

Nigerian Bulk Electricity Trading Plc

Annual Report

31 December 2021

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Corporate information

Registration number: RC 903079

Directors:	Mrs (Dr) Zainab Shamsuna Ahmed	- Chairman
	Mr. Alex Okoh	- Vice Chairman
	Dr Nnaemeka Ewelukwa	- Managing Director /Chief Executive Officer
	Mr. Ben Akabueze	- Non-Executive Director
	Ms. Patience Oniha	- Non-Executive Director
	Engr. Faruk Y. Yusuf	- Non-Executive Director
	Mr. Temitope Fashedemi	- Non-Executive Director
	Mr. Udechukwu Obi Osakwe	- Non-Executive Director
	Engr. Mustapha Balarabe Shehu	- Independent Non-Executive Director
	Dr. Suleyman A. Ndanusa, OON	- Independent Non-Executive Director
	Mr. Adeyeye O.Adepegba	- Independent Non-Executive Director

Registered address: 442 Zambezi street
Maitama, Abuja
Nigeria

Principal place of business: 2nd & 3rd Floors
Nigerian Electricity Regulatory Commission Building
Plot 1387, Cadastral Zone, AOO
Central Business District
Abuja

Company secretary Peter Baginwa Ogbobine
2nd & 3rd Floors
Nigerian Electricity Regulatory Commission Building
Plot 1387, Cadastral Zone, AOO
Central Business District
Abuja

Solicitors Bloomfield LP
Dikko & Mahmoud
Joint heirs Chambers
Punuka Attorneys and solicitors
Paul Usoro & Co
E.C.J Ifeanacho and Associates.
Christus Imperat Attorneys

Independent auditors: KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island, Lagos

Banker: Central Bank of Nigeria

Tax identification no: 11550435-0001

Directors' report

For the year ended 31 December 2021

The directors present their report on the affairs of Nigerian Bulk Electricity Trading Plc ("the Company" or "NBET"), together with the financial statements and auditor's report for the year ended 31 December 2021. The financial statements of the Company for the year ended 31 December 2021 were approved on the same date as that of the year ended 31 December 2020.

Legal form

The Company was incorporated in Nigeria as a public limited liability company on 29 July 2010 under the Companies and Allied Matters Act (CAMA), 2020. The Company was issued a ten-year trading license by the Nigerian Electricity Regulatory Commission on 15 November 2011 for the purchase of electric power from generation companies and resale to distribution companies and eligible customers in line with Electric Power Sector Reform Act (EPSRA) of 2005.

The Company was granted a three year extension by the National Electricity Regulatory Commission from 15 November 2021 to 14 November 2024, after which the owners decide on what happens to the Company, if a to further licence renewal is not granted. Based on the current state of the electricity market, the Directors believe an additional extension will be granted and plans are being put in place to seek this extension.

Principal activity and business review

The principal activities of the Company are:

- (a) To undertake the business of trading in the wholesale electricity market as bulk purchaser and bulk seller of electricity and ancillary services pursuant to the Electric Power Sector Reform Act 2005;
- (b) i. To take over the contract management and obligations of the Federal Government of Nigeria under existing Power Purchase Agreements.
ii. To assume active obligations in the gas sector pursuant to its designated role as the Federal Government of Nigeria's anchor for gas supply guarantees.
- (c) To do all such other things as are incidental or may be thought conducive to the attainment of the above objects or any of them.

Operating results

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

	<u>2021</u>	<u>2020</u>
	<u>₦'000</u>	<u>₦'000</u>
Revenue	819,390,577	731,366,388
Operating loss	(661,911,197)	(379,145,306)
Net finance income	(155,920,545)	(190,362,043)
Loss before income tax	(817,831,742)	(569,507,349)
Income tax*	-	-
Loss for the year	<u>(817,831,742)</u>	<u>(569,507,349)</u>

The President of the Federal Republic of Nigeria via an Official Gazette dated 25 November 2014, granted the company exemption from payment of income tax of any description provided under the Company Income Tax Act and any other legislation, which imposes tax on the income of companies in Nigeria. This is to be in effect for the life of the Company, but shall not apply to any NBET successor companies or affiliates of the NBET. As a result of this, the company is not subject to income tax including deferred tax.

Directors' report (cont'd)

For the year ended 31 December 2021

Dividend

There was no dividend declared during the year (2020: Nil).

Directors and their interests

The directors in office during the year are listed below:

Director	Designation	Institution represented
Mrs (Dr), Zainab Shamsuna Ahmed	Chairman	Federal Ministry of Finance, Budget and National Planning
Dr Nnaemeka Ewelukwa	MD/CEO	Nigerian Bulk Electricity Trading Company Plc (NBET)
Mr. Alex Okoh	Vice Chairman	DG, Bureau of Public Enterprises
Mr. Ben Akabueze	Non-Executive Director	DG, Budget Office of the Federation
Ms. Patience Oniha	Non-Executive Director	DG, Debt Management Office
Engr. Faruk Y. Yusuf	Non-Executive Director	Director, Federal Ministry of Power
Engr. Mustapha Balarabe Shehu	Independent Non-Executive Director	
Dr. Suleyman A. Ndanusa, OON	Independent Non-Executive Director	
Mr. Adeyeye O.Adepegba	Independent Non-Executive Director	

Subsequent to year end on 27 October 2022, Engr. Faruk Y. Yusuf was replaced by Mr. Temitope Fashedemi fnim (Permanent Secretary, Ministry of Power) as the representative of the Ministry of Power on the board and on 23 January 2023, Mr. Udechukwu Obi Osakwe (Director, Revenue and Investment, Office of the Accountant General of the Federation) was appointed as the representative of the Ministry of Finance Incorporated.

The directors do not have any interest required to be disclosed under Section 301 of the Companies and Allied Matters Act (CAMA), 2020.

In accordance with Section 303 of the Companies and Allied Matters Act (CAMA), 2020, none of the directors has notified the Company of any declarable interests in any contracts in which the Company was involved during the year under review (2020: Nil).

Corporate governance

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

Audit, Risk and Compliance Committee
Regulatory and technical committee
Finance and general purpose committee

Directors' report (cont'd)

For the year ended 31 December 2021

Audit, Risk and Compliance Committee

Mr. Adeyeye O. Adepegba (Independent Non-Executive Director) - Chairman

Mr. Ben Akabueze (Director General, Budget Office of the Federation)

Ms. Patience Oniha (Director General, Debt Management Office (DMO))

Dr Suleyman Ndanusa (Independent Non-Executive Director)

Co-opted members

Mr. Waziri Bintube (Chief Financial Officer)

Mrs Itohan Ehiede (Head, Guarantees and Risk Management)

Mr Peter Ogbobine (Company secretary)

Regulatory and technical committee

Name

Mr. Adeyeye O. Adepegba (Independent Non-Executive Director) - Chairman

Dr Suleyman Ndanusa (Independent Non-Executive Director)

Engr. Mustapha B. Shehu (Independent Non-Executive Director)

Ms. Patience Oniha (Director General, Debt Management Office (DMO))

Dr Nnaemeka Ewelukwa (MD/CEO, NBET)

Co-opted members

Mr Johnson Akinnawo (Head, Origination Contracts & Admin)

Mrs Itohan Ehiede (Head, Guarantees and Risk Management)

Mr Peter Ogbobine (Company secretary)

Finance and general purpose committee

Name

Dr Nnaemeka Ewelukwa (MD/CEO, NBET) - Chairman

Engr. Mustapha B. Shehu (Independent Non-Executive Director)

Ms. Patience Oniha (Director General, Debt Management Office (DMO))

Mr. Ben Akabueze (Director General, Budget Office of the Federation)

Co-opted members

Mr. Waziri Bintube (Chief Financial Officer)

Mr Peter Ogbobine (Company secretary)

Shareholding structure

The shareholding structure of the Company was as follows:

	Ordinary Shares of ₦0.5 each			
	%	2021	%	2020
	<i>Number</i>			
Bureau of Public Enterprises	80	16,000,000	80	16,000,000
Ministry of Finance Incorporated	20	4,000,000	20	4,000,000
	100	20,000,000	100	20,000,000

Property, plant and equipment

Information relating to changes in property, plant and equipment is disclosed Note 14 to these financial statements.

Directors' report (cont'd)

For the year ended 31 December 2021

Charitable donation

The Company made no donation to charitable organisations during the year (2021: Nil). In compliance with Section 43(2) of the Companies and Allied Matters Act (CAMA), 2020, the Company did not make any donation or gift to any political party, political association or for any political purpose during the year under review (2020: Nil).

Events after the reporting date

See Note 32 of these financial statements.

Employment and employees

(a) *Employment of physically challenged persons:*

Applications for employment by physically challenged persons are always fully considered, bearing in mind the respective attitudes and abilities of the applicants concerned. In the event of member of staff being physically challenged, possible effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of physically challenged persons, should as far as possible, be identical with that of other employees. The Company had one (1) physically challenged people in its employment as at 31 December 2021 (2020: 1 (one)).

(b) *Health and safety at work and welfare of employees*

The Company takes the health, safety and the welfare of its employees very seriously, with a strong conviction that a healthy workforce would always be highly productive and will deliver superior performance at all times. To this end, the Company has various forms of insurance policies, including health insurance, to adequately secure and protect its employees.

(c) *Employees consultation and training:*

The Company places considerable value on the involvement of employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company through formal and informal meetings. Management, professional and technical expertise are the Company's major assets and the Company has continued investment in developing such skills.

(d) *Dissemination of information:*

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

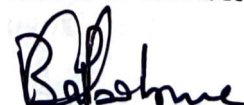
Independent auditor

Messrs. KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditors to the company. In accordance with Section 401 (2) of the Companies and Allied Matters Act (CAMA) 2020, the auditors will be re-appointed at the next annual general meeting of the company without any resolution being passed.

Lagos, Nigeria

30 March 2023

BY ORDER OF THE BOARD



Peter Baginwa Ogbobine
Company Secretary

FRCN/2021/002/00000023491

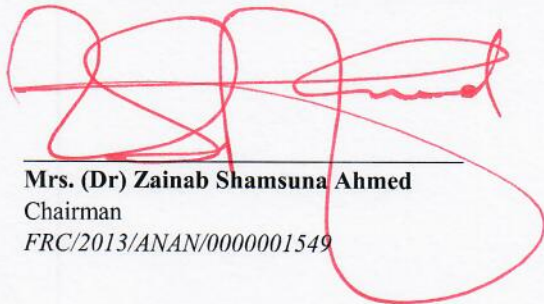
Statement of directors' responsibilities in relation to the financial statements for the year ended 31 December 2021

The directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act (CAMA), 2020 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.

The directors have made an assessment of the Company's ability to continue as a going concern as disclosed in Note 31 and have no reason to believe the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Mrs. (Dr) Zainab Shamsuna Ahmed
Chairman
FRC/2013/ANAN/0000001549

30 March 2023



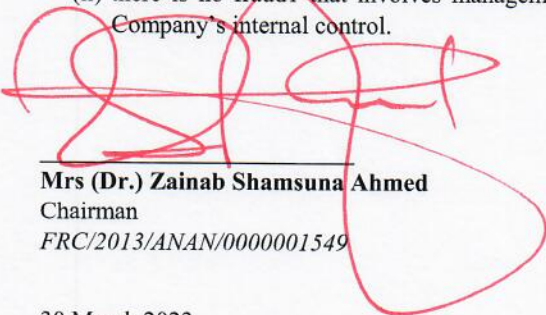
Dr. Nnaemeka Ewelukwa
Managing Director/CEO
FRC/2014/NBA/00000008311

30 March 2023

Statement of corporate responsibility for the financial statements for the year ended 31 December 2021


Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Chairman and Managing Director/CEO, hereby certify the financial statements of the Nigerian Bulk Electricity Trading Plc for the year ended 31 December 2021 as follows:

- a) That we have reviewed the audited financial statements of the Company for the year ended 31 December 2021
- b) That the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading, in the light of the circumstances under which such statement was made.
- c) That the audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for, the year ended 31 December 2021.
- d) That we are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Company is made known to us by other officers of the companies, during the period end 31 December 2021.
- e) That we have evaluated the effectiveness of the Company's internal controls within 90 days prior to the date of audited financial statements, and certify that the Company's internal controls are effective as of that date.
- f) That there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective action with regard to significant deficiencies and material weaknesses.
- g) That we have disclosed the following information to the Company's Auditors and Audit Committee:
 - (i) there are no significant deficiencies¹ in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data, and have identified for the Company's auditors any material weaknesses in internal controls, and
 - (ii) there is no fraud¹ that involves management or other employees who have a significant role in the Company's internal control.



Mrs (Dr.) Zainab Shamsuna Ahmed
Chairman
FRC/2013/ANAN/0000001549

30 March 2023



Dr. Nnaemeka Ewelukwa
Managing Director/CEO
FRC/2014/NBA/00000008311

30 March 2023



KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Nigerian Bulk Electricity Trading Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nigerian Bulk Electricity Trading Plc (the Company), which comprise:

- the statement of financial position as at 31 December 2021;
- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 31 to these financial statements, which indicates that the Company incurred a net loss of ₦17.83 billion (2020: net loss of ₦569.51 billion), and had a negative operating cashflow of ₦486.77 billion (2020: ₦533.93 billion) during the year ended 31 December 2021; and, as of that date, its total liabilities exceeded its total assets by ₦994.20 billion (2020: ₦306.73 billion). As stated in Note 31, these events or conditions, along with other matters as set forth in Note 31, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were

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Partners:

Adegoke A. Oyelami	Bolanle S. Afolabi	Kabir O. Okunlola	Olufemi A. Babem	Tolulope A. Odukale
Adetola P. Adeyemi	Boluwoji D. Apanpa	Lawrence C. Amadi	Olumide O. Olayinka	Uzochukwu N. Obienu
Adeleke K. Ajayi	Chibuzor N. Anyanechi	Martins I. Arogie	Olusegun A. Sowande	Uzodinma G. Nwankwo
Ajibola O. Olomola	Chineme B. Nwigbo	Mohammed M. Adama	Olutoyin I. Ogunlowo	Victor U. Onyenkpa
Akinwale O. Alao	Dunni D. Okegbemila	Nneka C. Eluma	Oluwafemi O. Awotoye	Williams I. Erimona
Akinyemi J. Ashade	Elijah O. Oladunmoye	Oguntayo I. Ogungbenro	Oluwatoyin A. Gbagi	
Ayobami L. Salami	Goodluck C. Obi	Olabimpe S. Afolabi	Omolara O. Ogun	
Ayodele A. Soyinka	Ibitomi M. Adepoju	Oladimeji I. Salaudeen	Oseme J. Obalajo	
Ayodele H. Othiwiwa	Ijeoma T. Emezie-Ezigbo	Olanike I. James	Temitope A. Onitiri	



addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matter described in the *Material Uncertainty Related to Going Concern* section of our report, we have determined that there are no other key audit matter to communicate in our report

Information Other than the Financial Statements and Audit Report thereon

The Directors are responsible for the other information. The other information comprises the corporate information, Directors' Report, Statement of Director's Responsibilities, Statement of Corporate Responsibilities, and other National Disclosures, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with the Board of 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 Board of 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

Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act (CAMA), 2020

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

.....
Chineme B. Nwigbo, FCA
FRC/2013/ICAN/00000001897
For: KPMG Professional Services
Chartered Accountants
3 May 2023
Lagos, Nigeria

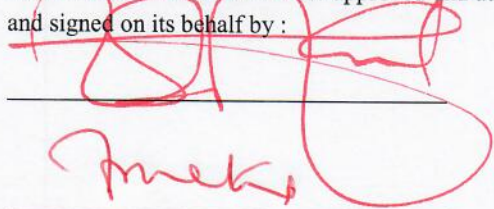


Statement of financial position

As at 31 December

	Note	31-Dec-21 ₦'000	31-Dec-20 ₦'000
Assets			
Non-current assets			
Property, plant and equipment	14	527,325	739,154
Intangible assets	15	199,548	5,884
Total non-current assets		726,873	745,038
Current assets			
Trade and other receivables	16	1,420,447,246	1,721,456,328
Other financial assets	17	33,054,051	33,054,051
Cash and cash equivalents	18	73,916,051	23,025,554
Total current assets		1,527,417,348	1,777,535,933
Total assets		1,528,144,221	1,778,280,971
Equity and Liabilities			
Capital and reserves			
Share capital	19	10,000	10,000
Contributions by the Federal Government of Nigeria	20	643,265,871	512,698,958
Power Trading Capital	21	24,410,981	24,410,981
BPE Escrow accounts	22	54,008,485	54,008,485
Accumulated deficit		(1,715,891,060)	(897,856,698)
Total equity		(994,195,723)	(306,728,274)
Non-current liabilities			
Loans and borrowings	25	1,389,174,175	933,124,138
Employee benefit obligation	26	418,537	210,727
Deferred Income - PSRO	23	39,491,965	-
Total Non-current liabilities		1,429,084,677	933,334,865
Current liabilities			
Trade and other payables	24	1,093,255,267	1,151,674,380
Total Current liabilities		1,093,255,267	1,151,674,380
Total liabilities		2,522,339,944	2,085,009,245
Total equity and liabilities		1,528,144,221	1,778,280,971

These financial statements were approved and authorised for issue by the Board of directors on 30 March 2023 and signed on its behalf by :



Mrs (Dr) Zainab Shamsuna Ahmed (Chairman)
FRC/2013/ANAN/000000154



Dr. Nnaemeka Ewelukwa (Managing Director/CEO)
FRC/2014/NBA/00000008311



Mr. Waziri Bintube (Chief Financial Officer)
FRC/2021/001/00000023176

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

Statement of profit or loss and other comprehensive income

For the year ended

	Note	31-Dec-21 ₦'000	31-Dec-20 ₦'000
Revenue	7	819,390,577	731,366,388
Cost of sales	9(a)	(823,274,311)	(742,377,103)
Gross loss		(3,883,734)	(11,010,715)
Other income	8	-	17,807
Administrative and distribution expenses	9(b)	(416,207,207)	(74,558,975)
Impairment of financial instruments	16(a)	(241,820,256)	(293,593,423)
Operating loss		(661,911,197)	(379,145,306)
Finance income	10	42,849	9,008
Finance costs	10	(155,963,394)	(190,371,051)
Net finance costs		(155,920,545)	(190,362,043)
Loss before income tax		(817,831,742)	(569,507,349)
Income tax	13	-	-
Loss for the year		(817,831,742)	(569,507,349)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit obligation	26	(202,620)	(79,286)
Total other comprehensive income		(202,620)	(79,286)
Total comprehensive income for the year		(818,034,362)	(569,586,635)

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

Statement of changes in equity

For the year ended 31 December 2021

	Share capital	Contributions from FGN	Power Trading Capital	BPE Escrow Contribution	Accumulated losses	Total equity
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Balance at 1 January 2020	10,000	166,442,516	24,410,981	54,008,485	(328,270,063)	(83,398,081)
Total comprehensive income:						
Loss for the year	-	-	-	-	(569,507,349)	(569,507,349)
Other comprehensive income	-	-	-	-	(79,286)	(79,286)
Total comprehensive loss for the year	-	-	-	-	(569,586,635)	(569,586,635)
Transactions with owners of the Company						
Contributions during the year	-	346,256,442	-	-	-	346,256,442
Total transactions with owners of the Company	-	346,256,442	-	-	-	346,256,442
Balance at 31 December 2020	10,000	512,698,958	24,410,981	54,008,485	(897,856,698)	(306,728,274)
Balance at 1 January 2021	10,000	512,698,958	24,410,981	54,008,485	(897,856,698)	(306,728,274)
Total comprehensive income:						
Loss for the year	-	-	-	-	(817,831,742)	(817,831,742)
Other comprehensive income	-	-	-	-	(202,620)	(202,620)
Total comprehensive loss for the year	-	-	-	-	(818,034,362)	(818,034,362)
Transactions with owners of the Company						
Contributions during the year	-	130,566,913	-	-	-	130,566,913
Total transactions with owners of the Company	-	130,566,913	-	-	-	130,566,913
Balance at 31 December 2021	10,000	643,265,871	24,410,981	54,008,485	(1,715,891,060)	(994,195,723)

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

Statement of cash flows

For the year ended 31 December

	<i>Note</i>	<u>31-Dec-21</u> ₦'000	<u>31-Dec-20</u> ₦'000
Cash flows from operating activities			
Loss for the year		(817,831,742)	(569,507,349)
Adjustments for:			
- Amortisation	9(b)	16,523	5,449
- Depreciation	9(b)	366,433	396,506
- Bank interest income	10	(33,683)	(907)
- Net foreign exchange loss	10	1,438,336	842,515
- Interest income on staff mortgage scheme	10	(9,166)	(8,101)
- Interest expense on unpaid bulk electricity purchase	10	105,556,441	150,210,881
- Interest expense on loan	10	48,964,203	39,315,542
- Service cost on employee benefit obligation	26	16,507	20,553
- Bank charges	10	4,414	2,113
- Impairment loss on trade receivables	27(a)	241,820,256	293,593,423
		<u>(419,691,478)</u>	<u>(85,129,375)</u>
Changes in:			
- Trade and other receivables	8(b)	59,197,992	(483,447,812)
- Deferred income		39,491,965	
- Trade and other payables	24(a)	(165,754,197)	34,654,313
		<u>(486,755,718)</u>	<u>(533,922,874)</u>
Cash used in operating activities			
Benefits paid	26	(11,317)	(1,697)
Bank charges paid	10	(4,414)	(2,113)
		<u>(486,771,449)</u>	<u>(533,926,684)</u>
Cash flows from investing activities			
Acquisition of property and equipment	14	(154,603)	(181,855)
Acquisition of intangible asset	15	(210,187)	-
Interest received	10	33,683	907
		<u>(331,107)</u>	<u>(180,948)</u>
Cash flow from financing activities			
Contributions from Federal Government during the year	20	188,846,051	358,777,369
Mop up of unutilized funds	20	(58,279,138)	(12,520,927)
Proceeds from loans and borrowings	25	407,115,118	170,999,173
Repayment of loans and borrowings - principal	25	(29,284)	-
		<u>537,652,747</u>	<u>517,255,615</u>
Net cash generated from financing activities			
		50,550,191	(16,852,017)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 January		23,025,554	38,222,220
Effect of movements in exchange rates on cash held		340,306	1,655,351
		<u>73,916,051</u>	<u>23,025,554</u>
Cash and cash equivalents at 31 December	18	73,916,051	23,025,554

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

Notes to the financial statements

For the year ended 31 December

1 Reporting entity

Nigerian Bulk Electricity Trading Plc was incorporated on 29 July 2010 under the Companies and Allied Matters Act (CAMA), 2020 as a limited liability company. The Company is domiciled in Nigeria and operates from at 2nd & 3rd Floors, Nigerian Electricity Regulatory Commission Building, Plot 1387, Cadastral Zone, AOO, Central Business District, Abuja.

The Company was granted a ten (10) year licence (15 November 2011 to 14 November 2021) by the Nigerian Electricity Regulatory Commission (NERC) to deal in the bulk purchase and resale of electricity. The company was granted a three (3) year extension by the Nigerian Electricity Regulatory Commission from 15 November 2021 to 14 November 2024, after which the owners would decide on what happens to the Company if a further licence renewal is not granted. Based on the current state of the electricity market, the directors believe that an additional extension will be granted and plans are being put in place to seek the extension.

The Company's operations are funded through the market administration charges and budgetary appropriations received from the Federal Government of Nigeria, the ultimate controlling party. Funding for the Company's mandate as provided in the Electric Power Sector Reform Act (EPSRA) and as laid out in the Power Sector Road Map are appropriated to the Company from the Federal Government's annual budget.

2 Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011.

The financial statements of the Company for the year ended 31 December 2021 together with that of the year ended 31 December 2020 were authorised for issue by the Board of Directors on 31 January 2023.

Details of the Company's accounting policies, including changes thereto, are included in Note 5.

3 Functional and presentation currency

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

4 Use of judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

(a) Judgements

Information about judgements in applying accounting policies that have a significant effects on the amounts recognised in the financial statements is included in the following note:

- Note 24: Fair value of loans and borrowings

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2022 is included in:

- Note 25: Measurement of ECL allowance for trade receivables; key assumptions in determining the weighted-average loss rates
- Note 23: measurement of defined benefit obligations: key actuarial assumptions

Notes to the financial statements

For the year ended 31 December

i. Measurement of fair values

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

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements.

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

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

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5 Significant accounting policies

(a) Revenue from contracts with customers

(i) Revenue streams

The company is in the business of bulk purchase of electricity from generating companies (GenCos) and resale of electricity to distribution companies (DisCos) and international customers in line with Electric Power Sector Reform Act (EPSRA). The company also earns revenue from the market as a market participant in line with the Rules of Transitional Electricity Market and earns interest on unpaid balances from DisCos.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The performance obligation of the Company is satisfied over time as electricity is supplied to customers. Therefore, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measured.

Revenue from the market is recognized when the company performs its ancillary services as a market participant.

Revenue is measured at fair value of the consideration received/receivable.

The Company does not recognize an asset or liability, as the case may be, on account of under-recovery or over-recovery except where it is obligated to provide future services at a loss in

Notes to the financial statements

For the year ended 31 December

which case a provision is recognized.

(ii) Performance obligations and revenue recognition policies

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

Type of product/Service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Classification of revenue	Revenue recognition policies
Electricity sales	The performance obligation of the Company is satisfied over time as electricity is supplied to the customers. Billing is done on a monthly basis and payment is contractually within 30 days of billing.	Revenue from contract	Revenue is recognised over time as electricity is supplied to the customers. The amount of revenue to recognise is assessed based on the weighted average of energy price of all generating companies (GenCos) which is determined through
Proceeds from market operators	In line with the Transitional Electricity Market (TEM) Rules of the Nigerian Electricity Supply Industry, all market participants are to be paid an administrative charge for the ancilliary services they render in the electricity market. The performance obligation of the Company is satisfied over time as the company perform's its ancilliary services as a market participant	Other revenues	Revenue is recognised over time. The amount of revenue to recognise is determined by the market operator and allocated to each market participant, including the
Interest on unpaid balances from distribution companies (DisCos)	In line with the Supplementary Order issued by the Nigerian Electricity Regulatory Commission (NERC), Section 8a(v), financial shortfall by DISCOs shall be repayable at NIBOR plus 10%, but from August 2016, the rate was reviewed to NIBOR plus 4%. The performance obligation of the Company is satisfied at a point in time and depending on the number of days the balances from the DISCOs remain outstanding.	Other revenues	Revenue is recognised at a point in time. The amount of revenue to recognise is computed on the DISCOs outstanding balance after the payment due date at NIBOR plus 4% for the number of days the balances remain outstanding.

Notes to the financial statements

For the year ended 31 December

(b) Financial instruments

i. Recognition and initial measurement

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

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

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets – Business model assessment

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

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

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

Notes to the financial statements

For the year ended 31 December

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

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

In assessing whether the contractual cash flows are sole payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse features).

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

Financial assets – Subsequent measurement and gains and losses

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

Financial liabilities are classified as measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii. Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Notes to the financial statements

For the year ended 31 December

iv. Offsetting

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

(d) Foreign currency transactions

Transactions denominated in foreign currencies are translated to Nigerian Naira (₦) at the foreign exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the rates of exchange prevailing at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation 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 rate at the date of the transaction i.e. these are not retranslated.

(e) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment comprise tangible items that are held for use in the supply of services or for administrative purposes and are expected to be used during more than one accounting period.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Property, plant and equipment under construction are disclosed as capital work-in-progress. The cost of self-constructed asset includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use including, where applicable, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised up on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from the disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised in the profit or loss.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of the replaced component is derecognised. The cost of day to day servicing of the property, plant and equipment is recognised in profit or loss as incurred.

iii. Depreciation

Depreciation is calculated to write off the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Notes to the financial statements

For the year ended 31 December

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives of property, plant and equipment for current and comparative period were as follows:

Asset category	Useful live
Furniture & fittings	5 years
Computer equipment	3 years
Motor vehicles	4 years
Office equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Capital work-in-progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

(f) Intangible assets

i. Recognition and measurement

An intangible asset is recognised if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. After initial recognition, the intangible assets, having indefinite life are carried at cost less any accumulated impairment losses. Those with finite useful lives are measured at cost less accumulated amortization and any impairment losses.

The Company's intangible assets with finite useful lives comprise acquired software and Bulk Electricity Purchase and Resale License.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific intangible asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

iii. Amortisation

Amortisation is calculated over the cost of the asset less its residual value. Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life for acquired computer software is 1-3 years while that of the operating license is 10 years. The operating license expired in November 2021 and the entity made an application to the Nigerian Electricity Regulatory Commission for the renewal of the license and it has been approved for an additional three years effective from 15 November 2021 to 14 November 2024.

(g) Finance income and finance costs

The Company's finance income and finance costs include:

- interest income
- interest expense on borrowings
- bank charges
- the foreign currency gain or loss on financial assets and liabilities

Notes to the financial statements

For the year ended 31 December

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the amortised cost of the financial liability. In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability.

Finance currency gains and losses are reported on net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(h) Equity

i. 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 in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve.

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

ii. Contribution from Federal Government

The Company benefits from funding from the Federal Government of Nigeria. These include Contributions by the Federal Government of Nigeria, Power Trading Capital, Bureau of Public Enterprises Escrow accounts and Central Bank of Nigeria Electricity Market Stabilisation funds. These funds are derived from budgetary appropriations and special funding arrangements to enable the Company carry out its mandate under the Electric Power Sector Reform Act (EPSRA). Funds from the government are recognized at the amount received as such contributions are not refundable. These funds are recognised and presented as component of equity.

(i) Government intervention (IAS 20)

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

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

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand; cash balances with banks and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of statement of cash flows.

Notes to the financial statements

For the year ended 31 December

(k) Impairment

i. Non-derivative financial assets

Financial instruments and contract assets

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for the bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured at 12 month ECL. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor or issuer;
- a breach of contract such as a default or being more than 365 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Notes to the financial statements

For the year ended 31 December

Presentation of allowance for ECL in the statement of financial position

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

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company writes off a financial asset when there is sufficient information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery e.g. when the period within which the debt can be legally enforced has expired or the debtor is deceased, leaving no asset.

The Company expects no significant recovery from the amounts written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

ii. Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash flows of other assets or CGUs.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Employee benefits

i. Post employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

In line with the provision of the Pension Reform Act 2014, the Company has instituted a defined contribution based retirement benefit scheme for its staff. Employees contribute 8% and employer contribute 10% each of the employee's relevant emoluments.

The employee contributions to the scheme are funded through payroll deductions, while the Company's contribution is charged to profit or loss as employee costs in the period during which services are rendered by employees.

Notes to the financial statements

For the year ended 31 December

ii. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonuses if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

iii. End of service benefits

End of service benefits is a lump sum payment for qualifying employees who have spent a minimum of 3 years at the time of departure.

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

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

iv. Termination benefits

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

(m) Provisions and contingent liabilities

Provisions

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

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

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

Contingent liabilities

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

Notes to the financial statements

For the year ended 31 December

(n) Operating profit

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

(o) Statement of Cashflows

The cashflow statement is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cashflows such as other non-cash items, have been eliminated for the purpose of preparing the statement. Dividends paid to ordinary shareholders are included in financing activities. Interest paid and interest received are included in financing and investing activities respectively; while bank charges are included in the operating activities. For the cashflow statement purposes, cash and cash equivalents comprises cash at bank and overdraft used for cash management purposes.

6 Standards and interpretations issued but not yet effective

A number of new Standards, Amendments to Standards, and Interpretations are effective for annual periods beginning after 1 January 2021 and have not been applied in preparing these financial statements. Those Standards, Amendments to Standards and Interpretations which may be relevant to the Company are set out below.

The Company do not plan to adopt these standards early. The standards will be adopted in the period that they become mandatory unless otherwise indicated:

New or amended standards	Summary of the requirements and assessment of impact	Effective date periods beginning on or after
Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Company expects no significant impact on the application of this Standard.	1 January 2022
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendment to IAS 12)	The amendment clarifies that the initial recognition exemption does not apply to transactions that give rise to equal and offsetting temporary differences such as leases and decommissioning obligations. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition arising from these transactions.	1 January 2023

Notes to the financial statements

For the year ended 31 December

New or amended standards	Summary of the requirements and assessment of impact	Effective date periods beginning on or after
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendment to IAS 12) (cont'd)	<p>The standard is effective for annual periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If an entity previously accounted for deferred tax on these transactions using the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.</p> <p>The Company expects no significant impact on the application of this Standard.</p>	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	<p>This amendment provides clarifications to companies on how to distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.</p> <p>The amendment introduces a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.</p> <p>The amendments also clarifies the following:</p> <ul style="list-style-type: none"> • an entity develops an accounting estimate to achieve the objective set out by an accounting policy. • developing an accounting estimate includes both selecting a measurement technique (estimation or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. • a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. • a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods. <p>The definition of accounting policies remains unchanged.</p>	1 January 2023

Notes to the financial statements

For the year ended 31 December

New or amended standards	Summary of the requirements and assessment of impact	Effective date periods beginning on or after
Definition of Accounting Estimates (Amendments to IAS 8) (cont'd)	<p>The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.</p> <p>The Company expects no significant impact on the application of this Standard.</p>	1 January 2023

Other standards

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

- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Annual Improvements to IFRS Standards 2018 - 2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

Notes to the financial statements

For the year ended 31 December

7 Revenue

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Revenue from contracts with customers		
Electricity sales to customers * (i)	817,458,322	730,618,257
Other revenue		
Proceeds from Market Operator (ii)	1,932,255	748,131
	819,390,577	731,366,388
	31-Dec-21	31-Dec-20
	₦'000	₦'000
(i) Electricity sales to customers is made up of;		
Sales to Nigerian Electricity Distribution Companies	817,458,322	730,618,257
	817,458,322	730,618,257

*All of the revenue from sale of electricity is earned over time

With the commencement of the Transitional Electricity Market (TEM) in February 2015, the company activated the vesting agreements it signed with the eleven electricity distribution companies (DISCOs), selling electricity to them at tariffs as determined from time to time.

On 7 September 2016, the Ministry of Power, Works and Housing clarified that the administration of sale of electricity to the international customers be transferred to NBET in line with the new structure of the electricity market in Nigeria. A single invoice is sent by the Market Operator to the international customers. On 19 June 2017, the Transmission Company of Nigeria (TCN) and the Company agreed on a sharing formula for the proceeds from the international customers - the average monthly administrative charges was agreed at 22-24% for TCN while 76-78% represents amount earned by the Company from international customers. This was approved by the Ministry. Therefore, the revenue from international customers is 76-78% of the total value of invoices sent by the Market Operator to the international customers. During the year, the company stopped selling power to international customers as the international customers started buying power directly from the Generating companies.

- (ii) This relates to market revenue obtained from the Market Operator (MO) in line with the Rules for the transitional electricity market (TEM). These charges are deducted from payments made by the distribution companies and remitted monthly to the Company by the Market Operator.

8 Other income

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Administrative fees*	-	17,613
Sundry income**	-	194
Total other income	-	17,807

*The Company earned no administrative fees in current year (2020: ₦17.61 million) on third-party transactions on behalf of GENCOs during the year.

**The Company earned sundry income from other services such as salary in lieu of notice from exiting employees and bidding fees paid by prospective vendors.

Notes to the financial statements

For the year ended 31 December

9 Expenses by nature

(a) Cost of sales

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	<u>₦'000</u>	<u>₦'000</u>
Purchases- bulk electricity*	823,274,311	742,377,103
	<u>823,274,311</u>	<u>742,377,103</u>

*Amount represents capacity and delivered energy bills from power generating companies (GENCOs) under their different Power Purchase Agreements (PPAs) based on their tariff schedule.

(b) Administrative and distribution expenses

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	<u>₦'000</u>	<u>₦'000</u>
Personnel expenses (Note 11(a))	1,097,484	673,551
Auditors' remuneration (i)	25,762	25,762
Depreciation	366,433	396,506
Amortisation	16,523	5,449
Credit note in respect of tariff shortfalls (ii)	412,961,924	73,024,506
Board & Secretariat expenses	55,683	5,133
Corporate gifts	-	13,865
Training expenses	204,072	10,148
Communication and postage	5,372	2,031
Local and International Travels	143,204	18,870
Consultancy services	514,516	85,577
Legal and professional services	302,767	23,741
Internet access charges	20,467	497
Entertainment and meals	9,576	18,731
Medical expenses	43	3,980
Security expenses	9,451	19,694
Publicity and advertisement	2,213	4,089
Insurance	20,792	21,478
NBET Service charge	22,666	45,538
Repairs and maintenance of building and office equipment	2,196	26,682
Computer and information technology supplies and licenses	150,710	21,102
Printing and stationery	2,772	4,662
Welfare expenses	125,258	53,010
Meetings and stakeholder engagements	59,354	6,918
Other operating expenses	87,969	47,455
Total operating expenses	<u>416,207,207</u>	<u>74,558,975</u>

(i) Included in the audit fees above is the fee for the Uniform System of Accounting Audit amounting to ₦4.67million (2020: ₦4.67million). KPMG Professional services did not provide any non-audit service to the company ((2020: Nil).

Notes to the financial statements

For the year ended 31 December

(ii) Credit note in respect of tariff shortfalls issued in 2021 is as follows:

Distribution companies	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	₦'000	₦'000
Abuja Electricity Distribution Company	42,016,124	8,557,910
Benin Electricity Distribution Company	43,578,897	6,898,943
Eko Electricity Distribution Company	42,498,323	7,740,792
Enugu Electricity Distribution Company	34,790,361	6,170,846
Ibadan Electricity Distribution Company	58,218,239	10,647,210
Ikeja Electricity Distribution Company	45,047,895	8,462,395
Jos Electricity Distribution Company	32,693,743	5,063,575
Kaduna Electricity Distribution Company	33,443,660	5,902,691
Kano Electricity Distribution Company	23,298,160	4,149,210
Port Harcourt Electricity Distribution Company	32,677,599	5,562,370
Yola Electricity Distribution Company	24,698,923	3,868,564
	<u>412,961,924</u>	<u>73,024,506</u>

10 Finance income and finance costs

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	₦'000	₦'000
Finance income		
<i>On financial assets held at amortised cost:</i>		
Bank interest income	33,683	907
Interest on staff mortgage scheme	9,166	8,101
Total finance income	<u>42,849</u>	<u>9,008</u>
Finance cost		
Bank charges	4,414	2,113
Net foreign exchange loss	1,438,336	842,515
Interest expense on unpaid bulk electricity purchase (Note 23(b))	105,556,441	150,210,881
Interest on loan	48,964,203	39,315,542
Total finance costs	<u>155,963,394</u>	<u>190,371,051</u>

11 Loss for the year

Loss for the year is stated after charging/(crediting):

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	₦'000	₦'000
Depreciation (Note 14(a))	366,433	396,506
Amortisation (Note 15(a))	16,523	5,449
Director's remuneration (Note 12(d))	92,688	42,138
Auditor's remuneration (Note 10(b))	25,762	25,762
Net foreign exchange loss (Note 10)	1,438,336	842,515
Personnel expenses (Note 12)	1,097,484	673,551

Notes to the financial statements

For the year ended 31 December

12 Employee costs

(a) Employee costs during the year comprise:

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	₦'000	₦'000
Salaries and wages	1,058,092	635,757
Pension costs- defined contribution plans	22,886	17,241
Service cost on employee benefit obligations (Note 25)	16,506	20,553
	<u>1,097,484</u>	<u>673,551</u>

(b) The average number of persons employed by the Company at the end of each year was as follows:-

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	Number	Number
Executive Management staff	3	4
Management staff	12	16
Non Management staff	24	20
	<u>39</u>	<u>40</u>

(c) Employee remuneration bands:

Employees whose emoluments were within the following ranges in the year were:

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	Number	Number
Below ₦5,000,000	11	13
₦5,000,001 - ₦10,000,000	13	11
₦10,000,001 - ₦15,000,000	6	7
₦15,000,001 - ₦20,000,000	6	5
Above ₦20,000,000	3	4
	<u>39</u>	<u>40</u>

(d) **Directors' remuneration**

Directors' remuneration charged to profit or loss are as follows:

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	₦'000	₦'000
Fees	7,360	3,296
Other emoluments	85,328	38,842
	<u>92,688</u>	<u>42,138</u>

(e) The directors' remuneration shown above includes:

Chairman	<u>1,000</u>	<u>-</u>
Highest paid director	<u>37,005</u>	<u>37,005</u>

Other directors who served during the year received emoluments in the following ranges:

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	Number	Number
Below ₦5,000,000	7	7
₦5,000,001 - ₦10,000,000	-	-
	<u>7</u>	<u>7</u>

13 Taxation

The President of the Federal Republic of Nigeria via an Official Gazette dated 25 November 2014, granted the company exemption from payment of income tax of any description provided under the Company Income Tax Act and any other legislation, which imposes tax on the income of companies in Nigeria. This is to be in effect for the life of the Company, but shall not apply to any NBET successor companies or affiliates of the NBET. As a result of this, the company is not subject to income tax including deferred tax. No further disclosure is therefore considered relevant.

Notes to the financial statements

For the year ended 31 December

14 Property, plant and equipment

(a) The movement on these accounts during the year was as follows:

	Furniture & fittings	Computer equipment	Motor vehicles	Office equipment	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
Cost					
Balance at 1 January 2020	724,542	73,182	757,290	259,672	1,814,686
Additions	-	3,281	84,918	93,656	181,855
Balance at 31 December 2020	724,542	76,464	842,208	353,328	1,996,541
Balance at 1 January 2021	724,542	76,464	842,208	353,328	1,996,542
Additions	-	42,983	84,375	27,245	154,603
Balance at 31 December 2021	724,542	119,447	926,583	380,573	2,151,145
Accumulated depreciation					
Balance at 1 January 2020	333,054	42,735	360,471	124,621	860,881
Charge for the year	129,871	22,320	183,867	60,448	396,506
Balance at 31 December 2020	462,925	65,055	544,338	185,069	1,257,387
Balance at 1 January 2021	462,925	65,055	544,338	185,069	1,257,387
Charge for year	118,872	14,588	178,619	54,355	366,433
Balance at 31 December 2021	581,797	79,643	722,957	239,424	1,623,820
Carrying amounts					
At 1 January 2020	391,488	30,447	396,819	135,051	953,805
At 31 December 2020	261,617	11,409	297,870	168,259	739,154
At 31 December 2021	142,745	39,804	203,626	141,149	527,325

Notes to the financial statements

For the year ended 31 December

- (b) The Company had no capital commitments during the year (2020: nil).
- (c) There were no lien or encumbrances on the assets at year end (2020: nil).
- (d) There were no borrowing cost capitalised during the year (2020: nil).

15 Intangible assets

- (a) The movement on these accounts during the year was as follows:

	License	Computer Software	Total
Cost:	₦'000	₦'000	₦'000
Balance at 1 January 2020	12,305	50,670	62,975
Additions	-	-	-
Balance at 31 January 2020	12,305	50,670	62,975
Balance at 1 January 2021	12,305	50,670	62,975
Additions	9,764	200,423	210,187
Balance at 31 January 2021	22,069	251,093	273,162
Accumulated amortization:			
Balance at 1 January 2020	10,048	41,594	51,642
Additions	1,230	4,219	5,449
Balance at 31 January 2020	11,278	45,813	57,091
Balance at 1 January 2021	11,278	45,813	57,091
Additions	1,541	14,982	16,523
Balance at 31 January 2021	12,819	60,795	73,614
Carrying amount			
At 1 January 2020	2,257	9,076	11,333
At 31 December 2020	1,027	4,857	5,884
At 31 December 2021	9,250	190,298	199,548

- (b) Computer software is amortised over a 3 - 5 year period and is included in operating expenditure of the Company.

Notes to the financial statements

For the year ended 31 December

16 Trade and other receivables

(a) Trade and other receivables comprise:

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	<u>₦'000</u>	<u>₦'000</u>
Receivables from international customers (i)	11,686,968	11,686,968
Receivables from local distribution companies (DISCOs):		
- Receivables from power sales (ii)	261,793,980	159,458,120
- Interest on uncollected balances (iii)	749,056,275	749,056,275
Market operator receivables (iv)	2,353,764	1,913,643
Regulatory tariff shortfall (v)	1,751,058,456	1,912,948,797
Employee receivables (vi)	326,433	400,899
	<u>2,776,275,876</u>	<u>2,835,464,702</u>
Impairment allowance (Note 24(a))	<u>(1,355,828,630)</u>	<u>(1,114,008,374)</u>
	<u>1,420,447,246</u>	<u>1,721,456,328</u>

<i>(i) Receivables from international customers</i>	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	<u>₦'000</u>	<u>₦'000</u>
Receivables from international customers	11,686,968	11,686,968
Impairment allowance	<u>(2,284,094)</u>	<u>(1,939,973)</u>
	<u>9,402,874</u>	<u>9,746,995</u>

<i>(ii) Receivables from power sales</i>		
Receivables from power sales	261,793,980	159,458,120
Impairment allowance on receivables from power sales	<u>(240,859,882)</u>	<u>(142,981,527)</u>
	<u>20,934,098</u>	<u>16,476,593</u>

<i>(iii) Interest on uncollected balances</i>		
Interest on uncollected balances	749,056,275	749,056,275
Impairment allowance	<u>(749,056,275)</u>	<u>(749,056,275)</u>
	<u>-</u>	<u>-</u>

<i>(iv) Market operator receivables</i>		
Market operator receivables	2,353,764	1,913,643
Impairment allowance	<u>(83,786)</u>	<u>(57,355)</u>
	<u>2,269,978</u>	<u>1,856,288</u>

(v) Regulatory tariff shortfalls

In 2019, the Nigerian Electricity Regulatory Commission (NERC) issued an order "2016 - 2018 minor review of the Multi Year Tariff Order (MYTO) 2015 and minimum remittance order for the year 2019". This Order awarded the distribution companies (DISCOs), tariff shortfall for the years 2015 to 2018. Tariff shortfall represents the revenue gap arising from the difference between cost reflective tariffs and the actual end-user tariffs as determined by the Nigerian Electricity Regulatory Commission. In line with the orders, the tariff shortfalls which is funded by the Federal Government of Nigeria are classified separately from the Company's receivables from the DISCOs.

Subsequent orders have been issued by NERC awarding tariff shortfalls and minimum remittance obligations for subsequent years to the DISCOs.

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	<u>₦'000</u>	<u>₦'000</u>
Regulatory tariff shortfalls	1,751,058,456	1,912,948,797
Impairment allowance	<u>(363,544,593)</u>	<u>(219,973,244)</u>
	<u>1,387,513,863</u>	<u>1,692,975,553</u>

Notes to the financial statements

For the year ended 31 December

(vi) *Employee receivables*

On 1 July 2016, the company disbursed the first tranche of the staff mortgage loan scheme of ₦467,102,979; the second tranche of ₦97,760,644 was disbursed on 15 January 2017, and the third tranche of ₦107,112,584 was disbursed on 4 January 2018, which provided an upfront advance of the equivalent of six years furniture and rent allowance to eligible staff. The loan attracts interest of 4% per annum, and repayment is through monthly deduction of rent and furniture allowance from benefitting staff.

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	<u>₦'000</u>	<u>₦'000</u>
Staff mortgage scheme	300,087	375,900
Staff advance	26,346	24,999
	<u>326,433</u>	<u>400,899</u>

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

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	<u>₦'000</u>	<u>₦'000</u>
Opening balance	1,721,456,328	1,531,593,838
Interest on staff mortgage scheme	9,166	8,101
Impairment loss for the year	(241,820,256)	(293,593,423)
Closing balance	<u>(1,420,447,246)</u>	<u>(1,721,456,328)</u>
Changes in trade and other receivables	<u>59,197,992</u>	<u>(483,447,812)</u>

The Company's exposure to credit risk and impairment losses related to trade and other receivables is disclosed in Note 24(a)

17 Other financial assets

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	<u>₦'000</u>	<u>₦'000</u>
Escrow funds	33,054,051	33,054,051
	<u>33,054,051</u>	<u>33,054,051</u>

Amount represents funds set aside by The Bureau of Public Enterprises from the proceeds of privatization of Generation companies; Egbin, Omotosho and Olorunsogo to enable the company pay these generation companies in the event of default on amounts due to them.

18 Cash and cash equivalents

Cash and cash equivalents comprise:	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	<u>₦'000</u>	<u>₦'000</u>
Cash on hand	-	486
Cash with Central Bank of Nigeria TSA account *	71,719,485	20,828,905
Central Bank of Nigeria - Domiciliary account **	2,196,566	2,196,163
	<u>73,916,051</u>	<u>23,025,554</u>

*This account is made up of funds received in respect of the Power Trading Capital and the Contributions from the Federal Government of Nigeria.

**The domiciliary accounts are the accounts from which transactions denominated in dollars are received and settled.

Notes to the financial statements

For the year ended 31 December

19 Share capital

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	<u>₦'000</u>	<u>₦'000</u>
<i>Authorized:</i>		
20,000,000 ordinary shares of ₦0.50 each	<u>10,000</u>	<u>10,000</u>
<i>Issued and fully paid:</i>		
20,000,000 ordinary shares of ₦0.50 each	<u>10,000</u>	<u>10,000</u>
Shareholders	Unit	Unit
Bureau of Public Enterprises	16,000,000	16,000,000
Ministry of Finance Incorporated	4,000,000	4,000,000
	<u>20,000,000</u>	<u>20,000,000</u>
Percentage distribution	%	%
Bureau of Public Enterprises	80	80
Ministry of Finance Incorporated	20	20
	<u>100</u>	<u>100</u>

The holders of ordinary shares are entitled to receive dividends when declared and are entitled to one vote per share at the general meetings of the company.

20 Contributions by the Federal Government of Nigeria

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	<u>₦'000</u>	<u>₦'000</u>
Contributions by the Federal Government of Nigeria	643,265,871	512,698,958
	<u>643,265,871</u>	<u>512,698,958</u>

The movement in this account is as follows:

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	<u>₦'000</u>	<u>₦'000</u>
At 1 January	512,698,958	166,442,516
Budgetary appropriation (i)	155,214,411	86,186,895
Partial Risk Guarantee (PRG) commitment (ii)	33,631,640	272,590,474
Mop up of unutilized funds	(58,279,138)	(12,520,927)
Balance, end of year	<u>643,265,871</u>	<u>512,698,958</u>

(i) This represents annual contributions from the Federal Government of Nigeria (FGN) through the Ministry of Power for operational activities of the Company. This contribution is based on the allocation to Nigerian Bulk Electricity Trading Plc., in the annual national budget.

(ii) Amount represents payment made to Generating Companies by the Ministry of Finance to clear out historical tariff shortfalls in line with the Power Sector Recovery Program Financing Plan.

21 Power Trading Capital

Power trading capital represents funds appropriated to the Company to enable it carry out its mandate as stated in the Electric Power Sector Reform Act and as laid out in the Power Sector Road Map.

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	<u>N'000</u>	<u>N'000</u>
Power Trading Capital	24,410,981	24,410,981
	<u>24,410,981</u>	<u>24,410,981</u>

Notes to the financial statements

For the year ended 31 December

22 BPE Escrow

These are funds set aside by the Bureau of Public Enterprises (BPE) as payment guarantee for the Power Purchase Agreements (PPAs) signed with the privatised Generating Companies (GENCOs).

	31-Dec-21	31-Dec-20
	₦'000	₦'000
BPE - Egbin Escrow	50,321,608	50,321,608
BPE - Olorunsogo Escrow	1,671,975	1,671,975
BPE - Omotosho Escrow	2,014,902	2,014,902
	54,008,485	54,008,485

23 Deferred Income - PSRO

NBET is participating in the World Bank assisted Power Sector Recovery Operation (PSRO Program) to restore the financial viability of the power sector. During the year, the company received a sum of ₦39.49 billion for settlement of new and historical tariff shortfalls in line with the PSRO financing plan. There were no disbursements made from the funds in current year.

	31-Dec-21	31-Dec-20
	₦'000	₦'000
PSRO Program	39,491,965	-
	39,491,965	-

24 Trade and other payables

(a) Trade and other payables comprise:

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Trade payables- GenCos (i)	1,092,260,594	1,151,315,552
Accrued expenses	881,611	358,373
	1,093,142,205	1,151,673,925
Statutory deductions	113,062	455
	1,093,255,267	1,151,674,380

(i) Trade payable - GENCOs represent the balance due to power generating companies (GENCOs) for energy received from them under their various Power Purchase Agreements (PPA). Interest are applied on the outstanding balances until paid in accordance with the PPAs.

The company's exposure to liquidity and market risks related to trade and other payables are disclosed in Note 24(b) & (c)

(b) Reconciliation of trade and other payables to the statement of cash flows;

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Opening balance	(1,151,674,380)	(964,311,320)
Interest on unpaid bulk electricity purchase (Note 10)	(105,556,441)	(150,210,881)
Net foreign exchange loss	(1,778,643)	(2,497,866)
Closing balance	1,093,255,267	1,151,674,380
	(165,754,197)	34,654,313

Notes to the financial statements

For the year ended 31 December

25 Loans and borrowings

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	N'000	N'000
CBN Payment Assurance Facility (a)	1,389,174,175	933,088,536
FGN Eurobond Facility (b)	-	35,602
	<u>1,389,174,175</u>	<u>933,124,138</u>

Analysed as follows:

Current	-	-
Non-current	1,389,174,175	933,124,138
	<u>1,389,174,175</u>	<u>933,124,138</u>

- (a) On 1 March 2017, the Federal Executive Council approved the emergency and long term power sector recovery plan and interventions to assure payment to the gas and generation sub sectors of the electricity industry. Under the plan, NBET is to enter into a loan agreement with the Central Bank of Nigeria to borrow the sum of up to ₦701,936,483,451 (Seven hundred and one Billion, Nine hundred and thirty six million, Four hundred and eighty three thousand, Four hundred and Fifty one Naira) only repayable over a 10-year period at interest of 5% per annum, for the purpose of implementing the payment assurance programme that guarantees energy payments for all electricity generation and gas supply companies on the national grid. The Federal Ministry of Finance guaranteed the facility and the repayment would be through budgetary appropriations. Management has determined that the carrying amount on day one is the fair value based on the consideration of all relevant factors.
- (b) This interest relates to unpaid interest penalty in 2020 (nil in current year) in respect of Eurobond facility availed to the company by the Federal Government of Nigeria in prior years. The outstanding interest penalty has been fully settled in current year

- (c) Reconciliation of changes in loans and borrowings to the statement of cash flows

31 December 2021

	Central Bank of Nigeria Payment Assurance Facility	Total
Opening balance	933,124,138	933,124,138
Changes from financing cashflows		
Proceeds	407,115,118	407,115,118
Principal repayment	(29,284)	(29,284)
Total changes	<u>407,085,834</u>	<u>407,085,834</u>
Liability-related other changes		
Interest expense	48,964,203	48,964,203
Closing balance	<u>1,389,174,175</u>	<u>1,389,174,175</u>

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31 December 2020

	Central Bank of Nigeria Payment Assurance Facility	Total
Opening balance	722,773,821	722,773,821
<i>Changes from financing cashflows</i>		
Proceeds	170,999,173	170,999,173
<i>Total changes</i>	170,999,173	170,999,173
<i>Liability-related other changes</i>		
Interest expense	39,315,542	39,315,542
Closing balance	933,088,536	933,088,536

26 Employee benefit obligations

The Company operates an end of service benefits plan for qualifying employees of the company. The actuarial valuation of the benefit since inception was carried out by Mr. Jonathan Ben Phiri (FRC/2016/NAS/00000015016) for AD Sani & Associates (FRC/2013/00000000001078) in current year.

The scheme is unfunded and is administered by the Company's Human Resources (HR) department. The defined benefit plan exposes the Company to actuarial risks such as longevity risk, interest rate risk and market (investment) risk.

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Defined benefit obligations	418,537	210,727

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

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Balance at 1 January	210,727	112,585
Included in profit or loss		
Current service cost	9,201	12,010
Interest cost	7,306	8,543
	16,507	20,553
Included in other comprehensive income		
Actuarial gains due to experience	310,023	136,229
Actuarial losses due to change in assumptions	(107,403)	(56,943)
	202,620	79,286
Other		
Benefits paid	(11,317)	(1,697)
Balance at 31 December	418,537	210,727

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages) fall under two broad categories.

These assumptions depict management's estimate of the likely future experience of the Company.

Financial assumptions	31-Dec-21	31-Dec-20
Discount rate (p.a.)	11.75%	11.75%
Average pay increase (p.a.)	12.00%	10.00%
Average rate on inflation (p.a.)	18.17%	13.25%

Notes to the financial statements

For the year ended 31 December

Demographic assumptions

Mortality in service

The rates of mortality assumed for employees are the rates published in the A67/70 Ultimate Tables, published jointly by the Institute and Faculty of Actuaries in the UK.

It is assumed that all the employees covered by the defined end of service benefit scheme would retire at age 60 (2020: age 60).

Withdrawal from service

<u>Age band</u>	<u>Rate</u>
Less than or equal to 30	3.0%
31 - 39	2.5%
40 - 49	2.0%
50 - 60	1.0%
60 - 65	0.0%

Sensitivity analysis

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

		<u>Accrued liability</u>
		<u>₦'000</u>
Base		418,536
Discount rate	+1%	334,534
	-1%	525,940
Salary increase	+1%	525,580
	-1%	334,035
Mortality	Age rated up by 1 year	418,913
	Age rated down by 1 year	418,160

Notes to the financial statements

For the year ended 31 December 2021

27 Financial instruments - financial risk management and fair values

Financial risk management

The Company have exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework, including implementation and monitoring of risk management policies. The board of directors is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management complies 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.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from

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

		31-Dec-21	31-Dec-20
	<i>Note</i>	₦'000	₦'000
Trade and other receivables	<i>14</i>	1,420,447,246	1,721,456,328
Cash and cash equivalents	<i>15</i>	73,916,051	23,025,068
		1,494,363,297	1,744,481,396

**Amount excludes cash on hand*

Impairment losses on trade and other receivables recognised in profit or loss were as follows.

		31-Dec-21	31-Dec-20
		₦'000	₦'000
Impairment loss on receivables from DISCOs		97,878,355	136,595,768
Impairment loss on interest on receivables		-	-
Impairment loss on regulatory tariff shortfalls		143,571,349	156,844,930
Impairment loss on receivables from international customers		344,121	131,236
Impairment loss on market operators		26,431	2,626
		241,820,256	293,574,560

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

Notes to the financial statements

For the year ended 31 December 2021

The Company sells electricity to all the eleven distribution companies in Nigeria and international customers. To further mitigate credit risk and as contained in the vesting contracts signed with the distribution companies, the distribution companies provided bank guarantees covering- three months of energy supply. The Company does not have trade receivable and contract assets for which no loss allowance is recognised because of collateral.

Disco	Bank Guarantee	Date Posted	Issuing bank	Tenure
ABUJA	8,137,029,871	1st July 2020	UBA	Biennial
BENIN	6,368,110,334	11th March 2021	FIDELITY	Annual
EKO	7,783,245,964	21st Jan 2015	ZENITH	Evergreen
ENUGU	6,368,110,334	9th Feb 2015	FIRST BANK	Evergreen
IBADAN	9,198,381,594	3rd Feb 2015	POLARIS	Evergreen
IKEJA	10,613,520,000	20th Feb 2015	ZENITH	Evergreen
JOS	3,891,622,982	27th March 2015	UBA	Evergreen
KADUNA	6,300,000,000	3rd Nov 2020	FIDELITY	Biennial
KANO	5,660,542,519	6th Feb 2015	FIDELITY	Evergreen
PORT HARCOURT	4,599,190,797	10th Dec 2021	COBANK	Evergreen
	<u>68,919,754,395</u>			

At 31 December 2021, the exposure to credit risk for trade receivables by type of counterparty was as follows.

	31-Dec-21	31-Dec-20
	₦'000	₦'000
International customers	11,686,968	11,686,968
Local distribution companies (DISCOs)	1,010,850,255	908,514,395
Market operator receivables	2,353,764	1,913,643
Regulatory tariff shortfalls	1,751,058,456	1,912,948,797
	<u>2,775,949,443</u>	<u>2,835,063,803</u>

Expected credit loss assessment for customers

The Company uses an allowance matrix to measure the expected credit losses (ECLs) of trade receivables from customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

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For the year ended 31 December 2021

Scalar factors are based on forecast gross domestic product, inflation and unemployment rates.

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

31 December 2021	Weighted average	Gross carrying	Loss allowance	Credit impaired
	%	₦'000	₦'000	
Receivables from DisCos	92	261,793,980	240,859,882	No
Interest receivables from DiSCos	100	749,056,275	749,056,275	Yes
		1,010,850,255	991,128,410	
		1,010,850,255	991,128,410	
31 December 2020	Weighted average	Gross carrying	Loss allowance	Credit impaired
	%	₦'000	₦'000	
Receivables from DisCos	90	159,458,120	142,981,527	No
Interest receivables from DiSCos	100	749,056,275	749,056,275	Yes
		908,514,395	892,037,802	
		908,514,395	892,037,802	

Expected credit loss assessment for regulatory tariff shortfalls

The Company allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ranges, audited financial statements and management accounts of customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies (Moody's and Standard and Poors).

ECL rate is calculated based on the probability of default and consideration of forward looking information.

The following table provides information about the exposure to credit risk and ECLs for regulatory tariff shortfalls as at:

31 December 2021	Weighted average	Gross carrying	Loss allowance	Credit impaired
	%	₦'000	₦'000	
Regulatory tariff shortfalls	21	1,751,058,456	363,544,593	No
		1,751,058,456	363,544,593	
		1,751,058,456	363,544,593	
31 December 2020	Weighted average	Gross carrying	Loss allowance	Credit impaired
	%	₦'000	₦'000	
Regulatory tariff shortfalls	11	1,912,948,797	219,973,244	No
		1,912,948,797	219,973,244	
		1,912,948,797	219,973,244	

Expected credit loss assessment for International customers

The Company allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ranges, audited financial statements and management accounts of customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies (Moody's and Standard and Poors).

ECL rate is calculated based on the probability of default and consideration of forward looking information.

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For the year ended 31 December 2021

The following table provides information about the exposure to credit risk and ECLs for receivables from international customers as at:

31 December 2021	Weighted average	Gross carrying	Loss allowance	Credit impaired
	%	₦'000	₦'000	
International customers	20	11,686,968	2,284,094	No
		11,686,968	2,284,094	

31 December 2020	Weighted average	Gross carrying	Loss allowance	Credit impaired
	%	₦'000	₦'000	
International customers	17	11,686,968	1,939,973	No
		11,686,968	1,939,973	

Expected credit loss assessment for market operator receivables

The Company allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ranges, audited financial statements and management accounts of customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies (Moody's and Standard and Poors).

ECL rate is calculated based on the probability of default and consideration of forward looking information.

The following table provides information about the exposure to credit risk and ECLs for market operators as at:

31 December 2021	Weighted average	Gross carrying	Loss allowance	Credit impaired
	%	₦'000	₦'000	
Market operators	4	2,353,764	83,786	No
		2,353,764	83,786	

31 December 2020	Weighted average	Gross carrying	Loss allowance	Credit impaired
	%	₦'000	₦'000	
Market operators	3	1,913,643	57,355	No
		1,913,643	57,355	

Movements in the allowance for impairment in respect of trade receivables

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Opening balance	1,114,008,374	820,397,948
Impairment loss for the year	241,820,256	293,593,423
Closing balance (Note 14a)	1,355,828,630	1,114,008,374

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For the year ended 31 December 2021

Employee receivables

The company advances funds and salaries to employees for operational and personal activities respectively. To mitigate credit risk, the company monitors the progress of such activities which have been funded and make monthly deductions from employee salary for salary advances. The Company reviews the balances on a periodic basis taking into consideration functions such as continued employment relationship and ability to offset amounts against transactions due to these employees. Where such does not exist, the amounts are impaired.

The company provides its staff with a mortgage scheme constituting an upfront advance of the equivalent of six years furniture and rent allowance to eligible staff. The loan which attracts interest of 4% per annum is repaid through monthly deduction of rent and furniture allowance of the benefitting staff. A lien is placed on the staff gratuity and group life insurance proceeds until the advance is fully liquidated within the maximum six year tenor of the advance. The company also provides an advance of housing and motor vehicle allowances to eligible staff which are repaid through monthly deduction of benefitting staff's housing and motor vehicle allowances.

The Company did not recognise any impairment on its employee receivables as at 31 December 2021 (2020: Nil).

Cash and cash equivalents

The Company held cash and cash equivalents of ₦73.92 billion (2020: ₦23.03 billion) as at 31 December 2021. The cash and cash equivalents are held Central Bank of Nigeria which is the apex bank in Nigeria and therefore has good credit rating.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short term maturities of the exposures. The company considers that its cash and cash equivalents have low credit risk because they are held with the CBN which is the apex bank of Nigeria.

No loss allowance was recognised on cash and cash equivalent.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. This is achieved through the several intervention from Federal government through capital contributions from the Ministry of Finance and budgetary appropriation and the CBN Payment Assurance Facility which are all geared towards settling the balances due to the Generating companies. During the year, the company also received an intervention fund from world bank amounting to NGN39.41 billion. This is geared towards achieving the Power Sector Recovery Plan of improving the financial viability of the sector by settling the historical tariff shortfalls tied to balances due to generating companies.

Notes to the financial statements

For the year ended 31 December 2021

Exposure to liquidity risk

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

31 December 2021		<i>Contractual cash flows</i>			
Carrying Amount	Total	3 months or less	3-12 months	1-5 years	
₦'000	₦'000	₦'000	₦'000	₦'000	
Non-derivative financial liabilities					
Trade and other payables (Note 21)*	1,092,260,594	1,092,260,594	1,092,260,594	-	-
Loans and Borrowings (Note 22)	1,389,174,175	1,445,785,858	-	-	1,445,785,858
	2,481,434,769	2,538,046,452	1,092,260,594	-	1,445,785,858

31 December 2020		<i>Contractual cash flows</i>			
Carrying Amount	Total	3 months or less	3-12 months	1-5 years	
₦'000	₦'000	₦'000	₦'000	₦'000	
Non-derivative financial liabilities					
Trade and other payables (Note 21)*	1,151,673,925	1,151,673,925	1,151,673,925	-	-
Loans and Borrowings (Note 22)	933,124,138	1,389,209,777	-	-	1,389,209,777
	2,084,798,063	2,540,883,702	1,151,673,925	-	1,389,209,777

*These exclude statutory deductions.

(c) Market risk

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

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

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Currency risk

The Company is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currency of the Company. The functional currency of the Company is primarily the Nigerian Naira (₦). The currency in which these transactions are primarily denominated is the US dollars (\$).

In managing currency risk, the Company aims to reduce the impact of short-term fluctuations on earnings. The Company's exposure to currency risk relates to importation of various materials and other plant and equipment and loans obtained. Generally, borrowings are denominated in currencies that match the cash flows generated by the Company's underlying operations. Although the Company has various measures to mitigate exposure to foreign exchange rate movement, over the longer term, however, permanent changes in exchange rates would have an impact on profit in the long term. The Company monitors the movement in the currency rates on an ongoing basis.

Exposure to currency risk

The Company's exposure to currency risk was based on foreign currency denominated balances as follows:

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	USD'000	USD'000
<i>Financial assets</i>		
Cash and cash equivalents	10,149	10,149
<i>Financial liabilities</i>		
Trade and other payables	(233,815)	(145,052)
Net exposure	<u>(223,666)</u>	<u>(134,903)</u>

The following significant exchange rates are applied during the year:

	<u>Average rate</u>		<u>Reporting date spot rate</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
USD	399.13	356.42	413.49	379.50

The Company translates its foreign currency denominated transactions using the Central Bank of Nigeria rates.

Sensitivity analysis

A strengthening of the Naira, as indicated below, against the USD as at 31 December would have increased or decreased profit or loss as shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	<u>Profit or loss</u>	
	<u>Strengthening</u>	<u>Weakening</u>
	₦'000	₦'000
31 December 2021		
USD (15% movement)	<u>13,872,553</u>	<u>(13,872,553)</u>
31 December 2020		
USD (15% movement)	<u>7,679,358</u>	<u>(7,679,358)</u>

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Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company loans and payables to Generating Companies.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amounts	
	31-Dec-21	31-Dec-20
	₦'000	₦'000
Fixed rate instruments		
<i>Financial liabilities</i>		
Payable to GENCOs (Note 24(a))	1,092,260,594	1,151,315,552
Loans and borrowings (Note 25)	1,389,174,175	933,124,138
	2,481,434,769	2,084,439,690

The Company does not have any floating interest rate and does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss or equity.

B Capital risk management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividend to all shareholders.

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

The Company's debt to adjusted capital ratio at the end of the reporting year was as follows:

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Total liabilities	2,522,339,944	2,085,009,245
Less: Cash and cash equivalents	(73,916,051)	(23,025,554)
Net debt	2,448,423,893	2,061,983,691
Total equity	(994,195,723)	(306,728,274)
Debt to equity ratio	(2.46)	(6.72)

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C Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value subsequent to initial recognition, because the carrying amounts are a reasonable approximation of their fair values.

31 December 2021		<i>Carrying amount</i>		
<i>Note</i>	Amortised cost	Other financial liabilities	Total	
	₦'000	₦'000	₦'000	
Financial assets not measured at fair value				
Trade and other receivables	14	2,776,275,876	2,776,275,876	
Cash and cash equivalents	15	73,916,051	73,916,051	
		2,850,191,927	2,850,191,927	
Financial liabilities not measured at fair value				
Loans and borrowings	25	-	(1,389,174,175)	
Trade and other payables*	21	-	(1,093,142,205)	
		-	(2,482,316,380)	
31 December 2020		<i>Carrying amount</i>		
<i>Note</i>	Amortised cost	Other financial liabilities	Total	
	₦'000	₦'000	₦'000	
Financial assets not measured at fair value				
Trade and other receivables	16	1,721,456,328	1,721,456,328	
Cash and cash equivalents	14	23,025,554	23,025,554	
		1,744,481,882	1,744,481,882	
Financial liabilities not measured at fair value				
Loans and borrowings	21	-	(933,088,536)	
Trade and other payables*	20	-	(1,151,673,925)	
		-	(2,084,762,461)	

*These exclude statutory deductions.

Notes to the financial statements

For the year ended 31 December 2021

28 Related party transaction

(a) Parent and ultimate controlling party

The Parent Company is Bureau of Public Enterprises while the ultimate controlling party is the Federal Government of Nigeria.

(b) Bureau of Public Enterprises

The Bureau of Public Enterprises serves as the secretariat of the National Council on Privatization and is charged with the overall responsibility of implementing the council's policies on privatization and commercialization. The Bureau of Public Enterprises (BPE) is the majority shareholder of NBET with 80% Shareholding (16,000,000 units of shares). Transactions with Bureau of Public enterprise represent escrowed funds from proceeds from privatization of Generation companies. When Generation companies; Egbin, Omotosho and Olorunsogo were privatised, proceeds from the sale were set aside in an escrow to enable the company pay these generation companies in the event of default on amounts due to them. There were no transactions between NBET and BPE during the year (2020: Nil). There is no amount due to and from the Bureau of Public Enterprises as at year end (2020: Nil). The balance in equity as at year end was ₦54 billion (2020: ₦54 billion).

(c) Ministry of Finance

The Federal Ministry of Finance is the government body that manages the finances of the Federal Government of Nigeria, including managing, controlling, and monitoring federal revenues and expenditures and also has 20% shareholding in the company. The office of the Ministry of Finance is represented by the Minister of Finance who sits on the board of the company as its chairperson. Transactions with the Ministry of Finance represent funds received in respect of the Power Trading Capital which represents cash back up in order to guarantee agreements signed by the Company with the generation companies (GENCOs); guarantee of CBN Payment Assurance Facility; and annual budgetary receipts from the Federal Government for operational activities of the Company.

The Ministry also made payments to Generating Companies during the year in line with the Power Sector Recovery Financing Plan which requires the Federal Government to clear out historical tariff shortfalls.

These amounts are included in equity as at year end

(d) Ministry of Power

The Ministry of Power is the government body that is responsible for the provision of power across the country. The office of the Ministry of Power is represented by the sitting Minister of Power who sits on the board of the company.

There were no transactions between NBET and Ministry of Power during the year (2020: Nil). The balance in equity as at year end was ₦22.41 billion (2020: ₦22.41 billion).

(e) Central Bank of Nigeria

The Central Bank Nigeria (CBN) has provided certain facilities to the Company in line with various interventions in the power sector. In 2017, CBN provided a Payment Assurance Facility amounting to ₦701.94 billion (See note 23(a)). The amount outstanding on this facility as at year end is ₦1.38 trillion (2020: ₦933.09 billion).

(f) Nigerian Electricity Regulatory Commission

The Company occupies the 2nd and 3rd floor of the Nigerian Electricity Regulatory Commission (NERC) building and pays an annual service charge. The transaction between the Company and NERC during the year amounted to ₦22.67 million (2019: ₦45.54 million). There was no amount due to the NERC as at year end (2019: Nil).

Notes to the financial statements

For the year ended 31 December 2021

(g) Transactions with related parties

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	N'000	N'000
Central Bank of Nigeria	48,964,203	39,315,542
Nigerian Electricity Regulatory Commission	22,666	45,538
	<u>48,986,869</u>	<u>39,361,080</u>

(h) Related party balances

Related party balances included in equity

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	N'000	N'000
Ministry of Power	24,410,981	24,410,981
Ministry of Finance	643,265,871	512,698,958
	<u>667,676,852</u>	<u>537,109,939</u>

Related party balance included in loans and borrowings

Central Bank of Nigeria	<u>1,389,174,175</u>	<u>933,088,536</u>
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(i) Key management personnel compensation

The key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity. The key management personnel are the Company's Directors and management staff. Key management personnel includes staff on the senior manager cadre and above. The compensation paid or payable to key management for employee services is shown below:

	<u>2021</u>	<u>2020</u>
	N'000	N'000
Salaries and other short term benefits		
Directors:		
- Fees	7,360	3,296
- Other expenses	85,328	38,842
	<u>92,688</u>	<u>42,138</u>
Management	266,620	285,687
	<u>359,308</u>	<u>327,825</u>

29 Commitments and contingencies

Financial commitments

The Company did not charge its assets to secure liabilities of third parties.

The Directors are of the opinion that all known liabilities and commitments have been taken into account in the preparation of these financial statements.

Commitments received include payment assurance guarantee received from the Distribution Companies covering three months guarantee on invoices, but ongoing court cases have frozen these guarantees, and made them unenforceable.

Notes to the financial statements

For the year ended 31 December 2021

Contingent liabilities

The company is subject to claims as at 31 December 2020 which arose in the normal course of business and are being handled by the Company's external legal solicitor. The Directors, based on of the circumstances of each claim and advice of external solicitor and company legal adviser (with FRC number FRCN/2021/002/00000023491) believe the risk of material loss to the Company is remote.

Therefore, with respect to claims, the Directors have estimated ₦3.59 billion contingent liabilities arising from law suits as at year end (2020: Nil).

30 World Bank Power Sector Recovery Operation

NBET is participating in the World Bank assisted Power Sector Recovery Operation (PSRO Program). For participation in the Program, NBET must fully meet the Eligibility Criteria and amount earned is determined by performance against a set of Disbursement Linked Results which terms are defined in Subsidiary Grant Agreement dated 23 September 2021. The achievement of performance by NBET is required to be verified by an Independent Verification Agent. The Program Expenditure Framework for PSRO Program comprises expenditures incurred in the following budget lines:

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	₦'000	₦'000
Tariff shortfalls		
New tariff shortfalls	251,071,584	485,402,301
Historical tariff shortfall arrears	<u>1,985,977,316</u>	<u>1,500,575,015</u>
Total expenditure requirements	<u>2,237,048,900</u>	<u>1,985,977,316</u>
 Use of funds/ Program Expenditure Framework		
New tariff shortfalls	283,128,261	149,195,665
Historical (2015-2020) tariff shortfalls		
Historical tariff shortfall arrears	<u>129,833,663</u>	<u>367,418,486</u>
Total expenditure	<u>412,961,924</u>	<u>516,614,151</u>
 Source of funds		
CBN PAF (debt-domestic)	320,847,738	170,999,173
FGN Direct budgetary contribution	92,114,186	73,024,504
PRG Commitments - Ministry of Finance	<u>-</u>	<u>272,590,474</u>
Total	<u>412,961,924</u>	<u>516,614,151</u>

31 Going concern

The company reported a loss for the year of ₦817.83 billion for the year ended 31 December 2021 (2020: ₦569.51 billion), as at same date, the company's total liabilities exceeded its total assets by ₦994.20 billion (2020: ₦306.73 billion). The Company also had a negative operating cashflow of ₦486.77 billion (2020: ₦533.93 billion), as it has been unable to generate sufficient cashflow from its operations. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern in the foreseeable future.

Notes to the financial statements

For the year ended 31 December 2021

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

- i. The company is a Federal Government owned entity and continues to get funding to support its operations from the Federal Government. These funds are obtained through various sources such as grants, loans from Central Bank of Nigeria (CBN), and budgetary allocations from Federal Government. The grants and budgetary allocations utilized are not repayable. Management believes that the Company will continue to get the funding support in the future.
- ii. CBN has intervened in the power sector by providing long-term intervention facility to support the industry. The company has an existing loan agreement - Central Bank of Nigeria Payment Assurance Facility to ensure that generation companies and gas suppliers receive sufficient payment to continue generating electricity.
- iii. World Bank Led Power Sector Recovery Plan (PSRP): The World Bank Group is assisting the FGN in executing a Power Sector Recovery Plan. The PSRP contains comprehensive measures for restoring the sector's financial viability, improving service delivery and reducing its fiscal burden. Subsequent to year end, in 2022, the company received the sum of ₦190.38 billion from the World bank for the settlement of tariff shortfalls.

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

32 Events after the reporting date

Settlement of Payment Assurance Facility

In August 2022, the outstanding amount on the Payment Assurance Facility was fully settled from the Consolidated Revenue Fund.

Other than the above, there were no other events after the reporting date which could have had a material effect on the financial position of the Company as at 31 December 2021 and on the profit for the year then ended which havenot been adequately accounted for or disclosed in these financial statements.

Other national disclosures

Value added statement
For the year ended 31 December

	<u>2021</u>	%	<u>2020</u>	%
	N'000		N'000	
Revenue	819,390,577		731,366,388	
Bought in materials and services				
Local	<u>(1,481,264,084)</u>		<u>(1,110,298,623)</u>	
	(661,873,507)		(378,932,235)	
Other income	-		17,807	
Finance income	42,849		9,008	
	<u>(661,830,658)</u>	100	<u>(378,905,420)</u>	100
Distributed as follows:				
To Employees:				
Salaries, wages and defined benefits	1,097,484	-	673,551	-
To Providers of finance:				
Finance cost	154,520,644	(23)	189,526,423	(50)
Maintenance of assets and future expansion				
Property, plant and equipment	366,433	-	396,506	(1)
Intangible assets	16,523	-	5,449	-
Retained in the business:				
To deplete reserves	(817,831,742)	124	(569,507,349)	150
	<u>(661,830,658)</u>	101	<u>(378,905,420)</u>	99

Financial summary

For the year ended 31 December

Statement of profit or loss and other comprehensive income

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
	N'000	N'000	N'000	N'000	N'000
Revenue	819,390,577	731,366,388	655,561,256	783,093,442	669,054,522
Loss for the year	<u>(817,831,742)</u>	<u>(569,507,349)</u>	<u>(112,525,343)</u>	<u>(241,216,908)</u>	<u>(155,835,949)</u>
Total comprehensive gain/(loss) for the year	<u>(818,034,362)</u>	<u>(569,586,635)</u>	<u>(112,464,269)</u>	<u>(241,216,908)</u>	<u>(155,835,949)</u>

Statement of financial position

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
	N'000	N'000	N'000	N'000	N'000
Assets and Liabilities					
Non-current assets	726,873	745,038	965,138	1,020,234	661,388
Net current assets	434,162,081	625,861,553	638,558,789	425,980,202	153,904,393
Non-current liabilities	<u>(1,429,084,677)</u>	<u>(933,334,865)</u>	<u>(722,922,008)</u>	<u>(555,665,174)</u>	<u>(238,287,465)</u>
Net assets/(liabilities)	<u>(994,195,723)</u>	<u>(306,728,274)</u>	<u>(83,398,081)</u>	<u>(128,664,738)</u>	<u>(83,721,684)</u>
Equity					
Share capital	10,000	10,000	10,000	10,000	10,000
Contributions by the Federal Government of Nigeria	643,265,871	512,698,958	166,442,516	8,711,590	4,072,736
Power trading capital	24,410,981	24,410,981	24,410,981	24,410,981	22,410,981
BPE Escrow accounts	54,008,485	54,008,485	54,008,485	54,008,485	54,008,485
Nigerian Electricity Market Stabilisation Facility	-	-	-	-	459,679
Accumulated deficit	<u>(1,715,891,060)</u>	<u>(897,856,698)</u>	<u>(328,270,063)</u>	<u>(215,805,794)</u>	<u>(164,683,565)</u>
Fair value reserves	<u>(994,195,723)</u>	<u>(306,728,274)</u>	<u>(83,398,081)</u>	<u>(128,664,738)</u>	<u>(83,721,684)</u>