



YEDC

**YOLA ELECTRICITY DISTRIBUTION
COMPANY PLC**

**AUDITED ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER, 2021**



YOLA ELECTRICITY DISTRIBUTION COMPANY



Ibrahim Abdullahi & Co.
Chartered Accountants

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Plot 307, Cadastral Zone B09,
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The background of the cover is a photograph of an electrical substation at sunset. The scene is dominated by a series of white insulators and metal structures, with numerous power lines stretching across the frame. The sky is a warm, orange-red color, and the overall lighting is soft and directional, coming from the right side. The text and logo are overlaid on this background.

**ANNUAL
FINANCIAL**
STATEMENTS



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CORPORATE INFORMATION

Registration Number:	RC. 638618
Directors (Newly Appointed):	Ayida Omatseyin Akene Manga Awwal Kyari Abdullahi Mohammed Siraj Ogbeha Simbabi Joseph Arzika Mahamadou Ahmad Rabi Yahaya Okoh Alexander Ayoola
Registered and Principal Address:	2 Atiku Abubakar Road Jimeta – Yola, Adamawa State
Legal Adviser and Company Secretary:	Saleh Dangana SCN 018391 No. 6, Yedseram Street Off IBB Way, Maitama FCT, Abuja
Auditor:	Ibrahim Abdullahi & Co. (Chartered Accountants) Suite1, 3 rd Floor B.O.A Plaza 31/34 Guda Abdullahi Road, Farm Centre. Kano state.
Bankers:	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

DIRECTOR'S REPORT

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, 2021.

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 ₦35.4 Billion for the year ended 31 December, 2021 (2020: ₦41.5 billion) and a Loss before Taxation of ₦6.5 Billion for the year ended 31 December, 2021 (2020: ₦3.7 billion). This Revenue includes Billings to Electricity consumers and Regulatory Operating Incomes from Federal Government of Nigeria.

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 Statement of Financial Position's date, which would affect the Financial Statements as presented. In addition, the Federal Government's privatization program being anchored by the Bureau of Public Enterprises (BPE), aimed at divesting 60% of the Shareholding in the Company has been successfully concluded.

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 2021.

Change of Directors

Below is the Status of the Existing Directors, newly appointed Directors and the Company Secretaries as at 31 December, 2021 as a result of the privatization of the Company;

S/N	Name	Nationality	Designation	Apointment	Date of Appointment	Date of Retirement
1	Mr. Ayodeji Gbeleyi	Nigerian	Chairman	Retired	9 January, 2019	16 December, 2021
2	Mrs. Grace Papka	Nigerian	Non - Executive	Retired	9 January, 2019	16 December, 2021
3	Mr. Alex Okoh - Director General Bureau of Public Enterprises	Nigerian	Non - Executive	Not Retired	9 January, 2019	Not Retired
4	Permanent Secretary, Minsitry of Power	Nigerian	Non - Executive	Retired	9 January, 2019	16 December, 2021
5	Permanent Secretary, Federal Minsitry of Finance, Budget & National Planning	Nigerian	Non - Executive	Retired	9 January, 2019	16 December, 2021
6	Engineer B.U Mustapha	Nigerian	Managing Director	Retired	9 January, 2019	16 December, 2021
7	Ayida Omatseyin Akene	Nigerian	Director	Appointed	17 December, 2021	Newly Appointed
8	Manga Awwal Kyari	Nigerian	Director	Appointed	17 December, 2021	Newly Appointed
9	Abdullahi Mohammed Siraj	Nigerian	Director	Appointed	17 December, 2021	Newly Appointed
10	Ogbeha Simbabi Joseph	Nigerian	Director	Appointed	17 December, 2021	Newly Appointed
11	Arzika Mahamadou	Nigerian	Director	Appointed	17 December, 2021	Newly Appointed
12	Ahmad Rabi Yahaya	Nigerian	Director	Appointed	17 December, 2021	Newly Appointed

Directors' Shareholding and Interests

The subsisting power of Attorney that was issued by the Federal Government of Nigeria that empowers Bureau of Public Enterprises (BPE) and the Ministry of Finance Incorporation to own 80% and 20% respectively of the Shareholding Interest of Yola Electricity Company Plc has been cancelled by the Completion of the privation Process of YEDC. Meanwhile, the new 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 a total Charitable donation of N0.5M in 2021 (2020: Nil) to some Organizations during the year in 2021. 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 Program 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 has been successfully concluded and the new board of Directors have taken over with effect from 17 December 2021 as contained in the CAC Documents.

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's morale.

c) Employment of Physically - 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 2021, 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 2021

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 Director s 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.

This Position is further buttressed by the concluded sale of Sixty Percent (60%) Equity Interest to a New Core-investor, QuestElectricity Nigeria Limited culminating in the execution in July 2021 of a Share Sale and Purchase Agreement with the Bureau of Public Enterprises on behalf of the Federal Government of Nigeria.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Director's Name..... SIRAJ ABDULLAH
 FRCN..... FRC/2015/NBA/00000011324
 Signature/Date..... [Signature] 27/06/22

Company Secretary's Name..... SALEH DANGAUA
 FRCN..... SCN 018391
 Signature/Date..... [Signature] 17/5/2022



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Imo State

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YOLA ELECTRICITY DISTRIBUTION COMPANY PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

We have Audited the accompanying Individual Financial Statements of YOLA ELECTRICITY DISTRIBUTION COMPANY PLC ("YEDC" or "the Company") which comprises the Statement of Financial Position as at 31 December, 2021; 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.

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the Preparation and Presentation of 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 Companies and Allied Matters Act, 2021; 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 International Standard for Auditing (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 Evidences 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.

Basis of Opinion

An Audit involves performing procedures to obtain Auditevidence 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.

Opinion

In our Opinion, the Financial Statements give a True and Fair view of the Financial Position of the YEDC as at 31 December, 2021, 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 2021 ("CAMA") and relevant Nigerian Electricity Regulatory Commission ("NERC") Circulars.

Report on Other Legal Regulatory Requirements

Compliance with the requirements of schedule 6 of Companies and Allied Matters Act of Nigeria, 2021.

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.



Adelani Ahmad, FCA

FRC/2019/CITN/00000017786

For: Ibrahim Abdullahi & Co. Chartered Accountants
Kano, Nigeria



Adelani Ahmad, FCA

FRC/2019/CITN/00000017786

For: Ibrahim Abdullahi & Co. Chartered Accountants
Kano, Nigeria

The logo features the text "ANNUAL FINANCIAL STATEMENTS" stacked vertically on the left, followed by a vertical line and a circular icon containing a stylized lightning bolt. To the right of the icon is the text "YEDC".

**ANNUAL
FINANCIAL
STATEMENTS** |  **YEDC**

**FINANCIAL
POSITION**

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER, 2021

	NOTE	2021 ₦'000	2020 ₦'000
NON CURRENT ASSETS			
Property Plant and Equipment	13	2,787,048	2,772,230
Intangible Assets	14	2,858	7,373
		2,789,906	2,779,604
CURRENT ASSETS			
Inventories	15	445,202	292,434
Trade & Other Receivables	16 & 26	179,541,686	51,504,272
Prepayments	17	16,663	36,119
Cash & Cash Equivalents	18	1,109,812	1,052,858
TOTAL CURRENT ASSETS		181,113,362	52,885,684
TOTAL ASSETS		183,903,268	55,665,287
EQUITY & LIABILITIES			
Equity:			
Share Capital	19	5,000	5,000
Statutory reserves	22	85,383,743	832,743
Other reserves		-	344,184
Accumulated Surplus/Deficit		(53,085,248)	(77,691,358)
		32,303,495	(76,509,431)
Liabilities:			
Non-Current Liabilities			
Long term loans & Others	20c	2,647,508	257,506
		2,647,508	257,506
Current Liabilities			
Deferred Income	21	122,281	158,415
Trade Payables	20a	145,458,416	129,511,644
Other payable	20b	3,371,567	2,247,154
		148,952,265	131,917,212
TOTAL LIABILITIES		151,599,773	132,174,718
TOTAL EQUITY & LIABILITIES		183,903,268	55,665,287

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

SIRAJ ABDULLAHI *Signature*

Signature

SCN 018391

Additionally Certify by:

Abubakar Yahaya FRC/2020/001/0000021964

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER, 2021

	NOTES	2021 ₦000	2020 ₦000
Revenue	7	17,793,993	17,091,702
Regulatory Operating Income	8	<u>17,586,000</u>	<u>24,357,000</u>
		35,379,993	41,448,702
Cost of Sales			
Direct Cost	10a	<u>(31,205,889)</u>	<u>(36,432,461)</u>
Gross (Loss)/Profit		4,174,104	5,016,241
Other Income	9	<u>584</u>	<u>31,342</u>
		4,174,689	5,047,583
Distribution Expenses	10 b & c	(714,579)	(373,119)
Billing & Collection Expenses	10d	(22,601)	(74,790)
Customer Service Expenses	10e	(5,900)	(5,130)
Addimistrative Expenses	10f	<u>(9,967,033)</u>	<u>(8,234,483)</u>
Profit or (Loss) from Operating Activities		(6,535,424)	(3,639,939)
Finance Income		-	-
Finance costs	11	12,460	10,370
Net Finance Cost		(12,460)	(10,370)
Profit or Loss Before Taxation		(6,547,885)	(3,650,308)
Taxation	12	<u>(97,042)</u>	<u>(42,480)</u>
profit or Loss After Taxation		(6,644,927)	(3,692,788)
Other Comprehensive Income:			
Other Comprehensive Income Net of Tax			
Other Comprehensive Income for the year			
		-	-
Total Comprehensive Income or Loss for the year		(6,644,927)	(3,692,788)

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

CASH FLOW STATEMENT

	NOTES	2021 ₦'000	2020 ₦'000
Cash Flows From Operating Activities:			
Profit or Loss Before Taxation		(6,547,885)	(28,007,308)
Adjustment for non cash items:			
Depreciation	13	272,225	221,262
Amortisation	14	4,515	3,781
Movement in reserves		-	-
		(6,271,144)	(27,782,265)
Movement on Working Capital:			
Increase/Decrease in Inventories	15	(152,768)	69,554
Increase/Decrease in Trade & Other Receivables	16 & 26	(128,037,413)	(2,894,959)
Increase/Decrease in Prepayment	17	(19,457)	13,869
Increase/Decrease in Trade Payables	20a	15,946,772	31,006,024
Increase/Decrease in Taxation	12	(97,042)	(67,918)
Increase/Decrease in Other Payables	20b	1,124,413	-
Increase/Decrease in Deferred Income	21	(36,134)	36,133
Net Cash Generated from operating activities		(117,542,772)	380,438
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of Property Plant & Equipment	13	(287,043)	(199,735)
Acquisition of Intangible Assets	14	-	(2,387)
Transfer/Reclassification of Fixed Assets		-	(310,170)
Net Cash Used in Investing Activities		(287,043)	(512,292)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Long term loans & Others	20c	2,390,002	(41,706)
Statutory reserves	22	84,551,000	-
Other reserves		30,945,766	344,184
Net Cash Generated from Financing activities		117,886,768	302,478
Net Increase/Decrease in Cash & Cash Equivalent		56,954	170,625
Cash & Cash Equivalent as at 1 January, 2020		1,052,858	882,234
Cash & Cash Equivalent as at 31 December, 2021		1,109,812	1,052,858

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

STATEMENTS OF CHANGE IN EQUITY

	Share Capital	Accumulated Deficits	Total
	N000	N000	N000
Balance as at 31 December, 2020	5,000	(77,691,358)	(77,686,358)
Total Comprehensive Income for the year			
Profit or Loss for the year	5,000	(6,644,927)	(6,639,927)
Other Comprehensive Income	-	-	-
Total Comprehensive Income	5,000	(6,644,927)	(6,639,927)
Transaction with Owners		-	
Balance as at 31 December, 2021	5,000	(84,336,285)	(84,331,285)
Balance as at 1 January, 2021	5,000	(77,691,358)	(77,686,358)
Profit or Loss for the year	-	(6,644,927)	(6,644,927)
Prior year adjustment	-	-	-
Total Comprehensive Income	5,000	(84,336,285)	(84,331,285)
Transaction with Owners			-
Balance as at 31 December, 2021	5,000	(84,336,285)	(84,331,285)

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

NOTE TO THE FINANCIAL STATEMENT

1. Reporting entity

YOLA ELECTRICITY DISTRIBUTION COMPANY PLC (“the Company”) is a Public Limited Liability Company that was 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.

3. 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.

4. 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.

5. 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 2021 in the following notes:

- Notes 7 and 21: Revenue recognition – Estimation of Deferred Revenue from Prepaid 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

6. Significant Accounting Policies

The Accounting Policies set out below have applied consistently to all periods presented in these Financial Statements.

a. Revenue

Revenue is recognized Prior to 2021 Accounting Periods as the total amount derived from delivering of electricity and other related activities across the company's distribution network within the franchise area of Adamawa State, Yobe State, Taraba State, and Borno State. Meanwhile, based on the revised 2021 MYTO and Minimum Remittance Order - Order No. NERC/268/2021 dated 31st March 2021, revenue from sales of electricity is recognized as the sales value of total energy that pass-through YEDC network from TCN using the total amount of billed energy to customers and recognize the remaining energy at an approved tariff/kWh. The remaining unbilled energy amount is later taking out as Technical and Commercial losses to clearly show how much in value the efforts of reducing these losses worth to the company in line with The amount are stated net of VAT.

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.

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. 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.

c. 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.

d. Property, Plant and Equipment (PPE)

• **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 Account.

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, it 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.

- **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.

- **Depreciation**

Depreciation is calculation to Write off the Cost or Fair value of Item of Property, Plant and Equipment less their Estimated 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)	Useful Life
Land	Not depreciated
Building	40
Distribution Network Assets	20
Motor vehicle	5
Furniture, Fittings & 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.

- **Derecognition of PPE** - 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.

- **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 in Profit or Loss statements as incurred.

- **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.

f. 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 Costs 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.

g. 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.

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.

- **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.

i. 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.

j. 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 Separate 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 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 Lease s. The Lease d 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.

k. Impairments

• **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 Income Statements Account.

- **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.

I. 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 define 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 Employees 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.

m. 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.

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.

- n. **Minimum Tax**

Section 33 Finance Act (Company Income Tax Act) 2021 allows for minimum Tax Assessment where Tax payer does not have Tax able Profit that would generate an eventual Tax Liability when assessed to Tax or when the actual Tax Liability is less than the minimum Tax Payable. Federal Government of Nigeria has reduced the minimum Tax rate from 0.5% of Gross turnover to 0.25% for Tax returns filed in respect of any year of assessment that is due on any date between 1st January 2021 and 31st December 2021.

- **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 Other Comprehensive Income (OCI).

- **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 Legally 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.

- **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 Tax able Profits will be available against which they can be used. Deferred Tax Assets are reviewed at each Reporting Date 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 Legally 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.

- o. **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 Chief Finance Officer (CFO) regularly monitors observable inputs and valuation adjustments for the purpose of Value measurements. 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 as Prices or indirectly 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 Fairvalue 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

a. Revenue from Sale of Electricity based on total energy that passed through YEDC Network from TCN

	<u>2021</u>	<u>2020</u>
	N000	N000
Expected revenue based on Total Energy	39,451,610	36,811,228
Electricity Sales to Subsidiary	-	-
Other Electricity Sales	-	-
Technical & Commercial Losses	(21,657,616)	(19,719,526)
	<u>17,793,993</u>	<u>17,091,702</u>

b. The breakdown of revenue based on the billing and consumption of electricity by customer are as follows:

	<u>2021</u>	<u>2020</u>
	N000	N000
Residential	11,036,148	10,276,531
Commercial	3,598,957	3,660,209
Industrial	893,781	950,317
Street Lighting	55,623	57,018
Ministries, Departments, and Agencies & Others	2,209,485	2,147,626
	<u>17,793,993</u>	<u>17,091,702</u>

8 Regulatory Operating Income

	2021	2020
	₦000	₦000
Regulatory Debits	-	-
Regulatory Credits	17,586,000	24,357,000
	17,586,000	24,357,000

Regulatory Credit represents the value of tariff shortfall on the energy delivered to YEDC, less the target loss factors. According to the 2021 Multi-Year Tariff Order (MYTO) issued in December 29th, 2021 and the Minimum Remittance Order (MRO) No. NERC/305/2021, the value of tariff shortfall in 2021 is valued at N17.58Billion.

9 Other Income

	2021	2020
	₦000	₦000
Reconnection fee	584	-
Late payment charges	-	28,717
Other electricity utility revenue	-	2,625
	584	31,342

10 EXPENSES BY NATURE

a. Cost of Sales

Cost of sales relate to amount invoiced to YEDC FOR energy purchased from the Nigeria Bulk Electricity Trading Plc and Market Operators During the year

	2021	2020
	₦000	₦000
Cost of energy - NBET	26,380,106	36,419,006
Electricity Transmission and Admin. Charges - MO	5,119,892	-
NBET Credits on Prior Invoices	(294,109)	-
Other finance expenses	-	13,456
Total cost of energy	31,205,889	36,432,461

NBET & MO Invoices are considered in determining the total cost of electricity Purchase. Meanwhile, N294 Million in 2021 represents the excess liability recognised by YEDC when compared with NBET July 2021 Invoice Balance.

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

	2021	2020
	₦000	₦000
Haulage	-	550
Station/Substation Equip.	5,415	-
Distribution Expenses-Operation	251,779	125
Station / Sub-Station Buildings And Fixtures Expenses	2,619	-
Meter Expenses	19,457	573
Overhead Line Cost	-	70
TOTAL DISTRIBUTION EXPENSES	279,270	1,317

c. Distribution Expenses - Maintenance

	2021	2020
	₦000	₦000
Maintenance of Distribution Line/Transformer	419,559	371,802
Maintenance of Building Structures - Office & Others	7,274	-
Maintenance of Station & Sub station Equipment	8,475	-
	435,308	371,802

d. Billing & Collection Expenses

	2021	2020
	₦000	₦000
Computer stationeries (Billing Only)	-	55,607
Customer record, Billing NAD & Collection exp	22,461	1,214
Miscellaneous Customer Accounts Expenses	140	17,969
Labour expenses	-	0
	22,601	74,790

e. Customer Service Expenses

	2021	2020
	₦000	₦000
Energy Conservation Expenses	4560	-
Customer Services Materials And Expenses	1340	-
Advert and publicity	-	5,130
	5,900	5,130

f. Administrative expenses	2021	2020
	₦000	₦000
Staff Cost	2,435,922	2,486,554
Directors Cost	30,963	38,879
Executive Salaries	56,989	53,337
Transport & Accommodation	57,864	53,769
Motor Vehicle Running & Repairs	12,790	43,266
Printing & Stationary	17,779	35,105
R & M - Office buildings	228	35,663
R & M - Computer Equipment	5,969	9,855
Staff training	-	14,428
Rent & Rates	5,190	8,506
Security Service	33,445	108,754
Communication & Postages	32	12,903
Office Supplies	14,895	-
Health & Safety Expenses	14,892	12,312
Employee welfare & Medical Exp.	14,599	38,706
Amortisation Expenses	4,515	3,781
Audit Fee	7,925	7,925
Pension cost	115,669	115,951
Consulting, Legal, training & Other Prof. fee	1,800	27,050
Tenement Rate & Penalties	-	14,487
Terminal Benefits	2,560,388	-
Electricity & Courier charges	53	497
Depreciation	272,225	221,262
Other Operating Expenses	90,702	-
Subscription Charges	4,160	10,962
Donation/Community relations	500	-
Statutory Levies	79,648	-
Entertainment Expenses	8,864	12,975
Cash Pilferage & Suppression	-	54,016
Miscellaneous Expenses - Operating	64,668	8,193
Increase in provision for impairment	85,766	887,678
Bad debts written off	3,945,161	3,902,278
Obsolete & Slow moving items	23,432	15,391
	9,967,033	8,234,483
TOTAL EXPENSES	41,916,002	45,119,983

11 Finance Cost

	2021	2020
	₦000	₦000
Bank Interest Expenses	130	10,370
Interest On Long-Term Debt	9,188	-
Bank Charges	3,142	-
	12,460	10,370

Loss before taxation

	2021	2020
	₦000	₦000
a. loss before taxation is stated after charging:		
Depreciation (Note 13)	272,225	221,262
Staff Cost	2,435,922	2,486,554
Impairment allowance on Trade Receivables	85,766	887,678
Bad debts	3,945,161	3,902,278
Audit Remuneration	7,925	7,925
	6,746,999	7,505,697

b. Staff Cost

	2021	2020
	₦000	₦000
(i) Staff Cost Includes:		
Salaries & Wages	2,435,922	2,486,554
Employer's Pension Contribution	115,669	115,951
	2,551,591	2,602,505

(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:

	2021	2020
	Number	Number
₦200,001 - ₦999,999	400	402
₦1,000,000 - ₦2,000,000	292	294
₦2,000,001 - ₦3,000,000	174	178
₦3,000,001 - ₦4,000,000	42	42
₦4,000,001 - ₦5,000,000	4	4
₦5,000,001 and above	18	18
	930	938

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

	2021	2020
	Number	Number
Operations	633	637
Administration	297	301
	930	938

c. Director(s) Remuneration

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

	2021	2020
	₦000	₦000
Fees as Director	30,963	22,216
Other Emoluments	56,989	16,663
	87,952	38,879

12 TAXATION

a.

a. The Company has applied the provisions of the Finance Act 2021 that mandates a minimum Tax Assessment where Taxpayer does not have Taxable Profit which would generate an eventual tax Liability when assessed to tax. The Federal Government of Nigeria reduced the minimum tax rate from 0.5% of Gross Turnover to 0.25% to include 2021 financial year, to cushion the effect of COVID 19 Pandemic on Business activities in Nigeria. Therefore, company's assessment is based on the minimum tax year legislation for the year ended 31 December, 2021 is N97 million and 2020 is ₦42.5million.

b. Reconciliation of Effective Tax Rate

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

		2021	2020
	%	₦000	₦000
Loss before minimum tax and income tax		(6,547,885)	(28,007,308)
Income tax using the Statutory tax rate/Minimum	30	(97,042)	(42,480)
Effect of:			
Movement in unrecognized deferred tax assets		-	-
Non-deductible expenses	(30)	-	-
Total income tax expenses		(97,042)	(42,480)

c. Movement in current tax liability

	2021	2020
	₦000	₦000
Balance at 1st January,	28,551	23,716
Minimum tax	97,042	42,480
Reclassification (12 d.(i))	-	(37,645)
Balance at 31 December,	125,593	28,551

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NOTES

NOTES TO THE ACCOUNT
 FOR THE ENDED 31 DECEMBER, 2021

13. FIXED ASSETS	Land	Building	Distribution Network Assets	Furniture and Fittings	Motor Vehicles	Capital Work in Progress	TOTAL
	₦000	₦000	₦000	₦000	₦000	₦000	₦000
COST 01/01/2021	337	90,177	1,836,818	216,619	704,632	1,210,329	4,058,912
Addition	-	-	250,032	37,011	-	-	287,043
Transfer/Reclassification	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-
COST 31/12/2021	337	90,177	2,086,850	253,630	704,632	1,210,329	4,345,955
DEPRECIATION							
1/1/2021	-	54,115	484,337	184,299	563,930	-	1,286,682
Charges	-	2,254	107,600	21,679	140,692	-	272,225
Transfer/Reclassification	-	-	-	-	-	-	-
12/31/2021	-	56,369	591,937	205,978	704,622	-	1,558,907
Net Book Value:							
12/31/2021	337	33,808	1,494,913	47,652	10	1,210,329	2,787,048
12/31/2020	337	36,062	1,352,481	32,320	140,702	1,210,329	2,772,230

NOTE TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2021

14 Intangible Assets

Intangible Assets comprise the cost of Computer software and Licensing fees acquired. The movement in the account during the year are as follows:

	Computer Software Licences	
	2021	2020
Cost	₦000	₦000
Balance at 1 January	18,903	16,516
Additions	-	2,387
balance at 31 December	18,903	18,903
Accumulated Amortisation		
Balance at 1 January	11,529	7,749
Charge for the year	4,515	3,781
balance at 31 December	16,045	11,529
Carrying Amount at 31 December	2,858	7,373

15 Inventories

Inventories comprise:

	2021	2020
	₦000	₦000
Miscellaneous current Assets (Distribution)	9,365	0
Operating/Distribution Material	12,912	25,396
Lubricants	3,045	29
General Stores	29,347	274,741
Stationeries	17,457	7,660
Distribution Materials	396,508	-
Provision for Obsolete & Slow moving items	(23,432)	(15,391)
	445,202	292,434

16 Trade & Other Receivables

	2021	2020
	#000	#000
Trade Receivables	34,886,225	31,125,950
Movement during the year	29,883,561	7,662,552
	64,769,785	38,788,503
Bad Debt written off	(3,945,161)	(3,902,278)
Allowance for Impairment	(7,890,322)	(7,804,556)
Net Trade Receivables	52,934,302	27,081,669
Other Receivables	113,383	65,604
Regulatory Assets	126,494,000	24,357,000
	179,541,686	51,504,272

Note: Provision of 20% has been made on Total receivable balances for the year ended 31st December, 2021.

Information about the company's exposure to credit and market risks, for trade and other Receivables is included in note 27.

17 Prepayments

	2021	2020
	#000	#000
Rent	-	2,794
Directors' emoluments	16,663	33,326
	16,663	36,119

18 Cash & Cash Equivalents

	2021	2020
	#000	#000
Bank Balances	1,058,717	973,654
Cash on Hand	51,095	79,203
	1,109,812	1,052,858

19 Share Capital

	2021	2020
	#000	#000
Authorised : 10 000,000 Ordinary Share of ₦0.50 Each were Issued & Fully Paid	5,000	5,000

Ownership Structure

	% Holding	2021	2020
		#000	#000
Federal Ministry of Finance Incorporated (MOFI)	8	400	1,000
Bureau of Public Enterprises (BPE)	32	1,600	4,000
Integrated Energy Pist. & Marketing Limited	60	3,000	-
		5,000	5,000

20 Liabilities

a. Trade Payables

	<u>2021</u>	<u>2020</u>
	<u>₦000</u>	<u>₦000</u>
Balance as at the beginning of the year	129,379,735	98,617,459
Movement during the year	(10,608,025)	30,092,367
Adjustment for Understatement	-	669,908
Trade Payables	<u>118,771,710</u>	<u>129,379,735</u>
Other Payables	-	131,909
Accrued Interest on Market Liabilities	26,686,706	-
	<u>145,458,416</u>	<u>129,511,644</u>

b. Other Payables

	<u>2021</u>	<u>2020</u>
	<u>₦000</u>	<u>₦000</u>
Statutory Deductions	60,526	-
Terminal Benefits Payable	172,956	-
Taxation Payable	3,083,398	2,232,795
Accruals	7,925	14,359
Term Loans Due within 12-Month	46,761	-
	<u>3,371,567</u>	<u>2,247,154</u>

c. Non Current Liabilities

	<u>2021</u>	<u>2020</u>
	<u>₦000</u>	<u>₦000</u>
Long Term Loans Payable - Quest Electricity Nig. Ltd	2,475,701	-
Longterm loan (NESI Stabilization)	113,742	202,832
CAPMI Payables (Note 23 (a))	58,065	54,674
	<u>2,647,508</u>	<u>257,506</u>

The company's exposure to Liquidity and market risks, for trade and other Payables is included in note 27 (b) and (c).

21 Deferred Income

	<u>2021</u>	<u>2020</u>
	<u>₦000</u>	<u>₦000</u>
Collection from prepaid Customer (Note 7)	<u>122,281</u>	<u>158,415</u>

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

22 Statutory reserves

	<u>2021</u>	<u>2020</u>
	<u>₦000</u>	<u>₦000</u>
a. Federal Government Grant- Tangible Assets	832,743	832,743
Regulatory Reserves (Tariff Shortfall)	84,551,000	-
	<u>85,383,743</u>	<u>832,743</u>

The revised 2020 MYTO and Minimum Remittance Order - Order No. NERC/268/2021 dated 31st March 2021, stated that YEDC is entitled to a cumulative tariff shortfall of N108.9Billion (between 2015 - 2020), out of which N24.357Billion belongs to 2020 only. Hence, the balance of N84.55Billion is recognized as regulatory reserve.

23 Contingent Liabilities

The Company is not involved in any certain litigations and claims during the year that may have a negative impact on the operations of the Company.

24 Events After the Reporting Period

- a. Quest Electricity Nigeria Limited has taken over the operation and management of Yola Electricity Distribution Company ("YEDC") with effect from January 01, 2022 as contained in the Contract agreement in relation to the Purchase of the Company.

25 Going Concern

The Company reported a loss after tax of ₦6.6 Billion for the year ended 31 December, 2021 (2020: ₦3.7Billion). Meanwhile, the acquisition of the Company with capital injection and proper management shall preserve the sanity of the Company to generate future positive return on investment.

26 Trade Receivable

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 temporary Impairment and a permanent impairment allowance amounting to N7.9Billion and N3.9billion respectively were written off during the year with respect to the outstanding Trade Receivables at the end of 2021 Financial Period. 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.

Analysis of Account Receivables

	Maximum Demand ₦000	Non-Maximum Demand ₦000	Total ₦000
2021			
Private Individual Companies	23,317,123	15,544,748	38,861,871
Government Institutions	15,544,748	10,363,166	25,907,914
Total	38,861,871	25,907,914	64,769,785

	Maximum Demand ₦000	Non-Maximum Demand ₦000	Total ₦000
2020			
Private Individual Companies	10,187,339	15,046,731	25,234,070
Government Institutions	5,421,773	8,132,660	13,554,433
Total	15,609,112	23,179,391	38,788,503

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

	<u>2021</u>	<u>2020</u>
	<u>₦000</u>	<u>₦000</u>
Past Due 0-30 days	2,247,870	1,020,452
Past Due 31-90 days	3,897,981	1,728,621
Past Due 91-181 days	4,300,753	1,300,753
Past Due 181-365 days	18,818,462	10,763,882
Past Due 1 - 2 years	9,785,945	5,269,656
Past Due 2 years and above	25,718,775	18,705,139
	<u>64,769,785</u>	<u>38,788,503</u>

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

	<u>2021</u>	<u>2020</u>
	<u>₦000</u>	<u>₦000</u>
Balance at 1 January	7,804,556	6,916,878
write off from impairment allowance	85,766	887,678
Balance at 31 December	<u>7,890,322</u>	<u>7,804,556</u>

Management monitors the company's trade and Other receivables for indicators of impairment during the year, the company writes off N3.95Billion as BAD DEBT in 2021 (2020:N3.9Billion) in compliance with the provision of IFRS 9 & 15.

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

	Contractual cash flows			
	Carrying Amount	Total	0 - 3 Months	4 - 12 Months
	₦000	₦000	₦000	₦000
Non-derivative financial Liabilities 31 December, 2021				
Trade & Other Payables	145,458,416	145,458,416	43,637,525	101,820,891
Loans & Borrowings	6,019,076	6,019,076	2,407,630	3,611,445
	<u>151,477,492</u>	<u>151,477,492</u>	<u>46,045,155</u>	<u>105,432,337</u>

27 Fair Values

Fair Values versus Carrying Amounts

The table below shows the classification of Financial assets and liabilities of the company that are measured at fair value. These carrying amounts shown are a reasonable approximation of the fair value of the financial assets and financial Liabilities.

	Loans & Other Financial		Total ₦ 000
	Receivables ₦ 000	Liabilities ₦ 000	
31-Dec-21			
Financial Assets not Measured at fair Value			
Trade and Other Receivables	179,541,686	-	179,541,686
Cash & Cash Equivalents	1,109,812	-	1,109,812
	180,651,498	-	180,651,498
Financial Assets not Measured at fair Value			
Trade and Other payables	-	145,458,416	145,458,416
Loans & Borrowings	-	6,019,076	6,019,076
Deferred Income on Government Grant	-	85,383,743	85,383,743
	-	236,861,235	236,861,235

28 Operating Leases

a. Leases as Lessee

The company leases a number of Buildings under operating leases. The Leases typically run for a period of 1 year with an option to renew the leases after the date. Leases payments are renegotiated when necessary to reflect market rentals.

Some of the leases provide for Additional rent payments that are based on changes in local price indices.

1 Amounts Recognised in Profit or Loss on Lease/Rent

Lease Expenses recognised in profit or Loss during the year amounted to ₦5.2M (2020: ₦4.3Million). This is included in Administrative Expenses as Rent .

29 Accumulated Surplus/Deficit

N'000

Total Comprehensive Income or Loss for the year	(6,644,927)
Movement during the year	55,608,037
Accumulated Surplus/Deficit B/F	(102,048,358)
	(53,085,248)

30 Minimum Tax Computation

Year of Assessment	2022
Year of Account	2021
	N'000
0.25% OF Gross Turnover	<u>97,042</u>

31 Movement during the year

	₦000
Balance b/f	12,208
Current year (Minimum Tax) after adjustment	<u>97,042</u>
	109,250
Less: Payment made during the year	-
	<u>109,250</u>

