Jos Electricity Distribution Plc

Annual Report

31 December 2019

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Corporate information

Registration Number: 638619

TIN:	17848257-0001
Directors:	Babangida Inuwa Zulkifil Yahaya Abba Ibrahim Sani Bello Remi Jibowu Olusola Arifayan Wakil Adamu Ignatius Ayewoh Alex Okoh Serdar Marangoz
Registered office address:	17, Murtala Mohammed Way, Jos, Plateau State Nigeria
Business address:	9, Ahmadu Bello Way, Jos, Plateau State Nigeria
Company secretary:	The Crest Legal Practitioners 182a Corporation Drive Dolphin Estate, Ikoyi Lagos State Nigeria
Solicitors:	T.D. Pepe & Co Enoch Adeboye Street, 24, Road, Off 2nd Avenue, Gwarinpa, Abuja Nigeria
	Shaakaa JR and Partners 33 Murtala Mohammed Way, P.O Box 6778 Jos.
	Noble Stallion Associates 5 Rambo Isari Plaza, Old PDP Secretariat, Jakadafari, Gombe State.
Auditor:	KPMG Professional Services KPMG Tower Bishop Aboyade Cole Street Victoria Island Lagos, Nigeria
Bankers:	First Bank of Nigeria Limited First City Monument Bank Union Bank of Nigeria Plc United Bank for Africa Plc

Directors' report

For the year ended 31 December 2019

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

Principal activity and business review

The Company was incorporated in Nigeria on 7 November 2005 as a public liability company to take over the electricity distribution activities and related businesses of the Power Holding Company of Nigeria ("PHCN") in Plateau, Benue, Bauchi and Gombe states of Nigeria.

As part of the Federal Government of Nigeria's ("FGN") 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). 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 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.

On 1 November 2013, the FGN completed the privatization of the electricity sector effectively handing over 6 generation and 11 distribution companies to new owners under various share sale agreements. As a result of this, 60% interest of the Company was acquired by a Nigerian company, Aura Energy Limited.

Operating results

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

	2019	**Restated* 2018**
Summary of statement of profit or loss	**NGN'000**	**NGN'000**
Revenue	64,640,355	28,352,558
Gross profit/(loss)	26,745,957	(1,365,233)
Operating profit/(loss)	85,799,730	(21,565,836)
Profit/(loss) before minimum tax and income tax	**70,732,450**	**(37,519,456)**
Minimum tax	(765,510)	(35,453)
Income tax	(1,901,208)	-
Profit/(loss) for the year	**68,065,732**	**(37,554,909)**
Summary of financial position		
Total assets	51,023,735	60,279,524
Total liabilities	59,367,444	136,648,233
Equity	(8,343,709)	(76,368,709)

**The comparative information has been restated on account of correction of errors (See Note 35)*

Dividend

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

Directors' report cont'd

For the year ended 31 December 2019

Directors and their interests

The Directors who served during the year were as follows:

Name	Nationality	Designation
Falalu bello OFR*	(Nigerian)	Chairman
Hamid Joda*	(Nigerian)	Director
Joseph Tsavsar*	(Nigerian)	Director
Serdar Marangoz	(Turkish)	Director
Adamu Yesuf*	(Nigerian)	Director
Mehmet Kasehkhagolu*	(Turkish)	Director

*The directors were replaced subsequent to year end by the following;

Name	Nationality	Designation	Date of Appointment
Babangida Inuwa	(Nigerian)	Chairman	17 July 2020
Zulkifil Yahaya Abba	(Nigerian)	Director	17 July 2020
Ibrahim Sani Bello	(Nigerian)	Director	17 July 2020
Remi Jibowu	(Nigerian)	Director	17 July 2020
Olusola Arifayan	(Nigerian)	Director	17 July 2020
Wakil Adamu	(Nigerian)	Director	17 July 2020
Ignatius Ayewoh*	(Nigerian)	Director	17 July 2020
Alex Okoh	(Nigerian)	Director	17 July 2020

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

The directors indicate that they do not have any interests required to be disclosed under Section 275 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004.

In accordance with Section 277 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, none of the directors has notified the Company of any declarable interests in contracts or proposed contracts with the Company during the year.

Shareholding structure

The shareholding structure of the Company is as follows:

	31 December 2019		31 December 2018	
	%	Number	%	Number
Aura Energy Limited**	50	500,000,000	50	500,000,000
Aydem Elektrik Perakende Satis Anonim Siketi	10	100,000,000	10	100,000,000
Bureau of Public Enterprises	32	320,000,000	32	320,000,000
Ministry of Finance Incorporated	8	80,000,000	8	80,000,000
Total	**100**	**1,000,000,000**	**100**	**1,000,000,000**

** On 8 May 2019, Highland Disco Acquisition Limited acquired the total shareholding of Aura Energy Limited and became the ultimate controlling party of Jos Electricity Distribution Plc.

Directors' report cont'd

For the year ended 31 December 2019

The attendance of Directors at board meetings during the year was as follows:

DIRECTORS	DESIGNATION	4 April
Falalu Bello	Chairman	X
Mohammed Gidado Moddibo	Managing Director	X
Yusuf Adamu	Director	X
Joseph Tsavsar	Director	X
Hamid Joda	Director	X
Serdar Marangoz	Director	-
Mehmet Kosehkhagolui	Director	-

X = Attended; - = Absent

Material agreements

The Company has entered into the following material agreements:

1. **Nigerian Electricity Stabilization Facility Disbursement agreement with CBN**
   As part of the initiatives to solve the liquidity problem in the Nigerian Electricity Supply Industry (NESI), the Federal Government established the Nigerian Electricity Market Stabilization Facility (NEMSF) aimed at settling the outstanding payment obligations due to the Market Participants. For this purpose, the Company entered into an agreement with the Central Bank of Nigeria (CBN). As at 31 December 2019, the entity has drawndown a total amount of NGN 15.36 billon from the facility See Note 24.

2. **Super vendor agreement**
   As part of the measures to make vending platforms more readily available to prepaid customers, the Company entered into an agreement with Adroit Metering Service Limited. Under the agreement, the super vendor is to provide electronic platforms and web based applications to enable customers vend electricity online by paying with credit or debit cards. The super vendor earn a commission of between 0.5% and 5% of sales depending on the mode of transaction See Note 8(b).

   Management intends to continue to enter into this type of arrangements with quality partners to improve its collection rates.

3. **Technical Agreement**
   As part of the measures to carry out an enumeration and verification of its entire customer number, the Company entered into an agreement with Tripple Seventh Nigeria Limited and Revenue Generation Services (RGS) Limited. Under the agreement, Tripple Seventh Nigeria Limited and Revenue Generation Services (RGS) Limited are to carry out the asset mapping and customer enumeration in the Bauchi, Gombe, Benue and Plateau regions in line with the Nigerian Electricity Regulatory Commission approved methodology.

   During the year, the Company also had an Operations and Management (O & M) agreement with TATA Limited for the provision of management services which include corporate services (strategy sitting and change management), risk and compliance services, network planning and operations and capacity building See Note 8(c). This agreement expired subsequent to year end.

4. **Deed of assignment of pre-completion receivables and liabilities**
   As part of the privatization completion, the Company through the Bureau of Public Enterprises signed a deed of assignment of pre-completion receivables and liabilities with the Nigerian Electricity Liability Management Company Limited (NELMCO) effective 31 October 2013. NELMCO is a government owned entity established to take over and manage the stranded assets and liabilities in the Power sector.

Directors' report cont'd

For the year ended 31 December 2019

(a) Pre-completion receivables

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

(b) Pre-completion liabilities

Per the Deed of Assignment of Pre-completion liabilities, all liabilities and contingent liabilities of the Company as at 31 October 2013 were transferred to NELMCO subject to certain terms and conditions which management believes do not limit the transfers.On the basis of this agreement, management derecognized qualifying assets and liabilities as at 31 October 2013 from the 2013 financial statements.

Geographical presence

To enable the Company operate in States where it distributes electricity, it has fifteen (15) area offices excluding the head office. The 15 area offices are distributed across four states which are Plateau, Benue, Bauchi and Gombe states from which the Company operates. The regional offices are headed by Regional Managers and the area offices are headed by Area Managers who report to the Regional Managers. The regional managers report to the leadership team based at the head office. Financial reporting is done centrally.

Property, plant and equipment (PPE)

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

Charitable contributions

During the year, the Company made no charitable contributions (2018 : Nil).

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

Events after the reporting date

Events after the reporting date have been disclosed in Note 28 to these financial statements.

Employment and employees

(a) *Employment 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. Training is conducted for the Company's employees as the need arises.Management, professional and technical expertise are the Company's major assets. The Company continues to invest in developing such skills.

(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 currently has no physically challenged persons in its employment (2018: Nil). Applications for employment by physically challenged persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming physically challenged, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that training, career development and promotion of physically challenged persons should, as far as possible, be identical with that of other employees

Directors' report cont'd

For the year ended 31 December 2019

(d) ***Employee health, safety and welfare:***

The Company places 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 group personal accident and group life insurance, to adequately secure and protect its employees. The Company also trains all categories of staff in health and safety matters based on their job role requirement, in order to enhance their awareness and increase their effective participation and contribution as individuals.

Also, where appropriate, the Company provides employees with protective clothing and equipment in compliance with the health and safety code issued by the Nigerian Electricity Regulatory Commission (NERC). It is the Company's goal to ensure that its incident-free safety record in operations is amongst the best, both locally and globally, upon which it has set its Safety Policy.

Independent auditors

Messrs. KPMG Professional Service were appointed auditors of the Company on 19 November 2020 in accordance with Section 357 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004. Messrs. KPMG Professional Services having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditors of the company. In accordance with Section 357(2) of the Companies and Allied Matters Act (CAMA), Cap C.20, Laws of the Federation of Nigeria, 2004, therefore, the auditors will be re-appointed at the next annual general meeting of the company without any resolution being passed.

BY ORDER OF THE BOARD

....
Gideon Agbedo
FRC/2022/PRO/ICSAN/002/710141
Company Secretary
Jos, Nigeria
27 July 2023

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

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

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead. See Note 29 to these financial statements for more details.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Babangida Inuwa	**Zulkifil Abba**
FRC/2022/PRO/DIR/003/734259	*FRC/2022/PRO/DIR/003/534015*
27 July 2023	27 July 2023

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

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Internet home.kpmg/ng

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Jos Electricity Distribution Plc

Report on the Audit of the Financial Statements

Opinion

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

- the statement of financial position as at 31 December 2019;
- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

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

Emphasis of matter

a. Material uncertainty relating to going concern

We draw attention to Note 29 of the financial statements, which indicates that the Company's current liabilities exceeded its current assets by NGN 44.88 billion (2018: NGN 109.75 billion) and its total liabilities exceeded its total assets by NGN 8.34 billion (2018: NGN 76.37 billion). As stated in Note 29, these events or conditions, along with other matters as set forth in Note 29, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

b. Comparative information

We draw attention to Note 35 of the financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2018 has been restated. Our opinion is not modified in respect of this matter.

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

<table>
<tr><th>The Key audit matter</th><th></th></tr>
<tr><td>Revenue recognition</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Revenue was a matter of significance to our audit due to:
Significant judgement and estimate involved in the determination of performance obligation not fulfilled on contract liability for prepaid customers at year end.
Several rules and regulations that the Company needs to comply with, in relation to tariff and billing methodology.</td><td>Our audit procedures included the following:
We obtained an understanding of the Company's customer billing and meter reading processes and evaluated the design and implementation of the relevant controls in relation to revenue estimation and billing systems.
For revenue recognized in respect of unmetered customers, we evaluated the reasonableness of the assumptions underlying the Company's estimated billing methodology.
We assessed the reasonableness of the Company's assumptions and judgement with respect to the estimation of contract liability from pre-paid energy sales and unbilled revenue from post-paid customers.
We re-performed a computation of contract liability and unbilled revenue using parameters such as average daily consumption and compared to amounts previously determined by the Company.
We evaluated billings to customers/revenue recognized to determine whether billings/revenue are consistent with NERC rules and guidelines. These include NERC guidance on back-billing, estimated billing of maximum demand customers, reading of customers' meters. We assessed the reasonability of the parameters used by comparing them to parameters in the NERC tariff order.
We assessed the presentation and disclosure of revenue in accordance with the relevant accounting standards.</td></tr>
<tr><td colspan="2">See Note 5(a) (significant accounting policy) and Note 7 (Revenue) to the financial statements.</td></tr>
</table>

<table>
<tr><th>The Key audit matter</th><th></th></tr>
<tr><td>Recognition of tariff shortfalls</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>During the year, the NERC issued Order No. NERC/GL/176 "The 2016 - 2018 Minor Review of the Multi Year Tariff Order (MYTO) 2015 and Minimum Remittance Order for the year 2019" and Order No. NERC/GL/190B/2019 "December 2019 Minor Review Multi</td><td>Our audit procedures in this area included the following:
We evaluated the accuracy of the amount recognized as tariff shortfalls in line with the relevant accounting standards.
We evaluated the various NERC orders issued</td></tr>
</table>

Year Tariff Order 2015 and Minimum Remittance Order for the year 2020". These orders awarded tariff shortfalls to the Company. The shortfalls relate to the 2015 – 2018 and 2019 financial years respectively. This is the first year of the award and resultant recognition of the tariff shortfall by the Company. Hence, the recognition of the tariff shortfall was a matter of significance to our audit.	with respect to the tariff shortfall and assessed how the Company complied with the orders in the recognition of the tariff shortfall. • We assessed whether offsetting of the tariff shortfalls against amounts due to the Nigerian Bulk Electricity Trading Plc (NBET) is in accordance with the criteria for derecognition of financial liabilities. • We evaluated whether the accounting treatment of the tariff shortfall aligns with the NERC order and our understanding of the business. • We assessed the presentation and disclosure of tariff shortfalls in line with the relevant accounting standards.
The related disclosures are shown in Notes 7((A)(a)), 10(a(i)) to the financial statements respectively.	

Other Matter relating to comparative information

The financial statements of Jos Electricity Distribution Plc as at and for the years ended 31 December 2018 and 31 December 2017 (from which the statement of financial position as at 1 January 2018 has been derived), excluding audit adjustments described in Note 35 were audited by another auditor who expressed an unmodified opinion on those financial statements on 5 June 2020 and 28 November 2018 respectively.

As part of our audit of the financial statements as at and for the year ended 31 December 2019, we audited the adjustments described in Note 35 that were applied to restate the comparative information presented as at and for the year ended 31 December 2018 and the statement of financial position as at 1 January 2018.

We were not engaged to audit, review, or apply any procedures to the comparative information, other than with respect to the retrospective adjustments described in Note 35. Accordingly, we do not express an opinion or any other form of assurance on the comparative information. However, in our opinion, the retrospective adjustments described in Note 35 to the financial statements are appropriate and have been properly applied.

Other Information

The Directors are responsible for the other information. The other information comprises the Corporate information, Results at a glance, Directors' report, Statement of directors' responsibilities and Other National Disclosures, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books.

iii. The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Signed:

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

Statement of financial position
As at 31 December

	Notes	31 Dec 2019	Restated* 31 Dec 2018	Restated* 1 Jan 2018
		NGN'000	NGN'000	NGN'000
ASSETS				
Property, plant & equipment	*14*	36,685,937	37,257,329	37,235,804
Intangible assets	*15*	3,664,603	2,821,239	364,158
Prepayment	*18*	2,649,904	2,649,904	2,670,923
Other deposits	*17(c)*	3,754,608	2,145,108	2,066,365
Right of use asset	*31*	19,361	-	-
Non current assets		**46,774,413**	**44,873,580**	**42,337,250**
Inventories	*16*	849,884	846,043	885,027
Trade and other receivables	*17*	2,386,142	13,079,871	34,212,577
Prepayment	*18*	53,485	125,235	87,490
Cash and cash equivalents	*19*	959,811	1,354,795	1,141,152
Current assets		**4,249,322**	**15,405,944**	**36,326,246**
Total assets		**51,023,735**	**60,279,524**	**78,663,496**
EQUITY				
Share capital	*20*	500,000	500,000	500,000
Accumulated deficits		(8,843,709)	(76,868,709)	(14,748,482)
Total equity		**(8,343,709)**	**(76,368,709)**	**(14,248,482)**
LIABILITIES				
Loans and borrowings	*24*	8,203,889	9,498,573	8,819,837
Lease liability	*31*	28,544	-	-
Employee benefits obligation	*25*	360,633	143,507	-
Provision	*23(a)*	106,549	-	-
Deferred income	*21*	1,533,925	1,853,641	1,827,776
Total non-current liabilities		**10,233,540**	**11,495,721**	**10,647,613**
Current tax liabilities	*13(d)*	3,150,742	484,024	448,571
Loans and borrowings	*24*	1,294,679	751,362	402,284
Deferred income	*21*	378,058	371,711	347,886
Trade and other payables	*22*	44,175,097	123,500,237	81,065,624
Contract liabilities	*7(c)*	135,328	45,178	-
Current liabilities		**49,133,904**	**125,152,512**	**82,264,365**
Total liabilities		**59,367,444**	**136,648,233**	**92,911,978**
Total equity and liabilities		**51,023,735**	**60,279,524**	**78,663,496**

**The comparative information has been restated on account of correction of errors (See Note 35)*

These financial statements were approved by the Board of Directors on 27 July 2023 and signed ~~on its~~ behalf by:

....

Babangida Inuwa (Chairman)
FRC/2022/PRO/DIR/003/734259

....

Abdu Bello Mohammed (Managing Director)
FRC/2023/PRO/DIR/003/741066

Additionally certified by:

....

Nelson Egwemi (Ag. Chief Financial Officer)
FRC/2023/PRO/ICAN/001/463291

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

Statement of profit or loss and other comprehensive income

For the year ended 31 December

	Notes	31 Dec 2019	Restated * 31 Dec 2018
		NGN'000	NGN'000
Revenue	*7*	64,640,355	28,352,558
Cost of sales	***8(a)***	(37,894,398)	(29,717,791)
Gross profit/(loss)		**26,745,957**	**(1,365,233)**
Selling expenses	***8(b)***	(2,569,489)	(2,493,367)
Administrative expenses	***8(c)***	(10,538,019)	(6,969,515)
Other operating income	***9***	88,461,614	77,355
Net impairment losses on financial assets	***30(b)***	(16,300,333)	(10,815,076)
Operating profit/(loss)		**85,799,730**	**(21,565,836)**
Finance income	***10***	460,602	435,381
Finance cost	***10***	(15,527,882)	(16,389,001)
Net finance costs		**(15,067,280)**	**(15,953,620)**
Profit/(loss) before minimum tax and income tax		**70,732,450**	**(37,519,456)**
Minimum tax	***13(a)***	(765,510)	(35,453)
Profit/(loss) before income tax		**69,966,940**	**(37,554,909)**
Income tax expense	***13(b)***	(1,901,208)	-
Profit/(loss) for the year		**68,065,732**	**(37,554,909)**
Actuarial loss on employee benefit obligation	***25(a)***	(40,732)	-
Other comprehensive income		**(40,732)**	**-**
Total comprehensive income/(loss)		**68,025,000**	**(37,554,909)**

**The comparative information has been restated on account of correction of errors (See Note 35)*

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

Statement of changes in equity

For the year ended 31 December

	Notes	Share capital	Accumulated deficit	Total equity
For the year ended 31 December 2018		**NGN'000**	**NGN'000**	**NGN'000**
Balance at 1 January 2018 as previously reported		5,000	(13,726,069)	(13,721,069)
Impact of correction of errors	*35*	-	(1,022,413)	(1,022,413)
Issue of additional shares		495,000	-	495,000
Restated balance as at 1 January 2018*		**500,000**	**(14,748,482)**	**(14,248,482)**
Adjustment on initial application of IFRS 9	*17(b)*	-	(24,565,318)	(24,565,318)
Total comprehensive income				
Loss for the year		-	(37,554,909)	(37,554,909)
Other comprehensive income		-	-	-
Total comprehensive income		**-**	**(37,554,909)**	**(37,554,909)**
Transactions with owners of the company				
Restated balance at 31 December 2018*		**500,000**	**(76,868,709)**	**(76,368,709)**
Total comprehensive income				
Profit for the year		-	68,065,732	68,065,732
Other comprehensive income		-	(40,732)	(40,732)
Total comprehensive income		-	68,025,000	68,025,000
Transaction with owners of the Company				
Balance at 31 December 2019		**500,000**	**(8,843,709)**	**(8,343,709)**

**The comparative information has been restated on account of correction of errors (See Note 35)*

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

Statement of cash flows
For the year ended 31 December

	Notes	2019 NGN'000	Restated * 2018 NGN'000
Cash flow from operating activities			
Profit/(loss) for the year		68,065,732	(37,554,909)
Adjustments for:			
- Finance costs	*10*	15,527,882	16,389,001
- Amortization of deferred income	*21*	(371,711)	(347,886)
- Employee benefit obligation	*25*	201,836	143,507
- Depreciation - ROU asset	*31*	4,840	-
- Depreciation of property, plant and equipment	*14*	2,059,089	2,253,933
- Amortisation of intangible asset	*15*	434,492	267,842
- Write off of unreconciled receivables	*30(b)*	5,845,827	-
- Provision on tax dispute judgement	*8(c)*	106,549	-
- Impairment of trade receivables	*30(b)*	16,300,333	10,815,076
- Mimimum tax expense	*13(a)*	765,510	35,453
- Income tax expense	*13(b)*	1,901,208	-
- Finance income	*10*	(88,891)	(87,494)
		110,752,696	**(8,085,477)**
Changes in:			
Inventories	*16(a)*	(3,841)	38,984
Trade and other receivables	*17(d)*	(13,061,931)	(14,326,431)
Prepayment	*18(a)*	71,750	(16,726)
Contract liabilities	*7(c)*	90,150	45,178
Trade and other payables	*22(e)*	(93,706,150)	27,727,911
Cash generated from operating activities		**4,142,674**	**5,383,439**
Payment of defined benefit obligation	*25*	(25,442)	-
Income taxes paid	*13(b)*	-	-
Net cash generated from operating activities		**4,117,232**	**5,383,439**
Cash flows from investing activities:			
Acquisition of property, plant and equipment	*14(d)*	(1,277,642)	(2,275,458)
Acquisition of intangible assets	*15(c)*	(983,263)	(2,724,923)
Interest received	*10*	88,891	87,494
Net Cash used in investing activities		**(2,172,014)**	**(4,912,887)**
Cash flows from financing activities:			
Proceeds from loans and borrowings	*24*	387,550	2,275,198
Interest repayment	*24*	(1,167,987)	(1,217,516)
Principal repayment	*24*	(1,559,765)	(1,314,591)
Net Cash used in financing activities		**(2,340,202)**	**(256,909)**
Net (decrease)/increase in cash and cash equivalents		(394,984)	213,643
Cash and cash equivalents at 1 January		1,354,795	1,141,152
Effect of movement in foreign cash held		-	-
Cash and cash equivalents at 31 December		**959,811**	**1,354,795**

**The comparative information has been restated on account of correction of errors (See Note 35)*

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

Notes to the financial statements

1. Reporting entity

Jos Electricity Distribution Plc ("the Company") is a public liability company incorporated on 7 November 2005 to take over as a going concern, the electricity distribution activities and related business of the Power Holding Company of Nigeria (PHCN) in the Federal Capital Territory (FCT) Plateau, Benue, Bauchi and Gombe States. The Company is domiciled in Nigeria and has its registered office address at 17, Murtala Mohammed Way, Jos, Plateau State, Nigeria.

The Company supplies electricity within the captive regions above based on a licence granted to it by the Nigerian Electricity Regulatory Commission (NERC) on 1 October 2013. 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).

On 1 November 2013, a Nigerian Company, Aura Energy Limited and Aydem Energy FZE, UAE acquired 60% interest in the Company thereby acquiring control of the Company. On 21 June 2016, Aydem Energy FZE, UAE transferred its shares in the Company to Aydem Elektrik Perakende Satis Anonim Siketi. 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 privatization initiative of the power sector embarked on by the Federal Government of Nigeria.

2. Basis of accounting

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011. The financial statements were authorised for issue by the Board of Directors on 27 July 2023.

Details of the Company's significant accounting policies are included in Note 5.

This is the first set of the Company's annual financiaal statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in Notes 5(k).

3. Functional and presentation currency

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

4. Use of judgments and estimates

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

(A) Judgments

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

Note 5(a) - Revenue: Determination of whether billings to non-paying customers meet the revenue recognition criteria.

Note 13(e) – Unrecognized deferred tax assets: availability of future taxable profit against

Notes to the financial statements

which carry forward tax losses can be used.

Note 7A - Recognition of tariff shortfall
Note 31 - Lease term: whether the Company is reasonably certain to exercise extension options.
Note 30(B) Impairement of financial assets.

(B) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties as at 31 December 2019 that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:
Notes 7(B) - Revenue Recognition – Estimation of unbilled revenue from Post-paid customers, and estimation of bills to unmetered customers.
7 -Revenue Recognition – Estimation of contract liabilities from prepaid customers.
14 – Property, plant and equipment: fair values of distribution network assets.
Notes 23 and 27 – Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resource.
Note 25 - Measurement of employee benefit obligations: key actuarial assumptions
Notes (a)(30B) - Measurement of ECL allowance for trade receivables: key assumptions in determining the weighted-average loss rate.

5. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except if mentioned otherwise (Note 34).

(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 transfers control over a good or service to a customer

In line with the applicable tariff framework, prices charged by the Company for electricity distribution are regulated. However, the Company is allowed to recover excess costs incurred through future price increases charged on future deliveries. See Note 34 for changes in accounting policies during the year.. Similarly, where current regulated rates are determined to be excessive, the Company may be subject to a rate reduction in the future against future deliveries. The Company does not recognize an asset or liability, as the case may be, on account of under-recovery or over-recovery except where it is obligated to provide future services at a loss in which case a provision is recognized.

Revenue from contract with customers are recognized based on the evaluation of the historical payment patterns of the customers.

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.

Notes to the financial statements (continued)

Category of revenue	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Postpaid revenue	The performance obligation of the Company is satisfied overtime as electricity is supplied to the customers. Billing is done on a monthly basis and payment is contractually within 30 days of billing.	Revenue is recognised over time as electricity is provided. The amount of revenue to recognise during the year (including unbilled revenue for the value of units consumed by customers in December, extracted from the December meter reading (which will be billed in January)) is assessed based on the unit consumed method. The stand-alone selling price is determined based on the NERC approved tariff for the different categories of customers.
Prepaid revenue	Satisfaction of performance obligation is same as postpaid revenue. Payment is received in advance of consumption of electricity	Revenue is recognised over time as electricity is provided. In case of prepaid customers, an estimate is made for unearned revenue as at year-end and this is included in the statement of financial position as contract liability. The stand-alone selling price is determined based on the NERC approved tariff for the different categories of customers.

Tariff shortfalls

Tariff shortfalls arising from the difference between actual end-user tariffs approved by the Nigerian Electricity Regulatory Commission (NERC) and cost-reflective tariffs allowed by NERC for recovery are based on regulatory orders and subject to recovery through means other than recovery through billings to customers. Revenue is recognized at the point in time the regulatory orders are issued and a financial asset is created or a financial liability is derecognized as might be applicable.

(b) Finance income and finance costs

Finance income comprises interest income on short-term deposits with banks and foreign exchange gains. Interest income on short-term deposits is recognized using the effective interest method. In addition, day-one-gain on initial recognition of loans at fair value are recognized as finance income.

Finance costs comprise interest expense on interest bearing liabilities, Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognized in profit or loss using the effective interest method.

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

Foreign exchange gains and losses are recognized on net basis.

Write back of interest attributable to tariff shortfalls and interest expenses on liabilities to NBET are recognized on a net basis as either finance income or finance cost depending on whether the summation of both results in a net gain or a net loss position.

Notes to the financial statements (continued)

(c) Foreign currency transactions

Transactions denominated in foreign currencies are translated and recorded in the functional currency (Nigerian Naira) at the spot exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the spot rates of exchange prevailing at that date.

Foreign currency differences are generally recognized in profit or loss. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(d) Property, plant and equipment

i. **Recognition and measurement**

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

ii. **Subsequent expenditure**

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

iii. **Depreciation**

Depreciation is calculated to write off the cost or revalued amount 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 recognized in profit or loss.

Freehold land is not depreciated as it is a leasehold asset with an infinite useful life; however, depreciation on other categories of assets are calculated using straight line method to write down their cost to their residual values over their estimated useful lives.

The estimated useful life of items of property, plant and equipment are as follows:

Asset Category	**Estimated useful life**
Land	Nil
Buildings	2.5%
Distribution network assets	2% - 5%
Furniture and fittings	10%
Motor vehicles	20%

Capital work in progress is not depreciated until when the asset is available for use and transferred to the relevant category of property, plant and equipment.

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

iv. **Derecognition of PPE**

The carrying amount of an item of property, plant and equipment shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal.

The gains or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognized.

v. **Contribution of assets by customer**

Contributions by customers of items of property, plant and equipment, which require an obligation to supply goods to the customer in the future, are recognized at the fair value when

Notes to the financial statements (continued)

the Company has control of the item. The Company assesses whether the transferred item meets the definition of an asset, and if so recognizes the transferred asset as PPE. At initial recognition, its cost is measured at fair value, and a corresponding amount is recognized in revenue when the Company has no future performance obligations. If the Company is yet to discharge the future performance obligation, the corresponding amount is recognized as a deferred income pending the performance of the obligation. This is then released to revenue as the performance obligation is discharged overtime.

(e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are measured at cost less accumulated amortization and accumulated impairment losses. Acquired computer software licenses are capitalized on the basis of its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and any directly attributable cost of preparing the software for its intended use. The estimated useful life of the Customer management system is 10 years.

Subsequent expenditure

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

Amortization

Amortization is calculated to write-off the cost of intangible assets less the estimated residual values using the straight line method over their estimated useful lives and is generally recognized in profit or loss.

Derecognition of Intangible Assets

The carrying amount of an item of intangible assets shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal.

The gains or losses arising from the derecognition of an item of intangible asset shall be included in profit or loss when the item is derecognized.

(f) Financial instruments

i. Recognition and initial measurement

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

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

ii. Classification and subsequent measurement

Financial assets

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

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

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

Notes to the financial statements (continued)

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

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

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

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

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

– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

– how the performance of the portfolio is evaluated and reported to the Company's management;

– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

– how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the

Notes to the financial statements (continued)

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

– erms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

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

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

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

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

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

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

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

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

Notes to the financial statements (continued)

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash balances with banks and fixed deposits that have maturity periods less than 3 months and form an integral part of the Company's cash management.

(h) Share capital

Ordinary shares

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

(i) Government grants

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

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

(j) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on weighted average cost principle. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

(k) Leases

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

Policy applicable from 1 January 2019

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

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

i **As a lessee**

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

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use

Notes to the financial statements (continued)

asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by
impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

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

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

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

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

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

ii **As a lessor**
At inception 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 their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Notes to the financial statements (continued)

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.
The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see Note (l)(i)). The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

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

i. As a lessee

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

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

ii. As a lessor

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Notes to the financial statements (continued)

(l) Impairment

***i.* Non-derivative financial assets**

Financial instruments and contract assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) on:

- financial assets measured at amortised cost; and
- contract assets.

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

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

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available

without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

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

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

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

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

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

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

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

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

Notes to the financial statements (continued)

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

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.

(m) Employee benefits

i. **Short term employee benefits**

Short – term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employee renders the related service. Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid

Notes to the financial statements (continued)

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 plan**

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.

In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for all staff effective from 1 November 2013. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is recognized in profit or loss as employee benefit expense in the periods during which services are rendered by employees.

Employees contribute 8% each of their basic salary, transport and housing allowances to the Fund on a monthly basis. The Company's contribution is 10% of each employee's basic salary, transport and housing allowances.

iii. **Defined benefits plan**

The Company's defined benefit plan is the amount of pension benefit an employee will receive on retirement, dependent on, years of service and compensation. The liability recognised in the statement of financial position in repsect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are determined in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions (remeasurements) are recognised in other comprehensive income in the period in which they arise.

Acturial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Current service and interest cost are included as part of employee benefit expense in the profit or loss.

iv. **Termination benefits**

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

(n) Provisions and contingent liabilities

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Notes to the financial statements (continued)

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 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.

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

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities (see Note 6).

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

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

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

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

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

Notes to the financial statements (continued)

comprehensive income.

The Company had determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

i. **Current tax**

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

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

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

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

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

ii. **Offset of current tax assets against current tax assets**

The Company offsets the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, the Company has a legally enforceable right to set off the recognised amounts, and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefits would be realized.

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 is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

– temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

– taxable temporary differences arising on the initial recognition of goodwill.

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

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

Notes to the financial statements (continued)

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

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

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

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

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

(q) Minimum tax

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

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

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

(r) Operating Profit/Loss

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

6. Measurement of fair values

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

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

• Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Notes to the financial statements (continued)

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

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

7. Revenue

A. Revenue streams

The Company generates revenue primarily from delivering of electricity and other related activities across the Company's distribution network in Plateau, Benue, Bauchi and Gombe States . Other sources of revenue in the current period include tariff shortfall issued by the regulator, Nigerian Electricity Regulatory Commission (NERC) and assets contributed by the customers.

	2019	Restated 2018
	NGN'000	NGN'000
Revenue from contracts with customers	26,941,355	28,352,558
Other revenue		
Tariff Shortfall awarded by NERC (2019) (Note 7A(a))	37,699,000	-
Total revenue	64,640,355	28,352,558

(a) Tariff shortfall awarded by NERC

As part of the initiative towards improving the liquidity of Distribution Companies, on 1 July 2019 and 31 December 2019, the Nigerian Electricity Regulatory Commission (NERC) issued the Minor Review and Minimum Remittance Order - Order No. NERC/GL/176 "The 2016 - 2018 Minor Review of the Multi Year Tariff Order (MYTO) 2015 and Minimum Remittance Order for the year 2019" and Order No. NERC/GL/190B/2019 "December 2019 Minor Review Multi Year Tariff Order 2015 and Minimum Remittance Order for the year 2020". One of the objectives of the Orders is to resolve the impairment of the financial records of the distribution companies arising as a consequence of the deficits in tariffs over the years. These orders awards the Company a sum of NGN 88.36 billion as the computed tariff shortfall for the years 2015 to 2018 and NGN 37.70 billion as the tariff shortfall for 2019. In line with the Order, the awarded tariff shortfalls are netted off the Company's payables to NBET and ONEM and tranferred off the statement of financial position.

B. Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by customer type, and mode of payment.

Estimation of bills to unmetered customers

Bills to unmetered customers are estimated per feeder. The energy consumed by metered customers (postpaid and prepaid) on a feeder represents the accounted quantum of energy, while the difference between the total energy supplied to the feeder less technical losses and the accounted energy represents the unaccounted energy which is billed to unmetered customers in the proportion of their load wattage.

The load wattage represents the estimated monthly minimum consumption of an unmetered customer. This is then used to multiply the grid factor which is the proportion of the unaccounted energy distributed to the feeder to the cumulative load wattage of all unmetered customers on the feeder.

Notes to the financial statements (continued)

Revenue for the year is analysed as follows:

a. Classification by customer tariff class

	2019	Restated 2018
	NGN'000	NGN'000
Residential	13,648,748	15,713,496
Commercial	4,102,369	4,227,591
Industrial	2,344,249	2,819,671
Government and others	6,845,989	5,591,800
	26,941,355	**28,352,558**
Tariff shortfall awarded by NERC (2019) (Note 7A(a))	37,699,000	-
	64,640,355	**28,352,558**

b. Classification by customer payment mode

	2019	2018
	NGN'000	NGN'000
Post-paid revenue	23,531,282	25,583,318
Pre-paid revenue	3,410,073	2,769,240
	26,941,355	**28,352,558**
Tariff shortfall awarded by NERC (2019) (Note 7A(a))	37,699,000	-
	64,640,355	**28,352,558**

C. Contract balances

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

	Notes	2019	Restated 31 Dec 2018
		NGN'000	NGN'000
Receivables, which are included in 'trade and other receivables'	*17*	2,314,402	13,009,884
Contract liabilities		135,328	45,178

The contract assets relate to the Company's rights to consideration for energy supplied but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an electricity bill to the customers.

Notes to the financial statements (continued)

Estimation of contract liabilities from prepaid customers

The Company estimates contract liabilities from contracts with prepaid customers by calculating an energy consumption factor which shows the average energy consumption for each customer based on energy unit purchased during the year. This is used to prorate the last units of energy purchased by the customer before year end. Unearned revenue amounted to NGN 135.33 million (2018: NGN 45.18 million) and has been recognized as contract liability.

Reconciliation of changes in contract liabilities to statement of cashflows is as follows;

	2019 NGN'000	Restated 31 Dec 2018 NGN'000
Opening Balance	(45,178)	-
Closing Balance	135,328	45,178
Amount shown in statement of cashflows	**90,150**	**45,178**

8. Expenses by nature

Expenses by nature comprise:

a. Cost of sales

	2019 NGN'000	Restated 2018 NGN'000
Cost of energy purchased - NBET	29,456,274	24,405,672
Cost of energy purchased - NESCO	10,708	4,897
Administrative charges - ONEM*	5,065,325	1,872,930
Cost of repairs and maintenance	344,967	326,990
Depreciation of plants and machinery (Note 14(a))	1,925,462	2,117,314
Inventory write down	-	228,862
Employee benefits expenses (Note 12(a))	1,091,662	761,126
Total cost of sales	**37,894,398**	**29,717,791**

*Administrative charges - ONEM includes NERC charges during the year amounting to NGN 444.66 million (2018: 428.45 million).

b. Selling expenses

Employee benefits expenses (Note 12(a))	1,508,277	1,052,339
Super agent commission	201,743	119,734
Direct sales agents	547,399	990,390
Marketing expenses	312,070	330,904
Total Selling expenses	**2,569,489**	**2,493,367**

Notes to the financial statements (continued)

c. Administrative expenses

Depreciation of property, plant and equipment (Note (14(a))	133,627	136,620
Depreciation of right of use assets	4,840	-
Employee benefits expenses (Note 12(a))	1,442,267	986,441
Directors' remuneration (Note 12(d))	149,461	147,831
Audit fees	20,210	26,250
Trade receivable write off	-	1,120,006
Amortization of intangible assets (Note 15)	434,492	267,842
Transport and travelling	239,032	285,020
Management services fee	603,141	-
Rent of office buildings	58,150	93,604
Repairs and maintenance	176,844	51,199
Write off of unreconciled receivables	5,845,827	-
Hotel and accommodation expenses	96,516	128,310
Security, driving and cleaning costs	757,792	718,739
Insurance expenses	121,719	123,727
Bank charges	24,939	22,353
General advertisement	24,778	35,338
Consultancy fees	33,175	102,524
Staff training and welfare expenses	111,038	151,365
Provision expense (Note 23(a))	106,549	-
Office expenses	113,784	135,210
Haulage expenses	9,495	9,748
Development levy	12,990	-
Entertainment expenses	17,353	20,149
Technical fees	-	2,407,239
Total administrative expenses	**10,538,019**	**6,969,515**
Total cost of sales, selling and administrative expenses	**51,001,906**	**39,180,673**

d. Analysed in the statement of profit or loss and other comprehensive income as follows:

	2019	Restated 2018
	NGN'000	NGN'000
Cost of sales	37,894,398	29,717,791
Selling expenses	2,569,489	2,493,367
Administrative expenses	10,538,019	6,969,515
	51,001,906	**39,180,673**

9. Other income

	2019	Restated 2018
	NGN'000	NGN'000
Service re-connection fees	7,183	11,558
Administrative charge on meter tampering and repairs	94,538	64,688
Repairs of meters	3,614	1,109
	105,335	**77,355**
Tariff Shortfall awarded by NERC (2015 -2018) (Note 7A(b))	88,356,279	-
	88,461,614	**77,355**

Notes to the financial statements (continued)

10. Finance income and finance costs

	2019	Restated 2018
	NGN'000	NGN'000
Finance income		
Interest income	88,891	87,494
Amortization of deferred income (Note 21(a))	371,711	347,887
Total finance income	**460,602**	**435,381**
Finance costs		
Interest on electricity market payable	13,876,362	14,706,702
Interest on loans and borrowings (Note 24)	1,647,177	1,682,299
Interest on lease liability (Note 31)	4,343	-
Total finance costs	**15,527,882**	**16,389,001**
Net finance costs	**(15,067,280)**	**(15,953,620)**

(a) Net interest on NBET and ONEM bills	2019	Restated 2018
	NGN'000	NGN'000
Interest on NBET and ONEM bills (Note 10(a)(i))	(13,876,362)	(14,706,702)
	(13,876,362)	**(14,706,702)**

(i) Interest on NBET and ONEM bills

This represents interest arising from the non payment of minimum/base line remittances on the Nigerian Bulk Electricity Trading (NBET) and Operator of the Nigerian Electricity Market (ONEM) invoices during the year. In line with the NERC order No. NERC/GL/176 “The 2016 - 2018 Minor Review of the Multi Year Tariff Order (MYTO) 2015 and Minimum Remittance Order for the year 2019” issued during the year, the Company is required to remit 8.5% and 100% of the NBET and ONEM bills respectively. The shortfall on remittance attracts interest at NIBOR plus 4%.

As at 31 December 2019, the interest on NBET and ONEM bills have been settled fully with the tariff shortfalls received during the year.

11. Profit/(Loss) before minimum tax and income tax

	2019	Restated 2018
	NGN'000	NGN'000
Profit/(loss) before income tax is stated after charging/(crediting)		
Auditor's remuneration	20,210	26,250
Depreciation (Note 14(a))	2,059,089	2,253,934
Depreciation - right-of-use-assets (Note 31(i))	4,840	-
Amortization of intangible assets (Note 15)	434,492	267,842
Employee benefits expenses (Note 12(a))	4,042,206	2,799,906
Amortization of deferred income (Note 21(a))	371,711	347,887

12. Employee benefit expense and director's remuneration

(a) Employee benefits expenses during the year amounted to:

	2019	Restated 2018
	NGN'000	NGN'000
Salaries and wages	3,589,681	2,480,201
Pension costs	250,689	176,198
Defined benefit obligation (Note 25)	201,836	143,507
	4,042,206	**2,799,906**

Notes to the financial statements (continued)

(b) Number of employees of the Company as at 31 December, whose duties were wholly or mainly discharged in Nigeria, received annual remuneration excluding pension contributions and certain benefits) in the following ranges:

NGN		NGN	2019 Number	2018 Number
-	-	1,000,000	1,646	1,492
1,000,001	-	2,000,000	567	514
2,000,001	-	3,000,000	194	176
3,000,001	-	4,000,000	67	61
4,000,001	-	5,000,000	17	15
Above 5,000,000			131	119
			2,622	2,377

(c) The average number of full time personnel employed by the Company during the year are as follows:

	2019 Number	2018 Number
Management	18	18
Senior Staff	684	620
Junior Staff	1,920	1,739
	2,622	2,377

(d) Directors' remuneration

Directors' remuneration paid during the year comprises:

	2019 NGN'000	2018 NGN'000
Fees as directors	83,040	81,410
Salaries	66,421	66,221
	149,461	147,631

The directors' remuneration shown above includes:

	2019 NGN'000	2018 NGN'000
Chairman and highest paid director	19,000	19,000

The other directors received remuneration in the following range:

	2019 Number	2018 Number
NGN5,000,001 - NGN10,000,000	7	7

Notes to the financial statements (continued)

13. Taxation

(a) Minimum tax

The Company has applied the provisions of the Companies Income Tax Act and the Finance Act 2019 that mandates a minimum tax assessment, where a tax payer's tax liability based on taxable profit is less than the minimum tax liability.

The Company's assessment based on the minimum tax legislation for the year ended 31 December 2019 is NGN765.51 billion (2018: NGN 35.45 million).

	2019	2018
	NGN'000	NGN'000
Minimum tax	765,510	35,453
	765,510	**35,453**

(b) Income tax expense

The Company is subject to tax under the Companies Income Tax Act as amended to date. No deferred tax has been recorded by the Company because of the uncertainties around the recoverability of the losses (Notes 13(e)). Amounts recognised in profit or loss are as follows:

	2019	2018
	NGN'000	NGN'000
Company Income Tax	-	-
Tertiary Education Tax (TET)	1,897,671	-
Nigeria Police Trust Fund Levy (NPTF)*	3,537	-
	1,901,208	**-**

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

(c) Reconciliation of effective tax rates

The tax on the Company's loss before tax differs from the theoretical amount as follows:

		2019		2018
	%	NGN'000	%	NGN'000
Profit/(Loss) before minimum tax and income tax		70,732,450		(37,519,456)
Income tax using the statutory tax rate	30	21,219,735	30	(11,255,837)
Effect of tertiary education tax rate based on assessable profit/ (loss)	2	1,414,649	2	(750,389)
Tax effect of:				
Current year losses for which no deferred tax is recognised	(28)	(19,726,103)	(32)	12,162,628
Tax exempt income	-	(118,948)	-	(111,324)
Tax incentives	-	52,390	-	-
Changes in estimate relating to prior year	(1)	(899,333)	-	-
Non-deductible expenses	-	(41,182)	-	(45,078)
Total income tax expense	**3**	**1,901,208**	**-**	**-**

Notes to the financial statements (continued)

(d) Movement in current tax liabilities

	2019	2018
	NGN'000	NGN'000
Balance at 1 January	(484,024)	(448,571)
Charge for the year:		
Minimum tax (Note 13(a))	(765,510)	(35,453)
Income tax expense (Note 13(b))	(1,901,208)	-
Balance at 31 December	**(3,150,742)**	**(484,024)**
Amount shown in statement of financial position	**(3,150,742)**	**(484,024)**

(e) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items because of the uncertainty around availability of future taxable profits against which the Company can use the benefits therefrom.

	2019	2018
	NGN'000	NGN'000
Tax Losses (will never expire)	(1,472,572)	(29,937,640)
PPE	(2,689,755)	(2,918,971)
Deductible temporary differences	(10,695,139)	(3,506,746)
	(14,857,466)	**(36,363,357)**

Notes to the financial statements (continued)

14. Property, plant and equipment

The movements on these accounts were as follows:

	Land	Buildings	Motor Vehicles	Distribution network assets	Office Furnitures and Equipment	Asset under construction	Total
Cost	**NGN'000**	**NGN'000**	**NGN'000**	**NGN'000**	**NGN'000**	**NGN'000**	**NGN'000**
Balance at 1 January 2018 - Restated*	304,293	644,544	730,555	42,172,003	349,107	4,495,256	48,695,758
Additions	25,000	4,557	54,684	163,293	51,220	1,976,704	2,275,458
Transfers	-	-	-	4,528,792	-	(4,528,792)	-
Balance at 31 December 2018 - Restated*	**329,293**	**649,101**	**785,239**	**46,864,088**	**400,327**	**1,943,168**	**50,971,216**
Balance at 1 January 2019	329,293	649,101	785,239	46,864,088	400,327	1,943,168	50,971,216
Additions	-	4,999	64,041	45,567	75,588	1,297,502	1,487,697
Transfers	-	-	-	1,700,753	-	(1,700,753)	-
Balance at 31 December 2019	**329,293**	**654,100**	**849,280**	**48,610,408**	**475,915**	**1,539,917**	**52,458,913**
Depreciation							
Balance at 1 January 2018 - Restated	-	(92,342)	(448,906)	(10,711,885)	(206,821)	-	11,459,954)
Charge for the year	-	(17,222)	(64,591)	(2,117,313)	(54,807)	-	(2,253,933)
Balance at 31 December 2018 - Restated*	**-**	**(109,564)**	**(513,497)**	**(12,829,198)**	**(261,628)**	**-**	**13,713,887)**
Balance at 1 January 2019	-	(109,564)	(513,497)	(12,829,198)	(261,628)	-	13,713,887)
Charge for the year	-	(16,321)	(64,670)	(1,925,462)	(52,636)	-	(2,059,089)
Balance at 31 December 2019	**-**	**(125,885)**	**(578,167)**	**(14,754,660)**	**(314,264)**	**-**	**15,772,976)**
Carrying amounts							
At 1 January 2018 - Restated*	**304,293**	**552,202**	**281,649**	**31,460,118**	**142,286**	**4,495,256**	**37,235,804**
At 31 December 2018 - Restated*	**329,293**	**539,537**	**271,742**	**34,034,890**	**138,699**	**1,943,168**	**37,257,329**
At 31 December 2019	**329,293**	**528,215**	**271,113**	**33,855,748**	**161,651**	**1,539,917**	**36,685,937**

**The comparative information has been restated on account of correction of errors (See Note 35)*

Notes to the financial statements (continued)

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

	2019 NGN'000	Restated 2018 NGN'000
Cost of sales(Note 8)	1,925,462	2,117,314
General and administrative expenses(Note 8)	133,627	136,620
Depreciation charge for the year	**2,059,089**	**2,253,934**

(b) The Company had capital commitments amounting to NGN 629.61 million (NGN 1.88 billion) relating to the Company's Asset tagging and mapping.

(c) Customer granted assets

Included in Property, Plant and Equipment are distribution network assets transferred to the Company by its customers during the year. The fair value of the assets are estimated by the directors based on observable prices of similar items purchased during the year. This has been recognised as revenue (Note 7)

	2019 NGN'000	Restated 2018 NGN'000
Customer Donated Assets (Substations/Transformers)	209,500	-
Customer Donated Assets (MAP Scheme) (Note 7A(b))	555	-
	210,055	-

(d) Reconciliation of additions of property, plant and equipment to statement of cashflows:

	2019 NGN'000	Restated 2018 NGN'000
Additions to property, plant and equipment	(1,487,697)	(2,275,458)
Customer contributed assets (Note 14(c)	210,055	-
Additions to property, plant and equipment for cashflows	**(1,277,642)**	**(2,275,458)**

(e) Capital work in progress (CWIP) comprises:

	2019 NGN'000	Restated 2018 NGN'000
PPE in transit	425,010	803,327
Ongoing works with respect to substations	1,114,907	1,139,841
	1,539,917	**1,943,168**

Notes to the financial statements (continued)

15. Intangible assets

(a) Reconciliation of carrying amount

The movement in the account during the year is as follows:

	Computer software licenses	Customer management system	Software Work in Progress	Total
	NGN'000	NGN'000	NGN'000	NGN'000
Cost				
Balance at 1 January 2018	240,858	-	176,220	417,078
Additions	297,301	2,419,891	7,731	2,724,923
Transfers	157,500	-	(157,500)	-
Balance at 31 December 2018 - restated	**695,659**	**2,419,891**	**26,451**	**3,142,001**
Balance at 1 January 2019	695,659	2,419,891	26,451	3,142,001
Additions*	-	1,250,646	27,210	1,277,856
Transfers	53,661	-	(53,661)	-
Balance at 31 December 2019	**749,320**	**3,670,537**	**-**	**4,419,857**
Accumulated amortization				
Balance at 1 January 2018	52,920	-	-	52,920
Charge for the year (Note 8)	25,853	241,989	-	267,842
Balance at 31 December 2018 restated	**78,773**	**241,989**	**-**	**320,762**
Balance at 1 January 2019	78,773	241,989	-	320,762
Charge for the year (Note 8)	67,439	367,053	-	434,492
Balance at 31 December 2019	**146,212**	**609,042**	**-**	**755,254**
Carrying amount				
At 1 January 2018	**187,938**	**-**	**176,220**	**364,158**
At 31 December 2018 restated	**616,886**	**2,177,902**	**26,451**	**2,821,239**
At 31 December 2019	**603,108**	**3,061,495**	**-**	**3,664,603**

Amortization of intangible assets is included as part of administrative expenses (Note 8).

(b) Software relates to the Company's billing system (Unified Vending system) used for the maintenance of customer records and computation of energy consumption. The Company capitalised the cost of purchasing/implementing the software in line with IAS 38, and recognises the annual amortisation in the income statement for the year.

Customer management system relates to the Company's customer enumeration software used for maintenance of customer record and computation of energy consumption.

(c) Reconciliation of additions to Intangible assets to statement of cashflows:

	2019	Restated 2018
	NGN'000	NGN'000
Additions to Intangible assets	(1,277,856)	(2,724,923)
Unpaid amount on additions to Intangible assets	294,593	-
Additions to Intangible assets for cashflows	**(983,263)**	**(2,724,923)**

Notes to the financial statements (continued)

16. Inventories

	2019 NGN'000	Restated 31 Dec 2018 NGN'000	Restated 1 Jan 2018 NGN'000
Distribution spare parts	843,439	838,221	884,117
Other consumables	6,445	7,822	910
	849,884	**846,043**	**885,027**

Inventories recognized as expense include consumable spare parts and other consumables used in maintenance during the year. They are included in maintenance expenses in cost of sales and amounted to NGN 0.34 billion (2018: NGN 0.33 billion).

(a). Reconciliation of changes in inventory to statement of cashflows is as follows;

	2019 NGN'000	Restated 31 Dec 2018 NGN'000
Opening Balance	846,043	885,027
Closing Balance	(849,884)	(846,043)
Amount shown in statement of cash flows	**(3,841)**	**38,984**

17. Trade and other receivables

	2019 NGN'000	Restated 31 Dec 2018 NGN'000	Restated 1 Jan 2018 NGN'000
Receivables from Customers	1,954,420	12,924,964	34,126,575
Receivables from agents (Note 17(a))	359,982	84,920	-
Trade Receivables	**2,314,402**	**13,009,884**	**34,126,575**
Employee Receivables (Note 17 (b))	71,740	69,987	86,002
Other deposits (Note 17(c))	3,754,608	2,145,108	2,066,365
	6,140,750	**15,224,979**	**36,278,942**
Non current	3,754,608	2,145,108	2,066,365
Current	2,386,142	13,079,871	34,212,577
	6,140,750	**15,224,979**	**36,278,942**

(a) Receivables from agents relates the amount due from Adriot Metering Services Limited for sale of electricity on behalf of the Company to its prepaid customers.

(b) Employee receivables relates to employee advances during the year.

(c) Other deposits represents cash deposits of NGN 3.75 billion held as collateral with respect to bank guarantees issued in favour of the Nigerian Bulk Electricity Trading Plc (NBET) and the Operator of the Nigeria Electricity Market (ONEM). These bank guarantees were issued by a Nigerian commercial bank (Note 30(b)). These deposits will mature at the expiration of the guarantees which are long-term in nature and has been classified as non-current in these financial statements.

Notes to the financial statements (continued)

(d) Reconciliation of changes in trade and other receivables to statement of cash flows is as follows:

	2019 NGN'000	Restated 31 Dec 2018 NGN'000
Opening Balance	15,224,979	36,278,942
Impairment loss on trade and other receivables	(16,300,333)	(10,815,076)
Write off of unreconciled receivables (Note 8c)	(5,845,827)	-
Impact of IFRS 9 initial application	-	(24,565,318)
Closing Balance	(6,140,750)	(15,224,979)
Amount shown in the statement of cash flows	**(13,061,931)**	**(14,326,431)**

Information about the Company's exposure to credit and market risks, and impairment losses for trade and other receivables is included in Note 30.

18. Prepayments

	2019 NGN'000	Restated 31 Dec 2018 NGN'000	Restated 1 January 2018 N'000
Prepaid expenses	11,420	73,510	87,490
Advance payment to Vendor*	2,691,969	2,701,629	2,670,923
	2,703,389	**2,775,139**	**2,758,413**
Non current	2,649,904	2,649,904	2,670,923
Current	53,485	125,235	87,490
	2,703,389	**2,775,139**	**2,758,413**

* Advance payment relates to payment made to NiconX Communications Limited for supply of single and three phase meters

(a). Reconciliation of changes in prepayment to statement of cashflows is as follows;

	2019 NGN'000	Restated 31 Dec 2018 NGN'000
Opening Balance	2,775,139	2,758,413
Closing Balance	(2,703,389)	(2,775,139)
Amount shown in statement of cash flows	**71,750**	**(16,726)**

19. Cash and cash equivalents

	2019 NGN'000	Restated 31 Dec 2018 NGN'000	Restated 1 Jan 2018 NGN'000
Bank balances	955,998	1,350,422	1,113,390
Cash in hand	3,813	4,373	27,762
	959,811	**1,354,795**	**1,141,152**

Notes to the financial statements (continued)

20. Share capital and reserves

(a) Share capital comprise:

	2019 NGN'000	Restated 31 Dec 2018 NGN'000
Authorized:		
1,000,000,000 ordinary shares of N0.50 each	500,000	500,000
Issued, called-up, and paid:		
1,000,000,000 ordinary shares of 50k each	500,000	500,000

Ordinary Shares

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

21. Deferred income

	2019 NGN'000	Restated 31 Dec 2018 NGN'000	Restated 1 Jan 2018 NGN'000
Deferred income - day-1 fair value gain on CBN loan*	**1,911,983**	**2,225,352**	**2,175,662**

	2019 NGN'000	Restated 31 Dec 2018 NGN'000	Restated 1 Jan 2018 NGN'000
Current	378,058	371,711	347,886
Non-current	1,533,925	1,853,641	1,827,776
	1,911,983	**2,225,352**	**2,175,662**

* Deferred income relates to the benefits derived by the Company from the low interest loan obtained from the Federal Government of Nigeria through the Central Bank of Nigeria (CBN) at a rate below the prevailing market rate. The fair value of the grant has been initially recognised as deferred intervention and subsequently amortised on a straight line basis over the tenure of the loan.

Amount recognized in profit or loss during the year was NGN 371.71 million (2018: NGN 347.89 billion).

The movement in deferred income during the year was as follows:

	2019 NGN'000	Restated 31 Dec 2018 NGN'000
Balance at 1 January	2,225,352	2,175,662
Additions	58,342	397,576
Amortization to profit or loss	(371,711)	(347,886)
	1,911,983	**2,225,352**

Notes to the financial statements (continued)

22. Trade and other payables

Trade and other payables comprises:

	2019 NGN'000	Restated 31 Dec 2018 NGN'000	Restated 1 Jan 2018 NGN'000
Trade payables (Note 22(a))	27,662,428	110,827,910	75,492,200
Other payables and accruals	8,466,235	6,120,485	1,311,180
Payable to NELMCO	51,653	439,208	478,708
Customer contributed assets	210,055	-	-
	36,390,371	117,387,603	77,282,088
Statutory deductions	7,784,726	6,112,634	3,783,536
	44,175,097	**123,500,237**	**81,065,624**

(a) Trade payables comprises;

	2019 NGN'000	Restated 31 Dec 2018 NGN'000	Restated 1 Jan 2018 NGN'000
NBET payables (Note 22 (b))	(9,744,892)	(94,727,436)	(58,270,579)
ONEM payables (Note 22 (c))	(17,898,908)	(16,084,715)	(17,213,775)
NESCO payables (Note 22 (d))	(18,628)	(15,759)	(7,846)
	(27,662,428)	**(110,827,910)**	**(75,492,200)**

(b) NBET payables relates to the amount due to the Nigerian Bulk Electricity Trading Plc for the supply of power to the Company.

(c) ONEM payables relates to the administrative charges incidental to the cost of energy due to the Operator of the Nigerian Electricity Market.

(d) NESCO payables relates to the amount due to the Nigerian Electricity Supply Corporation Limited for the supply of electricity directly to the Company's customers.

The movement in the trade payables is as follows:

	2019 NGN'000	Restated 31 Dec 2018 NGN'000
Opening balance	110,827,910	75,492,200
Cost of energy (Note 8)	34,532,307	26,283,499
Interest on payable	13,876,362	14,706,702
Payments	(5,518,872)	(5,654,491)
Tariff shortfall awarded by NERC (2015 - 2019) (Note 7A(b))	(126,055,279)	-
Closing Balance	**27,662,428**	**110,827,910**

The Company's exposure to liquidity and market risks for trade and other payables is included in Note 30 B (b) and (c).

Notes to the financial statements (continued)

(e) Reconciliation of changes in trade and other payables to statement of cashflows is as follows:

	2019 NGN'000	Restated 31 Dec 2018 NGN'000
Opening Balance	(123,500,237)	(81,065,624)
Interest on Electricity Market Payable	(13,876,362)	(14,706,702)
Customer contributed assets	(210,055)	-
Unpaid amount on Intangible assets	(294,593)	-
Closing Balance	44,175,097	123,500,237
Amount shown in the statement of cash flows	**(93,706,150)**	**27,727,911**

23. Provision

Provision represents the Directors best estimate of claims including uncertain tax treatments, evaluated as probable for which finalization of the settlement amount is ongoing.

(a) The movement in the account was as follows:

	2019 NGN'000	2018 NGN'000
Opening Balance	-	-
Provisions made during the year (Note 8c)	(106,549)	-
Closing Balance	**(106,549)**	-

24. Loans and borrowings

Loans and borrowings comprise:

	2019 NGN'000	Restated 31 Dec 2018 NGN'000	Restated 1 Jan 2018 NGN'000
Opening Balance	10,249,935	9,222,121	8,991,213
Proceeds during the year	387,550	2,275,198	1,006,198
Interest on borrowing	1,647,177	1,682,299	1,478,929
Transfer to deferred income	(58,342)	(397,576)	(185,545)
Principal repayment	(1,559,765)	(1,314,591)	(971,721)
Interest repayment	(1,167,987)	(1,217,516)	(1,096,953)
Total loans and borrowings	**9,498,568**	**10,249,935**	**9,222,121**
Current	1,294,679	751,362	402,284
Non - current	8,203,889	9,498,573	8,819,837
	9,498,568	**10,249,935**	**9,222,121**

(a) CBN loan

In prior years, the Central Bank of Nigeria commenced disbursement to market participants who have met the conditions precedent to the disbursement of the CBN-Nigerian Electricity Stabilization Facility (CBN NEMSF). The NEMSF amounting to NGN 213 billion for the whole sector, is aimed at settling outstanding payment obligations due to the market participants during the interim rules period as well as the legacy debts of the PHCN generation Companies owed to gas suppliers which have been transferred to NELMCO.

The Company was a beneficiary of NGN15.36 billion provided as a facility in 8 tranches from May 2016 to July 2019 at an interest rate of approximately 10% repayable over ten years. The disbursed fund was utilised for settlement of market debts of NGN 8.27 billion, payment of legacy gas debt of NGN 0.3 billion and working capital requirements of NGN 6.4 billion. During the year, the Company received a tranch of NGN 0.39 billion.

Notes to the financial statements (continued)

25. Employee benefits obligation

	2019 NGN'000	Restated 31 Dec 2018 NGN'000
End of service appreciation scheme (Note 25(a))	302,416	143,507
Staff debt benefit scheme (Note 25(b))	58,217	-
	360,633	**143,507**

(a) End of service appreciation scheme

The Company operates an unfunded defined benefit pension scheme where qualifying employees receive a lump sum payment based on the length of service and the remuneration of the employee at the same time of retirement. The plan was approved management in the staff employment handbook approved on 21 November 2018.

It is paid to qualified employees who have put in at least 5 years in service and are exiting, they shall be paid a certain percentage of their annual salary and emolument as "end of service appreciation" for meritorious service to the Company. The actuarial valuation of the benefit was carried out by Mr. Chidiebere Orji (FRC/2021/004/00000022718) for Logic Professional Services (FRC/2020/00000013617) in the current year.

The Company makes provision for its defined benefit plan based on actuatial valuation performed using the projected unit credit method. The defined benefit costs recognized in the statement of profit or loss amounted to NGN302.42 million (2018: NGN143.51 million).

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

	2019 NGN'000	Restated 31 Dec 2018 NGN'000
Balance, beginning of year	143,507	-
Included in profit or loss (as part of administrative expenses)		
Current service cost	123,033	143,507
Interest cost	20,586	-
	143,619	**143,507**
Included in other comprehensive income		
Actuarial loss due to assumption changes	62,697	-
Actuarial loss due to experience	(21,965)	-
	40,732	-
Other		
Benefit paid	(25,442)	-
Balance at 31 December	**302,416**	**143,507**

Notes to the financial statements (continued)

(b) Staff debt benefit scheme

The company implemented a staff death benefit scheme for its employees. The heirs of an employee who dies while in the service to the Company addition to insurance benefit shall be entitled to three (3) months basic salary for the first year of service. The independent actuarial valuation was performed by Chidiebere Orji (FRC/2021/004/00000022718) an employee of Logic Professional Services (FRC/2020/00000013617) using the projected unit credit method. The Company does not maintain any assets for the scheme but ensures that it has sufficient funds for the obligations as they crystallize.

The staff death benefit scheme costs recognized in the statement of profit or loss amounted to NGN 58.22 million (2018: Nil).

The movement in the staff death benefit scheme during the year was as follows:

	2019 NGN'000	Restated 31 Dec 2018 NGN'000
Balance, beginning of year	-	-
Included in profit or loss (as part of administrative expenses)		
Current service cost	58,217	-
Interest cost	-	-
	58,217	-
Other		
Benefit paid	-	-
Balance at 31 December	**58,217**	-

(c) Actuarial assumptions

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

	2019	2018
Discount rate (%)	13%	15.4%
Salary increase rate (%)	12%	10%
Retirement Age	60	60
Maximum Working Life	35	35
Pre retirement mortality rate	A67/70	A67/70

At 31 December 2019, the weighted average duration of the defined benefit pension scheme was estimated at 13 years.

Notes to the financial statements (continued)

(c) Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have been affected the defined benefit obligation by the amount shown below;

	31 December 2019	
	Increase	**Decrease**
Effect in thousands of naira		
Discount rate (1% movement)	277,909	330,870
Future salary growth (1% movement)	332,343	276,258

	31 December 2018	
Effect in thousands of naira	**Increase**	**Decrease**
Discount rate (1% movement)	142,063	144,979
Future salary growth (1% movement)	144,367	142,657

26. Related party transactions

Identity of related parties

(a) Parent and ultimate controlling party

i. Aura Energy Limited

Aura Energy Limited acquired a majority of the Company’s shares (50%) from BPE and Ministry of Finance on 1 November 2013. There were no transactions with or balances due from Aura Energy Limited during the year (2018: Nil).

ii. Highland Disco Acquisition Limited

Highland Disco Acquisition Limited acquired the total shareholding of Aura Energy Limited on 8 May 2019, thereby becoming the ultimate controlling party of the Company. There were no transactions with or balances due from Highland Disco Acquisition Limited during the year (2018: Nil).

(b) Due to related parties

	2019 NGN'000	2018 NGN'000
- Aydem Energy FZE	2,185,080	2,407,239
- NELMCO	51,563	439,208
- Operator of the Nigerian Electricity Market (ONEM)	17,898,908	16,084,715
- Nigerian Bulk Electricity Trading Plc (NBET)	9,744,892	94,727,436
- Tripple Seventh Nigeria Ltd	259,428	839,428
- RSG Limited	22,835	453,022

(c) Due from related parties

- Nicon X Communications	2,649,904	2,649,904

iii. Aydem Elektrik Perakende Satis Anonim Siketi

Aydem Elektrik Perakende Satis Anonim Siketi owns 10% of the Company's shareholding. There were no transactions between the Company and this party during the year (2018: Nil).

Notes to the financial statements (continued)

iv. Aydem Energy FZE, UAE

The Company and Aydem Energy FZE, UAE are related by common directorship. This party was a technical partner to the Company, between 2014-2018. There were no transactions between the Company and this party during the year, the amount due for technical services provided during its period of service amounts to NGN 2.2 billion as at year end (2018: 2.4 billion).

v. Bureau of Public Enterprises (BPE) and Ministry of Finance Incorporated (MoFI)

BPE and MoFI hold 32% and 8% of the shares of the Company respectively. They are both wholly owned by the Nigerian Government. There were no transactions between the Company and these related parties (2018: Nil).

vi. Operator of the Nigerian Electricity Market (Market operator or MO)

This is the operational arm of the Transmission Company of Nigeria (TCN). TCN is owned by the Federal Government of Nigeria, through BPE and MoFI. The amount payable to Market Operators by the Company as at 31 December 2019 was NGN 17.9 billion (2018: NGN 16.5 billion).

vii. Nigerian Electricity Liability Management Limited/GTE

Nigerian Electricity Liability Management Limited (NELMCO) is wholly owned by the Federal Government of Nigeria (90% owned by BPE and 10% owned by MoFI) and was authorised by the National Council on Privatisation (NCP) to take over the management and settlement of Power Holding Company of Nigeria's obligations and other legacy debts as may be determined by the Council (NCP) within the Nigeria Electricity Supply Industry. The amount payable to NELMCO as at 31 December 2019 was NGN 52 million (2018: NGN 439.21 million).

viii. Nigerian Bulk Electricity Trading Company (NBET)

This is the operational arm of the Transmission Company of Nigeria (TCN). TCN is owned by the Federal Government of Nigeria, through BPE and MoFI. The amount payable to Market Operators by the Company as at 31 December 2019 was NGN 9.7 billion (2018: NGN 94.7 billion).

ix. NiconX Communications Limited

The Company and NiconX Communications Limited are related by common directorship. Nicon X Communication Limited supplies prepaid meters to JED Plc. JED Plc had prepaid the sum of NGN 2.6 billion (2018: NGN 2.6 billion) for single and three phase meters which are yet to be supplied as at year end.

x. RGS Limited

The Company and RGS Limited are related by common directorship. RGS Limited is responsible for providing comprehensive customer enumeration and asset mapping service for JED Plc's customers and its property plant and equipment, respectively for Benue and part of Plateau states. The outstanding balance at year end is NGN 22.8 million (2018: NGN 453 million).

xi. Tripple Seventh Nigeria Limited

The Company and RSG Limited are related by common directorship. Tripple Seventh Limited is responsible for providing comprehensive customer enumeration and asset mapping service for JED Plc's customers and its property plant and equipment, respectively for Bauchi, Gombe and part of Plateau states. The outstanding balance at year end is NGN 259.4 million (2018: NGN 839.4 million).

Notes to the financial statements (continued)

(d) Transactions with key management personnel

Key management personnel are those involved in key decision making process of the Company and comprise directors and executive management staff.

Key management personnel compensation comprised:

	2019 NGN'000	Restated 31 Dec 2018 NGN'000
Directors fees	83,040	81,410
Contribution to defined contribution plan	1,600	1,600
	84,640	**83,010**

27. Contingent liabilities/Assets

(a) Litigations and claims

There were a number of claims against the Company arising from litigations over its normal course of operations. As at 31 December 2019, total claims of NGN 330.17 million (2018: NGN 1.7 billion) were outstanding against the Company. Based on the legal advise 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.

28. Events after the reporting date

(a) COVID-19 Outbreak

On 11 March 2020, the World Health Organization declared the coronavirus (COVID – 19) outbreak a pandemic and most governments have taken restrictive measures to contain its further spread by introducing lockdowns, closures of borders and travel restrictions which has affected the free movement of people and goods. The impact of COVID -19 on the entity was minimal.

(b) Cost reflective tariffs

On 25 February 2020, the Nigerian Electricity Regulatory Commision (NERC) issued the "Consultation Paper on Proposed Extra-Ordinary Tariff Review of the MYTO-2015 Tariff Order for the Nigerian Electricity Supply Industry" to facilitate stakeholder participation in the regulatory process. NERC's decision on these proposals are to be incorporated in the MYTO model and an Order issued accordingly upon completion of the consultation process. On 27 June 2020, the Company issued a notification of the commencement of service reflective tariff from 1 July 2020. However, the implementation of this increase was initially suspended on 1 September 2020 by NERC in consideration of the impact of COVID 19 on the Nigerian Economy but the cost reflective tariff is now applicable.

On 31 March 2021, the Nigerian Electricity Regulatory Commission (NERC) issued an order titled the revised December 2020 minor review of multi-year tariff order (MYTO) 2020 and minimum remittance order for Jos Electricity Distribution Plc (NERC/264/2021). The effective date of the Order was 1 April 2021.

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

The Companies and Allied Matters Act, 2004 was repealed and replaced with the Companies and Allied Matters Act (CAMA), 2020 on 7 August 2020. The change is expected to have financial reporting implications on the Company's business operations.

Notes to the financial statements (continued)

29. Going concern

The Company reported a profit after tax of NGN68.07 billion for the year ended 31 December 2019 (2018: loss after tax of NGN 37.55 billion). As at that date, the Company's current liabilities exceeded its current assets by NGN 44.88 billion (2018: NGN109.75 billion) and its total liabilities exceeded its total assets by NGN8.34 billion (2018: NGN 76.37 billion).

The ability of the Company to continue as a going concern is largely dependent on the below matters which are outside the control of the Company:

1. the successful actualization of the 2023 budgeted results of the Company which is premised on assumptions that cost reflective tariffs would be implemented in the immediate future, or the receipt of tariff shortfalls will continue until cost reflective tariffs are fully available; and

2. the amount due to Operator of the Nigeria Electricity Market (ONEM) and Nigerian Bulk Electricity Trading (NBET) not been recalled and/or the non-discontinuation of the NERC Minimum Remittance Order which allows for settlement of only 8.5% of NBET bills.

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

The directors acknowledges that uncertainty exists over the company's ability to meet its obligations as they fall due. However, the directors have confidence that they will continue to operate as a going concern based on the following which have occured subsequent to year end:

- On 1 April 2021, the Company commenced the implementation of the Revised December 2020 Minor Review of Multi-Year Tariff Order (MYTO) and Minimum Remittance Order. The order introduced a minor increase in the tariff charged to customers for energy sold. Continued disbursement of payments to NBET by the Federal Government on behalf of the company on liabilities incurred on the purchase of electricity as tariff shortfall. This mechanism allows the Company to only settle 8.5% of its NBET bills as required in the NERC order No. NERC/GL/184/2019.

- Timely remittance of monthly billings and offset of historical debts from Government Ministries, Departments and Agencies (MDA) from 1 November 2013.

- Receipt of additional tariff shortfall for 2020 and 2021 financial years amounting to NGN 37.29 billion and NGN 23.57 billion respectively which was offset against the company's payables to NBET.

- Rapid deployment of meters to previously unmetered customers in line with NERC's Meter Asset Provider Regulation to improve billing and collection efficiency.

- As part of palliative to companies for the COVID-19 pandemic, the FGN through the Central Bank of Nigeria reduced the interest charged on the CBN-NEMSF facility from 10% to 5% effective 1 March 2020 up until February 2022. This reduces the finance costs incurred by the Company during the period covered.

Based on the above,the Directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future and as such, realise its assets and settle its liabilities in the normal course of business. Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern.

Notes to the financial statements (continued)

30. Financial instruments - Fair values and risk management

A Accounting classifications and fair values

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

	Financial assets at amortised cost	Other financial liabilities	Total carrying amount	Fair value (level 2)
31 December 2019	**NGN'000**	**NGN'000**	**NGN'000**	**NGN'000**
Financial assets				
Trade and other receivables** (Note 17)	2,314,402	-	2,314,402	-
Cash and cash equivalents (Note 19)	959,811	-	959,811	-
	3,274,213	**-**	**3,274,213**	**-**

	Financial assets at amortised cost	Other financial liabilities	Total	Fair value (level 2)
	NGN'000	**NGN'000**	**NGN'000**	**NGN'000**
Financial liabilities				
Trade and other payables* (Note 22)	-	36,180,316	36,180,316	-
Loans and borrowings (Note 24)	-	9,498,568	9,498,568	9,498,568
	-	**45,678,884**	**45,678,884**	**9,498,568**

31 December 2018	Financial assets at amortised cost	Other financial liabilities	Total carrying amount	Fair value (level 2)
	NGN'000	**NGN'000**	**NGN'000**	**NGN'000**
Financial assets				
Trade and other receivables** (Note 17)	13,009,884	-	13,009,884	-
Cash and cash equivalents (Note 19)	1,354,795	-	1,354,795	-
	14,364,679	**-**	**14,364,679**	**-**

	Loans and receivables	Other financial liabilities	Total	Fair value (level 2)
	NGN'000	**NGN'000**	**NGN'000**	**NGN'000**
Financial liabilities				
Trade and other payables* (Note 22)	-	117,387,603	117,387,603	-
Loans and borrowings (Note 24)	-	10,249,935	10,249,935	10,249,935
	-	**127,637,538**	**127,637,538**	**10,249,935**

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

* Carrying amount of trade and other payables does not include statutory deductions and meter assets payable.

Notes to the financial statements (continued)

B Financial risk management

The Company has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

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

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

The Company's audit and finance committees oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by Internal Audit. Internal Audit is expected to undertake both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Credit risk

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

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

	Notes	2019	Restated 31 Dec 2018
		NGN'000	NGN'000
Trade and other receivables*	*17*	2,314,402	13,009,884
Cash at bank	*19*	959,811	1,354,795
		3,274,213	**14,364,679**

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

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

	2019	Restated 2018
	NGN'000	NGN'000
Impairment loss on trade receivables and contract assets arising from contracts with customers	16,300,333	10,815,076
	16,300,333	**10,815,076**

Notes to the financial statements (continued)

Trade and other receivables

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

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

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

Trade receivables

	2019	Restated 2018
	NGN'000	NGN'000
Residential Customers	1,149,904	5,773,535
Commercial	279,369	3,908,698
Industrial	289,129	951,942
Special	233,943	2,276,214
Street light	2,075	14,574
Distribution Agents	359,982	84,921
Total	**2,314,402**	**13,009,884**

Expected credit loss assessment for customers

The Company uses an allowance matrix to measure the expected credit losses (ECLs) of trade receivables from customers. Loss rates are based on actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast gross domestic product rates. Loss rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, metering status and volume of consumption.

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

31 December 2019	Weighted average loss rate	Gross carrying amount	Loss allowance
		NGN'000	NGN'000
Residential	91%	61,301,775	60,151,871
Commercial	91%	12,822,174	12,542,805
Industrial	72%	1,353,704	1,064,575
Special	88%	7,132,406	6,898,463
Street light	86%	38,418	36,343
Distribution Agents	47%	707,520	347,538
		83,355,997	**(81,041,595)**

Notes to the financial statements (continued)

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

31 December 2018	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**
		NGN'000	**NGN'000**
Residential	90%	57,735,345	51,961,810
Commercial	67%	11,844,543	7,935,845
Industrial	43%	1,670,073	718,131
Special	64%	6,312,791	4,036,577
Street light	57%	33,894	19,320
Distribution Agents	45%	154,501	69,580
		77,751,147	**(64,741,263)**

Loss rates are based on actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.
Scalar factors are based on actual and forecast gross domestic product rates.

Movements in the allowance for impairment in respect of trade receivables and contract assets
The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows:

	2019	**2018**
	NGN'000	**NGN'000**
Balance at 1 January	(64,741,262)	(29,406,361)
Impact of IFRS 9 on opening retained earnings	-	(24,519,825)
Impairment allowance for the year	(16,300,333)	(10,815,076)
Balance at 31 December	**(81,041,595)**	**(64,741,262)**

Cash at bank
The Company's cash and cash equivalents are as disclosed in Note 19. Impairment on cash and cash equivalents has been measured on a 12 month expected loss basis and reflects the short term maturities of the exposure. The Company limits its exposure to credit risk by investing in treasury bills and placing deposits with local banks with good repute. The Company considers that its cash & cash equivalents have low credit risk based on the external credit ratings of the counterparties and their ability to meet the cash and liquidity thresholds set by the Central Bank of Nigeria. The Company did not recognize any impairment on its cash and cash equivalents at the end of the year (2018: Nil).

Employee receivables
The Company advances funds to employees for operational activities. To mitigate credit risk, the Company monitors the progress of such activities which have been funded. The Company reviews the balances due from this category on a periodic basis taking into consideration factors such as continued business/employment relationship and ability to offset amounts against transactions due to the employee. Where such does not exist, the amount are impaired. No impairment was recorded with respect to this amount in the current year as they are fully considered fully recoverable and thus have minimal credit risk (2018: Nil)

Other deposits
Fixed deposits relates to cash deposits used to collaterize Bank Guarantees (BGs) issued to the Company to meet the requirement under the vesting contract for the supply of electricity from Nigerian Bulk Electricity Trading Plc (NBET). These cash deposits are held by a reputable bank. In the directors' view, all amounts are collectible. No impairment was recorded with respect to

Notes to the financial statements (continued)

this amount in the current year as they are fully considered fully recoverable and thus have minimal risk (2018: Nil)

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Management's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

In order to manage liquidity risks and ensure that it has sufficient cash to match outflows expected in the normal course of its business, the Company is doing the following:

- Intensifying efforts to collect trade receivables.
- Accessing the various financial interventions applicable to the Company under the PSRP.

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

		Contractual cash flows				
	Carrying amount	**Total**	**0 - 3 Months**	**4 - 12 Months**	**2-5 years**	**Above 5 years**
	NGN'000	**NGN'000**	**NGN'000**	**NGN'000**	**NGN'000**	
Non-derivative financial liabilities 31 December 2019						
Trade and other payables	44,175,097	44,175,097	44,175,097	-	-	-
Loans and borrowings (Note24)	9,498,568	33,057,477	3,233,539	6,292,503	23,107,638	423,797
	53,673,665	**77,232,574**	**47,408,636**	**6,292,503**	**23,107,638**	**423,797**
Non-derivative financial liabilities 31 December 2018						
Trade and other payables	123,500,237	123,500,237	123,500,237	-	-	-
Loans and borrowings (Note24)	10,249,935	39,255,584	2,142,596	6,653,645	5,281,942	25,177,401
	133,750,172	**162,755,821**	**125,642,833**	**6,653,645**	**5,281,942**	**25,177,401**

(c) Market risk

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

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

Notes to the financial statements (continued)

Currency risk

The Company, based on operations to date has limited exposure to currency risks based on the fact that its revenue is earned in its functional currency and the cost of energy supplied paid in same. Exposure to currency risk is majorly limited to cash balances which are denominated in US Dollar. The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

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

Exposure to currency risk

The summary of quantitative data about the Company's exposure to currency risk as reported by management is as follows:

	2019	Restated 31 Dec 2018
	$'000	$'000
Cash and cash equivalents	68	76
Trade and other payables	(6,629)	(6,135)
Net statement of financial position exposure	**(6,561)**	**(6,059)**

The following significant exchange rates were applied during the year

	Average rate		Reporting date spot rate	
	2019	**2018**	**2019**	**2018**
US$	361.66	332.40	364.70	364.18

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

Sensitivity analysis

A 15% strengthening of the USD at 31 December would have increased/(decreased) loss for the year and equity by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period and has no impact on equity. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2019	2018
	NGN'000	**NGN'000**
NGN (15% movement)	359	331

A weakening of the US$ against the Naira at 31 December would have had the equal but opposite effect on equity and on the above naira to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Interest rate risk management

The Company is exposed to interest rate risk arising from the interest bearing obligations from the MO/NBET payables, vehicle finance, and vendor financed loans.

Notes to the financial statements (continued)

Interest rate risk- Sensitivity analysis

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

	Rate	2019	Rate	Restated 31 Dec 2018
		NGN'000		NGN'000
Fixed rate instruments				
CBN loan	10%	(9,498,568)	10%	(10,249,935)
Variable-rate instruments				
MO/NBET market debts	NIBOR+4%	27,662,428	NIBOR+10%	110,827,910

Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss, or designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 300 basis points in interest rates at the reporting date would have increased/(decreased) loss by the amounts shown below.

300 bp Increase	300 bp Decrease	300 bp Increase	300 bp Decrease
1,089,832	(1,089,832)	6,034,679	(6,034,679)

31. Leases

(a) Leases as lessee (IFRS 16)

The Company leases a number of buildings. The leases typically run for a period of a year, with an option to renew the lease after expiration. Lease payments are renegotiated when necessary to reflect market rentals. Previously, these leases were classified as operating leases under IAS 17.

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

(i) *Right-of-use assets*

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented on the statement of financial position in these financial statements.

	Buildings	Total
	NGN'000	NGN'000
2019		
Balance at 1 January	24,201	24,201
Depreciation charge for the year	(4,840)	(4,840)
Additions to right-of-use assets	-	-
Balance at 31 December	19,361	19,361

Notes to the financial statements (continued)

(ii) ***Amounts recognized in profit or loss***

	2019 NGN'000
2019 – Leases under IFRS 16	
Recognition of lease liability on initial application of IFRS 16 - 1 January 2019	24,201
Interest on lease liabilities	4,343
New leases	-
Balance as at 31 December	28,544
2018 – Operating leases under IAS 17	
Lease expense	-

(iii) Amounts recognised in statement of cash flows

	2019 NGN'000
Total cash outflow for leases	-

(iv) Extension options

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

32. Basis of measurement

These financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date

Items	**Measurement bases**
Defined benefit obligations and Long service award	Present value of the defined benefit obligation
Government and Customer granted assets	Fair value

33. Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

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

The board of directors seeks to achieve a more favourable total equity to adjusted net debt by engaging in mass metering projects and strengthening the revenue assurance function. The Company is not subject to any externally imposed capital requirements.

Notes to the financial statements (continued)

The Company's adjusted net debt to equity ratio as at December 2019 was as follows:

	2019 NGN'000	2018 NGN'000
Total liabilities	59,157,389	136,648,233
Less: cash and cash equivalents	(959,811)	(1,354,795)
Adjusted net debt	58,197,578	135,293,438
Total equity	8,343,708	76,368,708
Total equity to adjusted net debt	6.98	1.77

34. Changes in significant accounting policies

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

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

A. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 5(k).

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

B. As a lessee

As a lessee, the Company leases many of the buildings used by the Company. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

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 price.

However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

(i). *Leases classified as operating leases under IAS 17*

Previously, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all other leases.

Notes to the financial statements (continued)

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:
— did not recognise right-of-use assets and liabilities for leases of low value assets
— used hindsight when determining the lease term.

C. Impact on financial statements

(i) Impact on transition*

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

	1 January 2019 NGN'000
Right-of-use assets – property, plant and equipment	24,201
Lease liabilities	(24,201)
Prepaid rent	-

For the impact of IFRS 16 on profit or loss for the period, see Note 31(a). For the details of accounting policies under IFRS 16 and IAS 17, see Note 5(k) .

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 18%.

35. Correction of errors

During the year, the Company discovered certain adjustments were required based on its review of its prior period financial statements. See below a summary of the errors:

(a) Omission of property, plant and equipment

The value added tax and withholding taxes which is included in the cost of meter assets supplied by NiconX Communications Limited amounting to NGN417.88 million were omitted in the financial statements since 2017. This resulted in the omission of depreciation charge on property plant and equipment amounting to NGN22.47 million and NGN20.89 million for the years ended 2017 and 2018 respectively. As a consequence, property, plant and equipment, depreciation expenses and trade and other payables were understated and deposit for meter assets was overstated. The errors have been corrected by restating each of the affected financial statements line items for prior periods.

(b) Non-amortisation of prepaid housing allowances

Housing allowance prepaid to its employees amounting to NGN91.31 million was erroneously not amortised in the financial statements since 2017. As a consequence, the prepaid allowance was overstated and the corresponding employee benefit expense account was understated. The errors have been corrected by restating each of the affected financial statements line items for prior periods.

(c) Inaccurate computation of finance cost on loans and borrowings

Finance cost amounting to NGN175.36 million was erroneously computed on loans and borrowings in the financial statements since 2016. As a consequence, finance cost and its corresponding loans and borrowings were overstated. The errors have been corrected by restating each of the affected financial statements line items for prior periods.

Notes to the financial statements (continued)

(d) Gas suppliers' legacy debts

The legacy debts due to Gas suppliers which was settled through the CBN-NEMSF amounting to NGN342.50 million was not accrued for in the financial statements since 2017. As a consequence, loans and borrowings was understated and the corresponding expense account was understated. The errors have been corrected by restating each of the affected financial statements line items from prior periods.

(e) Fair valuation of CBN-NEMSF loan

The CBN-NEMSF loan were not appropriately fair valued at date of initial recognition in the financial statements since 2016. As a consequence, the loans and borrowings was understated while the finance cost and deferred income were overstated. The errors have been corrected by restating each of the affected financial statements line items for period periods.

(f) Overstatement of amortised deferred income

Sequel to the occurrence of note e above, the amortised deferred income was overstated by NGN246.53 million in the financial statements since 2016. As a consequence, finance income was overstated. The error have been corrected by restating each of the affected financial statements line items for prior periods.

(g) Overstatement of intangible assets

The full contract value of software work in progress was erroneously recognised as against the value of work incurred to date and this resulted in an overstatement of intangible assets by NGN1.88 billion in the financial statements since 2018. As a consequence, intangible assets and the corresponding trade payables were overstated. The errors have been corrected by restating each of the affected financial statements line items for prior period.

(h) Erroneous impairment of cash and cash equivalents

Short-term deposits with UBA amounting to NGN47.97 million was erroneously impaired in the financial statements since 2018. As a consequence, cash and cash equivalents was understated and the corresponding administrative expenses were overstated. The errors have been corrected by restating each of the affected financial statements line items for prior period.

(i) Over accrual of administrative charges on Operator of the Nigerian Electricity Market (ONEM)

Administrative charges due to the Operator of the Nigerian Electricity Market (ONEM) amounting to NGN3.04 billion were overstated in the financial statements since 2018. As a consequence, cost of sales and the corresponding trade and other payables were overstated. The errors have been corrected by restating each of the affected financial statements line items for prior period.

(j) Non recognition of clawbacks on Nigerian Bulk Electricity Trading (NBET) Plc invoices

Clawbacks on the Nigerian Bulk Electricity Trading Plc (NBET) invoices issued to the Company for the period February 2015 to December 2018 amounting to NGN1.97 billion were not recognised in the financial statements in 2018. As a consequence, cost of sales and the corresponding trade and other payables were overstated. The errors have been corrected by restating each of the affected financial statements line items for prior period.

(k) Omission of Nigerian Electricity Supply Corporation Limited (NESCO) invoices

There was an omission of invoice to the Nigerian Electricity Supply Corporation Limited (NESCO) amounting to NGN3.48 million in the financial statements since 2018. As a consequence, cost of sales and the corresponding trade and other payables were understated. The errors have been corrected by restating each of the affected financial statements line items for prior period.

Notes to the financial statements (continued)

(l) Over accrual of rent payable to Nigerian Electricity Liability Management Limited (NELMCO)

Rent payable to the Nigerian Electricity Liability Management Limited (NELMCO) was over-accrued by NGN1.49 million in the financial statements since 2018. As a consequence, administrative expenses and rent payable were overstated. The errors have been corrected by restating each of the affected financial statements line items for prior period.

(m) Duplication of insurance expenses

Group life insurance and employee health insurance schemes amounting to NGN19.33 million and NGN 50.20 million respectively were erroneously duplicated in the financial statements since 2018. As a consequence, administrative expenses and trade and other payables were overstated. The errors have been corrected by restating each of the affected financial statements line items for prior period.

(n) Classification of other income

Income generated from repairs of customers meters amounting to NGN1.11 million was erroneously classified as a finance income in the financial statements since 2018. As a consequence, other income was understated and finance income was overstated. The errors have been corrected by restating each of the affected financial statements line items for prior period.

(o) Classification of minimum tax expense

Minimum tax expense amounting to NGN35.45 million was erroneously classified as administrative expense in the financial statements since 2018. As a consequence, administrative expenses were overstated and minimum tax expense was understated. The errors have been corrected by restating each of the affected financial statements line items for prior period.

(p) Classification of advance payment (non-current vs. current)

Advance payment to NiconX Communications Limited amounting to NGN2.70 billion was erroneously classified as trade and other receivables (current) in the financial statements since 2017. As a consequence, trade and other receivables (current) was overstated and prepayments (non-current) was understated. The errors have been corrected by restating each of the affected financial statements line items for prior period.

(q) Classification of other deposits

Other deposits amounting to NGN2.15 billion which relates to the cash deposits used to collaterize Bank Guarantees (BGs) issued to the Company to meet the requirement under the vesting contract for the supply of electricity from Nigerian Bulk Electricity Trading (NBET) Plc were erroneously classified as cash and cash equivalents in the financial statements since 2017. As a consequence, other deposits were understated and cash and cash equivalents were overstated. The errors have been corrected by restating each of the affected financial statements line items for prior periods.

(r) Classification of inventory write-down

Inventory write-down amounting to NGN228.86 million was erroneously classified as administrative expenses in the financial statements since 2018. As a consequence, cost of sales were understated and administrative expenses were overstated. The errors have been corrected by restating each of the affected financial statements line items for prior period.

(s) Classification of defined benefit expense

Defined benefit expenses amounting to NGN143.51 million were erroneously classified as administrative expenses instead of being allocated across the various expense functions in the financial statements since 2018. As a consequence, administrative expenses were overstated and cost of sales and selling expenses were understated. The errors have been corrected by restating each of the affected financial statements line items for prior period.

Notes to the financial statements (continued)

(t) Non-amortisation of intangible assets

Amortisation amounting to NGN241.99 million on the Company's customer management system software was erroneously omitted in the financial statements since 2018. As a consequence, Intangible assets was overstated and the corresponding administrative expenses were understated. The errors have been corrected by restating each of the affected financial statements line items for prior period.

(u) Non-recognition of additional shares issued

Additional ordinary shares issued to shareholders amounting to NGN495 million was omitted in the financial statements since 2014. Furthermore, in line with the board resolution dated 17 December 2014, the receivables from shareholders were fully impaired but not recognised in the financial statements since 2014. As a consequence, share capital was understated and retained earnings was overstated. The errors have been corrected by restating each of the affected financial statements line items for prior period.

The following tables below summarises the impact on the Company's financial statements:

A. Statement of financial position

1 January 2018	**Notes**	**As previously reported**	**Adjustments/ reclassification**	**As restated**
		NGN'000	**NGN'000**	**NGN'000**
ASSETS				
Property, plant & equipment	*(a)*	36,840,393	395,411	37,235,804
Intangible assets		364,158		364,158
Prepayment	*(p)*	-	2,670,923	2,670,923
Other deposits	*(q)*	-	2,066,365	2,066,365
Non current assets		**37,204,551**	**5,132,699**	**42,337,250**
Inventories		885,027	-	885,027
Trade and other receivables	*(a),(p)*	37,157,670	(2,945,093)	34,212,577
Cash and cash equivalents	*(q)*	3,207,517	(2,066,365)	1,141,152
Prepayment	*(b)*	-	87,490	87,490
Current assets		**41,250,214**	**(4,923,968)**	**36,326,246**
Total assets		**78,454,765**	**208,731**	**78,663,496**
EQUITY				
Share capital	*(u)*	5,000	495,000	500,000
Accumulated deficit	*(a),(b),(c), (d) (u)*	(13,726,069)	(1,022,413)	(14,748,482)
Total equity		**(13,721,069)**	**(527,413)**	**(14,248,482)**
LIABILITIES				
Loans and borrowings	*(e)*	7,095,372	1,724,465	8,819,837
Deferred income	*(e)*	2,986,697	(1,158,921)	1,827,776
Total non-current liabilities		**10,082,069**	**565,544**	**10,647,613**
Current tax liabilities		448,571	-	448,571
Loans and borrowings		402,284	-	402,284
Trade and other payables	*(a)*	80,743,160	322,464	81,065,624
Deferred income		499,750	(151,864)	347,886
Current liabilities		**82,093,765**	**170,600**	**82,264,365**
Total liabilities		**92,175,834**	**736,144**	**92,911,978**
Total equity and liabilities		**78,454,765**	**208,731**	**78,663,496**

Notes to the financial statements (continued)

B. Statement of financial position

31 December 2018	Notes	As previously reported	Adjustments/ reclassification	As restated
		NGN'000	NGN'000	NGN'000
ASSETS				
Property, plant & equipment	*(a)*	36,882,813	374,516	37,257,329
Intangible assets	*(g),(t)*	4,943,482	(2,122,243)	2,821,239
Prepayment	*(p)*	-	2,649,904	2,649,904
Other deposits	*(q)*	-	2,145,108	2,145,108
Non current assets		**41,826,295**	**3,047,285**	**44,873,580**
Inventories		846,043	-	846,043
Trade and other receivables	*(a),(p)*	16,042,195	(2,962,324)	13,079,871
Cash and cash equivalents	*(h),(o)*	3,451,935	(2,097,140)	1,354,795
Prepayment	*(b),(p)*	-	125,235	125,235
Current assets		**20,340,173**	**(4,934,229)**	**15,405,944**
Total assets		**62,166,468**	**(1,886,944)**	**60,279,524**
EQUITY				
Share capital	*(u)*	5,000	495,000	500,000
Accumulated deficit	*(a),(b),(c), (i),(j),(k), (l),(m),(t), (u)*	(80,772,754)	3,904,045	(76,868,709)
Total equity		**(80,767,754)**	**4,399,045**	**(76,368,709)**
LIABILITIES				
Loans and borrowings	*(e)*	7,762,447	1,736,126	9,498,573
Employee benefits obligation		143,507	-	143,507
Deferred income	*(e)*	2,831,436	(977,795)	1,853,641
Total non-current liabilities		**10,737,390**	**758,331**	**11,495,721**
Current tax liabilities		484,024	-	484,024
Loans and borrowings	*(e)*	712,076	39,286	751,362
Trade and other payables	*(a),(g),(i), (j),(k),(l), (m)*	130,134,469	(6,634,232)	123,500,237
Deferred income		821,085	(449,374)	371,711
Contract liabilities		45,178	-	45,178
Current liabilities		**132,196,832**	**(7,044,320)**	**125,152,512**
Total liabilities		**142,934,222**	**(6,285,989)**	**136,648,233**
Total equity and liabilities		**62,166,468**	**(1,886,944)**	**60,279,524**

Notes to the financial statements (continued)

C. Statement of profit or loss and other comprehensive income

for the year ended 31 December 2018

	Notes	As previously reported	Adjustments/ reclassification	As restated
		NGN'000	NGN'000	NGN'000
Revenue		28,352,558	-	28,352,558
Cost of sales	*(i),(j),(k), (r),(s)*	(34,435,348)	4,717,557	(29,717,791)
Gross Profit		**(6,082,790)**	**4,717,557**	**(1,365,233)**
Other Operating income	*(n)*	76,245	1,110	77,355
Selling expenses	*(s)*	(2,440,680)	(52,687)	(2,493,367)
Administrative expenses	*(b),(h),(l), (m),(r), (s),(t),(u)*	(7,198,643)	229,128	(6,969,515)
Impairment loss	*(h)*	(10,817,551)	2,475	(10,815,076)
Operating loss		**(26,463,419)**	**4,897,583**	**(21,565,836)**
Finance income	*(f),(n)*	647,889	(212,508)	435,381
Finance cost	*(e)*	(16,665,836)	276,835	(16,389,001)
Loss before taxation		**(42,481,366)**	**4,961,910**	**(37,519,456)**
Minimum tax	*(o)*	-	(35,453)	(35,453)
Loss for the year		**(42,481,366)**	**4,926,457**	**(37,554,909)**

Notes to the financial statements (continued)

D. Statement of cashflows (extract)
for the year ended 31 December 2018

	As previously reported	Adjustments/ reclassification	As restated
Cash flows from operating activities	**NGN'000**	**NGN'000**	**NGN'000**
Loss for the year	(42,481,366)	4,926,457	(37,554,909)
***Adjustment for*:**			
- Finance costs	1,959,134	14,429,867	16,389,001
- Amortization of deferred income	(559,284)	211,398	(347,886)
- Employee benefit obligation	143,507	-	143,507
- Depreciation of property, plant and equipment	2,233,039	20,894	2,253,933
- Amortisation of intangible asset	25,853	241,989	267,842
- Impairment of trade receivables	10,815,076	-	10,815,076
- Minimum tax	35,453	-	35,453
- Finance income	(88,604)	1,110	(87,494)
	(27,917,192)	**19,831,715**	**(8,085,477)**
Changes in inventories	38,984	-	38,984
Changes in trade and other receivables	(14,232,902)	(93,529)	(14,326,431)
Changes in prepayment	13,476	(30,202)	(16,726)
Changes in contract liabilities	-	45,178	45,178
Changes in trade and other payables	49,436,486	(21,708,575)	27,727,911
Cash flows from operating activities	**7,338,852**	**(1,955,413)**	**5,383,439**
Interest received	88,604	(88,604)	-
Net cash generated from operating activities	**7,427,456**	**(2,044,017)**	**5,383,439**
Cash flows from investing activities			
Acquisition of property, plant and equipment	(2,275,458)	-	(2,275,458)
Acquisition of intangible assets	(4,605,178)	1,880,255	(2,724,923)
Interest received	-	87,494	87,494
Net cash used in investing activities	**(6,880,636)**	**1,967,749**	**(4,912,887)**
Cash flows from financing activities:			
Net cash used in financing activities	**(256,909)**	**-**	**(256,909)**
Net increase in cash and cash equivalents	289,911	(76,268)	213,643
Cash and cash equivalents at 1 January	3,207,517	(2,066,365)	1,141,152
Adjustment to cash on initial application of IFRS 9	(45,493)	45,493	-
Cash and cash equivalents at 31 December	**3,451,935**	**(2,097,140)**	**1,354,795**

Other national disclosures

Value added statement

For the year ended

	31 Dec 2019	%	Restated 31 Dec 2018	%
	NGN'000		NGN'000	
Revenue	64,640,355	70	28,352,558	(176)
Bought in materials and services::				
- Local	(61,241,676)	(66)	(44,941,909)	280
	3,398,679	**4**	**(16,589,351)**	**103**
Finance income	460,602	-	435,381	(3)
Other income	88,461,614	96	77,355	-
	92,320,895	**100**	**(16,076,615)**	**100**
To employees:				
- as salaries, wages and other staff costs	4,042,206	4	2,799,906	(18)
To providers of finance:				
- Finance cost and similar charges	15,527,882	17	16,389,001	(102)
To government as:				
- taxes	2,666,718	3	35,453	-
Reained in the Business:				
To maintain and replace:				
- property plant and equipment	2,059,089	2	2,253,934	(14)
To augment/(deplete) reserves	68,025,000	74	(37,554,909)	234
	92,320,895	**100**	**(16,076,615)**	**100**

Five year financial summary

Statement of profit or loss and other comprehensive income

	31 Dec 2019	Restated * 31 Dec 2018	Restated 31 Dec 2017	31 Dec 2016	31 Dec 2015
	NGN'000	NGN'000	NGN'000	NGN'000	NGN'000
Results from operating activities (Turnover)	64,640,355	28,352,558	32,096,746	26,875,032	22,666,456
Profit/(Loss) before taxation	70,732,450	(37,519,456)	(22,341,006)	(16,782,278)	(8,791,668)
Taxation	(2,666,718)	(35,453)	-	(59,443)	70,330
Profit/(Loss) for the year	68,065,732	(37,554,909)	(22,341,006)	(16,841,721)	(8,721,338)
Total comprehensive income/(loss) for the year	68,025,000	(37,554,909)	(22,341,006)	(16,841,721)	(8,721,338)

Statement of financial position

	31 Dec 2019	Restated 31 Dec 2018	Restated 31 Dec 2017	31 Dec 2016	31 Dec 2015
	NGN'000	NGN'000	NGN'000	NGN'000	NGN'000
Employment of funds					
Non-current assets	46,774,413	44,873,580	42,337,250	38,248,112	33,965,862
Current assets	4,249,322	15,405,944	36,326,246	24,398,290	14,450,034
Current liabilities	(49,133,904)	(125,152,512)	(82,264,365)	(44,327,335)	(26,402,749)
Non-current liabilities	(10,233,540)	(11,495,721)	(10,647,613)	(9,699,130)	-
Net (liabilities)/assets	**(8,343,709)**	**(76,368,709)**	**(14,248,482)**	**8,619,937**	**22,013,147**
Funds Employed					
Share Capital	500,000	500,000	500,000	5,000	5,000
Retained earnings	(8,843,709)	(76,868,709)	(14,748,482)	8,614,937	22,008,147
Total equity	**(8,343,709)**	**(76,368,709)**	**(14,748,482)**	**8,619,937**	**22,013,147**