

# **Eko Electricity Distribution Plc**

**RC 638862**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

***Eko Electricity Distribution Plc.***  
***Annual report and financial statements***  
***For the year ended 31 December 2020***

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***Eko Electricity Distribution Plc.***  
***Corporate information***  
***For the year ended 31 December 2020***

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Company registration number	638862
Country of incorporation and domicile	Nigeria
Directors	Dere Otubu - Chairman Tinuade Sanda - Managing Director/CEO Alex Okoh Charles Momoh Ernest Orji George Etomi Tunji Olowolafe
Registered office	24/25 Marina Road Lagos State
Company secretary	GEP Nominees Limited 1b, Prof. Tihamiyu Belo-Osagie Street Parkview Estate, Ikoyi Lagos
Company solicitor	George Etomi & Partners (Legal practitioners) 1b, Prof. Tihamiyu Belo-Osagie Street Parkview Estate, Ikoyi Lagos
Auditors	PricewaterhouseCoopers Landmark Towers 5B Water Corporation Road Victoria Island Lagos
Bankers	Access Bank Plc Ecobank Nigeria Limited Fidelity Bank Plc First City Monument Bank Limited Polaris Bank Limited Union Bank of Nigeria Plc United Bank for Africa Plc Wema Bank Plc Zenith Bank Plc

**Eko Electricity Distribution Plc.**  
**Directors' report**  
**For the year ended 31 December 2020**

For the purpose of Section 303 of the Companies and Allied Matters Act of Nigeria, 2020, no other Director has notified the Company of any declarable interests in contracts with the Company, except as disclosed in Note 36 to these financial statements.

**Shareholding structure**

	<b>2020</b>	<b>%</b>	<b>2019</b>	<b>%</b>
West Power and Gas Limited	240,000,000	60	240,000,000	60
Bureau of Public Enterprises	128,000,000	32	128,000,000	32
Ministry of Finance Incorporated	32,000,000	8	32,000,000	8
	<b>400,000,000</b>	<b>100</b>	<b>400,000,000</b>	<b>100</b>

There have been no changes to the authorised or issued share capital during the year under review.

**4. Directorate**

The Directors who held office during the year and at the date of this report are as follows:

<b>Directors</b>	<b>Office</b>	<b>Designation</b>	<b>Changes</b>
Dere Otubu	Chairman	Non-Executive Director	Appointed as Chairman on 17 January 2022
Charles Momoh	Former Chairman	Non-Executive Director	Resigned as Chairman on 17 January 2022
Tinuade Sanda	Managing Director	Executive Director	Appointed as Managing Director 30 March 2022
Adeoye Fadeyibi	Former Managing Director	Executive Director	Resigned as Managing Director on 30 March 2022
Alex Okoh		Non-Executive Director/Independent Director	
Ernest Orji		Non-Executive Director	
George Etomi		Non-Executive Director	
Tunji Olowolafe		Non-Executive Director	

**5. Holding Company**

The Company's holding company is West Power and Gas Limited which holds 60% (2019: 60%) of the Company's equity. West Power and Gas Limited is incorporated in Nigeria.



## **6. Events after the reporting period**

Events after the reporting date have been disclosed in Note 41 to these financial statements.

## **7. Property, plant and equipment**

Information relating to changes in property plant and equipment is disclosed in Note 19 to these financial statements.

## **8. Charitable donations**

In accordance with Section 43 (2) of the Companies and Allied Matters Act 2020, the Company made donations of ₦600.38 million to social causes during the year (2019: Nil).

## **9. Employment and employees**

### **a. Employee consultation and training**

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

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

### **b. Dissemination of information**

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

### **c. Employment of physically challenged persons**

The Company has 14 physically challenged persons in its employment (2019: 13). Applications for employment by physically challenged persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming physically challenged, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that training, career development and promotion of physically challenged persons should, as much as possible, be identical with that of other employees.

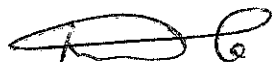
**d. Employee health, safety and welfare**

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

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

**10. Date of authorisation for issue of financial statements**

The financial statements have been authorised for issue by the Directors on 10 March 2022. No authority was given to anyone to amend the financial statements after the date of issue.



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Company Secretary  
GEP Nominees Limited

**Eko Electricity Distribution Plc.**  
**Statement of directors' responsibilities**  
**For the year ended 31 December 2020**

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

- a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act;
- b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the International Financial Reporting Standard (IFRS) and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

The financial statements give a true and fair view of the state of the financial affairs of the Company and of its results for the year. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of approval of these financial statements.

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Dere Otubu - Chairman  
FRC/2013/IODN/00000004695

10 March

2022

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Tinuade Sanda - Managing Director/CEO  
FRC/2015/ICAN/00000012005

10 March

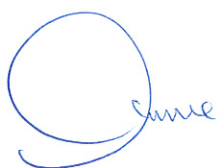
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***Eko Electricity Distribution Plc.  
Statement of corporate responsibility  
For the year ended 31 December 2020***

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Further to the provisions of Section 405 of the Companies and Allied Matters Act 2020, we hereby certify the financial statements of Eko Electricity Distribution Plc for the year ended 31 December 2020 as follows:

- a) That we have reviewed the audited financial statements of the Company for the year ended 31 December 2020;
- b) That the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading; in the light of the circumstances under which such statement was made;
- c) That the audited financial statements and all other information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for the year ended 31 December 2020;
- d) That we are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Company is made known to us by other officers of the Company, particularly during the period in which the audited financial statement report is being prepared;
- 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 we have disclosed the following information to the Company's auditors:
  - i) there are no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data, and have identified for the Company's auditors any material weaknesses in internal controls, and
  - ii) there is no fraud that involves management or other employees who have a significant role in the Company's internal controls.
- g) That there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.



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Tinuade Sanda  
Managing Director/C.E.O  
FRC/2015/ICAN/00000012005



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

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

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

#### **Names of directors:**

1	Dere Otubu	Chairman/Non-executive Director
2	Adeoye Fadeyibi	Managing Director/Executive Director
3	Alex Okoh/Yunana Malo*	Non-executive Director/Independent Director
4	Charles Momoh	Non-executive Director
5	Ernest Orji	Non-executive Director
6	George Etomi	Non-executive Director
7	Tunji Olowolafe	Non-executive Director

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

#### **Board committees**

There are five (5) board committees, they are as follows:

- Finance and General Purpose Committee
- Board Strategy and Technical Matters Committee
- Board Human Resources and Administration Committee
- Legal, Corporate Governance and Regulatory Committee
- Audit and Compliance Committee

#### **Board committee functions**

The functions of the board committees are as follow :

##### **a. Finance and General Purpose Committee**

The members of this committee during the year were as follows:

1	Dere Otubu	Chairman
2	Adeoye Fadeyibi	Managing Director
3	Alex Okoh	
4	George Etomi	
5	Ernest Orji	
6	Tunji Olowolafe	

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

The committee also has the following responsibilities:

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

**b. Board Strategy and Technical Matters Committee**

The members of this committee during the year were as follows:

- |   |                 |          |
|---|-----------------|----------|
| 1 | Ernest Orji     | Chairman |
| 2 | Adeoye Fadeyibi |          |
| 3 | Alex Okoh       |          |
| 4 | Dere Otubu      |          |
| 5 | George Etomi    |          |
| 6 | Tunji Olowolafe |          |

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

**c. Board Human Resources and Administration Committee**

The members of this committee during the year were as follows:

- |   |                 |          |
|---|-----------------|----------|
| 1 | Tunji Olowolafe | Chairman |
| 2 | Adeoye Fadeyibi |          |
| 3 | Alex Okoh       |          |
| 4 | Dere Otubu      |          |
| 5 | George Etomi    |          |
| 6 | Ernest Orji     |          |

**Eko Electricity Distribution Plc.**  
**Directors' report**  
**For the year ended 31 December 2020**

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The Directors submit their report together with the audited financial statements for the year ended 31 December 2020, which discloses the state of affairs of Eko Electricity Distribution Plc.

## **1. Nature of business**

Eko Electricity Distribution Plc ("the Company") was incorporated in Nigeria with interests in the Services industry. The Company operates in Nigeria, and was incorporated on 8 November 2005 as a public limited liability company to take over as a going concern, the electricity distribution activities and related business of the Power Holding Company of Nigeria ("PHCN") within the Eko zone which comprises of 10 districts namely; Apapa, Agbara/ Badagry, Ojo, Festac, Ijora, Islands, Lekki, Mushin, Orile and Ibeju districts.

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

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

## **2. Review of financial results and activities**

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act 2020. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the Company are set out in these financial statements.

## **3. Share capital**

### **Indirect shares**

As of 31 December 2020, the Directors of EKEDP highlighted below indirectly held a total of 51,520,800 shares in West Power and Gas Limited (WPG). This represents 86% of the total shares in WPG and translates to an indirect shareholding in EKEDP.

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>₦'000</b>	<b>₦'000</b>	<b>Unit</b>	<b>Unit</b>
Charles Momoh (through Atlantic Meridean Limited)	17,753,900	17,753,900	35,507,800	35,507,800
Tunji Olowolafe (through Kagera Limited)	5,424,500	5,424,500	10,849,000	10,849,000
Ernest Orji (through Jachazes Investments Limited)	1,932,000	1,932,000	3,864,000	3,864,000
George Etomi (through Eastcorp Investment Limited)	650,000	650,000	1,300,000	1,300,000
	<b>25,760,400</b>	<b>25,760,400</b>	<b>51,520,800</b>	<b>51,520,800</b>

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

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

**d. Legal, Corporate Governance and Regulatory Committee**

The members of this committee during the year were as follows:

- |   |                 |          |
|---|-----------------|----------|
| 1 | George Etomi    | Chairman |
| 2 | Adeoye Fadeyibi |          |
| 3 | Alex Okoh       |          |
| 4 | Dere Otubu      |          |
| 5 | Ernest Orji     |          |
| 6 | Tunji Olowolafe |          |

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

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

**e. Audit and Compliance Committee**

The members of this committee during the year were as follows:

- |    |                 |          |
|----|-----------------|----------|
| 1. | Dere Otubu      | Chairman |
| 2. | Alex Okoh       |          |
| 3. | George Etomi    |          |
| 4. | Ernest Orji     |          |
| 5. | Tunji Olowolafe |          |



The committee derives its authority from the Board to:

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

***Eko Electricity Distribution Plc.***  
***Audit committee report***  
***For the year ended 31 December 2020***

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This report is provided by the audit committee appointed in respect of the 2020 financial year of Eko Electricity Distribution Plc.

**Members of the Audit Committee**

The committee is satisfied that the members have the required knowledge and experience as set out in the Companies and Allied Matters Act 2020.

The audit and compliance committee's overall purpose is to enhance confidence in the integrity of the Company's processes and procedures relating to internal control and corporate reporting. The audit and compliance committee is responsible for the review of financial reporting, appointment and provision of oversight for the work of the external auditor.

The committee makes recommendations to the Board concerning internal financial controls, effectiveness of its internal audit functions viz a viz compliance with internal processes and procedures. It also ensures statutory compliance with the provisions of Companies and Allied Matters Act 2020.

**Meetings held by the Audit Committee**

The audit committee performs the duties laid upon it by the Companies and Allied Matters Act 2020 by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditors.

The committee held one (1) scheduled meeting during 2020 and all the members of the committee attended all the meetings.

**External Auditor**

The audit committee has nominated PricewaterhouseCoopers as the independent auditor, who is a registered independent auditor, for appointment of the 2020 audit.

The committee satisfied itself through enquiry that the external auditors are independent as defined by the Companies and Allied Matters Act 2020 and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided in accordance with the Companies and Allied Matters Act 2020 that internal governance processes within the firm support and demonstrate the claim to independence.

The audit committee in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

***Eko Electricity Distribution Plc.***  
***Audit committee report***  
***For the year ended 31 December 2020***

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**Financial Statements**

Following the review of the financial statements the audit committee recommend Board approval thereof.

On behalf of the audit committee



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Dere Otubu  
Chairman, Audit Committee  
FRC/2013/IODN/00000004695



## *Independent auditor's report*

To the Members of Eko Electricity Distribution Plc.

### *Report on the audit of the financial statements*

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#### *Our opinion*

In our opinion, Eko Electricity Distribution Plc.'s ("the company's") financial statements give a true and fair view of the financial position of the company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

#### **What we have audited**

Eko Electricity Distribution Plc.'s financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 December 2020;
  - the statement of financial position as at year then ended;
  - the statement of changes in equity for the year then ended;
  - the statement of cash flows for the year then ended; and
  - the notes to the financial statements, which include a summary of significant accounting policies.
- 

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="263 421 654 448"><i>Impairment of trade receivables (₦27.60 billion)</i></p> <p data-bbox="239 488 774 515"><i>Refer to notes 4(m), 6(ii), 9.5(a) and 23 of the financial statements</i></p> <p data-bbox="239 560 798 694">The company bills its customers monthly using the Multi-Year Tariff Order (MYTO). Customers are classified based on their payment pattern as prepaid and post-paid. The risk of impairment to trade receivables relates to only post-paid customers because some customers do not make payment as and when due on the bills.</p> <p data-bbox="239 734 798 846">We focused on this area due to the materiality of the trade receivable of ₦76.3 billion and resulting impairment of ₦29.50 billion and because it requires significant judgment both for timing of recognition of impairment and estimation of the amount of such impairment.</p> <p data-bbox="239 887 798 967">The expected credit loss (ECL) model requires significant judgment in measuring ECL especially incorporating forward looking information in building the economic scenarios used in the ECL model.</p> <p data-bbox="239 1008 798 1281">The company utilised the “simplified approach” model in determining the provision for impairment for the trade receivables. Under the simplified approach, the provision combines the historical loss rate with forward looking assumptions (forecast inflation and crude oil prices) which takes management’s view of the future of the customer into account. In computing the ECL the company considered the classification of customers based on tariff bands. Management used its collection efficiency to proxy historical loss rates applied to the receivables as at year end. The collection efficiency reflects the invoice amounts received out of the total billed invoices in a month.</p>	<p data-bbox="845 488 1165 515">Our procedures included the following:</p> <ul style="list-style-type: none"> <li data-bbox="845 560 1340 672">• We obtained an understanding of the company’s process for classification of its customers based on tariff bands and estimating the expected credit loss (ECL) for these customers;</li> <li data-bbox="845 712 1340 824">• We challenged management regarding the forward-looking assumptions (forecast inflation and crude oil prices) and compared those assumptions against publicly available information;</li> <li data-bbox="845 828 1340 940">• We checked that the collection efficiency rates applied by management were in line with the company’s rates reported to the Nigerian Electricity Regulatory Commission (NERC);</li> <li data-bbox="845 945 1340 1034">• We engaged the internal specialists to recompute the impairment amount and compared to amount recognised by management; and</li> <li data-bbox="845 1070 1340 1097">• We reviewed the IFRS 9 disclosures for reasonableness.</li> </ul>



#### Recognition of tariff shortfall (₦50.4 billion)

Refer to notes 4(j), 8, and 15 of the financial statements

The Nigerian Electricity Regulatory Commission (NERC) regulates electricity tariffs in the Nigerian electricity supply industry through the periodic issuance of tariff orders known as the Multi-Year Tariff Order (MYTO). The MYTO ensures prices charged by licensees are fair to consumers and are sufficient to allow licensees recover the cost of energy purchased from the Nigerian Bulk Electricity Trading Plc. (NBET), including a reasonable return on the capital invested in the business.

NERC implemented MYTO reviews in 2020 which had a material and immediate impact on end-user tariff payables by all classes of electricity customers in the country. Prior to this review, there existed a wide tariff gap due to the absence of cost-reflective tariffs which has not been completely eliminated. As a result, the company is not able to pass on the full cost of energy purchased to end users leading to tariff shortfall. The tariff shortfall will be fully settled under the financing plan of the Power Sector Recovery Plan (PSRP) approved by the Federal Government.

Based on the orders, the company recognised a tariff shortfall of ₦153.9 billion (for 2015 – 2019) in 2019 and ₦50.4 billion in 2020.

We focused on this area due to the nature of the transaction and the materiality of tariff shortfall recognised.

Our procedures included the following:

- We examined the NERC orders to obtain an understanding of the considerations for recognition;
- We checked that the tariff shortfall amount recognised by the company was in line with the NERC orders;
- We involved our accounting technical specialists in evaluating the appropriateness of the accounting treatment of these transactions by management; and
- We evaluated the adequacy of the disclosures in the financial statements.

#### Other information

The directors are responsible for the other information. The other information comprises the Corporate information, Directors' report, Statement of directors' responsibilities, Statement of corporate responsibility, Corporate governance report, Audit committee report, Value added statement and Five-year financial summary, 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 an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

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### *Responsibilities of the directors and those charged with governance for the financial statements*

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standard and the requirements of the

Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act, 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.

Those charged with governance are responsible for overseeing the company's financial reporting process.

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### *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 scepticism throughout the audit. We also:

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

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### *Report on other legal and regulatory requirements*

The Companies and Allied Matters Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;
- 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 and returns.

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*Pedro Omontuemhen*

For: **PricewaterhouseCoopers**  
Chartered Accountants  
Lagos, Nigeria

Engagement Partner: Pedro Omontuemhen  
FRC/2013/ICAN/00000000739



27 April 2022



**Eko Electricity Distribution Plc.**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2020**

		<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>Note</b>	<b>₦'000</b>	<b>*Restated ₦'000</b>
Revenue from contracts with customers	11	98,807,144	80,604,365
Cost of sales	12	(110,288,181)	(95,350,625)
<b>Gross loss</b>		<b>(11,481,037)</b>	<b>(14,746,260)</b>
Net impairment losses on financial assets	13	(13,408,618)	(4,591,682)
Operating expenses	14	(26,984,438)	(26,414,587)
Other income	15	58,069,057	177,573,857
<b>Operating profit</b>		<b>6,194,964</b>	<b>131,821,328</b>
Finance income	16	117,669	133,540
Finance cost	17	(3,464,335)	(5,485,611)
Net finance cost		(3,346,666)	(5,352,071)
<b>Profit before tax</b>		<b>2,848,298</b>	<b>126,469,257</b>
Income tax credit/(expense)	18	8,878,072	(2,724,332)
<b>Profit for the year</b>		<b>11,726,370</b>	<b>123,744,925</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>11,726,370</b>	<b>123,744,925</b>
<b>Basic earnings per share (Naira)</b>	33	<b>1,173</b>	<b>12,374</b>
<b>Diluted earnings per share (Naira)</b>	33	<b>29</b>	<b>309</b>

\*Refer to Note 10 for details of the restatement as a result of error.

The notes on pages 25 to 80 form an integral part of these financial statements.

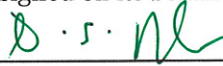
**Eko Electricity Distribution Plc.**  
**Statement of financial position**  
**As of 31 December 2020**

		31 December 2020	31 December 2019 *Restated	1 January 2019 *Restated
	Note	N'000	N'000	N'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	19	47,526,563	49,724,028	50,365,319
Right-of-use assets	21.1	1,966,812	2,628,119	-
Intangible assets	20	779,275	210,189	240,432
Deferred tax assets	18	11,776,183	-	-
Other receivables	23	5,297,542	4,147,151	2,300,000
		<u>67,346,375</u>	<u>56,709,487</u>	<u>52,905,751</u>
<b>Current assets</b>				
Inventories	22	1,053,611	1,199,698	1,723,118
Trade and other receivables	23	87,579,470	33,193,188	26,489,378
Contract assets	23	1,630,475	1,025,872	988,784
Prepayments	24	2,846,145	2,909,976	3,037,344
Cash and cash equivalents	25	10,558,674	7,416,456	4,624,437
		<u>103,668,375</u>	<u>45,745,190</u>	<u>36,863,061</u>
<b>TOTAL ASSETS</b>		<b>171,014,750</b>	<b>102,454,677</b>	<b>89,768,812</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	31	200,000	200,000	5,000
Retained earnings/ (Accumulated deficit)	32	63,691,368	51,964,998	(71,779,927)
<b>TOTAL EQUITY</b>		<b>63,891,368</b>	<b>52,164,998</b>	<b>(71,774,927)</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	28	2,542,469	3,338,098	3,056,506
Lease liabilities	21.2	1,467,252	1,771,800	-
Employee benefit obligation	35	91,610	65,000	-
Deferred income- Government grants	29	386,959	600,359	863,490
		<u>4,488,290</u>	<u>5,775,257</u>	<u>3,919,996</u>
<b>Current liabilities</b>				
Trade and other payables	26	92,831,898	35,846,308	154,014,183
Current income tax liabilities	18	6,081,004	3,608,345	389,769
Contract liabilities	27	924,718	911,436	606,690
Borrowings	28	1,597,855	2,765,813	2,273,835
Employee benefit obligation	35	1,470	-	-
Deferred income- Government grants	29	347,048	365,774	339,266
Lease liabilities	21.2	681,283	968,930	-
Provisions	30	169,816	47,816	-
		<u>102,635,092</u>	<u>44,514,422</u>	<u>157,623,743</u>
<b>TOTAL LIABILITIES</b>		<b>107,123,382</b>	<b>50,289,679</b>	<b>161,543,739</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>171,014,750</b>	<b>102,454,677</b>	<b>89,768,812</b>

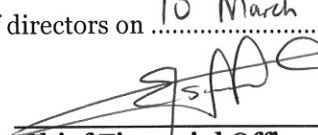
\*Refer to Note 10 for details of the restatement as a result of error.

The notes on pages 25 to 80 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board of directors on 10 March 2022 and were signed on its behalf by:

  
**Chairman**  
**Dere Otubu**  
**FRC/2013/IODN/00000004695**

  
**Managing Director**  
**Tinuade Sanda**  
**FRC/2015/ICAN/00000012005**

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

**Eko Electricity Distribution Plc.**  
**Statement of changes in equity**  
**For the year ended 31 December 2020**

	Share capital ₦'000	Retained earnings/ (Accumulated deficit) ₦'000	Total equity ₦'000
<b>Balance at 1 January 2019 (as previously reported)</b>	5,000	(71,170,461)	(71,165,461)
*Correction of error		(609,466)	(609,466)
<b>Balance at 1 January 2019 (Restated)</b>	5,000	(71,779,927)	(71,774,927)
Profit for the year - *restated	-	123,744,925	123,744,925
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	-	123,744,925	123,744,925
<b>Transactions with owners in their capacity as owners:</b>			
Addition during the year	195,000	-	195,000
<b>Balance at 31 December 2019 (Restated)</b>	<b>200,000</b>	<b>51,964,998</b>	<b>52,164,998</b>
<b>Balance at 31 December 2019 (as previously reported)</b>	<b>200,000</b>	<b>52,249,915</b>	<b>52,449,915</b>
Correction of errors - net of tax (Note 10)		(284,917)	(284,917)
<b>Balance at 31 December 2019 - *restated</b>	<b>200,000</b>	<b>51,964,998</b>	<b>52,164,998</b>
Profit for the year	-	11,726,370	11,726,370
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	-	11,726,370	11,726,370
<b>Balance at 31 December 2020</b>	<b>200,000</b>	<b>63,691,368</b>	<b>63,891,368</b>

\*Refer to Note 10 for details of the restatement as a result of error.

The notes on pages 25 to 80 form an integral part of these financial statements.

**Eko Electricity Distribution Plc.**  
**Statement of cash flows**  
**For the year ended 31 December 2020**

	Note	31 December 2020 N'000	31 December 2019 *Restated N'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	34	12,095,215	9,998,128
Long service award paid	35	-	(41,280)
Income tax paid	18	(425,452)	(94,582)
<b>Net cash generated from operating activities</b>		<b>11,669,763</b>	<b>9,862,266</b>
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment	19	(5,348,943)	(6,436,385)
Acquisition of intangible assets	20	(694,336)	(44,687)
Interest received	16	113,312	133,540
<b>Net cash used in investing activities</b>		<b>(5,929,967)</b>	<b>(6,347,532)</b>
Acquisition of right of use assets	21.4	(17,303)	-
<b>Cash flows from financing activities</b>			
Repayment of principal on borrowings	28	(1,372,510)	(876,908)
Repayment of interest on borrowings	28	(485,039)	(441,709)
Proceeds from borrowings	28	250,000	1,500,000
Lease payments	21.2	(977,083)	(903,934)
<b>Net cash used in financing activities</b>		<b>(2,584,632)</b>	<b>(722,551)</b>
<b>Increase in cash and cash equivalents</b>		<b>3,137,861</b>	<b>2,792,183</b>
Cash and cash equivalents at the start of year		7,416,456	4,624,437
Effect of exchange rate fluctuation on cash held	17.1	4,357	(164)
<b>Cash and cash equivalents at end of year</b>	<b>25</b>	<b>10,558,674</b>	<b>7,416,456</b>

The notes on pages 25 to 80 form an integral part of these financial statements.

## **1 General information**

Eko Electricity Distribution Plc ("the Company" or "EKEDP") was incorporated in Nigeria on 8 November 2005 as a public limited liability company to take over as a going concern, the electricity distribution activities and related business of the Power Holding Company of Nigeria ("PHCN") within the Eko zone, which comprised of 8 districts namely Apapa, Agbara/ Badagry, Ojo, Festac, Ijora, Islands, Lekki and Mushin districts. In 2017, Orile and Ibeju were separated from Mushin and Lekki respectively as stand alone districts. Thus the Company now has 10 districts.

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

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

## **2 Basis of preparation**

### **a. Compliance with IFRS**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB), the requirements of the Companies and Allied Matters Act (CAMA) and the Financial Reporting Council of Nigeria Act.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 6.

**b. Basis of measurement**

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

**c. Going concern**

The financial statements have been prepared on a going concern basis. The directors have no doubt that the Company would remain in existence into the foreseeable future and for at least twelve (12) months from the date of the approval of the financial statements.

**3 Functional and presentation currency**

Items included in the financial statements of each of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Nigerian Naira (NGN), which is Company's functional and presentation currency.

**4 Significant accounting policies**

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

**a. Revenue from contract with customers**

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

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.

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

**Eko Electricity Distribution Plc**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

Prepaid revenue	Satisfaction of performance obligation is same as post-paid revenue. Payment is received in advance of consumption of electricity.	Revenue is recognised over time as electricity is provided. In case of prepaid customers, an estimate is made for unearned revenue as at year end and this is included in the statement of financial position as contract liability.  The stand-alone selling price is determined based on the NERC approved tariff for the different categories of customers.
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**b. Finance income and finance costs**

Finance income comprises interest income on financial instruments held at amortised cost and fair value gain.

Finance costs comprise interest expense on interest bearing liabilities, unwinding discount from Credit Advance Payment for Metering Implementation (CAPMI) and bank charges. Interest expense on interest bearing borrowings is recognised using the effective interest method. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss using the effective interest method. Write back of interest attributable to tariff shortfalls and interest expenses on liabilities to Nigerian Bulk Electricity Trading (NBET) are recognized on a net basis as either finance income or finance cost depending on whether the summation results in a net gain or a net loss position.

**c. Foreign currency translation**

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

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

**d. Property, plant and equipment**

**(i) Recognition and measurement**

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

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

**(ii) Subsequent expenditure**

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

**(iii) Depreciation**

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

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

Buildings	40 - 50 Years
Distribution Network Assets	10 - 30 Years
Motor Vehicles	4 - 5 Years
Equipment, Fixtures & Fittings	5 Years

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

**(iv) Contribution of assets by customer**

Contributions of items of property, plant and equipment by customers are recognised at the fair value when the Company has control of the item. The Company assesses whether the transferred item meets the definition of an asset, and if so recognizes the transferred asset as property, plant and equipment. At initial recognition, its cost is measured at fair value, and a corresponding amount is recognised as other income.

**(v) Derecognition**

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

**e. Intangible assets**

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



**(i) Subsequent expenditure**

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

**(ii) Amortisation**

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. The estimated useful life for the current and comparative years for computer software is 5 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**f. Financial instruments**

**(i) Recognition and 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 fair value through profit or loss ("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; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

#### **Financial assets - business model assessment**

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

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

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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

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

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

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

#### **Financial assets – subsequent measurement, gains and losses**

##### **Financial assets at amortised cost**

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

##### **Financial liabilities – classification, subsequent measurement and gains and losses**

The Company classifies non-derivative financial liabilities into the other financial liabilities category. All financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

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

The Company has only financial assets measured at amortised cost.

### **(iii) Derecognition**

#### **Financial assets**

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

#### **Financial liabilities**

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

**(iv) Modification**

When the contractual cash flows of a financial instrument are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Company recalculates the gross carrying amount of the financial instrument and recognises a modification gain or loss immediately within finance income/(cost) at the date of the modification. The gross carrying amount of the financial instrument is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial instrument's original effective interest rate.

**(v) Offsetting**

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

**g. Cash and cash equivalents**

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

**h. Inventories**

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

**i. Government grant**

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

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

**j. Tariff shortfall**

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

**k. Cost of sales**

Cost of sales includes the cost of energy, distribution network assets, staff cost of distribution (technical) staff and any direct costs for the distribution of energy.

Cost of energy refers to all costs incurred in the purchase of energy from suppliers. This comprises cost of electricity purchased from the Nigerian Bulk Electricity Trading Company (NBET) and service charges from the Market Operator (MO).

**l. Leases**

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

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Company under residual value guarantees;
- the exercise price of purchase options, if the Company is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

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

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. IFRS 16 provides lessees with an election not to recognise a right-of-use asset and lease liability for leases for which the underlying asset is of low value. The Company classifies assets worth N30,000 and below as low-value.

In addition, in line with IFRS 16, the Company defines a short-term lease as one that has a lease term of 12 months or less without any purchase options.

### **m. Impairment**

#### **(i) Financial instruments and contract assets**

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost and contract assets under IFRS 15: Revenue from Contracts with Customers. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach or the three-stage general approach to determine impairment of receivables depending on their respective nature. The simplified approach is applied for trade receivables and contract assets while the general approach is applied to tariff shortfall receivables, other receivables and cash and bank balances.

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

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance.

Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each ageing bucket and for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimate of expected cash recoveries after considering the historical pattern of the receivable, and it assesses the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period. The EAD is the total amount of outstanding receivable at the reporting period. These three components are multiplied together and adjusted for forward looking information, such as the inflation rate and crude oil prices, to arrive at an ECL which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

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

### **Measurement of ECL**

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 asset**

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

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

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

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

### **Write-off**

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. The amount written off is included in impairment loss on financial assets in the Statement of profit or loss and other comprehensive income.

### **(ii) Non-financial assets**

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

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

### **n. Employee benefits**

#### **(i) Short term employee benefits**

Short term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### **(ii) Defined contribution plans**

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



**(iii) Other long term employee benefits**

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

**(iv) Termination benefits**

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

**o. Provisions**

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

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

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

**Contingent liabilities**

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

Contingent liabilities are only disclosed and not recognized as liabilities in the statement of financial position. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

**p. Income tax**

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

**(i) Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income tax, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:

- Companies income tax is computed on taxable profits;
- Tertiary education tax is computed on assessable profits; and
- Nigeria police trust fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the Company during the year).

Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

**(ii) Minimum tax**

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

In line with the Finance Act 2019, minimum tax is generally determined at 0.5% of the annual gross turnover less franked investment income. Also, the Finance Act 2020 stated that the minimum tax payable is determined at 0.25% of the annual gross turnover less franked investment income for 2020 and 2021 year of assessment only.

Gross turnover means the gross inflow of economic benefits during the period arising in the course of the operating activities of an entity. This also includes sales of goods, supply of services, receipt of interest, rent, royalties or dividends. Franked investment income relates to income in the form of dividends paid to a company from earnings on which corporation tax has already been paid by the originating company.

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

**(iii) Deferred tax**

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

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

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

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax are reassessed at each reporting date and recognised to the extent that it has become probable that future profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

**q. Share capital**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the company in which they are declared.

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

**r. Statement of cash flows**

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

**5 Changes in accounting policies and disclosures**

**5.1 New and amended standards adopted by the Company**

The Company has applied the following standards and amendments for the first time in the annual reporting period commencing 1 January 2020:

**a. Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform**

The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The London interbank offered rate for the U.S. dollar (USD LIBOR) will be discontinued or declared unrepresentative. One-week and two-month USD LIBOR as well as all non-USD LIBOR tenors will cease publication immediately after December 31, 2021. Three-month, six-month, and one-year USD LIBOR will cease publication after June 30, 2023. These amendments have no impact on the financial statements of EKEDP as it does not have any interest rate hedge relationships.

**b. Amendment to IFRS 3: Definition of a Business**

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. This amendment did not have any impact on the financial statements of EKEDP because there was no acquisition during the year.

**c. Conceptual framework for financial reporting-Revised**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the separate financial statements of the Company.

**d. Amendment to IAS 1 and IAS 8: Definition of Material**

The IASB's amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of primary users of general purpose financial statements to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

This amendment did not have any impact on the financial statements of EKEDP.

**5.2 New standards, amendments and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below:

**a. 2018 - 2020 Annual improvements to IFRS Standards - IFRS 9**

As part of its 2018 - 2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

As part of its 2018 - 2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual period in which it will first apply the amendment and does not expect this will result in a material impact on its financial statements.

**b. Amendments to IAS 1, Presentation of financial statements on classification of liabilities**

The amendments issued by the IASB on 23 January 2020 impact only the presentation of liabilities in the statement of financial position - not the amount or timing of recognition of any asset, liability income or expenses. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability. The classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendment also clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendment is effective for annual reporting periods beginning on or after 1 January 2023 with earlier adoption permitted. EKEDP will apply the classification amendments to financial liabilities with the "right" to defer settlement by at least twelve months as at the end of the annual reporting period in which it will first apply the amendment. EKEDP does not expect this will result in a material impact on its financial statements.

**c. Amendments to IFRS 3, Business combinations**

As part of its 2018 - 2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

**d. Amendments to IAS 16, Property, plant and equipment - proceeds before intended use**

The amendments issued on 14 May 2020 by the IASB addresses the accounting treatment for proceeds generated from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The standard was revised to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. EKEDP does not expect these will result in a material impact on its financial statements.

**e. Amendments to IAS 37, Provisions, contingent liabilities and contingent assets -**

The changes in Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendments apply to contracts for which the Company has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives do not need to be restated.

**f. Amendments to IFRS 16 COVID-19 Related Rent Concessions**

The IASB issued COVID-19 Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment will have no impact on the financial statements of EKEDP as EKEDP did not get any rent concession as a direct result of COVID-19.

There are no other IFRSs or IFRIC interpretations that are yet to be effective that would be expected to have a material impact on EKEDP in the current or future reporting periods and on foreseeable future transactions.

## **6. Critical accounting estimates and judgements**

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

### **(i) Determining the lease term**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors, including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the lessee.

### **(ii) Impairment of trade and other receivables**

The Company annually tests whether the trade and other receivables have suffered any impairment through the application of Expected Credit Loss (ECL). The impairment of trade and other receivables have been calculated and the impact reflected in the financial statements. Management considers, among other factors, the age of debts, customer's payment history and financial condition of the customer in determining the allowance for impairment losses. Debt owed by inactive customers are also fully impaired. Total impairment loss recognised during the year is ₦13.41 million (2019: ₦4.59 million).

Details of the key assumptions and inputs used are disclosed in note 9.5.

### **(iii) Deferred tax**

The Company is subject to income taxes within Nigeria, which does not require much judgment in terms of the provision for income taxes but a certain level of judgment is required for the recognition of the deferred tax assets. The Company had a deferred tax asset balance of ₦11.78 billion as at 31 December 2020 (2019: nil). Management assessed the ability of the Company to generate future taxable economic earnings that will utilise the deferred tax assets. Assumptions over the generation of future taxable profits depends on management's estimates of future cash flows.



**(iv) Impairment assessment of non-financial assets**

The Company has substantial investments in tangible long-lived assets comprising mainly of network distribution assets, land and building. The Company conducts impairment reviews of these assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable in accordance with the relevant accounting standards. Determining whether an asset is impaired requires an estimation of the value in use, which requires the Company to estimate the future cash flows, a growth rate (that reflects the economic environments in which the Company operates) and a pre-tax discount rate (that reflects the current market assessments of the time value of money and the risks specific to the asset) in order to calculate the present value. Where the expected cash flows are less than the asset's carrying amount, an impairment loss may arise. After reviewing the business environment as well as the Company's objectives and past performance management has concluded that, there is no impairment.

**(v) Defined benefit obligations**

These obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and changes in inflation rates.

Due to the complexities involved in the valuations and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers market yield on federal government bonds extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

Other key assumptions for defined benefits obligations are based in part on current market conditions. Additional information is disclosed in Note 35.

**(vi) Useful lives of assets**

The useful lives of property, plant and equipment are reviewed for reasonableness at least annually. The review is based on the current market situation. The review of useful lives did not significantly impact depreciation.

**7. Fair value measurement**

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

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

Level 1: quotes prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e as prices) or indirectly (i.e derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities (Note 4f). When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price. The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

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

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

## **8. Tariff shortfall**

Tariff shortfall is derived from the variance between cost reflective tariffs and actual charges to energy users in the Nigerian Electricity Supply Industry ("NESI"). On 21 December 2015, Nigerian Electricity Regulatory Commission ("NERC") signed its Multi-Year Tariff Order ("MYTO") which indicated rates that the Distribution Companies ("DisCos") should charge its customers from 2015 to 2024. However, these rates do not allow the DisCos to recover their cost of purchase and transmission of electricity from NBET and TCN respectively, and therefore the DisCos are not able to make any profit from its transactions with customers.

NERC in order No. NERC/GL/172A issued on 1 July 2019 introduced the concept of tariff shortfall to be recognized by the DisCos as the Government's compensation for the non-cost reflective tariff from 2015 till date and going forward.

### **Recognition**

In the accounts of the EKEDP, the tariff shortfall is recognised as a debit to Other Receivables (Regulatory Receivables) and a corresponding credit to Other Income. The Company has recognized the accumulated tariff shortfall of prior years in its 2019 financial statements and current tariff shortfall based on the NERC Orders received in 2020 financial year.

### **Treatment of credit notes received from NBET**

In line with NERC orders NERC/GL/172A, NERC/GL/186B/2019 and NERC/196/2020, and NBET's Payment Assurance Facility, NBET from time to time may send credit notes to the DisCos to reduce their receivables from the DisCos. These credit notes are recognized in the accounts of the Company as a reduction to Trade Payables (NBET) and a decrease to Other Receivables (Regulatory Receivables).

## **9. Financial risk management**

### **9.1 Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effect on its financial and operational performance.

The Company has a risk management function that manages the financial risks relating to the Company's operation under the policies approved by the board of directors.

#### **a. Market risk**

This is the risk of movements in the fair value of future cash flows of a financial instrument because of changes in market prices. The Company is exposed to changes in price of electricity, however, this exposure does not have any impact on recognised financial instruments.

##### **(i) Foreign exchange risk**

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company did not have any material balances denominated in foreign currency as at each year end.

##### **(ii) 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 does not have any long-term borrowings at variable rates as at the reporting date.

##### **(iii) Price risk**

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

#### **b. Credit risk**

Credit risk is the risk that a borrower or issuer of a financial instrument will not repay the principal and/or interest according to the terms specified in the credit agreement. Credit risk arises from cash and cash equivalents, balances with banks as well as trade and other receivables. The Company has policies in place to ensure that customers are disconnected from the network when their credit limit is exceeded. These credit limits are set based on the customers' tariff classification, credit history and other relevant factors.

Below is a breakdown of the Company's financial assets that are exposed to credit risk and the maximum exposures as at each reported date:

##### **(i) Financial instruments exposed to credit risk**

	<b>Maximum exposure</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>₦'000</b>	<b>₦'000</b>
Cash and cash equivalents (Note 25)	10,558,674	7,416,456
Restricted cash (Note 23)	5,297,542	4,147,151
Trade receivables (Gross) (Note 23)	76,325,868	51,667,159
Other receivables (Gross) (Note 23)*	43,543,121	141,604
Unpaid share capital (Note 23)	195,000	195,000
<b>Total</b>	<b>135,920,205</b>	<b>63,567,370</b>

\*Other receivables exclude withholding tax recoverable, supplier advances, prepayment and value added tax (VAT) receivables as these are non-financial instruments.

**(ii) Credit quality of cash and cash equivalent**

The credit quality of cash and cash equivalent that are neither past due nor impaired can be referenced to external ratings (if available) or to historical information about counterparty default rates.

	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>₦'000</b>	<b>₦'000</b>
B+	6,429	29,834
B	10,541,486	7,095,218
B-	9,906	279,817
Non-rated	853	11,587
	<b>10,558,674</b>	<b>7,416,456</b>

This is based on Fitch national long-term rating. National credit ratings are an assessment of credit quality relative to the rating of the lowest credit risk in a country. This lowest risk will normally, although not always, be assigned to all financial commitments issued or guaranteed by the sovereign state. National Ratings are not intended to be internationally comparable and are denoted by a special identifier for the country concerned. The performance of national ratings will also not be strictly comparable over time, given the moving calibration of the entire scale to the entity or entities with the lowest credit risk in a country, whose creditworthiness relative to other entities internationally may change significantly over time.

These above ratings are explained as follows:

"B" ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.

**c. Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently has a liquidity risk policy and relies on cash flows generated from customer payments to settle its financial obligations.

**Maturity analysis**

The table below analyses financial liabilities of the Company into relevant maturity periods based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Less than 1 years</b>	<b>Between 1 and 2 years</b>	<b>Beyond 2 years</b>	<b>Total</b>
	<b>₦'000</b>	<b>₦'000</b>	<b>₦'000</b>	<b>₦'000</b>
<b>At 31 December 2020</b>				
Trade and other payables*	67,752,183	-	-	67,752,183
Borrowings	2,055,764	2,060,976	1,116,619	5,233,359
Lease liabilities	945,318	1,495,311	285,629	2,726,258
	<b>70,753,265</b>	<b>3,556,287</b>	<b>1,402,248</b>	<b>75,711,800</b>

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	Less than 1 years N'000	Between 1 and 2 years N'000	Beyond 2 years N'000	Total N'000
<b>At 31 December 2019</b>				
Trade and other payables*	17,990,152	-	-	17,990,152
Borrowings	3,166,434	1,695,377	3,177,595	8,039,406
Lease liabilities	408,392	821,471	830,506	2,060,369
	<b>21,156,586</b>	<b>1,695,377</b>	<b>3,177,595</b>	<b>28,089,927</b>

\*Trade and other payables above exclude Value Added Tax (VAT) and Withholding Tax (WHT) payables as at year end.

All trade and other payable amounts in table above fall due within 3 months from year end.

Borrowings relates to Central Bank of Nigeria (CBN)- Nigerian Electricity Market Stabilization facility and commercial bank facilities.

## 9.2 Sensitivity analysis

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

### Simplified approach

Expected cash flow recoverable from trade receivables:

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

	Effect on loss before tax 31 December 2020 N'000
Increase/(decrease) in estimated cash flows	
+10%	(4,682,342)
-10%	4,682,342

A 10% increase in the estimated cash flows would reduce loss before tax by N4682.34 million while a corresponding 10% decrease in the estimated cash flows will increase the loss before tax by N4682.34 million.

The below shows the effect of 10% changes (increase/decrease) in the forward-looking macroeconomic variables incorporated in the ECL model on the profit before tax.

		Inflation rate +10% N'000	Held constant N'000	-10% N'000
Oil price	+10%	25,764,921	62,278,685	27,605,607
	Held constant	62,419,913	64,495,942	66,569,392
	-10%	64,637,170	66,708,837	68,715,115

**General approach:**

		Inflation rate		
		+10%	Held constant	-10%
		₦'000	₦'000	₦'000
Oil price	+10%	19,734	10,163	574
	Held constant	9,590	-	(9,608)
	-10%	(574)	(10,183)	(19,811)

**9.3 Fair value estimation**

The table below analyses financial instruments whose fair values have been disclosed by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Input for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The fair values of the Company's borrowings as at 31 December 2020 and 31 December 2019 are below. This falls within level 2.

	31 December 2020	31 December 2019
	₦'000	₦'000
Borrowings	4,140,324	6,103,911

The fair value of the borrowings for disclosure was determined by a discounted cash flow of the expected future cash outflows at the statement of financial position date using prime lending rate in Nigeria as at the statement of financial position date for a similar tenure and amount.

The fair value amounts disclosed above are all recurring fair value measurements. There were no non-recurring fair value measurements as at 31 December 2020 and 31 December 2019.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Borrowings

None of the Company's assets or liabilities fall within level 1 or 3.

**a. Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in Level 1 comprise primarily Nigerian Stock Exchange (NSE) listed

b. Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in

c. Financial instrument in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Techniques, such as discounted cash flow analysis, are used to determine fair value for the financial instruments included in level 3.

**Financial instruments not measured at fair value**

**Financial instruments by category**

Amounts are based on the values recognised in the statement of financial position. All financial instruments are at amortised cost. The Company's financial instruments at reporting date are disclosed below:

	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>₦'000</b>	<b>₦'000</b>
<b>Financial assets at amortised cost</b>		
Trade receivables	76,325,868	51,667,159
Other receivables	455,055	141,604
Tariff shortfall receivables	43,088,066	-
Cash and cash equivalents	10,558,674	7,416,456
Restricted cash	5,297,542	4,147,151
<b>Total</b>	<b>135,725,205</b>	<b>63,372,370</b>

**Financial liabilities at amortised cost**

Trade payables	48,404,562	2,498,970
Other payables	246,377	240,692
Interest payables	12,089,421	9,717,333
Due to related parties	1,138,931	1,138,931
Borrowings	4,140,324	6,103,911
Lease liabilities	1,691,647	456,888
<b>Total</b>	<b>67,711,262</b>	<b>20,156,725</b>

**9.4 Capital risk management**

The Company's capital management policy and objective is to maintain reliable and sustainable capital in order to sustain future development of the business while maintaining adequate returns for the shareholders.

Various financial ratios and internal targets are assessed and reported to the board of directors to monitor and support the key objectives set out above. These ratios and targets include:

- Earning Before Interest Tax Depreciation and Amortisation (EBITA);
- Current asset ratio;
- Interest cover; and
- Gearing ratio

The Company's objective is to maintain these financial ratios in excess of any debt covenant restrictions and use them as a performance measurement and hurdle rate. The failure of a covenant test could render the facilities in default and repayable on demand at the option of the lender.

Capital is calculated as total equity plus net debt and it is monitored regularly by the Company's management. The gearing ratios as at the end of December 2020 and December 2019 are as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>₦'000</b>	<b>₦'000</b>
Total borrowing	4,140,324	6,103,911
Less: Cash and cash equivalent	(10,558,674)	(7,416,456)
Net Debt	(6,418,350)	(1,312,545)
Add: Total equity	63,891,368	52,164,998
Total capital	57,473,018	50,852,453
Gearing ratio	-11%	-3%

**9.5 Impairment of financial assets**

The following are the Company's financial assets that are subject to IFRS 9's expected credit loss model:

- Trade receivables
- Tariff shortfall receivables
- Cash and cash equivalents



**a. Trade receivables**

The Company applies the simplified approach in measuring the expected credit losses (ECL) which recognises a lifetime expected loss allowance for all trade receivables. Trade receivables represent the amount of receivable from third-party customers for the supply of power. The expected credit loss rate for this receivable is determined using a provision matrix approach.

The provision matrix approach is based on the historical credit losses experienced within 5 years before 31 December 2020. The historical loss rates are adjusted to reflect forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified Brent oil price and inflation rate of Nigeria (being the country in which it provides its services) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2020 and 2019 in accordance with IFRS 9 was determined as follows:

The expected loss rates as at 31 December 2020 are as follows:

	Expected credit loss rate %	Gross carrying amount N'000	Loss allowance N'000
Residential customers	40	46,218,898	(18,436,324)
Commercial customers	31	20,253,942	(6,332,647)
Industrial customers	23	1,248,781	(289,804)
Special customers and street light	52	8,604,247	(4,443,673)
		<u>76,325,868</u>	<u>(29,502,448)</u>

The expected loss rates as at 31 December 2019 are as follows:

	Expected credit loss rate %	Gross carrying amount N'000	Loss allowance N'000
Residential customers	43	33,096,408	(14,080,014)
Commercial customers	43	11,915,193	(5,159,336)
Industrial customers	9	977,692	(86,842)
Special customers and street light	33	5,677,867	(1,860,336)
		<u>51,667,160</u>	<u>(21,186,528)</u>

The loss allowances for trade receivables as at 31 December reconcile to the opening loss allowances as follows:

	31 December 2020 N'000	31 December 2019 N'000
Balance at 1 January	21,186,528	16,594,846
Net remeasurement of loss allowance recognised in the profit or loss during the year	8,315,920	4,591,682
Balance at 31 December	<u>29,502,448</u>	<u>21,186,528</u>

**b. Tariff shortfall receivables**

The Company applies the IFRS 9 general model for measuring expected credit losses (ECL) which uses a three-stage approach in recognising the expected loss allowance for tariff shortfall receivables.

The reconciliation of the loss allowance for tariff shortfall receivables as at 31 December 2020 to the opening loss allowance on 1 January 2020 is as follows:

	<b>31 December 2020 N'000</b>	<b>31 December 2019 N'000</b>
Opening loss allowance	-	-
Increase in loss allowance recognised in profit or loss	5,092,698	-
<b>Closing loss allowance</b>	<b>5,092,698</b>	<b>-</b>

	<b>31 December 2020 N'000</b>	<b>31 December 2019 N'000</b>
<b>Gross carrying amount reconciliation</b>		
Gross carrying amount at the beginning	-	-
Additions during the year	43,088,066	-
Receivables written off during the year as uncollectible	-	-
Gross carrying amount at the end	<b>43,088,066</b>	<b>-</b>

#### **c. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash balances with banks. The cash and cash equivalents are held with bank and reputable financial institution in Nigeria. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

# **10 Correction of error**

Eko Electricity Distribution Plc's financial statements for prior years have been restated in these financial statements to reflect the impacts of correction of certain prior period errors as detailed below:

Balance sheet (extract)	31 December 2019	Increase/ decrease	31 December 2019	1 January 2019	Increase/ decrease	1 January 2019
	As previously reported		Restated	As previously reported		Restated
	N'000		N'000	N'000		N'000
i Trade and other receivables (See note a below)	31,136,818	2,056,370	33,193,188	24,611,218	1,878,160	26,489,378
ii Contract Asset (See note b below)	2,887,242	(1,861,370)	1,025,872	2,866,944	(1,878,160)	988,784
iii Borrowings (See note c below)	2,285,898	479,915	2,765,813	1,664,369	609,466	2,273,835
iv Property, plant and equipment (See note d below)	49,444,316	279,712	49,724,028	50,365,319	-	50,365,319
v Trade payable (See note e below)	(35,566,596)	(279,712)	(35,846,308)	(154,014,183)	-	(154,014,183)
vi Retained earnings*	(52,249,915)	284,917	(51,964,998)	(71,170,461)	(609,466)	(71,779,927)

\*Reconciliation of adjustment to retained earnings

31 January 2019 as originally presented

**N'000**

(52,249,915)

## **Correction of errors in 2019**

Borrowings

479,915

Trade and other receivables

(194,998)

Allowance for doubtful debt

-

Re-stated retained earnings

(51,964,998)

## **Statement of profit or loss (extract)**

Revenue from contracts with customers (See note f below)

Cost of sales (See note g below)

Gross profit

Other income (See note h below)

Finance cost (See note i below)

Finance income (See note j below)

Net impairment losses on financial assets (See note k below)

Operating expenses (See note l below)

Operating profit

Taxation

Profit for the year

31 December 2019	Increase/ decrease	31 December 2019
As previously reported		Restated
N'000		N'000
81,283,798	(679,433)	80,604,365
(35,535,545)	(59,815,080)	(95,350,625)
45,748,253	(60,494,513)	(14,746,260)
95,996,065	81,577,792	177,573,857
(5,775,626)	290,015	(5,485,611)
22,768,899	(22,635,359)	133,540
(4,786,682)	195,000	(4,591,682)
(27,217,378)	802,791	(26,414,587)
126,733,531	(264,274)	126,469,257
(3,313,155)	588,823	(2,724,332)
123,420,376	324,549	123,744,925

## **Impact on EPS restatement**

Basic earnings per share (Naira)

12,342.04

32.45

12,374.49

Diluted earnings per share (Naira)

308.55

0.81

309.36

**Statement of cash flows (extract)**

As a result of the above corrections, the statement of cash flows for the year ended 31 December 2019 has also been corrected. The cumulative effect is shown below;

	<b>31 December 2019</b>	<b>Increase/ (decrease)</b>	<b>31 December 2019</b>
	<b>As previously reported N'000</b>	<b>N'000</b>	<b>Restated N'000</b>
<b>Cash flows from operating activities:</b>			
Impairment loss on trade and other receivables	4,786,682	(195,000)	4,591,682
Finance cost	5,775,768	(290,157)	5,485,611
Finance income	(22,768,899)	22,635,359	(133,540)
Unrealized exchange difference	-	164	164
Write back of interest attributable to tariff shortfall	-	(22,398,736)	(22,398,736)
Customer granted assets	(679,433)	679,433	-
Minimum tax expense	588,823	-	588,823
Fair value gain on loans and borrowings	-	(236,623)	(236,623)
<b>Changes in working capital:</b>			
Trade and other receivables	(12,984,731)	10	(12,984,721)
Trade and other payables	(100,488,956)	279,704	(100,209,252)
<b>Cash flows from investing activities:</b>			
Acquisition of property, plant and equipment	(5,477,239)	(959,146)	(6,436,385)
<b>Cash flows from financing activities:</b>			
Bank charges paid	(160,443)	160,443	-

**Explanation of errors**

**a Trade and other receivables**

This relates to the correction of;

- i) Unpaid share capital receivables of ₦195 million wrongly written-off in 2019.
- ii) Prior year fixed charge of ₦1.86 billion on prepaid meter wrongly recognised as contract asset.

**b Contract assets**

This relates to prior year fixed charge of ₦1.86 billion on prepaid meter wrongly recognised as contract asset.

**c Borrowings**

This relates to correction of ₦479.92 million modification charge on CBN NEMSF loan opening balance at amortised cost.

**d Property, plant and equipment**

This relates to the correction of capital work-in-progress of ₦279.71 million, amount was omitted in prior year.

**e Trade payables**

This relates to the correction of capital work-in-progress of ₦279.71 million omitted in prior year.

**f Revenue**

This relates to correction of ₦679.43 million customer granted assets and MAP meters balances wrongly recognised in other operating revenue in 2019.

**g Cost of sales**

This relates to the correction of;

- i) Tariff shortfall balances of ₦58.26 billion recognised in cost of sales during the year 2019.
- ii) Technical staff cost of ₦1.55 billion which relates to direct cost of operation that was included in operating expenses in 2019

**h Other income**

This relates to the correction of;

- i) Customer granted assets and MAP meters balances of ₦679.43 million wrongly recognised in other operating revenue during the year 2019.
- ii) Tariff shortfall balances of ₦58.26 billion recognised in cost of sales during the year 2019.
- iii) Fair value gain on CBN NEMSF loan of ₦236.62 million recognised in finance income during the year 2019.
- iv) Write-back of interest attributable to tariff shortfall of ₦22.4 billion wrongly recognised in finance income during the year 2019.

**i Finance cost**

This relates to the correction of;

- i) Modification charge of ₦479.92 million on CBN NEMSF loan opening balance at amortised cost.
- ii) Bank charges of ₦160.44 million wrongly recognised in finance costs during the year 2019.
- iii) Net foreign exchange loss of ₦0.02 million wrongly recognised in finance costs during the year 2019.

**j Finance income**

This relates to the correction of;

- i) Write-back of interest attributable to tariff shortfall of ₦22.4 billion wrongly recognised in finance income during the year 2019.
- ii) Fair value gain on CBN NEMSF loan of ₦236.62 million wrongly recognised in finance income during the year 2019.

**k Net impairment losses on financial assets**

This relates to the correction of;

- i) Unpaid share capital of ₦195 million wrongly impaired in 2019.

**l Operating expenses**

This relates to the correction of;

- i) Bank charges of ₦160.44 million wrongly recognised in finance costs during the year 2019.
- ii) Net foreign exchange loss of ₦0.02 million wrongly recognised in finance costs during the year 2019.
- iii) Reclassification minimum tax of ₦588.82 million to operating expenses.
- iv) Technical staff cost of ₦1.55 billion which relates to direct cost of operation that was included in operating expenses in 2019

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**11 Revenue from contract with customers**

	<b>31 December 2020</b>	<b>31 December 2019 Restated</b>
	<b>₦'000</b>	<b>₦'000</b>
Prepaid revenue	14,649,679	10,984,924
Post-paid revenue	84,157,465	69,619,441
	<u>98,807,144</u>	<u>80,604,365</u>

**11.1 Disaggregation of revenue from contracts with customers**

The Company derives revenue from the delivering of electricity to different customer groups over a period of time across the Company's distribution network in Lagos state.

	<b>31 December 2020</b>	<b>31 December 2019 Restated</b>
	<b>₦'000</b>	<b>₦'000</b>
Residential customers	23,314,150	14,966,698
Commercial customers	40,876,630	40,921,709
Industrial customers	17,441,038	11,480,805
Prepaid meters (PPM)-Vending	14,649,679	10,984,924
Special customers and street light	2,525,647	2,250,229
	<u>98,807,144</u>	<u>80,604,365</u>

**12 Cost of sales**

	<b>31 December 2020</b>	<b>31 December 2019 Restated</b>
	<b>₦'000</b>	<b>₦'000</b>
Electricity purchases	101,875,582	86,805,447
(Reversal)/write-down of inventories (Note 22)	(22,941)	231,151
Staff costs of distribution - technical staff (Note 37.1)	1,461,250	1,552,079
Depreciation- Distribution network assets (Note 19)	6,974,290	6,761,948
	<u>110,288,181</u>	<u>95,350,625</u>

**13 Net impairment losses on financial assets**

	<b>31 December 2020</b>	<b>31 December 2019 Restated</b>
	<b>₦'000</b>	<b>₦'000</b>
Impairment loss on trade receivables (Note 23.1)	(8,315,920)	(4,591,682)
Impairment loss on tariff shortfall receivables (Note 23.2)	(5,092,698)	-
	<u>(13,408,618)</u>	<u>(4,591,682)</u>

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**14 Operating expenses**

	<b>31 December 2020</b>	<b>31 December 2019 Restated</b>
	<b>₦'000</b>	<b>₦'000</b>
Employee benefits (Note 37.1)	4,538,310	4,064,092
Directors' remuneration (Note 37.2)	242,905	339,928
Office expenses	271,168	471,033
Transport, travel and insurance	590,609	489,812
Charitable donations	600,375	-
Consultancy fee	5,292,678	5,509,271
Provision for litigation and claims (Note 30)	122,000	47,816
Amortisation of intangible asset (Note 20)	125,250	74,930
Audit fee	44,000	70,000
Switching company charge	560,853	533,427
Revenue collection	3,325,705	3,014,443
Depreciation - property, plant and equipment (Note 19)	317,746	315,727
Depreciation - leases (Note 21.1)	689,995	695,357
Publicity and advertisement	446,301	328,583
Rent*	1,055,734	1,084,482
Write off - property, plant and equipment (Note 19)	254,372	13,035
Maintenance expenses	6,485,588	6,238,530
Safety materials	340,182	491,621
Security services	291,018	308,257
Staff training	952,301	1,372,862
Consumables	177,193	187,766
Minimum tax**	-	588,823
Bank charges	260,118	160,443
Penalties	37	14,327
Net foreign exchange loss on foreign currency (Note 17.1)	-	22
	<b>26,984,438</b>	<b>26,414,587</b>

\*Rent relates to subscription and fees, water rate, rates, electricity bills, Short-term vehicle lease and office rent accomodation.

\*\*The Company is liable to pay nil minimum tax (2019: ₦588million) for the year. In line with IFRIC 21 - Levies, minimum tax is considered as a levy and is charged as operating expenses to the income statement.

**15 Other income**

	<b>31 December 2020</b>	<b>31 December 2019 Restated</b>
	<b>₦'000</b>	<b>₦'000</b>
Reconnection fees	4,719,279	187,790
Customer granted assets*	2,556,051	679,432
Insurance compensation	99,499	13,462
Tariff shortfall**	50,421,620	153,908,924
Contractor registration fees	4,550	4,200
Car park income	7,175	47,860
Service connection fee	24,400	96,830
Government grants (Note 29)	232,126	236,623
Net foreign exchange gain on foreign currency (Note 17.1)	4,357	-
Write back of interest attributable to tariff shortfall***	-	22,398,736
	<b>58,069,057</b>	<b>177,573,857</b>

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\*Customer granted assets are distribution network assets transferred to the Company by its customers during the year. The fair value of these assets was estimated by the directors based on observable prices of similar items purchased during the year (largely transformers and accessories).

\*\*NERC is expected to implement minor MYTO reviews biannually, however, the last review was implemented in 2015. As a result, the Company has not been able to pass on the full cost of energy purchased to end users leading to both tariff (due from customers to Discos) and market (due from Discos to the market shortfalls).

In 2019, NERC issued regulatory instruments implementing minor reviews of MYTO for the years 2015 to 2019, this was further amended in 2020. These orders were issued to reflect the impact of changes in the minor review variables in determining cost-reflective tariff and market shortfalls. Based on the orders, the Company recognised a tariff shortfall of ₦50.42 billion (2019: ₦153.91 billion).

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

**16 Finance income**

	<b>31 December 2020 ₦'000</b>	<b>31 December 2019 ₦'000</b>
Interest income on bank balances	117,669	133,540
	<u>117,669</u>	<u>133,540</u>

**17 Finance cost**

	<b>31 December 2020 ₦'000</b>	<b>31 December 2019 ₦'000</b>
Interest on baseline remittance*	2,372,087	4,440,106
Lease interest expense (Note 21.2)	373,503	453,318
Interest on loan borrowings (Note 28)	748,104	592,187
Modification gain (Note 28)	(29,359)	-
	<u>3,464,335</u>	<u>5,485,611</u>

**17.1 Effect of exchange rate fluctuation on cash held**

Unrealized exchange difference	-	164
Realized exchange difference	(4,357)	(142)
Net foreign exchange (gains)/loss on foreign currency	<u>(4,357)</u>	<u>22</u>

\*Interest on baseline remittance relates to interest charged by NBET on outstanding balance payable for the supply of energy.



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**18 Taxation**

**a. Income tax credit/(expense)**

	<b>31 December 2020 N'000</b>	<b>31 December 2019 N'000</b>
Corporate tax	(2,414,974)	-
Tertiary Education Tax (TET)	(482,995)	(2,718,161)
Nigeria Police Trust Fund levy (NPTF)*	(142)	(6,171)
Deferred income tax credit (Note 18d)	11,776,183	-
	<b>8,878,072</b>	<b>(2,724,332)</b>

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

**b. Reconciliation of effective tax to statutory tax**

	<b>31 December 2020 N'000</b>	<b>31 December 2019 N'000</b>
Profit before tax	2,848,298	126,469,257
Tax calculated at statutory tax rate of 30 %	(854,489)	37,940,777
Effect of deferred tax charge for the year	11,776,183	(34,965,910)
Effect of education tax levy	(482,995)	-
Effect of police trust fund Levy	(142)	-
Tax exempt income	300,007	(75,700)
Tax incentives	4,829,948	(203,200)
Effect of non-deductible expenses	(6,690,440)	170,900
Changes in prior year estimate	-	(5,591,190)
Tax charge for the year	<b>8,878,072</b>	<b>(2,724,323)</b>

**c. Current income tax liability**

	<b>31 December 2020 N'000</b>	<b>31 December 2019 N'000</b>
Balance at 1 January	3,608,345	389,769
Charge for the year:		
Minimum tax (Note 14)	-	588,823
Corporate tax (Note 18a.)	2,414,974	-
Tertiary Education Tax (TET) (Note 18a.)	482,995	2,718,162
Nigeria Police Trust Fund Levy	142	6,173
Tax paid	(425,452)	(94,582)
At 31 December	<b>6,081,004</b>	<b>3,608,345</b>

**d. Deferred tax assets**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

	<b>31 December 2020 N'000</b>	<b>31 December 2019 N'000</b>
The balance comprises temporary differences attributable to:		
Property, plant and equipment	(12,051,252)	-
Right-of-use assets	(623,843)	-
Leases	687,531	-
Unused capital allowances	23,763,747	-
Total deferred tax assets	<u>11,776,183</u>	<u>-</u>

The Company has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets. The Company is expected to generate taxable income from 2021 onwards.

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**19 Property, plant and equipment**

	Land N'000	Buildings N'000	Distribution network assets N'000	Equipment, fixtures & fittings N'000	Motor vehicles N'000	Capital work- in-progress N'000	Total N'000
<b>Cost</b>							
At 1 January 2019	134,811	556,124	134,596,375	1,185,633	1,818,746	3,540,885	141,832,574
Additions	86,190	9,500	4,059,108	276,892	-	2,004,695	6,436,385
Transfers	-	15,950	2,437,943	1,633	-	(2,455,526)	-
Write offs	-	-	-	-	(13,035)	-	(13,035)
At 31 December 2019	221,001	581,574	141,093,426	1,464,158	1,805,711	3,090,054	148,255,924
<b>At 1 January 2020</b>	221,001	581,574	141,093,426	1,464,158	1,805,711	3,090,054	148,255,924
Additions	-	-	3,257,975	80,195	-	2,010,773	5,348,943
Transfers	-	-	1,332,061	106,445	-	(1,438,506)	-
Write offs	-	-	-	-	-	(254,372)	(254,372)
At 31 December 2020	221,001	581,574	145,683,462	1,650,798	1,805,711	3,407,949	153,350,495
<b>Accumulated depreciation</b>							
At 1 January 2019	-	(113,577)	(89,093,416)	(826,669)	(1,433,593)	-	(91,467,255)
Charge for the year	-	(13,209)	(6,761,948)	(154,860)	(147,659)	-	(7,077,676)
Write off	-	-	-	-	13,035	-	13,035
At 31 December 2019	-	(126,786)	(95,855,364)	(981,529)	(1,568,217)	-	(98,531,896)
<b>At 1 January 2020</b>	-	(126,786)	(95,855,364)	(981,529)	(1,568,217)	-	(98,531,896)
Charge for the year	-	(13,235)	(6,974,290)	(197,112)	(107,399)	-	(7,292,036)
At 31 December 2020	-	(140,021)	(102,829,654)	(1,178,641)	(1,675,616)	-	(105,823,932)
<b>Net book value</b>							
At 1 January 2019	221,001	454,788	45,238,062	482,629	237,494	3,090,054	49,724,028
At 31 December 2020	221,001	441,553	42,853,808	472,157	130,095	3,407,949	47,526,563

## 20 Intangible assets

	31 December 2020 ₦'000	31 December 2019 ₦'000
<b>Cost</b>		
At 1 January	441,331	396,644
Additions	694,336	44,687
<b>At 31 December</b>	<b>1,135,667</b>	<b>441,331</b>
<b>Accumulated amortisation</b>		
At 1 January	231,142	156,212
Charge for the year	125,250	74,930
<b>At 31 December</b>	<b>356,392</b>	<b>231,142</b>
<b>Net book amount</b>		
At 31 December	779,275	210,189

Intangible assets mainly represents the cost of computer software licenses in the Company's operations.

## 21 Leases

### Amounts recognised in the statement of financial position

#### 21.1 Right-of-use assets

	Motor Vehicle ₦'000	Building ₦'000	Total ₦'000
<b>Cost</b>			
Balance as at 1 January 2019	-	-	-
IFRS 16 transition adjustment	1,020,694	599,034	1,619,728
Adjusted balance	1,020,694	599,034	1,619,728
Additions	1,675,304	28,444	1,703,748
Balance as at 31 December 2019	<b>2,695,998</b>	<b>627,478</b>	<b>3,323,476</b>
Balance as at 1 January 2020	2,695,998	627,478	3,323,476
Additions	-	45,681	45,681
Lease modification	(16,993)	-	(16,993)
Balance as at 31 December 2020	<b>2,679,005</b>	<b>673,159</b>	<b>3,352,164</b>
<b>Accumulated depreciation</b>			
Balance as at 1 January 2019	-	-	-
Charge for the year	602,996	92,361	695,357
Balance as at 31 December 2019	<b>602,996</b>	<b>92,361</b>	<b>695,357</b>
Balance as at 1 January 2020	602,996	92,361	695,357
Charge for the year	596,281	93,714	689,995
Balance as at 31 December 2020	<b>1,199,277</b>	<b>186,075</b>	<b>1,385,352</b>
Net book value as at 31 December 2019	<b>2,093,002</b>	<b>535,117</b>	<b>2,628,119</b>
Net book value as at 31 December 2020	<b>1,479,728</b>	<b>487,084</b>	<b>1,966,812</b>

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**21.2 Lease liabilities**

	<b>Motor Vehicle N'000</b>	<b>Building N'000</b>	<b>Total N'000</b>
Balance as at 1 January 2019	-	-	-
Transition adjustment	1,020,694	466,904	1,487,598
Adjusted balance	1,020,694	466,904	1,487,598
Additions	1,675,304	28,444	1,703,748
Interest expense	389,908	63,410	453,318
Payments made	(841,907)	(62,027)	(903,934)
Balance as at 31 December 2019	<b>2,243,999</b>	<b>496,731</b>	<b>2,740,730</b>
Current lease liabilities	844,146	124,784	968,930
Non-current lease liabilities	1,399,853	371,947	1,771,800
	<b>2,243,999</b>	<b>496,731</b>	<b>2,740,730</b>
Balance as at 1 January 2020	2,243,999	496,731	2,740,730
Additions	-	28,378	28,378
Interest expense	310,537	62,966	373,503
Payments made	(845,897)	(131,186)	(977,083)
Lease modification	(16,993)	-	(16,993)
Balance as at 31 December 2020	<b>1,691,646</b>	<b>456,889</b>	<b>2,148,535</b>
Current lease liabilities	603,961	77,322	681,283
Non-current lease liabilities	1,087,686	379,566	1,467,252
	<b>1,691,647</b>	<b>456,888</b>	<b>2,148,535</b>

**21.3 Amounts recognised in the statement of profit or loss**

	<b>Motor Vehicle N'000</b>	<b>Building N'000</b>	<b>Total N'000</b>
Depreciation charge on right-of-use assets	596,281	93,714	689,995
Interest expense (included in finance cost)	310,537	62,966	373,503
Expense relating to short term leases (included in administrative expenses)	-	-	-
	<b>906,818</b>	<b>156,680</b>	<b>1,063,498</b>

**21.4 Amounts recognised in the statement of cash flows**

	<b>31 December 2020 N'000</b>	<b>31 December 2019 N'000</b>
Financing activities - total cash outflow for leases	(977,083)	(903,931)
	<b>31 December 2020 N'000</b>	<b>31 December 2019 N'000</b>
Lease liability at inception	28,378	1,703,748
Prepayments	17,303	-
Acquisition of right of use assets	45,681	1,703,748

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In 2020, EKEDP entered into a lease agreement for four (4) of its zonal offices over a period nine (9) years for three of the zonal four offices and the remaining one for eight (8) years. In determining the lease liability/right-of-use assets, management considered all fact and circumstances that create an economic incentive to exercise an extension option and are reasonably certain to be extended due to the strategic location of the offices and there is no plan of vacating the property any moment soon.

A sum of ₦498.91 million relating to short-term leases were not included in lease liability as a result of the practical expedient on short-term leases.

**22 Inventories**

	<b>31 December 2020 ₦'000</b>	<b>31 December 2019 ₦'000</b>
Distribution stores	1,032,149	1,178,000
Stationeries	52,203	47,596
Impairment of obsolete inventory items	(30,741)	(25,898)
	<u>1,053,611</u>	<u>1,199,698</u>
The movement in impairment of obsolete inventory items is as follows:		
Opening balance	(25,898)	(105,981)
(Increase)/decrease	(27,784)	311,234
Reversal/(write off)	22,941	(231,151)
Closing balance	<u>(30,741)</u>	<u>(25,898)</u>

Inventories recognised as expense include distribution stores and stationeries used in maintenance during the year. They are included as part of maintenance expenses under administrative expenses and amounted to ₦1.059 billion (2019: ₦376.27 million).

**23 Trade and other receivables**

	<b>31 December 2020 ₦'000</b>	<b>31 December 2019 Restated ₦'000</b>	<b>1 January 2019 Restated ₦'000</b>
Trade receivables	76,325,868	51,667,159	41,033,990
Less: impairment of trade receivables (Note 23.1)	(27,666,189)	(21,186,528)	(16,594,846)
Less: impairment of fixed charge (Note 23.1)	(1,836,259)	-	-
Trade receivables	<u>46,823,420</u>	<u>30,480,631</u>	<u>24,439,144</u>
<b>Other receivables:</b>			
Other receivables*	455,055	141,604	355,057
Unpaid share capital	195,000	195,000	-
Advance payment to vendor**	2,110,627	2,375,953	1,695,177
Tariff shortfall receivables	43,088,066	-	-
Less: impairment of tariff shortfall receivables (Note 23.2)	(5,092,698)	-	-
	<u>40,756,050</u>	<u>2,712,557</u>	<u>2,050,234</u>
	<u>87,579,470</u>	<u>33,193,188</u>	<u>26,489,378</u>
Contract assets***	1,630,475	1,025,872	988,784

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Restricted cash****	5,297,542	4,147,151	2,300,000
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**Reconciliation of contract assets**

Balance at the beginning of the year	1,025,872	988,784	1,464,765
Recognised as account receivables during the year	(1,025,872)	(988,784)	(1,464,765)
Additions	1,630,475	1,025,872	988,784
Balance at the end of the year	1,630,475	1,025,872	988,784

There were no impairment allowances recognised on contract assets as it was immaterial (2019: Nil).

\*Other receivables relate to monies collected from customers not yet remitted to the Company by its collection agents (Interswitch Limited, E-Tranzact, Unified Payment, Coral Pay and Crown Initiative(RCM)).

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

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

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

	31 December 2020 N'000	31 December 2019 Restated N'000	1 January 2019 Restated N'000
<b>23.1 Movement in impairment of trade receivables:</b>			
Balance at the beginning of the year	(21,186,528)	(16,594,846)	(13,144,504)
Charge for the year	(8,315,920)	(4,591,682)	(3,450,342)
Balance at the end of the year	(29,502,448)	(21,186,528)	(16,594,846)
<b>23.2 Movement in impairment of tariff shortfall receivables:</b>			
Balance at the beginning of the year	-	-	-
Charge for the year	(5,092,698)	-	-
Balance at the end of the year	(5,092,698)	-	-

**24 Prepayments**

	31 December N'000	31 December N'000
Balance at the beginning of the year	70,086	197,454
Additions	12,510	-
Amortisation	(76,341)	(127,368)
Balance at the end of the year	6,255	70,086
Advance payment for construction of non-current assets	2,839,890	2,839,890
	2,846,145	2,909,976

Prepayments relate to advance payment for subscriptions and fees for anti-virus and software license and advance payment for the design, manufacture, supply and installation of SCADA/DMS system.

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**25 Cash and cash equivalents**

	<b>31 December 2020 N'000</b>	<b>31 December 2019 N'000</b>
Cash in hand	850	11,587
Cash at bank	10,557,824	7,404,869
	<u>10,558,674</u>	<u>7,416,456</u>

**26 Trade and other payables**

	<b>31 December 2020 N'000</b>	<b>31 December 2019 Restated N'000</b>	<b>1 January 2019 Restated N'000</b>
Trade payables*	48,404,562	2,498,970	106,534,429
Other payables**	246,377	240,692	94,967
Accruals	5,857,678	4,326,614	4,397,554
Interest payables***	12,089,421	9,717,333	27,675,963
Due to related parties	1,138,931	1,138,931	1,138,931
PAYE tax deductions	15,068	67,612	51,420
Pension	146	32,091	17
Withholding tax	1,528,278	1,099,884	878,745
Value added tax	23,551,437	16,724,181	13,242,157
	<u>92,831,898</u>	<u>35,846,308</u>	<u>154,014,183</u>

\*Trade payables relates to payables to NBET and other suppliers as at year end.

\*\*Other payables include payables to employees, security deposits from wallet partners and Nigeria Social Insurance Trust Fund (NSITF) and Industrial Training Fund (ITF) payables.

\*\*\*Interest payables relates to to interest charged by NBET and ONEM on outstanding trade payable for the supply of energy. Interest accrued in the year has been presented in Note 17.

Due to related parties represents amount due to NELMCO with respect to cash collections received from customers in respect of the legacy debts which had been transferred to NELMCO in line with the deed of assignment of precompletion receivables. Per the deed, these collections by the Company should be remitted to NELMCO.

**27 Contract liabilities**

	<b>31 December 2020 N'000</b>	<b>31 December 2019 N'000</b>
Balance at the beginning of the year	911,436	606,690
Recognised as revenue during the year	(911,436)	(606,690)
Additions during the year	924,718	911,436
Balance at the end of the year	<u>924,718</u>	<u>911,436</u>

The contract liabilities primarily relate to the advance consideration received from prepaid customers for supply of electricity for which is yet to be consumed. This is derived by calculating an energy consumption factor for each customer based on energy unit purchased during the year and applying this on a prorated basis to estimate quantity of the last units of energy purchased by the customer that should be deferred.



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<b>28 Borrowings</b>	<b>31 December 2020 N'000</b>	<b>31 December 2019 Restated N'000</b>	<b>1 January 2019 Restated N'000</b>
Balance at the beginning of the year	6,103,911	5,330,341	7,569,502
Additions	250,000	1,500,000	214,269
Interest on loan	748,104	592,187	1,121,156
Refund to CAPMI	(14,061)	-	-
Reclassification of CAPMI	(1,060,723)	-	-
Modification (gain)/loss	(29,359)	-	402,680
Deferred income - government grant	-	-	(61,266)
Effect of changes in foreign exchange rate	-	-	29,107
Principal repayment	(1,372,510)	(876,908)	(3,312,471)
Interest repayment	(485,039)	(441,709)	(632,636)
Balance at the end of the year	4,140,324	6,103,911	5,330,341
Details of borrowings:			
Loans from customers - CAPMI	-	1,074,784	1,383,528
Loans from CBN - NEMSF Intervention Fund	3,120,334	3,536,421	3,946,813
Loans from commercial bank	1,019,990	1,492,706	-
	4,140,324	6,103,911	5,330,341
Current portion	1,597,855	2,765,813	2,273,835
Non- current portion	2,542,469	3,338,098	3,056,506
	4,140,324	6,103,911	5,330,341

**a. Customer loan (CAPMI)**

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

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

The Central Bank of Nigeria commenced disbursement to market participants who had met the condition precedent to the disbursement of the CBN - Nigerian Electricity Market Stabilization Facility ("CBN - NEMSF") in 2015. The NEMSF, also known as the CBN Intervention fund is aimed at settling the outstanding payment obligations due to the market participants during the Interim Rules Period ("IRP Debts") as well as the legacy gas debt of the PHCN generation companies owed to gas suppliers ("Legacy Gas Debt") which has been transferred to the Nigerian Electricity Liability Management Company Limited by Guarantee ("NELMCO").

The Company received ₦5.8 billion from this fund in 2015. The loan is repayable over a 10-year period, with a 1 year moratorium on the principal repayment beginning from the date of first disbursement. Interest is payable on outstanding loan balances at an interest rate of 10%.

In 2018, a disbursement of ₦214 million was made by CBN to Market Operators. This disbursement was made directly to the Market Operators and EKEDP did not receive any cash for the disbursement.

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In response to COVID-19 pandemic, the Company was granted a reduction in the interest rate charged on the CBN - NEMSF facility from 10% to 5%, effective 1 March 2020 till February 2021. Interest expenses for the year amounted to ₦494.88 million (2019: ₦749.66 million).

**c. Loan from commercial bank**

On 17 December 2019, the Company obtained two facilities from a local commercial bank. The first facility was a loan of ₦1 billion to finance urgent working capital requirement and payment of contractors. The tenor of this facility is 12 months. The loan principal will be repaid at maturity, while the interest is payable upfront upon disbursement of the facility. In 2020, the company made a draw down of ₦250 million and had a rollover arrangement of the principal amount.

The second facility is a loan of ₦1.5 billion to finance the rehabilitation of 100MVA evacuation project at a substation through the expansion of three substation within the Company's network. The tenor of this facility is 18 months. Interest rate as agreed by parties would be 15% per annum with a moratorium of 6 months effective from the date of first disbursement. During moratorium, the loan interest will be repaid at six(6) equal and consecutive monthly payments. After moratorium, principal and interest is payable at equal and consecutive monthly payments. As at year end, the Company had drawn down the total amount of the loan facility. In response to COVID-19 pandemic, the Company was granted extended the moratorium period of three months to five months and reduced the interest rate on the loan from 16% to 15%. Interest expense for the year amounted to ₦205.76 million (2019: ₦2.71 million).

**29 Deferred income**

	<b>31 December 2020 ₦'000</b>	<b>31 December 2019 ₦'000</b>
Opening balance	134,548	134,548
Amortisation to profit or loss	-	-
	<b>134,548</b>	<b>134,548</b>
<b>Government grants</b>	<b>2020 ₦'000</b>	<b>2019 ₦'000</b>
Opening balance	831,585	1,068,208
Recognised in profit or loss (Note 15)	(232,126)	(236,623)
Closing balance	599,459	831,585
<b>Total deferred income and government grant</b>	<b>734,007</b>	<b>966,133</b>
Current portion	347,048	365,774
Non- current portion	386,959	600,359
	<b>734,007</b>	<b>966,133</b>

Deferred income relates to deposits for meters according to NERC's Credit Advance Payment for Meter Installation (CAPMI) program which commenced in July 2013. There are two components of the deposits: refundable and non-refundable. The refundable attracts a 12% flat interest rate (till the start of refunds to customers) and is refunded via a 100% reduction of customers' monthly variable charges while the non-refundable portion is used to settle installation services purchased from vendors. However, the scheme was suspended effective 1st November, 2016. During the year, there was no movement as regards the deferred income - CAPMI scheme as a result of the company not performing meter installation for customers in the CAPMI scheme during the period.

Government grant relates to the loan obtained from the Federal Government of Nigeria through the Central Bank of Nigeria ("CBN") at a rate below the prevailing market. The fair value of the grant was recognised initially on the grant date and subsequently amortised on a straight line basis over the tenure of the loan. There were no unfulfilled conditions relating to the grant as at the reporting date.

### **30 Provisions**

#### **a. Transfer of pre-completion liabilities and trade receivables**

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

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

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

#### **b. Litigations and claims**

The Company is involved in a number of litigations and claims (separate from those taken over by NELMCO). Maximum exposure based on the damages being claimed by the litigants amounts to ₦1.47 billion (2019: ₦1.40 billion). The contingent liability for the year is determined based on possible occurrences, though unlikely to occur. Based on management assessment, a provision of ₦169 million (2019: ₦47.82 million) has been recorded in these financial statements for cases which are assessed to succeed against the Company.

	<b>31 December 2020 ₦'000</b>	<b>31 December 2019 ₦'000</b>
Balance at the beginning of the year	47,816	-
Additions	122,000	47,816
Balance at the end of the year	169,816	47,816

#### **c. Guarantees**

The Company has obtained bank guarantees amounting to ₦7.78 billion (2019: ₦7.78 billion) in favour of Nigeria Bulk Electricity Trading Company Plc (NBET) and ₦3.49 billion (2019: ₦3.49 billion) in favour of Operator of Nigeria Electricity Market (ONEM). This is to guarantee payment to NBET and ONEM for 90 days power purchase and also to ONEM for provision of administrative service. The directors do not expect any significant loss to arise from these guarantees.

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<b>31 Share capital</b>	<b>31 December 2020 ₦'000</b>	<b>31 December 2019 ₦'000</b>
<b>Authorised</b>		
400 million ordinary shares of ₦0.50 each	200,000	200,000
<b>Issued and fully paid</b>		
10 million ordinary shares of ₦0.50 each	5,000	5,000
<b>Unpaid share capital</b>		
390 million ordinary shares of ₦0.50 each	195,000	195,000
Issued as at 1 January 2020	200,000	200,000

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

In 2019, the Company made filings with the Corporate Affairs Commission (CAC) to increase the Company's authorized share capital from ₦5 million to ₦200 million by creation of 390,000,000 ordinary shares of ₦0.50k each and issued same to the existing shareholders according to their percentage shareholding. The shares were yet to be paid for as at the reporting date.

<b>32 Retained earnings</b>	<b>31 December 2020 ₦'000</b>	<b>31 December 2019 ₦'000</b>
Balance as at 1 January	51,964,998	(71,170,460)
Correction of errors - net of tax (Note 10)	-	(609,466)
Profit for the year	11,726,370	123,744,925
Balance as at 31 December	63,691,368	51,964,998

**33 Earnings per share**

Basic earnings per share is calculated by dividing the earnings attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding at the end of the reporting period.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the unpaid shares.

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	<b>31 December 2020</b>	<b>31 December 2019 Restated</b>
	<b>₦'000</b>	<b>₦'000</b>
Earnings attributable to equity holders of the Company	11,726,370	123,744,925
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share ('000)	10,000	10,000
Adjustments for calculation of diluted earnings per share:		
Unpaid share in issue ('000)	390,000	390,000
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share ('000)	400,000	400,000
Basic earnings per share (Naira)	1,173	12,374
Diluted earnings per share (Naira)	29	309

**34 Cash generated from operations**

	<b>31 December 2020</b>	<b>31 December 2019 Restated</b>
	<b>₦'000</b>	<b>₦'000</b>
Reconciliation of profit before tax to cash used in operations:		
Profit before tax	2,848,298	126,469,257
<b>Adjustments for:</b>		
Depreciation of property plant and equipment (Note 19)	7,292,036	7,077,676
Amortisation of intangible asset (Note 20)	125,250	74,930
Depreciation expense on lease asset (Note 21.1)	689,995	695,357
Interest income (Note 16)	(117,669)	(133,540)
Finance costs (Note 17)	3,464,335	5,485,611
Fair value gain on loans and borrowings (Note 29)	(232,126)	(236,623)
Net impairment losses on financial and contract assets (Note 13)	13,408,618	4,591,682
Movement in retirement benefit assets and liabilities (Note 35)	28,080	106,280
Write off of property plant and equipment (Note 19)	254,372	-
Write back of interest attributable to tariff shortfall	-	(22,398,736)
(Reversal)/write down of inventory (Note 12)	(22,941)	231,151
Movement in provision (Note 30)	122,000	47,816
Unrealized exchange difference (Note 17.1)	-	164
Minimum tax levy	-	588,823
<b>Changes in working capital:</b>		
Decrease in inventories	169,029	292,269
Increase in trade and other receivables	(68,945,291)	(12,964,423)
Increase in contract asset	(604,603)	(20,298)
Increase/(decrease) in trade and other payables (Note 26)	53,538,719	(100,209,252)
Decrease/(increase) in prepayments	63,831	(4,762)
Increase in contract liabilities	13,282	304,746
<b>Cash generated from operations</b>	<b>12,095,215</b>	<b>9,998,128</b>

### 35 Employee benefit obligation

On 19 February 2019, the Company introduced a long service award scheme. Staff who attain the milestone for the specified number of years of service in the Company are rewarded with a cash award as indicated below:

Years of Service	LSA Benefit Amount (₦)
5	30,000
10	50,000
15	100,000
20	130,000
25	150,000
30	200,000

The movement in the present value of the employee benefit during the year is as follows:

	31 December 2020 ₦'000	31 December 2019 ₦'000
Balance as at 1 January	65,000	-
Total charge recognised in profit or loss	28,080	106,280
Benefit paid directly by the Company*	-	(41,280)
Balance as at 31 December	93,080	65,000

\*This relates to the total amount due to employees that attained the milestone years of service in the year 2020. However, the payment was made in 2021.

Analysis of charge recognised in profit or loss:

Current service cost	14,275	106,280
Total service cost	14,275	106,280
Interest cost	7,712	-
Remeasurement	6,093	-
Total charge recognised in profit or loss	28,080	106,280

	31 December 2020 ₦'000	31 December 2019 ₦'000
<b>Long-term employee benefit</b>		
Balance as at 1 January	65,000	-
Current service cost	14,275	106,280
Interest cost	7,712	-
Benefit paid directly by the Company	-	(41,280)
Amount reclassified to short term	(1,470)	-
Actuarial loss due to assumption changes	18,959	-
Actuarial gain due to experience adjustment	(12,866)	-
Balance as at 31 December	91,610	65,000

#### Short-term employee benefit

Balance as at 1 January	-	-
Benefit paid	-	(41,280)
Amount reclassified to short term	1,470	41,280
Balance as at 31 December	1,470	-

### **Actuarial assumptions**

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
Discount rate	8%	12%
Average long-term rate of future pension increases	-	10%
Average long-term rate of inflation	13%	-

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

### **Sensitivity analysis**

Sensitivity analysis to the employee benefit obligation to 1% change in the following assumption were

		<b>₦'000</b>	
Discount rate	+1%	86,140	
	-1%	97,686	
Benefit increase	+1%	-	
	-1%	-	
Mortality	Age rated up by 1 year	91,291	
	Age rated down by 1 year	91,897	
Maturity profile of the employee benefit obligation		<b>2020</b>	<b>2019</b>
		<b>₦'000</b>	<b>₦'000</b>
Within the next 12 months		1,669	-
Between 2 and 5 years		75,918	-
Between 6 and 10 years		123,579	-
Beyond 10 years		308,170	-
		<b>509,336</b>	<b>-</b>

## **36 Related party transactions**

### **Parent and ultimate controlling party**

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

**Transactions with related parties**

The following transactions occurred with related parties.

		<b>31 December 2020 ₦'000</b>	<b>31 December 2019 ₦'000</b>
<b>Rendering of services:</b>			
WPG Services Limited	West Power and Gas Limited owns 60% of the shares of EKEDP. WPG Services Limited, provides technical service, strategic support, procurement and turn around strategies of the Company. The Company has staff training and welfare, revenue collection, maintenance services and consultancy services contract with Eko Electricity Distribution Plc to enable Eko Electricity Distribution Plc meet with performance standards in the performance agreement entered with Bureau of Public Enterprise. The total expenses incurred during the year with respect to the services provided by WPG Services Limited was ₦7.1 billion (2019: ₦ 6.2 billion). The Company paid ₦6 billion (2019: ₦ 6.2 billion ) during the year. Amount due to WPG Services Limited as at year end ₦1 billion (2019: Nil).	7,122,656	6,200,000
Senforce Insurance Brokers Limited	Senforce Insurance Brokers Limited (SIBL) is related to the Company through a Director; Dere Otubu who exercises significant influence over the Company and has control over SIBL. SIBL provided insurance services to the Company during the year. The total expenses incurred during the year with respect to the services provided by SIBL was ₦328.886 million (2019: ₦124.5 million). These expenses were included in the Transport, travels and insurance expenses for the year. The Company paid ₦328.886 million (2019: ₦124.5 million). No amount was due to SIBL as at year end (2019: Nil).	326,886	124,500



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George Etomi & Partners	George Etomi & Partners Legal Practitioners is related to the Company through a Director; George Etomi who exercises significant influence over the Company and has control over George Etomi & Partners Legal Practitioners. George Etomi & Partners provided legal services to the Company during the year. Also, some staff of George Etomi & Partners were seconded to the Legal department of the Company to assist the department in discharging its functions during the year. The total expenses incurred during the year with respect to the services provided by George Etomi & Partners was ₦140 million (2019: ₦117.2 million). These expenses were included in the consultancy expenses for the year. The Company paid ₦140 million (2019: ₦ 117.2 million ) during the year. No amount was due to George Etomi & Partners as at year end (2019: Nil).	139,963	117,200
		7,589,505	6,441,700

Rendering of services are negotiated with related parties on commercial terms and conditions.

**Receivable from related parties:**

The receivables from related parties arise mainly from amount advanced for the design, installation and implementation of SCADA/DMS of the SCADA project are disclosed as prepayments (Note 24) in these financial statements.

	<b>31 December 2020 ₦'000</b>	<b>31 December 2019 ₦'000</b>
Deux Projects Limited (Note 24)	2,839,890	2,839,890
	2,839,890	2,839,890

**Payables to related parties**

Rendering of services are negotiated with related parties on commercial terms and conditions. The balance payable to related party is included in trade payable in note 26.

	<b>31 December 2020 ₦'000</b>	<b>31 December 2019 ₦'000</b>
WPG Services limited (Note 26)	1,138,931	1,138,931
	1,138,931	1,138,931

### 36.1 Key management compensation

Key management personnel of Eko Electricity Distribution Plc. includes its directors (executive and non-executive). See details of compensation paid/payable to key management personnel during the periods reported in Note 37.2.

### 37 Employees information

#### 37.1 Employee costs during the year amounted to:

	<b>31 December 2020 N'000</b>	<b>31 December 2019 N'000</b>
Salaries	5,460,663	5,038,154
Pension cost	510,817	471,737
Long service award	28,080	106,280
	<b>5,999,560</b>	<b>5,616,171</b>

Of this amount, N1.46 billion representing technical staff costs was reclassified to cost of sales (2019: N1.55 billion).

#### 37.2 Key management compensation

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

	<b>31 December 2020 N'000</b>	<b>31 December 2019 N'000</b>
Fees as Directors	12,500	12,500
Other emoluments*	230,405	327,428
	<b>242,905</b>	<b>339,928</b>

\*The other emoluments relates to travel and training expenses

Fees and other compensation disclosed above includes amount paid to:

Highest paid director	70,631	93,559
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The other directors received remuneration in the following ranges:

	<b>Number</b>	<b>Number</b>
Below N40,000,000	5	1
N40,000,000 - N50,000,000	-	1
Above N50,000,000	1	4
	<b>6</b>	<b>6</b>

There was no other compensation paid during the period. There were no loans to key management

West Power and Gas Ltd pays the salaries of the Executive Directors and key management personnel. This is not recharged to the Company.

***Eko Electricity Distribution Plc.  
Notes to the financial statements  
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**37.3** The average number of full-time persons employed by the Company during the year was as follows:

	<b>Number</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
Finance	182	170
Administrative	292	225
Junior staff	1,435	1,397
	<b>1,909</b>	<b>1,792</b>

Employees of the Company other than Directors, whose duties were wholly or mainly discharged in

	<b>Number</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
Below ₦1,000,000	95	106
₦1,000,001 - ₦2,000,000	828	758
₦2,000,001 - ₦3,000,000	452	379
₦3,000,001 - ₦4,000,000	317	318
₦4,000,001 - ₦5,000,000	93	104
Above ₦5,000,000	124	127
	<b>1,909</b>	<b>1,792</b>

**38 Compliance with Financial Reporting Council of Nigeria Rule 2b and Rule 3 (Paragraph 4)**

Details of professionals that provided assurance services to Eko Electricity Distribution Plc. during the year

<b>FRC Number</b>	<b>Name of Signer</b>	<b>Name of Firm</b>	<b>FRC Number</b>	<b>Services Rendered</b>
FRC/2017/NAS/00000 017548	Ganiu Shefiu	Logic Professional Services	FRC/2017/NAS /00000017548	Actuary valuation services
FRC/2014/CITN/0000 0006476	Odunowo Odutayo Olatunde	Ijewere & Co.	FRC/2014/CIT N/0000000647 6	Tax consultancy

The auditors did not provide any non-audit services to the Company in the year.

### **39 Contingent liabilities**

A contingent liability is a potential liability that may occur depending on the outcome of an uncertain future event not wholly within the control of the Company.

#### **39.1 Transfer of pre-takeover liabilities and receivables**

As part of the privatisation process, the Company through the Bureau of Public Enterprise (BPE) signed a deed of assignment of the pre-takeover liabilities and trade receivables with Nigerian Electricity Liability Management Company (NELMCO) effective 31 October, 2013. Therefore, the Company believes that it will neither realise those receivables nor settle any liability existing as at 31 October, 2013 and no recognition of impairment is required.

**39.2** There were a number of claims against the Company arising from litigations over its normal course of operations. Based on the legal advice of its external legal counsels, the directors have concluded that the claims are remote and no material financial obligations would result from the litigations. No liabilities have been recorded for these claims in these financial statements.

### **40 Capital commitments**

The Company had capital commitments amounting to ₦1.83 billion (2019: ₦15.77 billion) as of the balance sheet date.

### **41 Events after reporting period**

#### **a) Credit notes against tariff shortfall**

Subsequent to year end, the Nigeria Bulk Electricity Trading Plc (NBET) issued credit notes of ₦39.03 billion for the period of January to December 2020 in line with the Nigerian Electricity Regulatory Commission ("NERC") Order with reference number NERC/196/2020 on the Transitional Treatment of Tariff Related Liabilities in the Nigerian Electricity Supply Industry ("NESI"). Of this amount, credit notes of ₦7.3 billion, which relate to the months of January and February 2020, had effective dates of 2020 and have been offset against the liabilities due to NBET. The balance of ₦31.7 billion relates to March to December 2020 and have effective dates of 2021. This balance will be offset against the NBET liabilities in 2021.

#### **b) Appointment of new chairman, Board of Directors**

On 17 January 2022, EKEDP appointed Oritsedere Otubu as the Chairman of Board of Directors replacing Charles Momoh.

#### **c) Appointment of new Managing Director**

On 30 March 2022, the Board of Directors approved the appointment of Tinuade Sanda as the Managing Director of EKEDP replacing Adeoye Fadebiyi.

**Eko Electricity Distribution Plc.****Other national disclosures****Value added statement****For the year ended 31 December 2020**

	<b>2020</b>	<b>%</b>	<b>2019</b>	<b>%</b>
	<b>₦'000</b>		<b>₦'000</b>	
Revenue	98,807,144	253	80,604,365	59
Other income	58,069,057	149	177,573,857	130
Finance income	117,669	-	133,540	-
	<u>156,993,870</u>		<u>258,311,762</u>	
Less: brought-in materials and services (local)	<u>(117,947,616)</u>	<u>(302)</u>	<u>(122,065,956)</u>	<u>(90)</u>
<b>Value added</b>	<u><u>39,046,254</u></u>	<u><u>100</u></u>	<u><u>136,245,806</u></u>	<u><u>100</u></u>
<b>Distributed as follows</b>				
<b>Employees:</b>				
To pay salaries, wages and other staff costs	4,538,310	12	4,064,092	3
<b>Government</b>				
Taxation	2,898,111	7	3,313,158	2
<b>Retained for the Company's future</b>				
Depreciation and amortization	8,107,281	21	7,847,963	6
Deferred tax charges	11,776,183	30	(2,724,332)	(2)
Profit for the year	11,726,370	30	123,744,925	91
<b>Value added</b>	<u><u>39,046,254</u></u>	<u><u>100</u></u>	<u><u>136,245,806</u></u>	<u><u>100</u></u>

The value added statement is presented in this financial statements for the purpose of complying with the Companies and Allied Matters Act disclosure requirements.

**Eko Electricity Distribution Plc.**  
**Other national disclosures**  
**Five-year financial summary**  
**For the year ended 31 December 2020**

**Statement of financial position**

	31 December 2020	31 December 2019 *Restated	31 December 2018	31 December 2017	31 December 2016
	N'000	N'000	N'000	N'000	N'000
<b>ASSET EMPLOYED</b>					
Property, plant and equipment	47,526,563	49,724,028	50,365,319	51,542,685	53,343,494
Right-of-use assets	1,966,812	2,628,119	-	-	-
Intangible assets	779,275	210,189	240,432	125,525	156,348
Deferred tax assets	11,776,183	-	-	-	-
Other receivables	5,297,542	4,147,151	2,300,000	1,500,000	-
Prepayment	-	-	2,891,858	3,060,212	2,841,750
Net current assets/(liabilities)	1,033,283	1,230,768	(123,043,074)	(65,086,793)	(24,646,200)
Non-current liabilities	(4,488,290)	(5,775,257)	(3,919,996)	(5,952,184)	(6,709,875)
<b>Net assets/(liabilities)</b>	<b>63,891,368</b>	<b>52,164,998</b>	<b>(71,165,461)</b>	<b>(14,810,555)</b>	<b>24,985,517</b>
<b>FINANCED BY</b>					
Ordinary shares	200,000	200,000	5,000	5,000	5,000
Retained earnings/(Accumulated deficit)	63,691,368	51,964,998	(71,170,461)	(14,815,555)	24,980,517
<b>Total equities</b>	<b>63,891,368</b>	<b>52,164,998</b>	<b>(71,165,461)</b>	<b>(14,810,555)</b>	<b>24,985,517</b>

**Statement of profit or loss and other comprehensive income**

	31 December 2020	31 December 2019 *Restated	31 December 2018	31 December 2017	31 December 2016
	N'000	N'000	N'000	N'000	N'000
Revenue	98,807,144	80,604,365	76,156,820	69,065,249	56,536,377
Cost of sales	(110,288,181)	(95,350,625)	(86,006,856)	(76,067,069)	(53,036,490)
Result from operating activities	6,194,964	131,821,328	(41,889,136)	(31,491,434)	(9,317,355)
Profit/(loss) before taxation	2,848,298	126,469,257	(58,803,842)	(39,709,729)	(28,468,825)
<b>Profit/(loss) after taxation</b>	<b>11,726,370</b>	<b>123,744,925</b>	<b>(58,899,050)</b>	<b>(39,796,072)</b>	<b>(28,662,720)</b>
Basic earnings/(loss) per share (Naira)	1,173	12,374	(5,890)	(3,980)	(2,866)

The five-year financial summary is presented in this financial statements for the purpose of complying with the Companies and Allied Matters Act disclosure requirements.