

YOLA ELECTRICITY DISTRIBUTION COMPANY PLC

AUDITED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER, 2019



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YOLA ELECTRICITY DISTRIBUTION COMPANY PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED

31ST DECEMBER, 2019

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Corporate Information

Registration Number

RC. 638618

Directors:

Mr. Ayodeji Gbeleyi
Mr. Alex Okoh
Dr. Mahmoud Isa – Dutse
Mr. Louis Edozien
Mrs. Grace Papka
Engr. Baba Umara Mustapha

Registered and Principal Address:

2 Atiku Abubakar Road
Jimeta – Yola,
Adamawa State

Legal Adviser and Company Secretary:

Iliya Iyakwari
2 Atiku Abubakar Road
Jimeta – Yola,
Adamawa State

Auditor:

Ibrahim Abdullahi & Co. (Chartered
(Accountants)
Suite 1, 3rd Floor B.O.A Plaza 31/34
Guda Abdullahi road, Farm Centre.
Kano State.

Bankers:

Central Bank of Nigeria
Fidelity Bank Plc
First Bank of Nigeria Plc
Guaranty Trust Bank Plc
Skye Bank Plc
Sterling Bank Plc
United Bank for Africa Plc
Unity Bank Plc
Zenith Bank Plc

Yola Electricity Distribution Company Plc

Directors' report for the year ended 31 December, 2019

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

Legal form

The principal activities of the company are the distribution and marketing of electricity within the franchise areas of Adamawa State, Borno State, Taraba State and Yobe State.

The company earned revenue of ₦18.96 billion for the year ended 31 December, 2019 (2018: ₦16.14 billion) and a loss before taxation of ₦28.59 billion for the year ended 31 December, 2019 (2018: ₦24.34 billion).

State of affairs

In the opinion of the Directors, the state of the company's affairs is satisfactory and there has been no material change since the balance sheet date, which would affect the financial statements as presented. In addition, the Federal Government's privatization programme being anchored by the Bureau of Public Enterprises (BPE), aimed at divesting 60% of the Shareholding in the Company could not be successfully concluded due to the request of the preferred bidder for special support programmes that were outside the provision of Request for Proposal (RfP). The National Council on Privatization (NCP) subsequently cancelled the process and also directed the BPE to immediately commence a fresh privatization process.

Reporting framework

Following the directives of Financial Reporting Council of Nigeria ("FRCN"), the company had adopted the International Financial Standard (IFRS) in preparing its Financial Statement for the year ended 31 December 2019.

Directors and their interests

The Directors in office during the year are listed below:

Name	Nationality	Designation	Status	Appointed Date
Mr. Ayodeji Gbeleyi	Nigerian	Chairman	Appointed	9th January, 2019
Mr. Alex Okoh	Nigerian	Non - Executive Director	Appointed	9th January, 2019
Mr. Mahmoud Isa – Dutse	Nigerian	Non - Executive Director	Appointed	9th January, 2019- 9th January, 2019
Mr. Louis Edozien	Nigerian	Non - Executive Director	Resigned	December, 2019
Mrs. Grace Pakpa Engr. Baba Umara	Nigerian	Non - Executive Director	Appointed	9th January, 2019
Mustapha	Nigerian	Managing Director	Appointed	28th May, 2015

Directors' shareholding and interests

The directors do not have any interests required to be disclosed under Section 275 of the Companies and Allied Matters Act of Nigeria.

In accordance with Section 277 of the Companies and Allied Matters Act of Nigeria, none of the directors has notified the company and any declarable interests in contacts with the company.

Property, plant and equipment

Information relating to changes in property, plant and equipment is disclosed in Note 13 to these financial statements.

Charitable donations

The company made donations of ₦0.91 million to charitable organizations during the year in 2019 (2018 ₦0.52 million). In compliance with the Section 38(2) of the Companies and Allied Matters Act of Nigeria, 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's operation.

Events after the reporting period

The hitherto Federal Government's privatization programme being anchored by the Bureau of Public Enterprises (BPE) aimed at divesting 60% of the shareholding in the Company to a core investor with the requisite financial, technical and managerial capabilities, could not be successfully concluded due to the request of the preferred bidder for special support programmes that were outside the provision of the Request for Proposal (RfP). The National Council on Privatization (NCP) subsequently cancelled the process and also directed the BPE to immediately commence a fresh privatization process.

Employment and employee

a) Employee consultation and training

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

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

b) Dissemination of information

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

c) Employment of physically of challenge persons

The company has no physically challenged persons in its employment. However, 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 employment with the company continues and that appropriate training is arranged. It is the policy of the company that training, career development and promotion of physically challenged persons should, as far as possible, be identical with that of other employees.

d) Employee health, safety and welfare

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

The company has a well-established Environmental Health and Safety (EH&S) management system, which formalizes EH&S processes, procedures and programmes and provides for integration of EH&S issues into business planning and operations.

Auditors

In accordance with section 357(2) of companies and Allied Matters Act of Nigeria, the auditor, Messrs.' Ibrahim Abdullahi & co has expressed its willingness to continue in office as auditors of the company.

Statement of director's responsibilities in relation to the financial statement for the year ended 31 December 2019

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

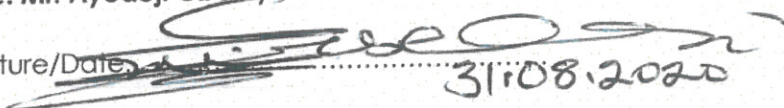
The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement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

The directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead on the back of the Federal Government of Nigeria's continuing support as the sole shareholder.

It is pertinent to add that the hitherto Federal Government's privatization programme being anchored by the Bureau of Public Enterprises (BPE) aimed at divesting 60% of the shareholding in the Company to a core investor with the requisite financial, technical and managerial capabilities, could not be successfully concluded due to the request of the preferred bidder for special support programmes that were outside the provision of the Request for Proposal (RfP). The National Council on Privatization (NCP) subsequently cancelled the process and also directed the BPE to immediately commence a fresh privatization process accordingly.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Name: Mr. Ayodeji Gbeleyi

Signature/Date.......... 31/08/2020

Name: Engr. Baba Umara Mustapha

Signature/Date.......... 31-08-2020

Abuja Office:

NO. 704 Durumi, FCT-Abuja

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YOLA ELECTRICITY DISTRIBUTION COMPANY PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying individual financial statements of Yola Electricity Distribution Company Plc ("YEDC" or "the company") which comprise the statement of financial position as at 31 December, 2019; the statement of comprehensive income; Statement of changes in equity; and the Statement of Cash flows for the same year ended, along with a summary of significant accounting policies and other explanatory information.

In our opinion, except for the inability of the Company to reconcile and revalue Tangible Assets and the inability to provide listing of Credited Advanced Payment Metering Implementation ("CAPMI") referred to in the bases for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the YEDC as at 31 December, 2019, and of its compliance with International Financial Reporting Standards ("IFRS"), Electricity Power Sector Reform Act ("EPSRA") 2005, and in the manner required by Companies and Allied Matter Act of Nigeria Cap LFN 2004 ("CAMA") and relevant Nigerian Electricity Regulatory Commission ("NERC") circulars.

Basis of opinion

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's internal control to the entity's preparation and fair presentation of the financial statements that give a true and fair view 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 entity's internal control. Also, an audit includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our audit opinion.

Bases for Qualified opinion

Material uncertainty relating to Going Concern

Federal Government of Nigeria through the Bureau of Public Enterprises (BPE) being the sole shareholder has consistently been making concerted efforts to ensure financial stability, operational efficiency and that the going concern of the Company is not threatened as a result of its unfavorable operational performances over a period of time as contained in Note 26 to the financial statements. This indicates that the company recorded a net loss of ₦28.6 billion for the year ended 31 December, 2019 (2018: ₦24.3 billion) and as at that date, the company's total liabilities exceeded its total assets by ₦73.2 billion (2018: ₦44.9 billion).

Hitherto Federal Government's privatization programme being anchored by the Bureau of Public Enterprises (BPE) aimed at divesting 60% of the shareholding in the Company to a core investor with the requisite financial, technical and managerial capabilities, could not be successfully concluded due to the request of the preferred bidder for special support programmes that were outside the provision of the Request for Proposal (RfP). The National Council on Privatization (NCP) subsequently cancelled the process and also directed the BPE to immediately commence a fresh privatization process accordingly.

Material uncertainty relating to CAPMI customer

Our audit indicated that YEDC did not have detailed breakdown of its CAPMI customer's balance amounting N58.065M (2018: N67.965M) and unable to determine the amount refundable to individual customers.

Directors' Responsibilities for the financial statements

The directors are responsible for the financial statements that give a true and fair view of the state of affairs of the company in accordance with IFRS and in the manner required by the CAMA; the Financial Reporting Council of Nigeria ("FRCN") Act, 2011, EPSRA 2005, NERC Circulars and for such internal control as determined necessary by them, to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities

Our objectives are to obtain reasonable assurance that the financial statements as a whole are free of material misstatement, whether due to fraud or error and subsequently issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted on an items of material values whether 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. This audit was conducted in accordance with ISA and we exercised professional judgement 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 and accounting system.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- 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.

Report on other legal regulatory requirements

Compliance with the requirements of schedule 6 of Companies and Allied Matters Act of Nigeria Cap C20 LFN 2004

In our opinion, YEDC has kept proper books of account, so far as it appears from our examination of the company's statement of financial position and its statement of comprehensive income, which are in agreement with the books of account.



(CHARTERED ACCOUNTANTS)

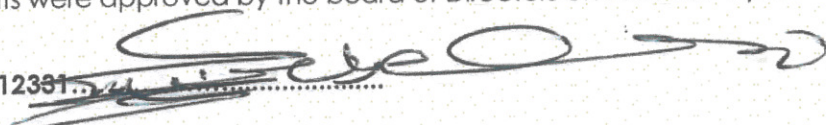


ABUJA, NIGERIA

YOLA ELECTRICITY DISTRIBUTION COMPANY
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER,
2019

	NOTE	2019 #'000	2018 #'000
NON CURRENT ASSETS			
Property Plant and Equipment	13	2,483,587	2,319,792
Intangible Assets	14	<u>8,767</u>	<u>10,464</u>
		<u>2,492,354</u>	<u>2,330,256</u>
CURRENT ASSETS			
Inventories	15	361,988	286,224
Trade & Other Receivables	16	24,252,313	18,966,131
Prepayments	17	49,988	959
Cash & Cash Equivalents	18	<u>882,234</u>	<u>1,181,467</u>
TOTAL CURRENT ASSETS		<u>25,546,524</u>	<u>20,434,781</u>
TOTAL ASSETS		<u>28,038,878</u>	<u>22,765,037</u>
EQUITY & LIABILITIES			
Equity:			
Share Capital	19	5,000	5,000
Federal Government Grant – Tangible Assets	23	832,743	343,417
Accumulated Surplus/Deficit		<u>(73,998,570)</u>	<u>(45,270,295)</u>
		<u>(73,160,828)</u>	<u>(44,921,878)</u>
Liabilities:			
Non-Current Liabilities			
Loans & Borrowings Including CAPMI Payables	22	299,214	67,965
		<u>299,214</u>	<u>67,965</u>
Current Liabilities			
Deferred Income	21	122,281	113,353
Trade & Other Payables	20	100,740,565	67,473,954
Current Tax	12	<u>37,645</u>	<u>31,643</u>
		<u>100,900,492</u>	<u>67,618,950</u>
TOTAL LIABILITIES		<u>101,199,705</u>	<u>67,686,915</u>
TOTAL EQUITY & LIABILITIES		<u>28,038,878</u>	<u>22,765,037</u>

These Financial Statements were approved by the board of Directors on its behalf by:

Mr. Ayodeji Gbeleyi : 
 FRCN/2015/ICAN/00000012331.....

Engr. Baba Umara Mustapha : 
 FRC/2017/COREN/00000017127.....

Additionally Certified by:
 Usman Mohammed: 
 FRC/2017/ANAN/000000017520.....

YOLA ELECTRICITY DISTRIBUTION COMPANY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER, 2019

	NOTES	2019 #000	2018 #000
Revenue	7	18,963,301	16,143,063
Direct Cost	9(a)	<u>(39,768,232)</u>	<u>(34,249,401)</u>
Gross (Loss)/Profit		(20,804,931)	(18,106,338)
Other Income	8	16,071	60,487
Distribution Expenses	9(b)	(327,386)	(319,571)
Billing & Collection Expenses	9 (c)	(17,510)	(11,776)
Customer Service Expenses	9(d)	(5,623)	(4,170)
Administrative Expenses	9 (e)	<u>(7,449,264)</u>	<u>(5,939,137)</u>
Profit or (Loss) from Operating Activities		<u>(28,588,643)</u>	<u>(24,320,506)</u>
Finance Income	10	-	-
Finance costs	11	7,558	21,854
Net Finance Cost		<u>(7,558)</u>	<u>(21,854)</u>
Profit or Loss Before Taxation		(28,646,189)	(24,342,359)
Taxation	12	<u>(23,716)</u>	<u>(13,929)</u>
Profit or (Loss)After Taxation		<u>(28,619,917)</u>	<u>(24,356,288)</u>
Other Comprehensive Income:			
Other Comprehensive Income Net of Tax			
Other Comprehensive Income for the year			
		-	-
Total Comprehensive Income or (Loss) for the year		<u>(28,619,917)</u>	<u>(24,356,288)</u>

The notes and accounting policies annexed form an integral part of these financial statements.

**YOLA ELECTRICITY DISTRIBUTION COMPANY
STATEMENT OF CHANGES IN EQUITY FOR THE
YEAR ENDED 31 DECEMBER, 2019**

	Share Capital	Accumulated Deficits	Total
	₦000	₦000	₦000
Balance as at 31 December, 2018	5,000	(73,998,570)	(73,993,570)
Balance as at 1 January, 2019	5,000	(73,998,570)	(73,993,570)
Total Comprehensive Income for the year			
Profit or (Loss) for the year	5,000	(28,619,917)	(28,614,917)
Other Comprehensive Income	-	-	-
Total Comprehensive Income	5,000	(28,169,917)	(28,614,917)
Transaction with Owners		-	
Balance as at 31 December, 2019	5,000	(102,618,487)	(102,613,487)
Balance as at 1 January, 2019	5,000	(73,998,570)	(73,993,570)
Profit or (Loss) for the year	-	(28,619,917)	(28,619,917)
Prior year adjustment	5,000	-	-
Total Comprehensive Income	5,000	(102,618,487)	(102,613,487)
Transaction with Owners			
Balance as at 31 December, 2019	5,000	(102,618,487)	(102,613,487)

The notes and accounting policies annexed form an integral part of these financial statements.

**YOLA ELECTRICITY DISTRIBUTION COMPANY
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 DECEMBER, 2019**

	NOTES	2019 ₹'000	2018 ₹'000
Cash Flows From Operating Activities:			
Profit or (Loss) Before Taxation		(28,596,201)	(24,342,359)
Adjustment for non-cash items:			
Depreciation	13	159,955	385,507
Amortization	14	4,453	2,975
Reserve for Obsolescence	15	-	-
Government Grant		360,374	(44,373)
Movement in reserves		(89,448)	839,564
		<u>(28,160,867)</u>	<u>(23,158,687)</u>
Movement on Working Capital:			
Increase/Decrease in Inventories		(75,764)	28,185
Increase/Decrease in Trade & Other Receivables		(5,286,182)	(4,745,985)
Increase/Decrease in Prepayment		959	1,321
Increase/Decrease in Trade & Other Payables		33,266,612	29,041,042
Increase/Decrease in Deferred Income		8,928	17,345
Net Cash Generated from operating activities		<u>(296,303)</u>	<u>1,183,221</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of Property Plant & Equipment	13	(360,374)	(277,526)
Acquisition of Intangible Assets	14	(2,756)	(12,088)
Net Cash Used in Investing Activities		<u>(363,130)</u>	<u>(289,614)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Loans & Borrowings	22	231,249	(35,181)
Deferred Income on Government Grant	23	128,952	(455,093)
Net Cash Generated from Financing activities		<u>360,201</u>	<u>(490,274)</u>
Net Increase/Decrease in Cash & Cash Equivalent		(299,232)	403,334
Cash & Cash Equivalent as at 1 January		1,181,467	778,133
Cash & Cash Equivalent as at 31 December		<u>882,234</u>	<u>1,181,467</u>

The notes and accounting policies annexed form an integral part of these financial statements.

YOLA ELECTRICITY DISTRIBUTION COMPANY
NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2019

1. Reporting entity

Yola Electricity Distribution Plc ("the company") is public liability company incorporated on November 8, 2005 to take over as a going concern, the electricity distribution activities and related business of the Power Holding Company of Nigeria (PHCN) within the franchise areas of Adamawa State, Borno State, Taraba State and Yobe State. The company is domiciled in Nigeria and has its registered office address at 2 Atiku Abubakar Road, Jimeta – Adamawa state.

The company markets and distributes electricity within the captive states above based on a license granted to it by the Nigerian Electricity Regulatory Commission (NERC). The license is for a period of 17 years and expires in 2028 with an option to renew for another 10 years. Based on the terms and conditions of the license and regulations as contained in the Electricity 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).

2. Basis for 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 & Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011. Details of the company's accounting policies are included in Note 5.

Going concern basis of accounting

The financial statements have been prepared on a going concern basis, which assumes that the company will be able to meet its obligations for at least twelve months from the year end.

3. Functional and presentation currency

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

4. Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of 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 recognized

a. Judgements

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

Note 13 – property, plant and equipment

b. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments in the year ending 31 December 2019 in the following notes:

- Notes 7 and 21– revenue recognition – Estimation of deferred revenue from prepared customers
- Note 12(e) – Recognition of deferred tax assets: availability of future taxable profit against which they can be set off in the subsequent periods.
- Note 27(a) – Impairment of trade receivables
- Note 24 – Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources

5. Significant accounting policies

The accounting policies set out below have applied consistently to all periods presented in these financial statements.

6. Revenue

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 upon delivery of services/ goods to customers or upon complete when the risks and rewards associated with ownership have been transferred to the buyer as contractually established and collection of the resulting receivable is probable. Revenue from the sale of electricity to post-paid customers is the volume of units supplied during the year including an estimate of the value of volume of units supplied to these customers between the date of their last meter reading (which coincides with the last invoice date) and the year-end. In case of prepaid meter customers, an estimate is made for unearned revenue as at year-ended and this is included in the statement of financial position as deferred revenue.

In line with the applicable tariff framework, prices charges by the company for electricity distribution are regulated. However, the company is allowed to recover excess costs incurred through future price increases charged on future deliveries. Similarly, where current regulated rates are determined to be excessive, the company may be subject to a rate reduction in the future against future deliveries. The company does not 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 as deferred revenue.

Revenue from rendering of services is recognized when such services are rendered.

a. 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. Finance costs comprise interest expense on interest bearing borrowings. 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.

b. Foreign currency transactions

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

Property, plant and equipment (PPE)

a. Recognition and measurement

Land, buildings and distribution network assets are carried at fair value, based on valuations by external independent values, less subsequent depreciation. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management.

Increases in the carrying amount arising on revaluation of land, buildings and distribution network assets are credited to Other Comprehensive Income (OCI) and shown as revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the profit or loss.

Assets under construction are stated at cost which includes cost of materials and direct labour and any costs incurred in bringing it to its present location and condition. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separated items (major components) of property, plant and equipment. Any gain or loss on disposal or derecognition of an item of property, plant and equipment is recognized in profit or loss. 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 the company has control of the item.

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

b. Subsequent expenditure

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

c. Depreciation

Depreciation is calculation to write off the cost or fair value of item of property, plant and equipment less their estimate residual value using the straight-line over their estimated useful lives, and is generally recognized in profit or loss statement.

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

Life (years)

Land	Not depreciated
Buildings	40
Distribution network assets	20
Motor vehicles	5
Furniture, fittings and equipment	10

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.

d. 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.

e. Intangible assets

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

f. Subsequent expenditure

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

g. Amortization

Amortization is calculated write-off the cost of intangible assets less the estimated residual values using the straight-line method over their estimated useful lives is generally recognized in profit or loss. The estimated useful life of intangible assets (computer software) is 5 years.

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

Financial instrument

The company classifies non-derivative financial assets as loans and receivables. The company classifies non-derivative financial liabilities into the other financial liabilities.

- **Non-derivative financial assets and financial liabilities – recognition and derecognition**

The company initially recognizes loans and receivables on the date when they are originated. Financial assets and financial liabilities are initially recognized on the trade date. The company derecognizes a financial asset when the contractual rights to the cash flows the asset expire, or it transfers the rights to receive 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, or it neither transfers nor 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.

The company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

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

- **Non-derivative financial assets – measurement**

Loans and receivables

These assets are initially recognized at fair value plus any directly attributable transaction costs.

Subsequent to initially recognition, they are measured at amortized cost using the effective interest method. They are included in current assets, except for non-trade receivables that have maturities greater than 12 months after the reporting period. These classified as non-current assets.

- **Non-derivative financial liabilities – measurements**

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, they 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.

Statement of cash flows

The cash flow statement is prepared using the indirect method. Changes in the statement of financial position items that have not resulted in cash flows such as other non-cash items; have been eliminated for the purpose of preparing the statement. Interest paid is included in financing activities whilst finance income is included in investing activities.

Share capital

a. Ordinary shares

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

b. Government grants

Government grants are usually recognized as part of Shareholder's funds in the Statements of Financial Positions, as it usually comes in Tangible Assets form and the related Tangible Asset is recognized in the books and depreciated over its useful life.

c. Inventories

Inventories are stated 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.

Leases

✓ Determining whether an arrangement contains a lease

At inception of an arrangement, the company determines whether such an arrangement is or contains a lease. At inception or on reassessment of the arrangement, the company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the company's incremental borrowing rate.

✓ Leased assets

Assets held by the company under leases that transfer to the company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

✓ **Lease payments**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance lease are apportioned between the finance expense and the reduction of the outstanding liability. The finance expenses are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

✓ **Impairment**

Non-derivative financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

1. Restructuring of an amount due to the company on terms that the company would not consider otherwise;
2. Indications that a debtor or issuer will enter bankruptcy;
3. Adverse changes in the payment status of borrowers or issuers;

Financial assets measured at amortized cost

The company considers evidence of impairment for these as both an individual asset and a collective level. All individual significant assets are individually assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the company uses historical information on the timing of recoveries and the amount of loss incurred, and make an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by the historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the estimated recoverable amount. Losses are recognized in profit or loss and reflected in an allowance account. When the company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

Non-financial assets

At each reporting date, the company reviews the carrying amounts of its non-financial assets (other than inventories) 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 of 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 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.

Employee benefits

▪ Short term employee benefits

Short-term employee benefits are expensed as the related service is provided.

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

▪ Defined contribution plan

Obligation 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 payment 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 July 1 2014. 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 which services are rendered by employee benefit expense in the periods during which service 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.

▪ 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 end of the reporting period, then they are discounted.

Provisions and contingent liabilities

- **Provisions**

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

A provision for onerous contracts is recognized when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of provision is established, the company recognizes any impairment loss that has occurred on the assets dedicated to that contract.

- **Contingent liabilities**

A contingent liability is 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 but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation cannot be measured with sufficient reliability.

Contingent liabilities are only disclosed and 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.

Minimum tax

Minimum tax is recognized where the revenue for the year is in excess of five hundred thousand Naira and the company has no taxable income as a result of allowable expenses for a tax year being more than the taxable income, or the income tax computed is less than the minimum tax. It is measured in line with the provisions of the Company Income Tax Act.

- a. Income tax**

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or items recognized directly in equity or in OCI.

b. 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 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. Current tax also includes any tax arising from dividends.

Current tax asset and liabilities are offset if the company:

- a. Has legal enforceable right to set off the recognized amount; and
- b. Intends either to settle on a net basis, or to realize the asset and settle the liability.

C. Deferred tax

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

Deferred tax assets are recognized for unused tax losses, unused tax credit and deductible temporary difference to the extent that it is probable that future taxable profits will be available against which they can be used. 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 benefits will be realized.

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 the assets and liabilities.

Deferred tax assets and liabilities are offset only if the company:

- a. Has legal enforceable right to set off current tax assets against current tax liabilities; and
- b. The deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

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 value. The Chief Finance officer has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Managing Director.

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

When measuring the fair value of an asset or a liability, the company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the input 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).
- 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 liability might be categorized in different level of the fair value hierarchy, then the value measurement is categorized in its entirety in the same level of the value hierarchy as the lowest level input is significant to the entire.

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

The director(s) are confident that the company will be able realize its assets and discharge its liabilities in the normal course of business. Hence, these financial statements have been prepared using accounting policies applicable to a going concern.

7 Revenue

Revenue comprise amount derived from delivering of electricity and other related activities across the company's distribution network within the franchise area of Adamawa State, Borno State, Taraba State, and Yobe State.

The breakdown of revenue based on the consumption of electricity by customer are as follows:

	2019	2018
	₦000	₦000
Residential	11,896,040	10,132,814
Commercial	4,016,456	3,513,208
Industrial	874,791	798,861
Street Lighting	60,978	66,267
Ministries, Departments, and Agencies & Others	2,115,036	1,631,912
	18,963,301	16,143,063
	2019	2018
	₦000	₦000
8 Other Income		
Reconnection fee	-	-
Exchange Gain	-	-
Late payment charges	16,071	16,074
Other electricity utility revenue	-	40
Government Grant	-	44,373
	16,071	60,487

9 EXPENSES BY NATURE

a. Cost of Sales

Cost of sales relate to amount invoiced to YEDC for energy purchased from the Nigerian Bulk Electricity Trading Plc and Market Operation during the year

	2019	2018
	₦000	₦000
Cost of energy	39,742,221	24,463,409
Other finance expenses	26,011	9,785,992
Total cost of energy	39,768,232	34,249,401

b. Distribution Expenses

This represents expenses related to the core distribution activities of YEDC including Salaries and other staff cost of the staff responsible for these activities and various maintenance of the power lines and other equipment for distributing electricity

	2019	2018
	₦000	₦000
Salaries & Wages	-	-
Repairs & Maintenance	322,787	287,525
Reserve for obsolescence	-	-
Distribution expenses – Operation	4,599	32,046
Other distribution Expenses	-	-
Miscellaneous maintenance expenses	-	-
TOTAL DISTRIBUTION EXPENSES	327,386	319,571

c. Billing & Collection expenses

	₦000	₦000
Computer stationery (Billings Only)	5,606	-
Customer record, Billing NAD & Collection expenses	7,948	10,802
Maintenance of Billing & Collection Equipment	-	-
Impairment allowance on Trade Receivables	-	-
Labour expenses	3,956	974
	17,510	11,776

d. Customer Service Expenses

	2019	2018
	₦000	₦000
Salaries & Wages	-	-
Advert and publicity	5,623	4,170
Other Customer Service Expenses	-	-
	5,623	4,170

e. Administrative expenses	2019	2018
	₱000	₱000
Staff Cost	1,778,688	1,637,438
Directors Cost	16,663	53,785
Executive Salaries	54,859	-
Transport & Accommodation	58,053	62,381
Motor Vehicle Running & Repairs	45,908	49,314
Printing & Stationary	30,537	58,208
Repairs & Maintenance - Office buildings	34,600	45,125
Repairs & Maintenance - Computer Equipment	21,390	4,326
Repairs & Maintenance – Others	-	13,975
Staff Training	17,203	-
Rent & Rates	11,297	4,072
Security Service	128,753	89,892
ITF Contribution	-	-
Communication & Postages	8,311	11,904
Office Supplies	9,055	10,581
Health & Safety Expenses	12,000	15,120
Employee welfare	4,160	6,171
Employee medical expenses	27,103	21,924
Amortization Expenses	4,453	2,975
Audit Fee	7,000	5,824
Pension cost	101,148	94,366
Consulting, Legal, training & Other Professional fee	37,902	37,979
Penalties	-	280
Pre incorporation expenses	6,591	-
Courier Charges	475	-
Depreciation	159,955	385,507
Electricity & Other Utilities	45	-
Subscription Charges	10,479	8,035
Donation/Community relations	901	520
Entertainment Expenses	14,904	29,248
Miscellaneous Expenses - Operating	-	3,486
Miscellaneous Expenses - Non operating	10,039	7,466
Increase in provision for impairment	1,359,302	3,264,173
Bad debt written off	3,458,439	-
Provision for Obsolete & Slow moving items	19,052	15,064
	7,449,264	5,939,137
TOTAL EXPENSES	47,568,015	40,524,055

10 Net Finance Cost

		2019 ₦000	2018 ₦000
Finance Income		-	-
Interest Income	(A)	-	-
Finance Cost			
Bank Interest Expenses		7,558	10,116
Interest on Long term debt		-	11,738
Total interest Expense	(B)	7,558	21,854
Net Finance Income/Cost	(C)	(7,558)	(21,854)

11 Loss before taxation

a. Loss before taxation is stated after charging:

	2019 ₦000	2018 ₦000
Depreciation (Note 13)	159,955	385,507
Staff Cost	1,778,688	1,637,438
Impairment allowance on Trade Receivables	1,359,302	-
Bad debts	3,458,439	-
Audit Remuneration	7,000	5,824
	6,763,383	2,028,769

b. Staff Cost

	2019 ₦000	2018 ₦000
(i) Staff Cost Include:		
Salaries & Wages	1,778,688	1,637,438
Employer's Pension Contribution	101,148	94,366
	1,879,836	1,731,804

(ii) The table below shows the number of employees of the company whose duties were wholly or mainly discharged in Nigeria, who received remuneration during the year in the following ranges:

	2019 Number	2018 Number
₦200,001 - ₦999,999	312	435
₦1,000,000 - ₦2,000,000	298	331
₦2,000,001 - ₦3,000,000	182	116
₦3,000,001 - ₦4,000,000	79	40
₦4,000,001 - ₦5,000,000	34	9
₦5,000,001 and above	61	47
	966	1,030

- (iii) The average number of full time persons employed during the year (other than executive Directors) as Follows:

	<u>2019</u>	<u>2018</u>
	Number	Number
Operations	656	699
Administration	310	331
	<u>966</u>	<u>1,030</u>

c. Director(s) Remuneration

Director's Remuneration Paid and accrued during the year is analyzed as follows:

	<u>2019</u>	<u>2018</u>
	₦000	₦000
Fees as Director	-	-
Other Emoluments	16,663	-
	<u>16,663</u>	<u>=</u>

12. TAXATION

- a The Company has applied the provisions of the Companies Income Tax Act that mandates a minimum Tax Assessments, where Taxpayer does not have Taxable Profit which would generate an eventual Tax Liability when assessed to tax. The company's assessment based on the minimum tax year legislation for the year ended 31 December, 2019 is N23.72 million and 2018 is ₦13.93 million.
- b The Company is subject to tax under the companies Income Tax Act as amended to date. Companies Income Tax and Tertiary Education Tax was not charged during the year as company did not have Taxable or Assessable Profit for the year ended 31 December, 2019 and 2018. No deferred Tax has been recorded on loss incurred to date by the Company because of the uncertainties around the recoverability of the Losses (note 12 (e)).

C. Reconciliation of Effective Tax Rate

The tax on the company's Profit or Loss before Tax defers from the theoretical amount as follows:

	<u>2019</u>	<u>2018</u>
	₦000	₦000
Loss before minimum tax and income tax	(28,646,189)	(24,342,359)
Income tax using the Statutory tax rate/Minimum tax	(23,716)	(13,929)
Effect of:		
Movement in unrecognized deferred tax assets		
Non-deductible expenses	-	-
Total income tax expenses	<u>(23,716)</u>	<u>(13,929)</u>

d .Movement in current tax liability

	2019 #000	2018 #000
Balance at 1st January,		
Minimum tax	23,716	13,929
Reclassification (12 d.(i))		
Balance at 31 December,	<u><u>2 3,716</u></u>	<u><u>13,929</u></u>

	Land	Building	Distribution Network Assets	Furniture and Fittings	Motor Vehicles	Capital Work in Progress	TOTAL
	#000	#000	#000	#000	#000	#000	#000
13. FIXED ASSETS							
COST	37	90,177	1,624,588	190,085	485,532	1,210,329	3,600,748
Addition	-	-	178,962	13,311	168,100	-	360,374
Transfer/Reclassification	-	-	(34,344)	(2,280)	-	-	(36,624)
Disposal	-	-	-	-	-	-	-
12/31/2019	<u>37</u>	<u>90,177</u>	<u>1,769,206</u>	<u>201,116</u>	<u>653,632</u>	<u>1,210,329</u>	<u>3,924,497</u>
DEPRECIATION							
1/1/2019	-	63,134	651,549	136,046	430,227	-	1,280,956
Charges	-	2,254	80,444	19,980	57,277	-	159,955
Disposal	-	-	-	-	-	-	-
31/12/2019	<u>-</u>	<u>65,389</u>	<u>731,992</u>	<u>156,026</u>	<u>487,504</u>	<u>-</u>	<u>1,440,910</u>
Net Book Value:							
31/12/2019	<u>37</u>	<u>24,788</u>	<u>1,037,214</u>	<u>45,091</u>	<u>166,128</u>	<u>1,210,329</u>	<u>2,483,587</u>
31/12/2018	<u>37</u>	<u>27,043</u>	<u>973,039</u>	<u>54,039</u>	<u>55,305</u>	<u>1,210,329</u>	<u>2,319,792</u>

14 Intangible Assets

Intangible Assets comprise the cost of Computer software acquired. The movements in the account during the year are as follows:

	Computer Software Licenses	
	2019 #000	2018 #000
Cost		
Balance at 1 January	13,760	1,672
Additions	<u>2,756</u>	<u>12,088</u>
balance at 31 December	<u><u>16,516</u></u>	<u><u>13,760</u></u>

Accumulated Amortization

Balance at 1 January	3,296	321
Charge for the year	<u>4,453</u>	<u>2,975</u>
Balance at 31 December	<u>7,749</u>	<u>3,296</u>
Carrying Amount at 31 December	<u>8,767</u>	<u>10,464</u>

15 Inventories	2019	2018
<i>Inventories comprise:</i>	₱000	₱000
Miscellaneous current Assets (Distribution)	224,466	202,023
Operating/Distribution Material	51,647	76,321
Lubricants	127	281
General Stores	100,878	20,982
Stationeries	3,923	1,682
Provision for Obsolete & Slow moving items	<u>(19,052)</u>	<u>(15,064)</u>
	<u>361,988</u>	<u>286,224</u>

16 Trade & Other Receivables	2019	2018
	₱000	₱000
Trade Receivables	24,496,993	16,491,457
Movement during the year	<u>10,087,396</u>	<u>8,005,536</u>
	34,584,389	24,496,993
Bad debt written off	(3,458,439)	-
Allowance for Impairment	<u>(6,916,878)</u>	<u>(5,557,576)</u>
Net Trade Receivables	24,209,073	18,939,417
Other Receivables	<u>43,241</u>	<u>26,713</u>
	<u>24,252,313</u>	<u>18,966,131</u>

Note: Cumulative Provision of 20% approximately is made on Total receivable balances for the year

At 31 December, the analysis of trade receivables that were not impaired was as follows:

	2019	2018
	₱000	₱000
Past Due 0-30 days	917,654	1,068,012
Past Due 31-90 days	1,108,921	1,247,087
Past Due 91-181 days	2,049,158	3,478,517
Past Due 181-365 days	3,929,803	3,689,574
Past Due 1 - 2 years	11,381,345	9,482,942
Past Due 2 years and above	5,197,508	5,530,863
	<u>34,584,389</u>	<u>24,496,994</u>

Information about the company's exposure to credit and market risks, for trade and other Receivables is included in note 29.

17 Prepayments	2019	2018
	₦000	₦000
Rent	-	959
Directors' emoluments	49,988	-
	49,988	959
18 Cash & Cash Equivalents	2019	2018
	₦000	₦000
Bank Balances	813,826	1,092,724
Cash on Hand	68,408	88,743
	882,234	1,181,467
19 Share Capital	2019	2018
	₦000	₦000
Authorized : 10,000,000 Ordinary Share of ₦0.50 Each were Issued & Fully Paid	5,000	5,000
20 Trade & Other Payables	2019	2018
	₦000	₦000
Balance as at the beginning of the year	65,882,435	37,287,094
Movement during the year	32,902,320	28,428,045
Adjustment for understatement	(167,296)	167,296
Trade Payables	98,617,459	65,882,435
Other Payables	84,029	42,820
Accruals	19,064	15,693
	98,720,552	65,940,948
Statutory Deductions	2,020,013	1,533,005
	100,740,565	67,473,954

The company's exposure to Liquidity and market risks, for trade and other Payables is included in note 29(b) and (c).

Trade Payables comprise amount due to the Nigerian Bulk Electricity Trading Plc (NBET), NESI Stabilization and Market Operator (MO) as at 31st December, 2019 as follows;

21	Deferred Income	2019	2018
		₹000	₹000
	Collection from prepaid Customer (Note 7)	122,281	113,353

22	Loans & Borrowings	2019	2018
		₹000	₹000
	Long term loan	241,149	-
	CAPMI Payables (See below)	58,065	67,965
		299,214	67,965

CAPMI Payables represent net of collection from and refund to customers in the defunct Credited Advanced Payment for Metering Implementation (CAPMI) scheme which the company ceased to collect from customers from 1st November, 2016 upon receipt of instruction from NERC.

23	Federal Government Grant – Tangible Assets	2019	2018
		₹000	₹000
	Opening Balance	343,417	111,676
	Addition during the year	489,326	276,114
	Amortized Grant	-	(44,373)
		832,743	343,417

24 **Contingent Liabilities**
The company did not involve in any certain litigations and claims during the year.

25 **Events After the Reporting Period**

The hitherto Federal Government's privatization programme being anchored by the Bureau of Public Enterprises (BPE) aimed at divesting 60% of the shareholding in the Company to a core investor with the requisite financial, technical and managerial capabilities, could not be successfully concluded due to the request of the preferred bidder for special support programmes that were outside the provision of the Request for Proposal (RFP). The National Council on Privatization (NCP) subsequently cancelled the process and also directed the BPE to immediately commence a fresh privatization process.

26 Going Concern

The Company reported a loss after tax of ₦28.6 Billion for the year ended 31 December, 2019 (2018: ₦24.3 Billion).

The directors have made an assessment of the company's ability to continue as a going concern in the year ahead given the continuing support of the Federal Government of Nigeria as the sole shareholder.

It is pertinent to add that the hitherto Federal Government's privatization programme being anchored by the Bureau of Public Enterprises (BPE) aimed at divesting 60% of the shareholding in the Company to a core investor with a requisite financial, technical and managerial capabilities, could not be successfully concluded due to the request of the preferred bidder for a special support programmes that were outside the provision of the Request for Proposal (RfP). The National Council on Privatization (NCP) subsequently cancelled the process and also directed the BPE to immediately commence a fresh privatization process accordingly.

27 Accumulated Surplus/Deficit	N'000
Total Comprehensive Income or Loss for the year	(28,619,917)
Accumulated Surplus/Deficit B/F	<u>(45,270,295)</u>
	(73,890,212)
Adjustment for long-term loan	(275,655)
Overstatement of Trade Payables	<u>167,296</u>
	<u>(73,998,570)</u>

28	Maximum Demand ₦000	Non-Maximum Demand ₦000	Total ₦000
2019			
Private Individual Companies	7,575,767	11,363,650	18,939,417
Government Institutions	4,034,958	6,052,438	10,087,396
Total	<u>11,610,725</u>	<u>17,416,088</u>	<u>29,026,813</u>

Movements in Impairment

The movement in the allowance for impairment in respect of trade receivables during the year was as follows

	2019 ₦000	2018 ₦000
Balance at 1 January	5,557,576	2,293,403
write off from impairment allowance	1,359,302	3,264,173
Balance at 31 December	<u>6,916,878</u>	<u>5,557,576</u>

29. 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

The company's Board of Directors has overall responsibility for the establishment and oversight of the company's enterprise 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 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 Board of Directors oversees how management monitors compliance with the company's risk management policies and procedures, and reviews the adequacy of the risk management

Framework in relation to the risks faced by the company. The Board of Directors is assisted in oversight role by Internal Audit. Internal Audit is expected to undertake regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

Credit risk

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

The company's credit risk exposure on cash is minimized substantially by ensuring that cash is held with Nigerian Financial Institutions.

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

Trade and other receivables

The company has a large customer base within its licensed area of supply thereby reducing its concentration of credit risk; the company is continually increasing the share of prepaid customer in its portfolio. The Company's exposure to credit risk is influenced by the individual characteristic of each customer.

The Company recorded an impairment allowance amounting to N6.9Billion and Bad debts of N3.5 Billion was written off during the year, with respect to the outstanding trade receivables at the year end. The impairment is required mainly to cater for the losses that arise from the difficulties in enforcing payments from certain classes of customer due to certain geographical such as coverage and accessibility.

The company believes that past due amounts not impaired are collectible as follows:

- ✓ It retains the right to disconnect the customers and based on historical patterns, collections improve after disconnections.
- ✓ Current metering plan will convert a significant number of these customers to prepaid platform and outstanding balances will be recovered through the prepaid platform.
- ✓ Commitments from the Accountant General of the Federation and the Federal Ministry of Power, that amounts due from government parastatals will be paid for through deductions in their allocations.
- ✓ It is also important to note that the company has strategies to minimize credit losses going forward as follows:
 - Investment in prepaid meters and conversion of more postpaid customer to prepaid.
 - More efficient internal processes e.g. timely billings and delivery of bills, system automation of billings and collections, system of issuing letters of demand and notices to non-paying customers;
 - Involvement of the Accountant General of the Federation and Honourable Minister of Finance in enforcing collection of receivables from government agencies.
 - Aggressive customer's disconnections.
 - Setting KPIs for employees to drive debt collections.

Cash at bank

The company held cash of ₦882, 234,000 with banks and financial institutions operating in Nigeria as at 31st December, 2019 (31st December, 2018 - N1,181,467,000).

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 delivery 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 amongst others, intensifying efforts to recover trade receivables.

30. Basis of measurement

These financial statements have been prepared on the historical cost basis except for certain of PPB (excluding capital work in progress) where measurement is by revaluation method, recognition of assets granted by customers which are initially recognized at fair value and financial instruments based on fair value.

New standards and interpretations not yet fully adopted

A number of new standards, amendment to standards and interpretations are effective for annual periods beginning after 1 January 2019 and early application is permitted. However, the company has fully applied and complied with the new or amended standards in the preparation of this set of financial statements.

Effective for the financial year commencing 1 January 2019

- Full Compliance to IFRS 9 Financial instruments
- Full Compliance to IFRS 15 Revenue from contracts with customer

Effective for the financial year commencing 1 January 2019

- IFRS 16 Lease

All standards and interpretations will be adopted at their effective date (except for those that are no applicable to the entity).

IFRS 10, IFRS 12 and IAS 28 amendment investment entities, Sales and Contribution of Assets between an investor and its associate or joint venture (Amendment to IFRS 10 and IAS 16 and IAS 41), Regulatory Deferral Accounts (IFRS 14) Accounting for Acquisitions of Interest in Joint Operation (Amendment to IAS 16 and IAS 38) are not applicable to the business of the entity and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the remaining Standards and Interpretations will be as follows:

IFRS 9 Financial instruments

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets.

Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flow. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments the classification and measurement requirement of IFRS 9 and new requirement to address the impairment of financial assets and hedge accounting.

The effective date of IFRS 9 is 1 January 2018, the company has fully adopted the standard in the annual period beginning on or after the mandatory effective date. The impact of the adoption of IFRS 9 has been fully estimated by the Company and total compliance has been adopted in the preparation of 2019 financial statements.

IFRS 15 Revenue from contracts with customers

These standards replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmers, IFRIC 15 Agreements for the construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transaction Involving Advertising Services.

The standard contains a single model that applied to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized.

This new standard will most likely have a significant impact on the company, which will include a possible change in the timing of when revenue is recognized and the amount of revenue recognized.

The company has carried-out an assessment to determine the impact of the initial application of IFRS on its business and appropriate steps have been taken to mitigate the impact. Hence, the company has adopted the standard for the year ending 31 December 2019.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Lease – Incentive and SIC-27 Evaluating the Substance of Transactions Involving the Legal form of a Lease.

The standard set out the principles for the recognition, measurement, presentation and disclosure of leases transactions for both parties to a contract, i.e. the customer ('lessor') and the Client ('Lessee'). IFRS 16 eliminates the classification of leases as operating lease or finance leases as required by IAS 17 and introduces a single lessee accounting model. Applying that model, a lessee is required to recognize:

- (a) Assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- (b) Depreciation of lease assets separately from interest on lease accounting requirements in IAS 17 Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of lease differently.