	<u>182,570,650</u>
Tax at Nigeria Corporation Tax Rate of 30% (2020: 30%)	<u>(11,849,210)</u>	<u>54,771,195</u>
Tertiary Education tax	-	4,013,964
Non-deductible expenses for tax purposes:		
Donation and fines	3,443	8,722
Depreciation on Property, plant and equipment	525,114	496,701
Interest on lease liabilities	114,538	151,536
Lease payments	(234,092)	(252,149)
Depreciation of right-of-use assets	102,810	119,415
Expected credit losses on trade receivables	5,729,384	4,924,077
Other non-deductible items	57,082,954	(10,038)
Loss relief carried forward	(49,405,199)	(43,781,741)
Capital allowance	<u>(2,069,742)</u>	<u>(16,427,718)</u>
Tax expense for the year	<u>(0)</u>	<u>4,013,964</u>
Effective income tax rate	0.00%	2.20%

11.5 Deferred tax

Deferred tax relates to the following:

Accelerated depreciation for tax purposes	11,402,382	11,784,466
Lease liabilities	(124,891)	(214,187)
Inventory impairment	(27,688)	(36,080)
Provision for expected credit losses	(45,003,421)	(38,794,916)
Unrelieved tax losses	<u>(49,405,199)</u>	<u>(43,781,741)</u>
	<u>(83,158,818)</u>	<u>(71,042,458)</u>

The Company has a deferred tax asset of ₦83.16 billion as at 31st December 2021 (2020: ₦71.04 billion) arising from tax losses, accelerated capital deductions and provisions. Management is of the view that there would be no sufficient future taxable profits against which the deferred tax asset would be offset. These deferred tax assets have not been recognised in the financial statement.

12 Basic (loss)/earnings per share

Basic (loss)/earnings per share are calculated by dividing the net (loss)/profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. There were no potentially dilutive ordinary shares at either year end; hence the basic and diluted (loss)/earnings per share have the same value.

	31 December 2021 '000	31 December 2020 '000
(Loss) /profit attributable to ordinary shareholders of the Company (₦)	<u>(39,796,915)</u>	<u>177,764,446</u>
Weighted average number of ordinary shares in issue	<u>10,000</u>	<u>10,000</u>
Basic (loss)/earnings per share (₦)	<u>(3,980)</u>	<u>17,776</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

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13 Property, plant and equipment

	Freehold Land ₦'000	Buildings ₦'000	Plants & machinery ₦'000	Motor vehicles ₦'000	Furniture & equipment ₦'000	Total ₦'000
Cost						
1 January 2020	1,978,339	2,110,032	46,729,567	801,053	1,122,790	52,741,781
Additions	78,550	9,132	2,428,003	57,600	142,988	2,716,273
Transfers	-	-	(59,029)	59,029	-	-
31 December 2020	2,056,889	2,119,164	49,098,541	917,682	1,265,778	55,458,054
1 January 2021	2,056,889	2,119,164	49,098,541	917,682	1,265,778	55,458,054
Additions	-	157,697	5,294,075	1,476	105,011	5,558,259
31 December 2021	2,056,889	2,276,861	54,392,616	919,158	1,370,789	61,016,313
Accumulated depreciation						
1 January 2020	-	(313,626)	(7,013,475)	(782,815)	(465,237)	(8,575,153)
Depreciation for the year	-	(42,289)	(1,462,550)	(26,962)	(123,870)	(1,655,671)
At 31 December 2020	-	(355,915)	(8,476,025)	(809,777)	(589,106)	(10,230,824)
1 January 2021	-	(355,915)	(8,476,025)	(809,777)	(589,106)	(10,230,823)
Depreciation for the year	-	(44,129)	(1,538,785)	(33,175)	(134,290)	(1,750,380)
31 December 2021	-	(400,044)	(10,014,810)	(842,952)	(723,395)	(11,981,203)
Carrying amount						
At 31 December 2021	2,056,889	1,876,817	44,377,806	76,206	647,393	49,035,110
At 31 December 2020	2,056,889	1,763,249	40,622,516	107,905	676,672	45,227,230

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(i) Analysis of depreciation

	31 December	31 December
	2021	2020
	₦'000	₦'000
Cost of sales (Note 6)	1,538,785	1,462,550
Administrative expenses (Note 8)	211,595	193,121
	<u>1,750,380</u>	<u>1,655,671</u>

(ii) Assets pledged as security
None of the Company's assets have been pledged as security.

(iii) Capital commitments
The Company had no capital commitments as at year end.

(iv) Included within plant and machinery are items with net book value of ₦115.4 million (2019: ₦119.9 million) which were received as grant (See Note 21 for details).

	31 December	31 December
	2021	2020
	₦'000	₦'000
14 Intangible assets		
Cost		
At 1 January	899,206	899,206
Additions	19,723	-
As at 31 December	<u>918,929</u>	<u>899,206</u>
Accumulated amortisation		
At 1 January	(340,390)	(250,469)
Amortisation charge	(91,893)	(89,921)
As at 31 December	<u>(432,283)</u>	<u>(340,390)</u>
Carrying amount	<u>486,646</u>	<u>558,816</u>

Intangible assets relate to deep security firewall and advance threat protection solution for the Company's cloud server and ESET Endpoint Protection Advance License for the Company's staff use including file security deployed to the company by Schemanet Smart Solutions Limited and ESET Nigeria Limited respectively.

15 Right-of-use -assets

The Company has lease contracts for various items of motor vehicles and buildings used in its operations. Leases of motor vehicles and buildings generally have lease terms between one and four years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing leased assets and some contracts require the Company to maintain certain financial ratios. The Company also has certain leases of assets with lease terms of 12 months or less. The Company applies the short-term lease recognition exemptions for these leases.

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Company as a lessee (applicable from 1 January 2019)

Set out below are the carrying amounts of right-of-use assets recognised during the period:

	Motor vehicles	Total
	N'000	N'000
As at 1 January 2020	799,006	799,006
Additions	39,983	39,983
Depreciation expense (Note 8)	(398,049)	(398,049)
As at 31 December 2020	440,940	440,940
Additions	123,756	123,756
Depreciation expense (Note 8)	(342,700)	(342,700)
As at 31 December 2021	221,996	221,996

16 Cash and cash equivalents

Cash at bank	4,512,810	3,932,280
Short term bank deposits	2,805,300	2,805,269
Cash in hand	10,644	12,654
	7,328,754	6,750,203
Expected credit loss	(15,049)	(16,977)
	7,313,705	6,733,226

Cash at bank includes balances of ₦65,896 (2020: ₦65,896) under garnishee order in United Bank for Africa Plc. The garnishee order was placed on this bank account before the new management took over on 1 November 2013.

Included in cash and cash equivalents is balance of ₦1.786 million (2020: ₦1.786 million) held in several banks on behalf of customers who have made contributions for meters yet to be supplied. The company and the meter vendors are joint signatories to the accounts.

Also included in cash and cash equivalents is a cash security of ₦2.8 billion (2020: ₦2.8 billion) in favour of First Bank Limited in relation to a bank guarantee issued to the Nigerian Bulk Electricity Trading Plc on the Company's behalf. The cash security can be accessed at any time by the company.

The loss allowance relates to 12 month expected credit loss on short term bank deposits and bank accounts on garnishee order, the movement in loss allowance is as shown below:

	31 December	31 December
	2021	2020
	₦'000	₦'000
1 January	(16,977)	(21,549)
Decrease in expected credit losses for the year (Note 9)	1,928	4,572
31 December	(15,049)	(16,977)

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16.1 For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2021 ₦'000	2020 ₦'000
Cash at bank	4,512,810	3,932,280
Short term bank deposits	2,805,300	2,805,269
Cash in hand	10,644	12,654
	<u>7,328,754</u>	<u>6,750,203</u>

17 Trade and other receivables

Trade receivables (Note 17a)	51,650,738	34,847,548
Other receivables (Note 17b)	4,691,425	2,889,807
	<u>56,342,163</u>	<u>37,737,355</u>

17a Trade receivables

Trade receivable	190,127,540	154,223,596
Provision for expected credit losses	(138,476,802)	(119,376,048)
	<u>51,650,738</u>	<u>34,847,548</u>

Movement in expected credit losses is as shown below:

1 January	(119,376,048)	(102,959,956)
Additional allowance in the year (Note 9)	(19,100,753)	(16,416,093)
	<u>(138,476,801)</u>	<u>(119,376,048)</u>

17b Other receivables

Prepayments	4,600,402	2,785,880
Other receivables	91,475	107,188
	<u>4,691,877</u>	<u>2,893,068</u>
Allowance for expected credit losses (staff loan)	(452)	(3,261)
	<u>4,691,425</u>	<u>2,889,807</u>

Prepayments include advances given for the purchase of Prepaid Meters, Insurance and rent prepaid for short-term leases

Other receivable includes staff loans (housing and salary advance, advance payment for Enterprise Resource Planning (ERP) and meters.

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Movement in allowance for expected credit losses is as shown below:

	31 December 2021 ₦'000	31 December 2020 ₦'000
1 January	(3,261)	(5,764)
Write-back/(allowance) in the year (Note 9)	2,808	2,503
31 December	(452)	(3,261)
18 Inventories		
Distribution materials	1,025,870	668,215
Stationeries	65,010	49,142
	1,090,880	717,357
Inventory impairment (Note 18a)	(85,194)	(111,015)
	1,005,686	606,342
18a Movement in impairment is shown below:		
1 January	(111,015)	(139,479)
Recovery of impaired inventories	25,821	28,464
31 December	(85,194)	(111,015)

Inventory write down/impairment represents items of inventory already impaired due to obsolescence but are now removed from inventory as they are not reusable. Included in cost of sales is N511.31 million (2020: N621.1 million) representing inventory charged to profit or loss during the year. None of the Company's inventories has been pledged as collateral to secure debt as at 31 December 2021 (2020: Nil). Recovery of impaired inventories represent items which were previously partly damaged and considered impaired but were now found useful by the

	31 December 2021 ₦'000	31 December 2020 ₦'000
19 Trade and other payables		
Trade payables	104,700,456	73,495,256
Value added tax payable	12,480,171	9,832,681
Due to related party (Note 19a)	-	50,000
Accruals and Other payables*	8,533,652	4,334,201
Withholding tax payable	260,536	98,694
	125,974,815	87,810,832

*Accruals and Other payables represent amounts owed to other vendors for non-trade services rendered to the company which remains unpaid as at reporting date.

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Notes to the Financial Statements - Continued

19a Related party disclosures

Amount due to related party relates to amount payable to Tokunbo Kayode Law practice owned by one of the directors.

	31 December 2021 ₦'000	31 December 2020 ₦'000
20 Borrowings		
Current		
Bank loans	2,007,675	3,160,144
Non-current		
Bank loans	39,768,207	13,737,373
	41,775,882	16,897,517

Movements on the borrowings are as follows:

As at 1 January	16,897,517	16,825,317
Additions	26,649,410	2,338,595
Interest during the period (Note 10)	6,002,557	3,937,791
Principal repayments	(4,051,916)	(3,667,845)
Interest paid	(1,853,556)	(1,287,933)
Transfer to Grants (Note 21)	(1,868,130)	(1,248,408)
As at 31 December	41,775,882	16,897,517

Details of the bank loan is shown below:

Non-current Loan type/ Purpose	Tenure/Interes t rate	Available facility	Draw down to 2021 ₦'000	Balance as at 2021 ₦'000	Balance as at 2020 ₦'000
Central Bank of Nigeria - Nigeria Electricity Market Stabilisation Facility (CBN - NEMSF2)	10 years / 10%	26,638,908	23,775,700	24,995,291	-
Central Bank of Nigeria - Nigeria Electricity Market Stabilisation Facility (CBN - National Mass Metering Program (NMMP) Facility	10 years / 10%	34,754,367	32,751,655	15,364,542	15,801,311
	10 years / 5%	5,476,435	2,338,595	1,416,048	1,096,206
				41,775,882	16,897,517

Central Bank of Nigeria - Nigeria Electricity Market Stabilisation Facility (CBN - NEMSIF)

The Federal Government of Nigeria through the Central Bank of Nigeria ("CBN"), the Federal Ministry of Petroleum Resources, the Federal Ministry of Power and the Nigerian Electricity Regulatory Commission ("NERC") incorporated a special purpose vehicle - NESI Stabilization Strategy Ltd to oversee the implementation and repayment of the CBN-Nigerian Electricity Market Stabilization Facility ("CBN-NEMSIF" "NEMSIF 2" or "the facility"). The facility 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").

Enugu Electricity Distribution Plc. was the beneficiary of ₦34.75 billion facility and ₦26.64 billion. The sum of ₦10.26 billion was disbursed in cash and the balance was applied to settle amount due to market participants.

Repayment of the loan is secured against the Regulator's reset of the Multi Year Tariff Order 2 (MYTO 2) by issuing the MYTO 2.1 and the approval of the distribution companies tariff plan.

National Mass Metering Program (NMMP) Facility

In a bid to enhancing power distribution as well as reducing the commercial and collection losses, the Federal Government flagged off the National Mass Metering Program (NMMP) in the year. Under this program, CBN is to make available a facility of N5.476 billion which would be used to pay the meter suppliers. This facility was not given in form of cash to the DISCOS but was used to pay the meter suppliers. EEDC utilised N2.338 billion in the year.

Notes to the Financial Statements - Continued

21 Government grants

Government grant relates to the loan obtained from the Federal Government of Nigeria through the Central Bank of Nigeria ("CBN") at a rate below the prevailing market as described in note 20. The fair value of the grant was recognized initially on the grant date and subsequently amortised on a straight line basis over the tenure of the loan. There were no unfulfilled conditions relating to the grant as at the reporting date. The company also received some items of property plant and equipment from Federal Government of Nigeria which has been accounted for as a grant in line with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance). There are no conditions yet to be met to benefit from the assets granted.

	Borrowings ₦'000	Property, plant & equipment ₦'000	Total ₦'000
Analysis of government grant			
As at 1 January 2021	6,956,071	119,913	7,075,984
20)	1,868,130	-	1,868,130
Recognised in income statement (Note 7)	(2,160,624)	(4,500)	(2,165,124)
As at 31 December 2021	6,663,577	115,413	6,778,990
Current	2,099,727	4,500	2,104,227
Non - current	4,563,850	110,913	4,674,763
	6,663,577	115,413	6,778,990
	Borrowings ₦'000	Property, plant & equipment ₦'000	Total ₦'000
As at 1 January 2020	7,123,807	124,413	7,248,220
Additions in the period (Note 20)	1,248,408	-	1,248,408
Recognised in income statement	(1,416,144)	(4,500)	(1,420,644)
As at 31 December 2020	6,956,071	119,913	7,075,984
Current	1,416,144	4,500	1,420,644
Non - current	5,539,927	115,413	5,655,340
	6,956,071	119,913	7,075,984

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22 Lease liabilities

Set out below are the carrying amounts of lease liabilities during the period:

	2021 ₦'000	2020 ₦'000
As at 1 January	659,037	954,429
Accretion of interest (Note 10)	381,793	505,120
Additions	123,756	39,983
Payments	(780,305)	(840,495)
As at 31 December	384,281	659,037
Less: due within one year	(315,862)	(344,844)
Balance due after one year	68,419	314,193

The cashflows for the lease payments to be made during the year were reassessed and the resultant effect was recognised in administrative expenses

The maturity analysis of lease liabilities is disclosed in Note 4.1 .

The following are the amounts recognised in profit or loss:

	2021 ₦'000	2020 ₦'000
Depreciation expense for right-of-use assets	342,700	398,049
Interest expense on lease liabilities	381,793	505,120
Expense relating to short-term leases (included in administrative expenses (Note 8))	106,495	18,458
Total amount recognised in profit or loss	830,988	921,627

The Company had total cash outflows for leases of NGN886.8 million in 2021 (2020: NGN858.95 million). There were no non-cash additions to right-of-use assets and lease liabilities during the year.

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23 Retirement benefits obligations

a Defined benefits scheme

The company provides for two end-of-service benefits namely: Gratuity benefit for every completed year of service and long service awards (LSA). Gratuity applies only to those that have up to 5 years in the company's service. Following the review of employment contracts of staff effective from July 2019, gratuity is to be paid as a percentage of annual gross salary. The percentage ranges from 30-60% depending on the number of years spent. The Company also pays Long service award ranging from N20,000 -N100,000 depending on the number of years spent. The company's mandatory retirement age is 60 years or 35 years's service whichever is earlier. Voluntary retirement is possible at any time after attaining 5 years' service.

The company made provision for gratuity and long service awards (LSA) using the Projected Unit Credit (PUC) method. The company does not maintain any assets for the gratuity plan.

The amounts recognised in the statement of financial position are as follows:

	31 December	31 December
	2021	2020
	₦'000	₦'000
Gratuity (Note 23i)	480,431	519,234
Other long-term benefit obligation -Long Service Award-LSA (Note 23ii)	46,604	50,426
	527,035	569,660

The amounts recognised in the statement of profit or loss are as follows:

Gratuity (Note 23i)	138,719	210,719
Other long-term benefit obligation -Long Service Award-LSA (Note 23ii)	14,181	11,302
	152,899	222,021

i Gratuity

Present value of obligations (Unfunded)	480,431	519,234
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The movement in the defined benefit obligation during the year is as follows:

At 1 January	519,234	801,210
Current service cost	98,468	104,634
Interest cost	40,251	106,085
Actuarial (gains)- change in Assumptions	(65,576)	13,774
Actuarial (gains)- experience adjustment	(87,850)	(446,416)
Benefits paid	(24,095)	(60,053)
At 31 December	480,431	519,234
Amount recognised in profit or loss:		
Current service cost	98,468	104,634
Interest cost	40,251	106,085
	138,719	210,719

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	31 December 2021 ₦'000	31 December 2020 ₦'000
Remeasurement gains recognised in other comprehensive income are shown below:		
Actuarial (gains)/losses on liabilities during the year:		
- Due to change in financial assumption	(79,559)	13,774
- Due to change in experience	(91,230)	(446,416)
Amount recognised OCI	(170,789)	(432,642)

Actuarial Assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages) were as follows:

	2021	2020
Long-term average discount rate (p.a.)	13.5%	8.0%
Future salary increases (p.a.)	12.0%	8.0%
Rate of inflation (p.a.)	12.0%	12.0%
Number of qualifying staff	1,711	1,771

Assumptions regarding future mortality are set based on rates published in the A67/70 Ultimate Tables, published jointly by the Institute and Faculty of Actuaries in the UK.

Sample Age	Number of deaths in year of age out of 10,000 lives
25	7
30	7
35	9
40	14
45	26
Withdrawal from service Age band	Rates
Less than or equal to 30	4%
31-39	3%
40 - 44	2%
45 - 59	1%
60 -60	0%

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Sensitivity analysis:

The effect of adjusting the assumptions used on the defined benefit obligations were as follows:

Sensitivity analysis on Accrued liability:

			2021	2020
			N'000	N'000
Base	See weighted average on Acturial Assumptions above		480,431	519,234
Discount rate	1%		438,588	468,838
	-1%		528,905	578,482
Salary increase rate	1%		531,493	580,562
	-1%		435,754	466,230
Mortality experience	1%	Age rated up by 1 Year	481,514	520,096
	-1%	Age rated down by 1 year	479,458	518,462

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

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Notes to the Financial Statements - Continued

ii	Other long-term benefit obligation (Long Service Award-LSA)		
		2021	2020
		₦'000	₦'000
	Present value of obligations (Unfunded)	46,604	50,426

The movement in the defined benefit obligation during the year is as follows:

At 1 January	50,426	40,544
Current service cost	10,481	10,725
Interest cost	3,700	5,437
Benefit paid by the employer	(640)	(1,420)
Actuarial (gains)- change in Assumptions	(13,983)	(2,967)
Actuarial (gains)- experience adjustment	(3,380)	(1,893)
At 31 December	46,604	50,426
Amount recognised in profit or loss		
Current service cost	10,481	10,725
Interest cost	3,700	5,437
Other adjustment	-	(4,860)
	14,181	11,302

Actuarial Assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages) were as follows:

	2021	2020
Long-term average discount rate (p.a.)	7.5%	7.5%
Future salary increases (p.a.)	8.0%	8.0%
Rate of inflation (p.a.)	12.0%	12.0%
Number of qualifying staff	1,711	1,771

Assumptions regarding future mortality are set based on rates published in the A67/70 Ultimate Tables, published jointly by the Institute and Faculty of Actuaries in the UK.

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Withdrawal from service	Rates
Age band	
Less than or equal to 30	4%
31-39	3%
40 - 44	2%
45 - 59	1%
60 -60	0%

Sensitivity analysis:

The effect of adjusting the assumptions used on the defined benefit obligations were as follows:

Sensitivity analysis on Accrued Liability:

		2021	2020
		DBO 'N'000	DBO 'N'000
	See weighted average on Acturial	46,604	50,426
Base	Assumptions above		
Discount rate	1%	44,505	47,300
	-1%	48,895	53,916
Mortality experience	1%	46,501	50,285
	-1%	46,669	50,552
	Age rated up by 1 year		
	Age rated down by 1 year		

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

	31 December	31 December
	2021	2020
	₦'000	₦'000
24 Share capital		
Minimum issued share capital:		
10 million Ordinary shares of 50 kobo each	<u>5,000</u>	<u>5,000</u>
Issued:		
10 million Ordinary shares of 50 kobo each	<u>5,000</u>	<u>5,000</u>

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Notes to the Financial Statements - Continued

	31 December	31 December
	2021	2020
	₦'000	₦'000
25 Cash generated from operations		
Reconciliation of (loss)/profit before income tax to cash used in operations:		
(Loss)/profit before income tax	(39,796,915)	181,778,410
Adjustments for:		
Depreciation (Note 13)	1,750,380	1,655,671
Depreciation right-of-use-asset (Note 15)	342,700	398,049
Amortisation of intangible asset (Note 14)	91,893	89,921
Impairment of financial assets (Note 9)	19,096,017	16,409,018
Revenue shortfall (Note 5)	(21,375,000)	(247,424,000)
Recovery of impaired inventory (Note 18)	(25,821)	(28,464)
Exchange gain (Note 7)	-	(424)
Interest expense	30,894,165	20,699,678
Interest income (Note 10)	(42,847)	(63,401)
Other income (grant) (Note 7)	(2,165,124)	(1,420,644)
Unwinding of discount (Note 10)	381,793	505,120
Minimum tax levy (note 11)	299,549	792,240
Interest and current service cost on employee benefits (Note 23)	152,899	222,021
Adjustments for changes in working capital:		
Increase in trade and other receivables	(37,702,753)	(28,535,687)
(Increase)/ decrease in inventories	(373,523)	39,646
Increase in trade and other payables	39,322,913	65,487,826
Cash (used in)/generated from operations	(9,149,673)	10,604,980

26 Related party transactions

The Company's key related parties are its shareholders (Interstate Electrics Limited, Bureau of Public Enterprises (BPE) and Ministry of Finance Incorporated (MOFI)) and directors. Interstate Electrics Limited's 6 million shares is jointly owned by Chrome Consortium Energy Nigeria Limited- 40%, Powerhouse International Limited-20%, Metropolitan Electricity Authority (MEA) - 20%, Vivesti International Limited - 10% & Dahila Concepts Limited - 10%.

Related party transactions for the year ended 31 December 2021:

(a) Operator of the Nigerian Electricity Market (Market operator or MO)

Operator of the Nigerian Electricity Market is an operational arm of the Transmission Company of Nigeria (TCN). TCN is owned by the Federal Government of Nigeria, through BPE and MOFI.

The Company was charged for electricity ancillary services provided by the Operator of the Nigerian Electricity Market of ₦20.03 billion during the year (2020: ₦18.77 billion). The amounts payable to Market Operator (MO) as at 31 December 2021 was ₦41.8 billion (2020: ₦43.20 billion). The amount paid to MO during the year was ₦20.9 billion (2020: ₦8.48 billion).

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Notes to the Financial Statements - Continued

(b) Key management compensation

Key management includes the Directors (executive and non-executive). The compensation paid or payable to key management for employee services is shown below:

	31 December 2021 ₦'000	31 December 2020 ₦'000
Remuneration paid to the Company's Directors was:		
Salaries and wages	293,170	448,348
Other emoluments (excluding pension contributions)	43,976	237,795
Post-employment benefits	-	-
	337,146	686,143

Fees and other emoluments disclosed above includes amount paid to:

Highest paid director	124,001	358,635
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	31 December 2021 Number	31 December 2020 Number
The number of Directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:		
₦10,000,001 - ₦20,000,000	6	5
₦20,000,001 - ₦30,000,000	1	1
Above ₦30,000,000	1	1
	8	7

There was no other compensation paid during the year.

There were no loans to key management personnel.

(c) Employees information

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

Management	18	14
Senior staff	290	172
Junior staff	1,647	1,702
	1,955	1,888

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Notes to the Financial Statements - Continued

ii Staff cost

Salaries and allowances (including the executive Directors emoluments).

	31 December 2021 ₦'000	31 December 2020 ₦'000
Cost of sales (Note 6)	2,095,031	2,227,025
Administrative expenses (Note 8)	5,023,631	4,427,719
Defined employee benefit costs (Note 8)	152,899	222,021
Pension costs- defined contribution plans (Note 8)	257,550	245,577
	7,529,111	7,122,342

iii The table below shows the number of employees (excluding directors) who received remuneration in the following ranges:

	31 December 2021 Number	31 December 2020 Number
Below ₦1,000,000	551	540
₦1,000,000 - ₦3,000,000	1,096	1,061
₦3,000,001 - ₦4,000,000	192	187
₦4,000,001 - ₦5,000,000	32	31
Above ₦5,000,000	84	69
	1,955	1,888

27 Capital commitments and Contingent liabilities

(a) Capital commitments

The Company had no capital commitments as of the balance sheet date (2020:Nil).

(b) Operating lease commitments of the Company as a lessee

The Company leases cars under a cancellable operating lease contract. The lease terms are between 1 and 4 years, and the lease agreements is renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under cancellable operating leases is circa of ₦619.97 million annually.

28 Going concern

The Company made a loss after tax of ₦39.8 billion (2020 profit after tax: ₦177.76 billion). As at date, the Company had net current liabilities of N71.4 billion (2020: N53.01 billion) and net liabilities of ₦66.69 billion (2020: ₦27.06 billion). The Company's historical losses resulted from a lack of cost reflective tariff being charged by the company due to the existing pricing regime, high aggregate technical, commercial, and collection losses as well as significant interest expense on loans, borrowings, and unpaid NBET invoices.

In a bid to resolve the issues, the regulator has sought to make tariffs more cost-reflective from 1 January 2022 going forward by issuing an order (No. NERC/298/2021) which calculated an under recovery for the entity of NGN21.35 billion for the year 2021. The profit in the prior year was therefore as a result of the tariff correction being recognised as income in the prior year and also to offset the liability owed to the supplier by the company as provided by the order. In addition, the regulator approved higher tariff rates in the year that will improve the company's ability to earn a return for its investments.

Management's plan to address the technical losses is to create more sub-feeders for improved efficiency and power supply in feeder load management. Other plans include the upgrade of substations and the construction of new injection substations. Management has provided some sub-feeders in feeder load management and has upgraded some substations during the year 2021, and this is expected to be a continuous exercise on a yearly basis.

The company in conjunction with several Meter Asset Providers have embarked on massive provision of prepaid meters to existing customers who are unmetered or who do not have meters, in order to address the commercial losses. Between 2021 and 2022 a total of over 3,523 units of various ratings of meters have been installed and are already impacting on the revenue collections, the installation of meters is forecasted to continue into the future. Presently the company has keyed into the National Mass Metering Program of the Federal Government of Nigeria. Meters are presently massively deployed and installed for our customers.

The introduction of collection agents and the project relating to the prepaid meters will bring about an increase in collections, enhance the billing capabilities of the company, and increase collection efficiency, thereby reducing the receivables and impairment charged on receivables. If successful, this would address the collection losses. The target of this plan is for the company to reduce Aggregate Technical, Commercial and Collection (ATC&C) losses.

Overall, management's forecasts indicate that losses can be reduced, and profitability improved with current forecasted tariffs and cost rates provided. Revenue continues to grow, technical losses continue to decrease, and that collectability improves from the rollout of the prepaid meters. This is expected to be achieved within the next 24 months and is critical to the achievement of the entity's profitability.

However, the ability of the company to fully execute these plans is thus dependent on the availability of funding to execute the plans (i.e., dependent on the company receiving additional funding and or support from the Federal Government of Nigeria and other shareholders). The company is making an effort to secure additional funds but has received no commitment from the proposed lender at the moment. The current forecasts are based on the current tariffs which were increased in the current year. Therefore, risks on profitability would be further reduced on further positive outcomes on tariff regulations to continue to move the tariffs to a more cost reflective rate.

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Notes to the Financial Statements - Continued

These conditions indicate the existence of material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and, therefore may be unable to realise its assets and discharge its liabilities in the normal course of business.

The President of the Federal Republic of Nigeria established a collaboration between the Federal Government of Nigeria and Siemens to help the Electricity Distribution Companies in Nigeria (including the company) reduce technical and commercial losses through the introduction of modern technology in the electricity sector. Siemens is to execute a three-phase project via the upgrade of the transmission and distribution networks (T&D) to deliver more megawatts of electricity to consumers/end-users. These initiatives would therefore potentially increase revenue and efficiency through a reduction in technical losses. This project already signed with Nigerian government is however uncertain when it will be implemented.

The financial statements are prepared on the basis that the company will continue to be a going concern. This basis of preparation presumes that the company will achieve its plans, realise its assets and discharge its liabilities in the ordinary course of business.

29 Events after the reporting date

No events or conditions have occurred since the end of the reporting period, which would have a material effect upon the financial statements at that date or which need to be mentioned in the financial statements in order to make them not misleading as to the financial position or results of operations.

30 Guarantees

The company has guarantees given on its behalf by First Bank of Nigeria Limited as detailed below:

Issue date	Expiry date	Beneficiary's name	Amount (NGN)
9-Feb-15	As long as any amount is owed by EEDC to NBET under the contract	Nigerian Bulk Electricity Trading Plc (NBET)	6,368,110,334
2-Jul-19	5-Aug-21	Market Operator, Transmission Company of Nigeria	2,433,099,975

**ENUGU ELECTRICITY DISTRIBUTION PLC
OTHER NATIONAL DISCLOSURES
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Value added statement

	31 December		31 December	
	2021		2020	
	₦'000	%	₦'000	%
Turnover	119,252,899		314,998,766	
Other income	2,731,919		1,897,252	
Bought in materials and services	<u>(151,768,100)</u>		<u>(125,059,385)</u>	
Value (lost)/added	<u>(29,783,282)</u>	100	<u>191,836,633</u>	100
Applied as follows:				
Employees				
Salaries and wages	7,529,111	(25)	7,122,342	4
Government				
Taxation	299,549	(1)	4,806,204	3
Maintenance of assets				
Depreciation property, plant and equipment	1,750,380	(6)	1,655,671	1
Depreciation of right-of-use assets	342,700	(1)	398,049	
Amortisation of intangibles	91,893	(0)	89,921	-
Retained for future growth and expansion				
(Loss) /profit attributable to members	<u>(39,796,915)</u>	134	<u>177,764,446</u>	93
Value (lost)/added	<u>(29,783,282)</u>	100	<u>191,836,633</u>	100

Value (lost)/added represents the wealth (consumed)/created by the company through its own efforts and those of its employees. This statement shows the distribution of the (loss)/wealth through the use of the company's assets by its own employees' effort and the allocation of wealth (consumed)/created among employees, providers of capital, government and the proportion retained for the future creation of more wealth.

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Five-Year Financial Summary

STATEMENT OF FINANCIAL POSITION

	31 December 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
	₦'000	₦'000	₦'000	₦'000	₦'000
ASSETS EMPLOYED					
Non-current assets	49,743,752	46,226,986	45,614,370	43,821,598	40,506,449
Current assets	64,661,554	45,076,923	31,514,250	26,774,613	63,165,255
Current liabilities	(136,053,864)	(98,088,200)	(261,654,433)	(189,919,129)	(136,566,263)
Non-current liabilities	(45,038,424)	(20,276,566)	(20,732,133)	(21,384,232)	(17,701,755)
	(66,686,983)	(27,060,857)	(205,257,945)	(140,707,150)	(50,596,314)

CAPITAL AND RESERVES

Share capital	5,000	5,000	5,000	5,000	5,000
Accumulated losses	(66,691,983)	(27,065,857)	(205,262,945)	(140,712,150)	(50,601,314)
	(66,686,983)	(27,060,857)	(205,257,945)	(140,707,150)	(50,596,314)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	31 December 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
	₦'000	₦'000	₦'000	₦'000	₦'000
Revenue from contract with customers	119,252,899	314,998,766	57,232,437	54,779,736	59,696,060
(Loss) /profit before tax	(39,497,366)	181,778,410	(64,550,795)	(57,198,797)	(24,498,089)
Tax expense	-	(4,013,964)	-	-	-
Total comprehensive (loss)/ income	(39,626,126)	178,197,088	(64,847,895)	(24,498,089)	(31,091,648)
Basic (loss)/earnings per share (Naira)	(3,980)	17,776	(6,455)	(5,720)	(2,450)