KADUNA ELECTRICITY DISTRIBUTION PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Content

Company Registration No.	RC 638640	
Registered Office	1/2, Ahmadu Bello Way, Kaduna Kaduna State Nigeria	
Directors	Yusuf Hamisu Abubakar, OON	Resigned on July 1, 2022
	Engr. Garba Haruna	Resigned on July 1, 2022
	Tajuddeen Aminu Dantata	Resigned on July 1, 2022
	Jamil Isyaku Gwamna PhD	Resigned on July 1, 2022
	Hassan Aminu Dantata	Resigned on July 1, 2022
	Musaddiq Adamu	Resigned on July 1, 2022
	Garba Yusuf Imam	Resigned on July 1, 2022
	Abbas Mohammed Jega (Chairman)	Appointed on July 1, 2022
	Umar Abdullahi	Appointed on July 1, 2022
	Aminu Abubakar Suleiman	Appointed on July 1, 2022
	Marlene Ngoyi	Appointed on July 1, 2022
	Yusuf Usman Yahaya (Managing Director/Chief Executive Officer)	Appointed on July 1, 2022
	Alex Okoh	
	*Yunana Malo alternate Director for Alex Okoh	
Company Secretary	Dr. Maryam S. Mohammed 1/2, Ahmadu Bello Way Kaduna State Nigeria	
Legal Adviser	Barr. Abbas Ahmad 1/2, Ahmadu Bello Way Kaduna State Nigeria	
Auditors	PricewaterhouseCoopers Landmark Towers 5B Water Corporation Road Victoria Island, Lagos	
Bankers	Bunkasa Microfinance Bank Limited Polaris Bank Limited Fidelity Bank Plc. First Bank Plc. Guaranty Trust Bank Plc. Union Bank Plc. United Bank for Africa Plc. Unity Bank Plc. Zenith International Bank Plc.	

Distinguished Shareholders, Members of the Board of Directors, Ladies and Gentlemen, welcome to our Company's Annual General Meeting for the year 2021.

In line with the dictates of my office, I will give an overview of the macroeconomic environment and outline how our Company is making progress on our strategic objectives.

I would also like to thank the Management of our Company for their remarkable leadership during these trying times. I am equally proud of the tremendous efforts of our employees who have demonstrated resilience in the face of one of the greatest humanitarian challenges of our lifetime.

2021 MACRO-ECONOMIC REVIEW

The 2021 Financial Year commenced with the Central bank economic recovery plan from the Covid-19 impact as the central bank kept the policy rate unchanged at 11.5%.

Nigeria's economy grew by 3.6% in 2021 from a 1.8% contraction in 2020, underpinned on the supply side by a 4.4% expansion in the non-oil sector against an 8.3% contraction in the oil sector; non-oil growth was driven by agriculture (2.1%) and services (5.6%). On the demand side, public and private consumption were contributors to GDP growth. Per capita income grew by 1.0% in 2021.

The fiscal deficit narrowed to 4.8% of GDP in 2021 from 5.4% in 2020, due to a modest uptick in revenues, and was financed by borrowing. Annual average inflation stood at 17.0% in 2021 against 13.2% the previous year and above the central bank's 6–9% target. Inflation was fuelled by food price rises at the start of the year and exchange rate pass-through. However, the economy still struggled to reach pre-pandemic levels in 2021 on the back of galloping inflationary pressure, rising unemployment rate, and surging debt profile amongst others.

Nigeria's official exchange rate depreciated by 6.03% in 2021, closing at N435/$1 on the last day of the year, despite averaging at N410.3/$1 for the year. Naira faces the risk of a further devaluation after it depreciated by 4.82% on the 31st December 2021, likely repeating the events that played out in the previous year.

The official exchange rate on the last trading day of 2020, depreciated by 4.12% to close at N410.25/$1, which indeed indicated the rate for the year. This implies that the official rate could be on its way to the region of N435 to a dollar. On the flip side, the parallel market also recorded significant depreciation as the naira closed at N565/$1 for the year, representing a fall of 22.8% against the US dollar. The continuous volatility in the black market further widened the market differential to N140.74 from just N49.75 in the previous year.

A summary of the events that unfolded in 2021 will be incomplete without talking about the continuous spread of the covid-19 disease, which hit its fourth wave in December 2021. A total of 154,774 new cases of the disease were recorded in 2021, which is more than double the 87,567 cases recorded in the previous year.

The Nigerian power sector is not immune to the economic trends in 2021. Nigeria's Electricity sector recorded the highest Gross Domestic Product (GDP) growth in the second quarter (Q2) of 2021. According to the National Bureau of Statistics (NBS)' report, the non-oil sector of the economy was majorly driven by growth in trade, telecommunication, road transport, electricity, food production and crop production.

The electricity sector which also comprises gas, steam and air conditioning supply recorded a 78.16% year-on-year real GDP growth in the quarter and a 56.58% year-on-year increase on a half-year basis in comparison to a decline of 2.78% recorded in a similar period in 2020. The increase is largely due to the increase in electricity tariff in the country.

The Nigerian Electricity Regulation Commission (NERC) informed that effective from 1 September 2021, Nigerians would be required to pay an increased electricity tariff. This is in line with the already designed Service Based Tariff (SBT) structure, which was effected in 2020 by the Government in an attempt to address the electricity subsidy regime, as well as enable the Nigerian Electricity Supply Industry (NESI) generate funds to finance the market and attract investments. The introduction of the SBT has resulted in a 50% increase in electricity costs. It is not clear though what impact the earlier moderation in tariffs has had on the power supply.

However, Ayuba Wabba, the Nigeria Labour Congress (NLC) president apprised the Federal Government (FG) of its agreement with the Union to reduce the electricity tariff by ₦15 per KWH by December 2021. He further stated that Organised Labour, under the NLC, may embark on strike if the proposed increased tariffs become a reality. In the same statement, he further demanded a reduction of 40 per cent in the gas price to Generating Companies (GenCos) from $2.50 to $1.50 per standard cubic feet (scf) whilst stating that the government's approved reduction from $2.50 to $2.18 per scf fell short of their expectation, and breached the agreement reached with the NLC.

As 2021 comes to a close, a review shows some of the major issues that shaped the sector in the outgoing year, with industry players also projecting into 2022. The year 2021 saw the completion of the first phase (Phase zero) of the National Mass Metering Programme (NMMP) flagged off by the Federal Government on October 30, 2020. The key objectives of the NMMP include increasing Nigeria's metering rate and eliminating of arbitrary estimated billing.

It is also aimed at strengthening the meter value chain by increasing local manufacturing, assembly and deployment capacity. The programme seeks to support Nigeria's economic recovery by creating jobs in the local meter value chain, reducing collection losses and increasing financial flows to achieve 100 per cent market remittance obligations of the electricity distribution companies (DisCos). It will further improve network monitoring capability and availability of data for market administration and investment decision-making. The Nigerian Electricity Regulatory Commission (NERC) said about 980,000 electricity customers were metered across the country under Phase Zero. The power sector regulatory agency said the second phase (Phase One) of the scheme would begin in the first quarter of 2022 with about four million meters to be supplied strictly by local manufacturers.

However, the Deficit of infrastructure across the value chain of the power sector remains another challenge which affected the stable power supply in the country in the year under review. From generation to transmission and distribution value chain, the sector is in dire need of infrastructure upgrades to meet the energy needs of the populace. Experts believe that much progress could be achieved in the power sector in 2022, especially if the government is able to follow through with its deal with German electricity giant, Siemens Group. The deal signed in February 2020 aims to not only enhance the distribution network but also increase generation capacity to the tune of 40,000MW.

The heightened spate of insecurity occasioned by organized banditry & kidnappings is a major factor that had inhibited our drive for improved performance across all the states within our sphere of operations. As a responsible organization, we adopted measures that ensured the safety of our employees and equipment knowing fully well that such measures will limit our capabilities to aggressively drive our revenue initiatives. This has resulted in our inability to effectively access locations that are prone to such security challenges thereby depriving us of earned Revenues.

Analysis conducted on the total energy going to the security-challenged areas vis-à-vis total DisCo energy reveals that on average, over the past 6 years, about 19% of total energy goes to the Security Challenged Areas. Over the last 7 years (from 2015 – 2021), the total energy delivered to Kaduna Electric was 14,632 GWh, with an average intake of around 2,000 GWh annually. Out of this figure, on average around 19% or 380 GWh goes to the Security Challenged Areas which is quite substantial given the nature of utility business and market expectations.

The company is working with relevant government agencies to ensure losses due to security issues are recognised and properly apportioned and adequate security is restored to allow for smooth operations.

The financial viability of NESI (Nigerian Electricity Supply Industry) has remained a major challenge threatening its sustainability. The liquidity challenge is partly due to the non-implementation of cost-reflective tariffs even with the increment in tariff in 2021, high technical and commercial losses exacerbated by energy theft and consumers' apathy to payments under the widely prevailing practice of estimated billing.

Overall, the Nigerian Economy, as with every economy in the world, was significantly impacted by the Covid-19 pandemic and inflationary pressure, but the extensive use of expansionary monetary and fiscal policies moderated the impact on Nigerians.

CARING FOR OUR PEOPLE
Our employees are the driving force behind our strong response to the pandemic, and in every decision, we continue to make, we put their health and well-being first. One such decision was the enforcement of the wearing of face masks within the company premises and encouraging the regular washing of hands and other personal hygiene procedures. Despite these measures, however, the pandemic still poses threat to us all. It is therefore against this backdrop that Management made arrangements for the vaccination of all staff through doses of Astra Zeneca and Moderna Vaccines.

A major source of anxiety globally was job security. We made sure our people did not have to worry about their employment status as the Leadership of the Company immediately took a decision to do everything possible to guarantee the employment of every employee; constantly reassuring staff of its commitment to protecting livelihoods within our organization. Hence the management promoted some deserving staff and ultimately, maintaining an extremely talented and highly driven workforce has been one of the fundamental strengths of our organization over the years, and keeping them motivated and productive is a major reason we were able to deliver for our customers, communities and shareholders in 2021.

SERVING OUR CUSTOMERS
Our customers were also very adaptable; as our Complaints and Self Payment Channels were optimized to cater for unprecedented traffic than in preceding years and we saw increased usage across our digital channels. We also had teams working round the clock to optimize other existing self-service solutions, such as our call centres, and online Help Centre, and create new ones that allowed customers to get instant responses to their complaints and inquiries.

DELIVERING FOR SHAREHOLDERS
Despite the barrage of challenges that besiege the sector, we as a company remain committed to making planned and consistent improvements in our operations especially as it relates to enhancing the stability and reliability of our distribution network as a strategic pre-requisite for optimal energy accountability which would, in turn, see our revenues reach anticipated heights.

2022 MACRO-ECONOMIC OUTLOOK
The global economy enters 2022 in a weaker position than previously expected. As the new Omicron COVID-19 variant spreads, countries have reimposed mobility restrictions. Rising energy prices and supply disruptions have resulted in higher and more broad-based inflation than anticipated in Nigeria and many emerging markets and developing economies. We expect the continuation of monetary and fiscal stimulus across the world, which propels investment spending and consumption. The IMF projects that the Global Economy will moderate in 2022, from with a growth rate of 5.9% in 2021 to 4.4% in 2022.

With regard to the domestic economy, we expect that growth will be supported by the expected increase in Crude Oil Prices and Production Volumes, as global demand expands. Furthermore, we expect that growth will be supported further by the continued expansionary stance of the Monetary and Fiscal authorities. This stance is expected to bolster business investment and discretionary consumer spending and pull the critical Manufacturing and Trade sectors out of contraction. However, the ability of the Central Bank to maintain a liquid and stable FX market as well as keep inflation in check will dictate the direction of the performance of these critical sectors of the economy.

We expect a volatile official exchange rate, though with minimal devaluation, as crude export revenue ramps up, foreign investment flows strengthen, and diaspora remittances increase. This expectation is projected to have a negative impact on inflation, which we expect will trend a bit upward. Hence we expect the Central Bank to implement the necessary monetary and fiscal policies to cushion these effects.

Given our expectation of the Central Bank's intervention, the Company will position itself to fully take advantage of the opportunities that will be presented in 2022. The Company will continue to take deliberate steps to reduce its losses, improve its collections and enhance its asset quality all in a bid to deliver competitive returns to our esteemed shareholders.

Thank you.

Alhaji Abbas Muhammad Jega
FRC/2016/NBA/00000014422
Chairman of the Board

26 April **2023**

The Directors hereby submit their report together with the audited financial statements of the Company for the year ended 31 December 2021.

Incorporation and address

Kaduna Electricity Distribution Plc ("the Company") was incorporated in Nigeria on 9 November 2005 under the Companies and Allied Matters Act as a private limited liability company, and is domiciled in Nigeria. The address of the registered office is:

1/2, Ahmadu Bello Way, Kaduna
Kaduna State
Nigeria

Principal activities

The principal activities of the Company are the distribution and retail of electricity to households, commercial and industrial customers within the franchise areas of Kaduna, Sokoto, Zamfara and Kebbi States.

Results for the year

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

	31 December 2021 ₦'000	31 December 2020 ₦'000
Revenue	87,313,185	47,943,418
Loss before tax	(35,703,124)	(54,562,668)
Taxation	(456,437)	-
Loss for the year	(36,159,561)	(54,562,668)

Directors

The Directors who held office during the year were:

Yusuf Hamisu Abubakar, OON	Chairman	Nigerian
Engr. Garba Haruna	Managing Director/CEO	Nigerian
Tajuddeen Aminu Dantata	Non-Executive Director	Nigerian
Jamil Isyaku Gwamna PhD	Non-Executive Director	Nigerian
Alex Okoh *	Non-Executive Director	Nigerian
Hassan Aminu Dantata	Non-Executive Director	Nigerian
Musaddiq Adamu	Non-Executive Director	Nigerian
Garba Yusuf Imam	Independent Director	Nigerian

* Alternate Director for Director General of BPE: Yunana Malo

Board Committees

At the Board's meeting held on 23rd December 2014, the Board passed a resolution to approve the creation of three board committees as mandated by the Nigerian Electricity Regulatory Commission (NERC); namely: – Audit, Risk and Compliance Committe, Finance, Remuneration, Nomination and Corporate Governance Committee, Technical and Health, Safety, Environment Committee. The current membership of the committees are shown below.

Audit, Risk and Compliance Committee

Name	Status	1st Quarters April 15, 2021	2nd Quarter July 14, 2021	3rd Quarter October 7, 2021
Garba Yusuf Imam	Chairman	X	X	X
Tajuddeen Aminu Dantata	Member	X	X	X
Yunana Malo/Ignatius Ayewoh (BPE Rep)	Member	X	X	X
Hassan Aminu Dantata	Member	X	X	X
Musaddiq Adamu	Member	B	B	B

Please note: X = Attended, and B = Absent

Finance, Remuneration, Nomination and Corporate Governance Committee

Name	Status	1st Quarters April 15, 2021	2nd Quarter July 14, 2021	3rd Quarter October 7, 2021
Dr. Jamil Isyaku Gwamna	Chairman	X	X	X
Tajuddeen Aminu Dantata	Member	B	B	B
Yunana Malo/Ignatius Ayewoh (BPE Rep)	Member	X	X	X
Hassan Aminu Dantata	Member	X	X	X
Musaddiq Adamu	Member	X	X	B
Garba Yusuf Imam	Member	X	X	B

Technical and Health, Safety & Environment Committee

Name	Status	1st & 2nd Quarter July 14, 2021	3rd Quarter October 7, 2021
Tajuddeen Aminu Dantata	Chairman	X	X
Jamil Isyaku Gwamna, PhD	Member	X	X
Yunana Malo/Ignatius Ayewoh (BPE Rep)	Member	B	B
Hassan Aminu Dantata	Member	B	B
Musaddiq Adamu	Member	X	X
Garba Yusuf Imam	Member	X	X

All the board committees were able to meet to deliberate on issues within their control by the end of the financial year.

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

Name	Designation	1st Quarter April 29, 2021	2nd Quarter July 29, 2021	3rd Quarter October 28, 2021
Yusuf Hamisu Abubakar, OON	Chairman	X	X	X
Garba Yusuf Imam	Independent Director	X	X	X
Tajuddeen Aminu Dantata	Non-Executive Director	X	X	X
Jamil Isyaku Gwamna, PhD	Non-Executive Director	X	X	X
Yunana Malo (BPE Rep)	Non-Executive Director	X	X	X
Hassan Aminu Dantata	Non-Executive Director	X	X	X
Muhammad Musaddique Adamu	Non-Executive Director	X	X	B
Engr. Garba Haruna	Managing Director/CEO	X	X	X

Please note: X = Attended, and B = Absent

Sub Committee of the Board

The Board has established Committees consistent with NERC rules, each with written terms of references approved by the Board. Currently, there are five (5) sub-committees that have been approved.

- Finance, Remuneration, Nomination and Corporate Governance Committee

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

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

- Audit, Risk and Compliance Committee

The Audit and Regulatory Affairs Committee's overall purpose is to enhance confidence in the integrity of the Company's process and procedures relating to internal control and corporate reporting. The Audit and Regulatory Affairs Committee is responsible for the review of financial reporting, appointment and provision of oversight for work of the external auditor. The Committee makes recommendations to the Board concerning internal financial control, effectiveness of its internal audit functions viz a viz compliance with internal process and the Company and Allied Matters Act, 2020.

- Technical and Health Safety & Environment Committee

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

All the Board committees were able to meet and deliberate on issues within their control by the end of the financial year.
The Committee derives its authority from the Board to:
• Assist the Board in effectively discharging its responsibilities prescribed by applicable laws relating to financial accountability, audit risk assessment, financial and performance management and financial reporting process.
• Adequately monitor and manage the Company's system of internal control, audit process and ensure due compliances with relevant corporate government and regulatory policies.
• Resolve any disagreement between management and auditor regarding financial reporting.
• Pre-recommend all auditing and non-auditing services

- Executive Management Committee

The Executive Management Committee is headed by the Managing Director/CEO and is responsible for taking key operational decisions. It is constituted by the Heads of Departments and a few key Units. This Committee meets fortnightly.

- Management Committee

The Management Committee headed by the Managing Director/CEO is responsible for the day-to-day management of the business. It is made up of the Heads of Department and Units of the Company. The management team meets once a month to deliberate and take decisions on critical issues affecting the achievement of the strategic and operational goals of the Company.

Directors' interest in contracts

None of the Directors has notified the Company for the purpose of section 303 of the Companies and Allied Matters Act 2020 of their direct or indirect interest in contracts or proposed contracts with the Company during the financial year.

Directors' interest in shares

None of the Directors had any direct or indirect equity interest in the Company for the purpose of section 301 of the Companies and Allied Matters Act 2020 as at 31st December 2021.

Shareholding Structure

As at 31st December 2021, the issued share capital of the Company as recorded in the register of shareholders is as follows:

	Number of shares held	Percentage of shares held (%)
Northwest Power Limited	6,000,000	60
Bureau of Public Enterprises (BPE)	3,200,000	32
Ministry of Finance Incorporated (MOFI)	800,000	8
Total	10,000,000	100

Equal opportunity employer

The Company pursues an equal opportunity employment policy. It does not discriminate against any person on the grounds of race, ethnic origin, religion, gender or physical disability.

Employment of disabled persons

It is the policy of the Company that there should be no discrimination in considering applications for employment including those from disabled persons, if suitably qualified. All employees, whether disabled or not, are given equal opportunities to widen their experience and knowledge and to qualify for promotion in furtherance of their careers. However, no disabled person was employed by the Company during the year. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that the appropriate training is arranged.

Employee health, safety and welfare

It is the Company's policy to conduct its activities in such a way that the health, safety and welfare of its employees, contractors and other persons who may be affected are safeguarded. Accordingly, the Company trains all categories of staff in health and safety matters as is commensurate with their jobs, so as to enhance their awareness and increase their effective participation and contribution as individuals. Where appropriate, the Company provides employees with protective clothing and equipment.

Employee training and involvement

The Company places great emphasis on the training and development of its staff and believes that its people are its greatest assets. Training courses are geared towards the developmental needs of staff and the improvement of their skill sets to face the increasing challenges in the industry. The Company will continue to invest in its human capital to ensure that its people are well motivated and positioned to compete in the industry.

Donations and gifts

The Company made donations of ₦2.2 million to social causes during the year (2020: ₦21 million).

Property, plant and equipment

Movement in property, plant and equipment during the year is shown on note 14 to the financial statements. In the opinion of the Directors, the market value of the Company's properties is not less than the value shown in the financial statements.

Auditors

The auditor, PriceWaterhouseCoopers (PwC), has indicated its willingness to continue in office in accordance with Section 401(2) of the Companies and Allied Matters Act, 2020.

By order of the board

Dr. Maryam S. Mohammed
Company secretary
FRC/2019/002/00000020273

26 April **2023**

In line with the provision of Section 405 of the Companies and Allied Matters Act 2020, the chief executive officer and chief financial officer certify that the Directors have reviewed the audited financial statements and based on the officer's knowledge confirm the following:

a) That:
• the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading; and
• audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for, the periods covered by the audited financial statements.

b) That the Directors:
• are responsible for establishing and maintaining internal controls and has designed such internal controls to ensure that material information relating to the Company is made known to the Directors, particularly during the period in which the audited financial statement report is being prepared;
• have evaluated the effectiveness of the Company's internal controls within 90 days prior to the date of its audited financial statements; and
• certify that the Company's internal controls are effective as of that date.

c) That the Directors disclosed to the Company's auditors:
• there are no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data, and have not identified any material weaknesses in internal controls, and
• there is no fraud involving management or other employees who have a significant role in the Company's internal control.

There were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Signature: ____________________

Alhaji Abbas Muhammad Jega
Chairman
FRC/2016/NBA/00000014422

Date: 26 April 2023

Signature: ____________________

Ishaq Sani Gidado
Chief Financial Officer
FRC/2022/PRO/ICAN/001/072597

Date: 26 April 2023

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

a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act;

b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

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

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

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

Signature: ________________

Alhaji Abbas Muhammad Jega
Chairman
FRC/2016/NBA/00000014422

Date: 26 April 2023

Signature: ________________

Engr. Yusuf Usman Yahaya
Managing Director
FRC/2018/COREN/000000018822

Date: 26 April 2023

In accordance with the terms of reference as contained in the Company's Board Charter and the provisions of section 404 of the Companies and Allied Matters Act of Nigeria 2020, we, the members of the Board Committee on Audit and Compliance of Kaduna Electricity Distribution Plc, having carried out our functions hereby report that:

a) The accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;

b) The scope and planning of the audit for the year ended 31st December 2021 are satisfactory;

c) Having reviewed the Independent Auditor's memorandum of recommendations on accounting procedures and internal controls, we are satisfied with Management's responses thereon.

Members of the Audit and Compliance Committee are:

1.	Ignatius Ayewoh	Chairman
2.	Umar Abdullahi	Member
3.	Marilyn Ngoyi	Member

Signature: Ayewoh

Ignatius Ayewoh
Chairman, Audit and Compliance Committee
FRC/

Date: 26 April 2023

Independent auditor's report

To the Members of Kaduna Electricity Distribution Plc

Report on the audit of the financial statements

Our opinion

In our opinion, Kaduna Electricity Distribution Plc's ("the company's") financial statements give a true and fair view of the financial position of the company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

What we have audited

Kaduna Electricity Distribution Plc's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 December 2021;
- the statement of financial position as at 31 December 2021;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Material Uncertainty Related to Going Concern

We draw attention to Note 32 in the financial statements, which indicates that the company incurred a net loss of ₦36.2 billion during the year ended 31 December 2021 and, as of that date, the Company's current liabilities exceeded its total assets by ₦110 billion.

These events or conditions, along with other matters as set forth in Note 32 indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables (₦204 billion) *Refer to notes 2.6b, 5.5 and 18 of the financial statements* The Company bills its customers monthly using the Multi Year Tariff Order (MYTO). Customers are classified based on their payment pattern as prepaid and post-paid. The risk of impairment to trade receivables relates to only post-paid customers because some customers do not make payments as and when due on their bills. We focused on this area due to the materiality of the trade receivable of ₦225 billion and resulting impairment of ₦204 billion and because it requires significant judgement both for timing of recognition of impairment and estimation of the amount of such impairment. We also focused on this area because of the expected credit loss (ECL) model which required significant judgement in measuring ECL especially incorporating forward looking information in building the economic scenarios used in the ECL model. The Company utilised the "simplified approach" model for the trade receivable impairment. Under the simplified approach, the provision combines the historical loss rate with forward looking information (forecast inflation and oil price) which takes management's view of the future of the customer into account.	Our procedures included the following: • We obtained an understanding of the Company's process for estimating the expected credit loss (ECL); • We tested the calculation of the historical loss rate and recalculated the loss rate spread across the aging buckets; • We corroborated the forward looking information by agreeing to publicly available information; • We calculated the impairment amount and compared to amount recognised by management; • We reviewed the IFRS 9 disclosures for reasonableness.

Other information

The directors are responsible for the other information. The other information comprises the Corporate information, Chairman's statement, Report of the Directors, Statement of corporate responsibilities, Statement of Directors' responsibilities, Report of the audit and compliance committee, Value added statement, and Five-year financial summary, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Report on other legal and regulatory requirements

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

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;

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

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
ICAN
0791474

Habeeb Jaiyeola

For: **PricewaterhouseCoopers**

03 MAY 2023

Chartered Accountants
Lagos, Nigeria

Engagement Partner: Habeeb Jaiyeola
FRC/2020/ICAN/00000021262

	Note	31 December 2021 ₦'000	31 December 2020 ₦'000
Revenue from contracts with customers	6	87,313,185	47,943,418
Cost of sales	7	(88,630,211)	(77,088,140)
Gross loss		**(1,317,026)**	**(29,144,722)**
Net impairment losses on financial assets	8	(51,621,787)	(29,828,572)
Operating expenses	9	(5,230,920)	(4,228,092)
Other income	10	14,954,416	36,665,367
Operating loss		**(43,215,317)**	**(26,536,019)**
Finance income	11	58,079,666	123,564
Finance cost	12	(50,567,473)	(28,150,213)
Finance cost - net		7,512,193	(28,026,649)
Loss before tax		**(35,703,124)**	**(54,562,668)**
Taxation	13	(456,437)	-
Loss for the year		**(36,159,561)**	**(54,562,668)**
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		**(36,159,561)**	**(54,562,668)**
Loss per share in Naira (basic & diluted)	25	**(3,616)**	**(5,456)**

The notes on pages 22 to 52 form an integral part of these financial statements.

	Note	31 December 2021 ₦'000	31 December 2020 ₦'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	58,845,977	51,359,925
Right-of-use assets	16.1	23,250	32,863
Intangible asset	15	-	189,381
		58,869,227	51,582,169
Current assets			
Inventories	17	658,819	1,358,497
Trade and other receivables	18	225,378,714	238,672,013
Cash and cash equivalents	19	2,203,231	2,294,179
		228,240,764	242,324,689
TOTAL ASSETS		**287,109,991**	**293,906,858**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	23.1	5,000	5,000
Capital contribution	23.2	51,716,644	51,716,644
Accumulated deficits	24	(192,790,673)	(156,631,109)
TOTAL EQUITY		**(141,069,029)**	**(104,909,465)**
LIABILITIES			
Non-current liabilities			
Borrowings	21	28,845,962	20,852,012
Government grants	22	1,823,441	985,592
Lease liabilities	16.2	9,422	32,481
		30,678,825	21,870,085
Current liabilities			
Trade and other payables	20	389,783,724	370,266,027
Current income tax liabilities	13	1,546,881	649,147
Borrowings	21	4,728,257	4,913,337
Government grants	22	1,418,274	1,102,394
Lease liabilities	16.2	23,059	15,333
		397,500,195	376,946,238
TOTAL LIABILITIES		**428,179,020**	**398,816,323**
TOTAL EQUITY AND LIABILITIES		**287,109,991**	**293,906,858**

The notes on pages 22 to 52 form an integral part of these financial statements.

The financial statements and notes on pages 18 to 52 were approved and authorised for issue by the board of Directors on ......26 April......... 2023 and were signed on its behalf by:

Alhaji Abbas Muhammad Jega
Chairman
FRC/2016/NBA/00000014422

Engr. Yusuf Usman Yahaya
Managing Director
FRC/2018/COREN/000000018822

Ishaq Sani Gidado
Chief Financial Officer
FRC/2022/PRO/ICAN/001/072597

	Note	Share capital ₦'000	Capital contribution ₦'000	Accumulated deficits ₦'000	Total equity ₦'000
Balance at 1 January 2020		**5,000**	**51,716,644**	**(102,068,442)**	**(50,346,798)**
Loss for the year		-	-	(54,562,668)	(54,562,668)
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	(54,562,668)	(54,562,668)
Balance at 31 December 2020		**5,000**	**51,716,644**	**(156,631,110)**	**(104,909,466)**
Balance at 1 January 2021		**5,000**	**51,716,644**	**(156,631,110)**	**(104,909,466)**
Loss for the year		-	-	(36,159,561)	(36,159,561)
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	(36,159,561)	(36,159,561)
Balance at 31 December 2021		**5,000**	**51,716,644**	**(192,790,671)**	**(141,069,027)**

The notes on pages 22 to 52 form an integral part of these financial statements.

	Note	31 December 2021 ₦'000	31 December 2020 ₦'000
Cash flows from operating activities			
Cash (used in)/generated from operations	26	(9,502,090)	3,936,969
Tax paid	13c	(80,724)	(124,354)
Interest received	11	281,496	123,564
Net cash (used in)/generated from operating activities		(9,301,317)	3,936,179
Cash flows from investing activities			
Payment for property, plant and equipment	14	(9,206,199)	(5,110,686)
Net cash used in investing activities		(9,206,199)	(5,110,686)
Cash flows from financing activities			
Repayment of principal on borrowings	21	(2,782,964)	(2,263,595)
Repayment of interest on borrowings	21	(1,503,404)	(799,591)
Proceeds from borrowings	21	23,064,434	2,128,099
Principal elements of lease payments	16	(20,616)	(5,400)
Net cash generated from/(used in) financing activities		18,757,450	(940,487)
Decrease in cash and cash equivalents		249,934	(2,114,994)
Cash and cash equivalents at the start of year		613,820	2,728,814
Cash and cash equivalents at end of year	19.2	863,754	613,820

The notes on pages 22 to 52 form an integral part of these financial statements.

1 General information

Kaduna Electricity Distribution Plc is into the business of distribution and marketing of electricity to private and government customers in Kaduna, Kebbi, Sokoto and Zamfara states. The Company was incorporated as a public liability Company on 8 November, 2005 to take over as a going concern, the distribution operations and activities of the Power Holding Company of Nigeria Plc ("PHCN") in the Kaduna, Sokoto, Zamfara and Kebbi States areas and their environs. Bureau of Public Enterprises and Ministry of Finance Incorporation held 80% and 20% respectively of its share capital up to 3 December 2014. As a result of share purchase agreement with a core investor, Northwest Power Ltd, the shareholding structure changed as follows with effect from 4 December 2014.

	%
Bureau of Public Enterprises	32
Ministry of Finance Incorporation	8
Northwest Power Limited	60

1.1 Business transition

In 1999, the Federal Government of Nigeria set up the Electric Power Sector Implementation Committee (EPIC) to undertake a comprehensive study of the electricity power industry. The EPIC created Power Holding Company of Nigeria (PHCN), a Company registered under the Companies and Allied matters Act, to assume the assets, liabilities and employees of the former Federal Government parastatal- National Electric Power Authority ("NEPA") that was in charge of electricity generation, transmission and distribution in Nigeria. PHCN was set up to achieve greater operational autonomy. The shares of PHCN were fully owned by the Federal Government of Nigeria.

In 2005, PHCN was unbundled to form 6 electricity generation, 1 electricity transmission and 11 electricity distribution companies with the intent of sale of shares in these companies to private investors. The Company is one of the electricity distribution companies. The Federal Government also set up a special purpose agency, Nigeria Electricity Liability Management Company Ltd (NELMCO), to take over some assets and liabilities of these companies in order to sell the shares of the companies carrying only core assets and liabilities to intending investors. On 4 December 2014, Northwest Power Limited bought 60% of the shares in the Company from the Federal Government.

At the extra-ordinary general meeting of the board of the Company of 12 January 2017, special resolutions were passed that the authorised share capital of the Company be increased from 10,000,000 ordinary share to 20,000,000 ordinary shares of 50 Kobo per share. Each of the new shares is to rank pari passu with the existing ordinary share of the Company and the allotment to existing shareholders to be on pro-rata basis.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation and adoption of IFRSs

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), including International Accounting Standards and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) applicable to companies reporting under IFRS. Further standards may be issued by the International Accounting Standards Board (IASB) and may be subject to the interpretations issued by the IFRIC.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The Directors believe that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. All values are rounded to the nearest thousand (N'000), except when otherwise indicated.

2.1.1 Going concern

The financial statements have been prepared on a going concern basis. Refer to Note 32 for further information on going concern.

2.1.2 Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time in the annual reporting period commencing 1 January 2021.

- Definition of Material Amendments to IAS 1 and IAS 8

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

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

The amendment did not have any impact on the amount recognised in the prior period or current period.

- Definition of a Business - Amendments to IFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

The effective date of the standard is for years beginning on or after 1 January 2020.

The amendment did not have any impact on the amount recognised in the prior period or current period.

- Interest Rate Benchmark Reform Amendments to IFRS 7, IFRS 9 and IAS 39

The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The effective date of the standard is for years beginning on or after 1 January 2020. The amendment did not have any impact on the amount recognised in the prior period or current period.

The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

The amendment did not have any impact on the amount recognised in the prior period or current period.

- Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: increasing the prominence of stewardship in the objective of financial reporting, reinstating prudence as a component of neutrality, defining a reporting entity, which may be a legal entity, or a portion of an entity, revising the definitions of an asset and a liability, removing the probability threshold for recognition and adding guidance on derecognition, adding guidance on different measurement basis, and stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2021.

The amendment did not have any impact on the amount recognised in the prior period or current period.

- Covid-19 related Rent Concessions Amendments to IFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

The effective date of the standard is for years beginning on or after 1 June 2020.

The Company does not intend to adopt the amendment before its effective date and does not expect it to have a material impact on its current or future reporting periods.

***(ii)* New standards, amendments and interpretations not yet adopted by the Company**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

Classification of Liabilities as Current or Non-current Amendments to IAS 1

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.
The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the standard is for years beginning on or after 1 January 2022. In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

The Company does not intend to adopt the amendment before its effective date and does not expect it to have a material impact on its current or future reporting periods

Sale or contribution of assets between an investor and its associate or joint venture - Amendments to IFRS 10 and IAS 28

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture.

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

** In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

The Company does not intend to adopt the amendment before its effective date and does not expect it to have a material impact on its current or future reporting periods.

Property, plant and equipment — Proceeds before intended use - Amendments to IAS 16 (effective 1 January 2022)

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The Company does not intend to adopt the amendment before its effective date and does not expect it to have a material impact on its current or future reporting periods.

Onerous contracts — Cost of fulfilling a contract - Amendments to IAS 37 (effective 1 January 2022)
The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Company does not intend to adopt the amendment before its effective date and does not expect it to have a material impact on its current or future reporting periods.

Reference to the Conceptual Framework -Amendments to IFRS 3 (effective 1 January 2022)

IFRS 3 originally required an entity to refer to the version of the Conceptual Framework that existed when IFRS 3 was developed. The amendment requires entities to refer to a later version of the Conceptual Framework issued in March 2018. The amendment also includes an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Company does not intend to adopt the amendment before its effective date and does not expect it to have a material impact on its current or future reporting periods.

Annual improvements to IFRS Standards 2018–2020 affecting IFRS 1, IFRS 9, and IFRS 16 (effective 1 January 2022)

The annual improvements make amendments to the following standards:
- IFRS 1 (First-time adoption of international financial reporting standards) - the amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- IFRS 9 (Financial instruments) - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- IFRS 16 (Leases) - The amendment to illustrative example 13 acCompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The Company does not intend to adopt these amendments before the effective date and does not expect it to have a material impact on its current or future reporting periods.

There are no other standards that are not effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. Management intends to adopt these standards on the effective date.

2.2 Foreign currency translation

2.2.1 Functional and presentation currency

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

2.2.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.3 Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on property, factory buildings, machinery, vehicles, furniture and equipment is calculated on a straight-line basis at rates deemed appropriate to write off the cost of the assets to their residual values over their expected useful lives.

Depreciation is recognised so as to write off the cost less their residual values over their useful lives, using the straight-line method, on the following basis:

Asset category	**Useful Life (years)**
Freehold Land	Nil
Buildings	35-50
Overhead and underground lines	40-50
Network plant and machinery	20-50
Motor vehicles	5
Computer equipment	3-10
Furniture, fittings and equipment	5-10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Profits and losses on disposals of fixed assets are determined by comparing proceeds with the carrying amounts. These profits and losses are included within 'items of a capital nature' in profit or loss.

Property, plant and equipment in the course of construction (capital work-in-progress) are carried at cost, less any recognised impairment losses. Cost includes professional fees and for qualifying assets borrowing costs capitalised in accordance with the Company's accounting policy.

Customers' contributions of items of property, plant and equipment, which require an obligation to supply goods and services to the customer in the future, are recognised at the fair value when the Company has control of the item. The contributions towards distribution network assets, are credited to the profit or loss account over the estimated useful lives of the related assets.

2.4 Intangible assets

Intangible assets relate to computer software. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Any subsequent expenditure that enhances the embodied economic benefits of the asset is capitalised.

Amortisation is calculated to write-off the cost of the computer software less any residual value over its useful life using the straight line method. The amortisation charge is recognised in the income statement. The Company determines the useful life of intangible assets as follows:

• Software 3-5 years

Derecognition of intangible assets

The carrying amount of any intangible is derecognised when the software has no future economic benefits to the Company or it is disposed. The gains or losses arising from the derecognition of any intangible asset is recognised in the profit or loss in the period in which derecognition takes place.

2.5 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test may also be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

2.6 Financial instruments

a) Classification and subsequent measurement

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the objective is solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at Fair Value Through Profit or Loss (FVTPL). Factors considered by the Company in determining the business model for the financial assets include past experience on how cash flows for these assets were collected, how the assets performance is evaluated and reported to key management personnel and how risks are assessed and managed.

Solely Payments of Principal and Interest: Where the business model is to collect contractual cash flows, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Based on these factors, the Company classifies its debt instruments into one of the following measurement categories:

• Hold to collect: Financial assets in this category are held by the Company solely to collect contractual cash flows and these cash flows represents solely payments of principal and interest. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Assets held under this business model are measured at amortised cost.

• Hold to collect and sell: Financial assets in this category are held to collect contractual cash flows and sell where there are advantageous opportunities. The cash flows represent solely payment of principal and interest. These financial assets are measured at fair value through other comprehensive income. A gain or loss on a financial asset that is subsequently measured at fair value through other comprehensive income (FVOCI) is recognised in other comprehensive income except impairment gains or losses and foreign exchange gains or losses in the period in which it arises.These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

• Hold to sell: This category is the residual category for financial assets that do not meet the criteria described above. Financial assets in this category are managed in order to realise the asset's fair value. These financial assets are measured at fair value through profit or loss. A gain or loss on financial assets in this category is subsequently recognised in profit or loss and presented net in the profit or loss statement within other income/(expenses) in the period in which it arises. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The Company's financial assets are held to collect contractual cash flows that are solely payments of principal (for non-interest-bearing financial assets) or solely payments of principal and interest (for interest bearing financial assets). The financial assets are measured at amortised cost.

The Company's financial assets include trade receivables and cash and cash equivalents. They are included in current assets, except for maturities greater than 12 months after the reporting date which are included in non-current assets. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities

Financial liabilities of the Company are classified and measured at fair value on initial recognition net of directly attributable transaction costs and subsequently measured at amortised cost.

Fair value gains or losses for financial liabilities designated at fair value through profit or loss are accounted for in profit or loss except for the amount of change that is attributable to changes in the Company's own credit risk which is presented in other comprehensive income. The remaining amount of change in the fair value of the liability is presented in profit or loss. The Company has no financial liabilities measured at fair value through profit or loss.

The Company's financial liabilities include trade and other payables and borrowings.

b) Impairment of financial assets

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

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

Trade receivables are considered lost and the Company makes full provision when contractual payments are over 365 days past due. Trade receivables are written off when there is no reasonable expectation of recovering the contractual cash flows.

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as 12-month ECL which is a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

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

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss and presented on the face of the statement of profit or loss.

c) Significant increase in credit risk and default definition

The Company considers both quantitative and qualitative indicators in classifying these financial assets into the relevant stages for impairment calculation. Impairment provision is recognised in three stages based on days past due.

Using the criteria stated, a worst-case staging is assigned to every receivable:

• Stage 1: This stage includes financial assets that are less than 30 days past due (Performing).

• Stage 2: This stage includes financial assets that have been assessed to have experienced a significant increase in credit risk using the days past due criteria (i.e. the outstanding receivables amounts are more than 30 days past due but less than 90 days past due) and other qualitative indicators such as external credit rating (as far as available) and actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations.

• Stage 3: This stage includes financial assets that have been assessed as being in default. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

The parameters used to determine impairment are shown below:

Probability of Default (PD)	The credit rating of the counterparty was used to reflect the assessment of the probability of default on this receivable. This was supplemented with external data from S&P to arrive at a 12-month PD and lifetime PD for stage 1 and stage 2 receivables. The PD for stage 3 is 100%.
Loss Given Default (LGD)	The 12-month LGD and lifetime LGD were determined using the average recovery rate for Moody's senior unsecured corporate loans for emerging economies. This was adjusted with the federal reserve formulae to reflect downturn LGD.
Exposure at default (EAD)	The EAD is the maximum exposure of the receivable to credit risk without taking account of any collateral.
Macro- economic Indicators	The historical Brent oil price and inflation rate in Nigeria are the economic variables used to adjust the probability of default to make it forward looking.
Probability weightings	The historical GDP growth rate observations were used to determine the weightings for each scenario (base case, optimistic and downturn) using Z score.

d) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition. Gains or losses on derecognition of financial assets are recognised as other income/ (expenses) in profit or loss.

Financial liabilities

The Company derecognises a financial liability when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised immediately in the statement of profit or loss.

e) Modification

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

f) Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position. Offsetting can be applied when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right is not contingent on future events and is enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.7 Inventories

Inventories are recorded at the lower of cost and net realisable value. The costs of individual items of inventory are determined using weighted average costs. The exception are for non-interchangeable items where costs are assigned by specific identification. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and any applicable selling expenses.

Allowance is made for excessive, obsolete and slow moving items. Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

2.8 Trade and other receivables

Trade receivables

These are amounts due from customers for services performed in the ordinary course of business. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less impairment. An impairment of receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of the receivables. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to operating expenses in the profit or loss.

Other receivables

These amounts generally arise from prepaid amounts to vendors as advances for insurance and other services.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, including cash collateral and other short term highly liquid investments with original maturities of three months or less.

3 Share capital

The Company has ordinary shares which are classified as equity.

3.1 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.2 Current and deferred income tax

The tax expense for the period comprises of current and deferred tax. Tax is recognised in arriving at profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

3.2.1 Current tax

The current income tax charge is calculated on the basis of the applicable tax laws enacted or substantively enacted at the reporting date in the country, Nigeria, where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3.2.2 Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by each reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

3.3 Employee benefits

3.3.1 Wages, salaries and annual leave

Wages, salaries, incentives, other contributions and paid annual leave are accrued in the period in which the associated services are rendered by employees of the Company.

3.3.2 Defined contribution plan

The Company operates a defined contribution scheme for its employees in line with the Pension Reform Act 2014. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Employees contribute 8% each of their basic salary, housing and transport allowances and the Company contributes 10% of all employees basic salary, housing and transport allowances. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of all schemes are held in separate trustee administered fund, which are funded by contributions from both the Company and employees. The Company's contributions to the defined contribution schemes are charged to the profit or loss account in the year to which they relate.

3.4 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions are reviewed on each reporting date and if an outflow of funds to settle the obligation is unlikely, they are reversed in the profit or loss.

Contingent assets are not recognised but disclosed where an inflow of economic benefits is probable. When the realisation of income is virtually certain, it is recognised by the Company.

The Company recognises a contingent liability, when there is a possible obligation that arises as a result of past events, and whose existence will be confirmed only by the occurrence or non-occurrence of events which may not be within the control of the entity. The Company discloses a contingent liability in line with IAS 37 when there is a present obligation that arises from past events that is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.5 Lease liabilities

At the commencement date of a lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the Company's incremental borrowing rate (IBR) as the rate implicit in the lease cannot be readily determined. The IBR represents the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company has used the prime lending rate as at 31 December 2021.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced by the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset where applicable.

The Company presents lease liabilities separately from other liabilities in the statement of financial position.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. IFRS 16 provides lessees with an election not to recognise a right-of-use asset and lease liability for leases for which the underlying asset is of low value. The Company classifies assets worth N2.1 million and below as low-value.

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

3.6 Right-of-use assets

Right-of-use assets are initially measured at cost, comprising of the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.
The Company presents right-of-use assets separately from Property, plant and equipment in the statement of financial position.

3.7 Revenue recognition

The Company recognises revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those services. A valid contract is recognised as revenue after;

- The contract is approved by the parties.
- Rights and obligations are recognised.
- Collectability is probable.
- The contract has commercial substance.
- The payment terms and consideration are identifiable.

Sale and Distribution of Power

The Company derives its revenue from the supply of power to customers. Revenue from power supply is based on amount of energy supplied to the customers as recorded at the meters or estimated. This is computed using the Multi-Year Tariff Order (MYTO) tariff per customer class as regulated by Nigerian Electricity Regulatory Commission. Although the performance obligation to deliver electricity is satisfied overtime as the customers simultaneously receive and consume electricity provided, the Company applies the practical expedient provisions in IFRS 15 and recognises revenue from the supply of power at the invoice dates when electricity bills are sent to customers. The Company does not give rebates or discounts to customers.

For post paid customers, payment of the transaction price is due immediately the bills are sent to the customers and trade receivable is recognised thereafter. Prepaid customers make payment in advance for electricity credits and the payments are recognised as contract liabilities. Revenue in respect of the prepaid customers is recognised when the electricity has been consumed by the customers based on the Company's estimation.

For prepaid customers, the energy consumed is estimated as a percentage of total amounts vended by the customers. Unutilised energy costs are deferred to the next reporting period. The estimated unutilised energy amount as at the reporting date is not significant to these financial statements.

Disaggregation of revenue from contract with customers

The Company derives revenue from different tariff codes broadly classified into residential, commercial, industrial and special.

3.8 Cost of sales

Cost of sales include the cost of energy, depreciation of distribution assets, staff costs of distribution (technical) staff and other direct costs for distribution of energy.

Cost of energy refers to all cost incurred in the purchase of energy from suppliers. This comprises cost of electricity purchase from generating companies, market operator's service charges, electricity purchases from Nigerian Bulk Electricity Trading Plc (NBET).

3.9 Interest income

Interest income is accrued on a time basis in the profit or loss, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3.10 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

3.11 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3.11.1 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

3.12 Government grant

The Company benefits from Federal Government intervention in the power sector through funds provided to ensure liquidity in the industry and assets granted to power sector participants. The Federal Government of Nigeria through the Central Bank of Nigeria provides finance to these power sector participants at subsidised interest rates. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the statement of profit or loss and other comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

4 Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

4.1 Impairment of trade and other receivables

The Company annually tests whether the trade receivables have suffered any impairment, through the application of ECL, the impairment for trade receivable have been calculated and impact reflected in the financial statements. Management considers, among other factors, the age of debts, customer's payment history and financial condition of the customer in determining the allowance for impairment losses. Debt owed by inactive customers are also fully impaired.

4.2 Deferred tax

The Company is subject to income taxes within Nigeria, which does not require much judgment in terms of provision for income taxes but a certain level of judgment is required for recognition of the deferred tax assets. The Company had a deferred tax asset balance of ₦68 billion as at 31 December 2021 (2020: ₦97 billion). Management is required to assess the ability of the Company to generate future taxable economic earnings that will utilise the deferred tax assets. Assumptions over the generation of future taxable profits depends on management's estimates of future cash flows. This estimate of future taxable income are based on forecast cash flows from operations.

4.3 Impairment assessment of non financial assets

Changes in events or circumstance indicating that the carrying amount of assets may not be recovered will lead to the review of all assets. Consequently, in the event that the review shows that assets are impaired, that is the carrying amount exceeds its recoverable value, these are written down to their recoverable value, which is the higher of fair value less cost of disposal and value in use. The value in use is determined as the amount of estimated risk-adjusted discounted future cash flows
Assets are therefore grouped into cash generating units based on separately identifiable and largely independent cash inflows.

4.4 Useful lives of assets

The Company calculates depreciation of property, plant and equipment on a straight-line basis so as to write off the cost of the assets over their expected useful lives. The economic life of an asset is determined based on existing wear and tear, economic and technical aging, legal or other limits on the use of the asset, and obsolescence. If some of these factors were to deteriorate materially, impairing the ability of the asset to generate future cash flow, the Company may accelerate depreciation charges to reflect the remaining useful life of the asset or record an impairment loss.

4.5 Determining the lease term

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

The following factors are normally the most relevant:

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

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. During the financial year, there were no revised lease terms.

4.6 Incremental borrowing rate

To determine the incremental borrowing rate, the Company has used the prime lending rate as at 31 December 2021.
Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The incremental borrowing rate used in discounting the future cashflow of lease payments is 16%.

4.7 Fair value estimation of financial assets and laibilities

In determining the fair value of financial assets and liabilities, management makes judgements about the use of valuation techniques for the instruments not actively traded. Where available, the Company uses quoted market prices to determine the fair value of financial assets. The quoted market price are gotten from the websites of the Financial Market Dealers Quotation (FMDQ). Where there are securities that are not actively traded, the Compay uses techniques based on observation inputs obtained from the quoted market prices of similar actively traded securities. The fair value of the borrowings and lease liabilities for disclosure was determined by a discounted cash flow of the expected future cash outflows at the statement of financial position date using prime lending rate in Nigeria as at the statement of financial position date for a similar tenure and amount.

There were no other significant assumptions and estimation uncertainties that could have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within they are ending 31 December 2021.

5 Financial risk management

5.1 Financial risk factors

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

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

(a) Market risk

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

(i) Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to risks resulting from fluctuations in foreign currency exchange rates. A change in the value of any such foreign currency could have an effect on the the Company's cash flow and future profits. The Company is exposed to exchange rate risk as a result of cash balances denominated in US Dollar, the exchange rate at the end of the period was N424/$.

	31 December 2021 ₦'000	31 December 2020 ₦'000
Financial asset		
Cash and bank balance	812	812
Impact on profit or loss		
24% increase in exchange rate	195	195
24% decrease in exchange rate	(195)	(195)

(ii) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does have any long-term borrowings at variable rates and as such is not exposed to interest rate risk.

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

(b) Credit risk

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

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

(i) Financial instruments exposed to credit risk

	Maximum exposure	
	31 December 2021 ₦'000	31 December 2020 ₦'000
Cash and cash equivalents (Note 19)	2,203,231	2,294,179
Trade receivables (Gross) (Note 18)	224,769,191	160,015,281
Other receivables (Gross) (Note 18)*	204,358,282	230,768,694
Total	431,330,704	393,078,154

*Other receivables excludes employee advances, as these are not a financial instruments.

These financial assets are further broken into the following:

31 December 2021	**Cash & cash equivalents ₦'000**	**Trade receivables ₦'000**	**Other receivables ₦'000**	**Total ₦'000**
Neither past due nor impaired	2,203,231	-	504,380	2,707,611
Past due but not impaired	-	21,232,573	203,633,937	224,866,510
Impaired	-	203,536,618	219,965	203,756,583
Gross	2,203,231	224,769,191	204,358,282	431,330,704
Impairment	-	(203,536,618)	(219,965)	(203,756,583)
Net	2,203,231	21,232,573	204,138,317	227,574,120

31 December 2020	**Cash & cash equivalents ₦'000**	**Trade receivables ₦'000**	**Other receivables ₦'000**	**Total ₦'000**
Neither past due nor impaired	2,294,179	-	128,694	2,422,873
Past due but not impaired	-	8,357,689	230,162,796	238,520,485
Impaired	-	151,657,592	477,204	152,134,796
Gross	2,294,179	160,015,281	230,768,694	393,078,154
Impairment of trade receivables	-	(151,657,592)	(477,204)	(152,134,796)
Net	2,294,179	8,357,689	230,291,490	240,943,358

(ii) Credit quality of cash and cash equivalent

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

	31 December 2021 ₦'000	**31 December 2020 ₦'000**
AA	3,593	3,593
AA-	4,044	4,044
A+	41,611	34,089
A	2,043,207	2,093,257
BBB	6,100	31,405
BB+	48,459	48,459
*Unrated	56,217	79,332
	2,203,231	2,294,179

*Unrated include cash at hand, Polaris Bank and Bunkasa Microfinance Bank. These do not have any ratings

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

'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

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

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

'Others' indicate cash in hand and financial institutions with no available ratings.

(c) Liquidity risk

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

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period from the reporting dates to the contractual maturity date. The carrying amount as at the end of each reported period that expose the Company to liquidity risk was as follows:

	Less than 3 months ₦'000	3 to 12 months ₦'000	Above 12 months ₦'000	Total ₦'000
31 December 2021				
Trade and other payables (excluding statutory payables)	371,630,259	-	-	371,630,259
Borrowings	1,339,477	3,388,780	28,845,962	33,574,219
Lease liability	-	23,059	9,422	32,481
	372,969,736	**3,411,839**	**28,855,384**	**405,236,959**

	Less than 3 months ₦'000	3 to 12 months ₦'000	Above 12 months ₦'000	Total ₦'000
31 December 2020				
Trade and other payables	358,196,982	-	-	358,196,982
Borrowings	2,851,449	3,506,493	21,495,396	27,853,338
Lease liability	-	15,333	32,481	47,814
	361,048,431	**3,521,826**	**21,527,877**	**386,098,134**

5.3 Fair value estimation

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

-Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
-Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
-Input for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair values of the Company's borrowings and lease liabilities as at 31 December 2021 and 31 December 2020 are below. This falls within level 2.

	31 December 2021 ₦'000	31 December 2020 ₦'000
Borrowings (note 21)	33,574,219	25,765,349
	33,574,219	21,099,022

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

The fair value amounts disclosed above are all recurring fair value measurements. There were no non-recurring fair value measurements as at 31 December 2021 and 31 December 2020.

The fair value of the following financial assets and liabilities approximate their carrying amount:
-Trade and other receivables
-Cash and cash equivalents
-Trade and other payables
None of these Company's assets or liabilities fall within level 1 or 3.

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

(b) Financial instruments in level 2
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) Financial instrument in level 3

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

Financial instruments not measured at fair value

Financial instruments by category

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

	31 December 2021 ₦'000	31 December 2020 ₦'000
Financial assets at amortised costs		
Trade receivables (net) (note 18)	21,232,573	8,357,689
Other receivables (net) (note 18)	204,138,317	230,291,490
Cash and cash equivalents (note 19)	2,203,231	2,294,179
Total	227,574,121	240,943,358
Financial liabilities at amortised costs		
Trade payables (note 20)	215,328,767	206,783,933
Other payables (note 20)	61,923,792	46,247,208
Interest payables (note 20)	94,295,566	105,074,429
Due to related parties (Note 27.2)	69,786	69,786
Borrowings (note 21)	33,574,219	25,765,349
Total	405,192,130	383,940,705

5.4 Capital risk management

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

Various financial ratios and internal targets are assessed and reported to the board of Directors to monitor and support the key objectives set out above. These ratios and targets include:
-Earning Before Interest Tax Depreciation and Amortisation (EBITA);
-Current asset ratio;
-Interest cover; and
-Gearing ratio

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

Capital is calculated as total equity plus net debt and it is monitored regularly by the Company's management. The gearing ratios as at the end of December 2021 and December 2020 are as follows:

	31 December 2021 ₦'000	31 December 2020 ₦'000
Total borrowing	33,574,219	25,765,349
Less: Cash and cash equivalent	(2,203,231)	(2,294,179)
Net Debt	31,370,989	23,471,170
Add: Total equity	(141,069,027)	(104,909,465)
Total capital	(109,698,038)	(81,438,295)
Gearing ratio	-29%	-29%

5.5 Impairment of financial assets

The following are the Company's financial assets that are subject to IFRS 9's expected credit loss model:
- Trade receivables
- Other receivables
- Cash and cash equivalents

a) Trade receivables

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

The provision matrix approach is based on the historical credit losses experienced within 5 years before 31 December 2021. The historical loss rates are adjusted to reflect forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified Brent oil price and inflation rate of Nigeria (being the country in which it provides its services) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.
On that basis, the loss allowance as at 31 December 2020 and 2021 in accordance with IFRS 9 was determined as follows:

The expected loss rates as at 31 December 2021 are as follows:

Age of trade receivables	0-30 days ₦'000	31-60 days ₦'000	61-90 days ₦'000	91-180 days ₦'000	181-360days ₦'000	> 360 days ₦'000	Total ₦'000
Gross carrying amount	10,627,478	8,692,804	8,497,372	8,187,768	28,748,488	160,015,281	224,769,190
Default rate	60%	61%	66%	71%	79%	99%	
Lifetime ECL	(6,416,259)	(5,280,910)	(5,624,012)	(5,809,520)	(22,773,668)	(157,632,246)	(203,536,617)
Net carrying amount	4,211,219	3,411,894	2,873,360	2,378,248	5,974,820	2,383,035	21,232,573

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

Age of trade receivables	0-30 days ₦'000	31-60 days ₦'000	61-90 days ₦'000	91-180 days ₦'000	181-360days ₦'000	> 360 days ₦'000	Total ₦'000
Gross carrying amount	6,658,243	6,894,222	3,318,494	7,405,956	2,030,616	133,707,750	160,015,281
Default rate	64%	66%	69%	72%	74%	100%	
Lifetime ECL	(4,260,546)	(4,565,356)	(2,287,035)	(5,331,600)	(1,505,305)	(133,707,750)	(151,657,592)
Net carrying amount	2,397,697	2,328,866	1,031,459	2,074,356	525,311	-	8,357,689

b) Other receivables

The Company also assessed these other receivables using the general approach to determine their expected credit losses. The ECL recognised for the period is a probability-weighted estimate of credit losses discounted at the effective interest rate of the financial asset. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

The expected credit loss as shown below:

				31 December 2021
	Stage 1 12-month ECL ₦'000	Stage 2 Lifetime ECL ₦'000	Stage 3 Lifetime ECL ₦'000	Total ₦'000
Gross EAD*	204,358,282	-	-	204,358,282
Loss allowance as at 31 December 2021	(219,965)	-	-	(219,965)
Net EAD	**204,138,317**	**-**	**-**	**204,138,317**

				31 December 2020
	Stage 1 12-month ECL ₦'000	Stage 2 Lifetime ECL ₦'000	Stage 3 Lifetime ECL ₦'000	Total ₦'000
Gross EAD*	230,768,694	-	-	230,768,694
Loss allowance as at 31 December 2020	(477,204)	-	-	(477,204)
Net EAD	**230,291,490**	**-**	**-**	**230,291,490**

EAD – Exposure at default

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

	Trade receivables		Other receivables		Total	
	31 December 2021 ₦'000	**31 December 2020 ₦'000**	**31 December 2021 ₦'000**	**31 December 2020 ₦'000**	**31 December 2021 ₦'000**	**31 December 2020 ₦'000**
Opening loss allowance at 1 January	151,657,592	121,912,554	477,204	393,670	152,134,796	122,306,224
Increase in loss allowance recognised in profit or loss during the year	51,879,026	29,745,038	(257,239)	83,534	51,621,787	29,828,572
Closing loss allowance at 31 December	203,536,618	151,657,592	219,965	477,204	203,756,583	152,134,796

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit.

c) Cash and cash equivalents

This includes cash in hand. The Company applied the three-stage approach in recognising the ECL on cash and bank balances. The cash and bank balances are assessed to be in stage 1. No impairment loss on cash and bank balances as at 31 December 2021.

6 Revenue from contract with customers

	31 December 2021 ₦'000	31 December 2020 ₦'000
Sale of electricity:	87,313,185	47,943,418

Revenue represents charges on the power distributed to customers.
The Company's revenue is analysed based on the customer categories as follows:

By customer payment type:

Postpaid customer	81,927,720	44,676,442
Prepaid customers	5,385,465	3,266,976
	87,313,185	47,943,418

By customer tariff class:

Residential	58,064,701	30,608,912
Commercial	9,583,831	5,453,407
Industrial	4,579,978	3,145,190
Street lighting	386,660	195,893
**Special electricity sales	14,698,015	8,540,016
	87,313,185	47,943,418

**Special electricity sales relates to sales of electricity to mosques and churches at special rates.

Items of revenue include monthly post paid billings for electricity consumed and prepaid meter units of energy purchased by customers after applying the appropriate tariff as per the relevant Multi Year Tariff Order (MYTO).

Revenue from prepaid metered customers account for only about 6% of the total revenue for the year and the value of the purchased units of energy that remained unutilised as at 31 December 2021 had no material effect on the reported revenue. Although the performance obligation to deliver electricity is satisfied overtime as the customers simultaneously receive and consume electricity provided, the Company applies the practical expedient provisions in IFRS 15 and recognises revenue from the supply of power at the invoice dates when electricity bills are sent to customers.

7 Cost of sales

	31 December 2021 ₦'000	31 December 2020 ₦'000
Cost of energy	80,333,593	71,057,981
Network services and maintenance	2,774,829	1,207,826
Depreciation on technical assets (Note 14)	1,448,824	1,427,810
Salaries and wages for technical staff (Note 28.1)	4,072,965	3,394,523
	88,630,211	77,088,140

Increase in cost of energy during the year arises from increase in tariff per KWh from NBET and also increase in amount of energy received for the year compared to prior year.

8 Net impairment on financial assets

	31 December 2021 ₦'000	31 December 2020 ₦'000
Impairment gain/loss on tariff shortfall (Note 18)	(257,239)	83,534
Impairment loss on trade receivables (Note 18.1)	51,879,026	29,745,038
	51,621,787	29,828,572

9 Operating expenses	31 December 2021 ₦'000	31 December 2020 ₦'000
Employee cost (Note 28.1)	871,619	753,024
Pensions (Note 28.1)	492,102	392,492
Printing and stationeries	41,989	140,466
Advertisement and publicity	13,823	53,696
Office repairs and maintenance	539,707	30,561
Donations and gifts	2,240	21,065
Administration and overhead expenses*	903,617	773,598
Vehicles repairs and maintenance	141,276	119,541
Consultancy and other professional fees	91,225	196,482
Transport and travelling	250,480	122,066
Staff trainings and seminars	52,906	24,618
Audit fee	30,000	30,000
Directors' expenses	272,445	226,089
Rents and rates	53,182	20,547
Other staff cost (Note 28.1)	481,973	119,945
Depreciation of property, plants and equipment (Note 14)	271,323	554,423
Depreciation of right of use assets (Note 16.1)	9,612	9,613
Amortisation of intangible assets (Note 15)	189,380	189,382
Additional tax levy from FIRS	-	237,545
Minimum tax levy**	522,021	212,938
	5,230,920	4,228,092

*Administration and overheads relates to expenses such as bank charges, telephone bills, health and safety, internet subscription, etc.

**The Company is liable to pay minimum tax of ₦522 million (2020: ₦213 million) for the year. In line with IFRIC 21 - Levies, minimum tax is considered as a levy and is charged as operating expenses to the income statement.

10 Other income	31 December 2021 ₦'000	31 December 2020 ₦'000
Reconnection fees	172,919	364,240
Penalties	499,229	202,035
Tariff shortfall (Note 18)*	16,419,000	43,637,000
Government grants (Note 22)**	1,924,287	1,086,287
Other expense***	(4,061,019)	(8,624,195)
	14,954,416	36,665,367

Other income includes reconnection fee, penalties and fines, revenue loss compensation etc.

*Nigerian Electricity Regulatory Comission(NERC) is expected to implement minor Multi Year Tariff Order (MYTO) reviews biannually, however, the last review was implemented in 2015. As a result, the Company has not been able to pass on the full cost of energy purchased to end users leading to both tariff (due from customers to Discos) and market (due from Discos to the market operator) shortfalls. In 2021, under the Power Sector Recovery Plan (PSPRP), NERC issued regulatory instruments implementing minor reviews of MYTO for the years 2015 to 2020. These orders were issued to reflect the impact of changes in the minor review variables in determining cost-reflective tariff and market shortfalls. Based on the orders, the Company recognised a tariff shortfall receivable of ₦16 billion for 2021 and a credit note from NBET of ₦43 billion for payment received from NERC on behalf of the Company.

**Government grants have been received based on the CBN - NEMSF loans obtained from the NESI- Stabilisation Strategy Limited at below market rate. There are no unfulfilled conditions or contingencies attached to these grants.

*** Other expense relates to write offs of other receivables and other ancillary running cost of the business

11 Finance income	31 December 2021 ₦'000	31 December 2020 ₦'000
Financing expense writeback (NBET)*	57,798,170	-
Interest income on bank deposits	281,496	123,564
	58,079,666	123,564

*The Company's vesting contract under Transitional Electricity Market (TEM) requires full settlement of undisputed invoices received from the Nigerian Bulk Electricity Trading Plc. (NBET) within the stipulated time frame. Penalty for non compliance is interest at NIBOR plus 4% on all unpaid invoices within the require period. Due to the implementation of the tariff shortfall, NBET reassessed the outstanding interest payable and wrote-off ₦58 billion from the Company's liability

12 Finance cost

	31 December 2021 ₦'000	31 December 2020 ₦'000
Financing expenses (NBET)*	47,019,306	21,152,319
Interest on borrowings (Note 21)	3,542,884	6,991,768
Lease interest expense (Note 16)	5,283	6,126
	50,567,473	28,150,213

*The Company's vesting contract under Transitional Electricity Market (TEM) requires full settlement of undisputed invoices received from the Nigerian Bulk Electricity Trading Plc. (NBET) within the stipulated time frame. Penalty for non compliance is interest at NIBOR plus 4% on all unpaid invoices within the require period.

13 Taxation

A Income tax

	31 December 2021 ₦'000	31 December 2020 ₦'000
Education tax	456,437	-
Deferred income tax (charge)/credit	-	-
Minimum tax	522,021	212,938
	978,458	212,938

The Company is subject to education tax and minimum tax levy, in line with IFRIC 21-Levies, minimum tax is considered as a levy and is charged as operating expenses to the income statement while education tax is recognised as an income tax.

B Reconciliation of effective tax to statutory tax

The tax on the Company's loss before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	31 December 2021 ₦'000	31 December 2020 ₦'000
Loss before tax	(35,703,124)	(54,562,668)
Tax calculated at statutory tax rate of 30 %	(10,710,937)	(16,368,800)
Disallowed permanent items	16,188,186	13,953,571
Adjusted loss	(5,477,248)	(2,415,229)
Education tax	456,437	-
Tax charge for the year	456,437	-

C Current income tax liability

	31 December 2021 ₦'000	31 December 2020 ₦'000
Balance at 1 January	649,147	323,018
Minimum tax levy	522,021	212,938
Education tax	456,437	-
Additional tax levy from FIRS	-	237,545
Payments during the year	(80,724)	(124,354)
At 31 December	1,546,881	649,147

D Deferred tax

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets of ₦68 billion for the Company have not been recognised as at 31 December 2021 (2020: ₦97 billion) because it is not probable that future taxable profits will be available against which they can be utilised.

14 Property, plant and equipment

	Land ₦'000	Buildings ₦'000	Network plant and machinery ₦'000	Overhead & underground lines ₦'000	Furniture, fittings & Equipment ₦'000	Motor vehicles ₦'000	Computer equipment ₦'000	Assets under construction ₦'000	Total ₦'000
Cost									
At 1 January 2020	100,400	283,795	13,042,837	42,700,240	273,127	1,541,644	1,065,219	2,526,355	61,533,617
Additions	-	-	1,827,841	970,315	117,892	-	66,542	2,128,096	5,110,686
Reclassification	-	-	424,792	-	-	-	-	(424,792)	-
At 31 December 2020	100,400	283,795	15,295,470	43,670,555	391,019	1,541,644	1,131,761	4,229,659	66,644,303
At 1 January 2021	100,400	283,795	15,295,470	43,670,555	391,019	1,541,644	1,131,761	4,229,659	66,644,302
Additions	-	108,925	6,542,704	196,730	189,523	-	18,882	2,149,435	9,206,199
Reclassification	-	-	1,674,236	-	-	-	-	(1,674,236)	-
At 31 December 2021	100,400	392,720	23,512,410	43,867,285	580,542	1,541,644	1,150,643	4,704,858	75,850,502
Accumulated depreciation									
At 1 January 2020	-	42,740	2,141,998	9,538,958	63,519	1,330,226	184,704	-	13,302,145
Charge for the year	-	5,676	346,617	1,081,193	33,623	211,418	303,706	-	1,982,233
At 31 December 2020	-	48,416	2,488,615	10,620,151	97,142	1,541,644	488,410	-	15,284,378
At 1 January 2021	-	48,416	2,488,615	10,620,151	97,142	1,541,644	488,410	-	15,284,378
Charge for the year	-	5,834	364,313	1,084,511	34,962	-	230,527	-	1,720,147
At 31 December 2021	-	54,250	2,852,928	11,704,662	132,104	1,541,644	718,937	-	17,004,525
Net book value									
At 31 December 2020	100,400	235,379	12,806,855	33,050,404	293,877	-	643,351	4,229,659	51,359,925
At 31 December 2021	100,400	338,470	20,659,482	32,162,623	448,438	-	431,706	4,704,858	58,845,977

The depreciation in the period has been classified into cost of sales and operating expenses. The depreciation of network, plant and machinery and overhead & underground lines ₦1.6 billion (2020: ₦1.42 billion) are classified as cost of sales while the depreciation of other property plant and equipment items ₦161 million (2020: 554 million)are classifed as operating expenses.

15 Intangible asset

Cost	31 December 2021 ₦'000	31 December 2020 ₦'000
At 1 January	757,521	757,521
At 31 December	757,521	757,521
Accumulated amortisation		
At 1 January	568,140	378,760
Charge for the year	189,381	189,380
At 31 December	757,521	568,140
Net book amount		
At 31 December	-	189,381

Intangible assets mainly represents the cost of information technology software in the Company's operations.

16 Leases

Amounts recognised in the statement of financial position

16.1 Right-of-use assets

Building	31 December 2021 ₦'000	31 December 2020 ₦'000
Opening balance	52,046	52,046
Additions during the year	-	-
Closing balance	52,046	52,046
Depreciation		
Opening balance	19,183	9,570
Charge for the year	9,613	9,613
Closing balance	28,796	19,183
Net book value	23,250	32,863

16.2 Lease liabilities

	31 December 2021 ₦'000	31 December 2020 ₦'000
Opening balance	47,814	47,088
Additions	-	-
Interest expense	5,283	6,126
Payments made during the period	(20,616)	(5,400)
Closing balance	32,481	47,814
Current lease liabilities	23,059	15,333
Non-current lease liabilities	9,422	32,481
	32,481	47,814

Amounts recognised in the statement of profit or loss

	Building 2021 ₦'000	Building 2020 ₦'000
Depreciation charge on right-of-use assets	9,613	9,613
Interest expense (included in finance cost)	5,283	6,126
Expense relating to short term/low value leases (included in operating expenses)	53,182	20,547
	68,078	36,286

The Company's lease arrangements are for rental of office space for business purpose. The leased properties include the corporate office and liaison office. None of the lease arrangements have variable lease payments.

The Company's lease terms include an extension period of 12 months upon expiration of the current lease period, and these have been factored into the computation of the lease liability. The contracts also include termination clauses to deter the counterparty from unwarranted cancellation of the lease agreement. The lease arrangements do not include a residual value guarantee, restrictions or covenants or sale and lease back transactions.

The Company has other short term leases that recognised as directly in the statement of profit or loss and other comprehensive income and are not included in the lease measurement. The amount of these short term leases are not significant to these financial statements.

17 Inventories

	31 December 2021 ₦'000	31 December 2020 ₦'000
Distribution materials	626,919	1,367,312
Lubricants	1,120	1,494
General store materials	26,790	89,511
Tools	530	1,242
Stationeries	79,931	29,487
Impairment of bad and obsolete inventory items	(76,471)	(130,549)
	658,819	1,358,497

18 Trade and other receivables

	31 December 2021 ₦'000	31 December 2020 ₦'000
Trade receivables	224,769,191	160,015,281
Less: impairment on trade receivables (Note 18.1)	(203,536,618)	(151,657,592)
Trade receivables - net	21,232,573	8,357,689
Other receivables:		
Employee advances	7,823	22,834
Other debtors*	504,380	128,694
Tariff shortfall**	203,853,903	230,640,000
Less: impairment on tariff shortfall	(219,965)	(477,204)
	204,146,141	230,314,324
	225,378,714	238,672,013

*Other debtors include advance payment from NELMCO bidding arrangement to show interest in the bid and collection agents receivables collected from customers not yet remitted to the Company by its collection agents.

**Tariff shortfall orders were issued to reflect the impact of changes in the minor review variables in determining cost-reflective tariff and market shortfalls. Based on the orders, the Company recognised a tariff shortfall receivable of ₦16 billion for 2021 and a credit note from NBET of ₦43 billion for payment received from NERC on behalf of the Company.

	31 December 2021 ₦'000	31 December 2020 ₦'000
18.1 Movement in impairment on trade receivable:		
1 January	151,657,592	121,912,554
Charge for the year- trade receivable	51,879,026	29,745,038
Balance as at 31 December	203,536,618	151,657,592

The average credit period on billed electricity is 30 days. No interest is charged on trade receivables.

	31 December 2021 ₦'000	31 December 2020 ₦'000
18.2 Movement in impairment on tariff shortfall:		
1 January	477,204	393,670
Write back/Charge for the year- tariff shortfall	(257,239)	83,534
Balance as at 31 December	219,965	477,204

19 Cash and cash equivalents

	31 December 2021 ₦'000	31 December 2020 ₦'000
Cash in hand	50,773	74,016
Cash at bank	2,152,458	2,220,163
	2,203,231	2,294,179

Included in the cash at bank balance is a restricted cash of ₦0.5 billion (2020: ₦0.2 billion) which relates to bank guarantee in respect of the Company's CBN/NEMSF loan. This amount is still accessible by the Company and qualifies as cash and cash equivalent.

19.1 Restricted cash

Cash at bank (collateral)	489,900	249,930

Cash at bank (collateral) relates to bank guarantee in respect of the Company's CBN/NEMSF loan. The guarantee is placed with Fidelity Bank Plc.

19.2 Reconciliation to cash flow statement

	31 December 2021 ₦'000	31 December 2020 ₦'000
Balances as above	2,203,231	2,294,179
Bank overdrafts (Note 21)	(1,339,477)	(1,680,358)
	863,754	613,821

20 Trade and other payables

	31 December 2021 ₦'000	31 December 2020 ₦'000
Trade payables*	215,328,767	206,783,933
Other payables**	61,923,792	46,247,208
Interest payables***	94,295,566	105,074,429
Due to related parties (Note 27.2)	69,786	69,786
PAYE tax deductions	1,063,099	732,252
Pension	2,805,388	1,971,705
Withholding tax	294,686	108,940
Value added tax	13,990,293	9,256,148
Salaries and wages	12,347	21,626
	389,783,724	370,266,027

*Trade payables relates to payables to NBET at the end of the year. This payable balance is secured by a Fidelity bank guarantee of ₦14billion to guarantee payment of invoices to NBET.

**Other payables include payables to market operators, employees, NHF, NSITF as at the end of the year.

***Interest payables relates to interest charged by NBET on outstanding trade payable for the supply of energy. Penalty for non compliance is interest at NIBOR plus 4% on all unpaid invoices within the require period.

21 Borrowings

	31 December 2021 ₦'000	31 December 2020 ₦'000
Opening balance	24,084,991	18,304,355
Additions	23,064,434	2,128,099
Reclass to account payable***	(11,060,368)	-
Interest on loan (Note 12)	3,542,884	6,991,768
Transfer to deferred grants (Note 22)	(3,110,831)	(276,045)
Principal repayment	(2,782,964)	(2,263,595)
Interest repayment	(1,503,404)	(799,591)
	32,234,742	24,084,991
Bank overdraft	1,339,477	1,680,358
Closing balance	33,574,219	25,765,349
Current portion	4,728,257	4,913,337
Non- current portion	28,845,962	20,852,012
	33,574,219	25,765,349

Details of borrowings is as follow:

	Facility amount 31 December 2021 ₦'000	31 December 2020 ₦'000
Fidelity Bank Overdraft*	1,339,477	1,680,358
Central Bank of Nigeria - NEMSF**	8,574,057	10,115,286
Transmission Company of Nigeria***	-	11,060,368
Nigeria Electricity Liability Management Company****	897,914	1,053,463
Central Bank of Nigeria - NMMP*****	3,894,392	1,855,874
Central Bank of Nigeria - NEMSF 2******	18,868,379	-
Total facility granted to date	33,574,219	25,765,349

*Fidelity bank overdraft with 90 days clean up cycle. Interest rate is at 13% per annum.
**A 6.7 year 10% interest rate Nigerian Electricity Market Stabilisation Fund (NEMSF) loan facility from Federal Government of Nigeria through the Central Bank of Nigeria. This intervention fund was created to enable repayment of the interim period revenue shortfall and some identified legacy debts owed by the defunct PHCN up to the handing over date of 4 November 2014. Full loan amount were disbursed to third parties by CBN on behalf of the Company during the year. The full amount of the loan together with all interest are expected to be recouped from the Company's tariff. The loan was disbursed in tranches with the first tranch of the loan disbursed on 26 July 2018 and the second tranch disbursed in 24 July 2019. The end date of the loan is 24 January 2025 and the effective interest rate is 16.83%.

*** A 4 year loan facility from Transmission Company of Nigeria (TCN). Interest rate is at 10% per annum with 6 months moratorium on the principal repayment. The loan was disbursed on 1 February 2018. TCN served a notice of arbitration to Kaduna Electric dated 21 October 2019. The arbitration team concluded on the matter on 22 November 2021 and ordered Kaduna Electric to pay TCN the sum of ₦11.09 billion. This is a final judgement debt and has been reclassified to account payable. The government grant portion is ₦0.03 billion while the borrowing portion is ₦11.06billion.

****A 4 year loan facility from Nigeria Electricity Liability Management Company (NELMCO). Interest rate is at 10% per annum. The loan was disbursed in October 2018 and the end date is October 2022. The effective interest on the loan is 16.53%.

***** A 10 year 9% interest rate (5% till 28 February 2021) loan facility from CBN. The loan is to finance the procurement and installation of meters under the Phase 1 of the National Mass Metering Programme (NMMP). The loan was disbursed on 24 December 2020 with an end date of 24 November 2030. There was an additional disbursement of ₦2.1billion on 20 September 2021. The effective interest on the loan is 11.35%.

****** This is a facility from NESI Stabilization Strategy through the CBN providing KEDC with credit facility (CBN-NEMSF-2) to enable it settle its payment obligations to NBET and the Market Operator, as well as funding for its operational expenses due on the 10th year anniversary of the date of first drawdown/disbursement and no later than 31 December 2030. KEDC is to repay all outstanding amounts of the facility by the termination date. The loan was disbursed in tranches with the first tranch of the loan disbursed on 6 January 2021. the second tranch disbursed in 21 January 2021, the third and fourth tanches were disbursed on 22 February 2021 and 2 June 2021 respectively. The effective interest rate is 11.25%.

22 Government grants

	31 December 2021 ₦'000	31 December 2020 ₦'000
Opening balance	2,087,987	2,898,229
Additions to government grants from borrowings (Note 21)	3,110,831	276,045
Reclass to account payable*	(32,816)	-
Amortisation to profit or loss (Note 10)	(1,924,287)	(1,086,287)
	3,241,715	2,087,987
Current portion	1,418,274	1,102,394
Non- current portion	1,823,441	985,593
	3,241,715	2,087,987

Government grant relates to the loan obtained from the Federal Government of Nigeria through the Central Bank of Nigeria ("CBN") at a rate below the prevailing market as described in Note 21. The fair value of the grant was recognised initially on the grant date and subsequently amortised on a straight line basis over the tenure of the loan. There were no unfulfilled conditions relating to the grant as at the reporting date.

* A 4 year loan facility from Transmission Company of Nigeria (TCN). Interest rate is at 10% per annum with 6 months moratorium on the principal repayment. The loan was disbursed on 1 February 2018. TCN served a notice of arbitration to Kaduna Electric dated 21 October 2019. The arbitration team concluded on the matter on 22 November 2021 and ordered Kaduna Electric to pay TCN the sum of ₦11.09 billion. This is a final judgement debt and has been reclassified to account payable. The government grant portion is ₦0.03 billion while the borrowing portion is ₦11.06billion.

23.1 Share capital

	31 December 2021 ₦'000	31 December 2020 ₦'000
Authorised		
10,000,000 ordinary shares at 50 kobo each	5,000	5,000
Issued and fully paid		
10 million ordinary shares of 50 kobo each	5,000	5,000

The board of directors approved the increase of the authorsied share captal of the Company from 10 million to 20 million ordinary shares of 50 kobo per share. The process of allotment has not been concluded as at the reporting date; 31 December 2020. Hence, this was not recognised in the financial statements.

23.2 Capital contribution

	31 December 2021 ₦'000	31 December 2020 ₦'000
Balance as at 1 January	51,716,644	51,716,644
Balance as at 31 December	51,716,644	51,716,644

Capital contribution represents balance of government funding and net of assets and liabilities ceded to government agency, Nigerian Electricity Liability Management Company (NELMCO) as part of the privatisation arrangement between government representatives; Bureau of Public Enterprises and Ministry of Finance Incorporation and the core investor North West Power Limited.

24 Accumulated deficits

	31 December 2021 ₦'000	31 December 2020 ₦'000
Balance as at 1 January	(156,631,110)	(102,068,442)
Loss for the year	(3,421,995)	(54,562,668)
Balance as at 31 December	(160,053,105)	(156,631,110)

25 Earnings/(loss) per share

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

	31 December 2021 ₦'000	31 December 2020 ₦'000
Loss attributable to equity holders of the Company	(36,159,561)	(54,562,668)
Weighted average number of ordinary shares in issue ('000)	10,000	10,000
Loss per share (Naira)	(3,616)	(5,456)

Loss per share is the same as the basic earnings/(loss) per share as there are no potential securities convertible to ordinary shares.

26 Cash generated from operations

	31 December 2021 ₦'000	31 December 2020 ₦'000
Reconciliation of loss before tax to cash used in operations:		
Loss before tax	(35,703,124)	(54,562,668)
Adjustments for:		
Depreciation of property plant and equipment (Note 14)	1,720,147	1,982,233
Amortisation of intangible asset (Note 15)	189,381	189,380
Amortisation of government grant (Note 22)	(1,924,287)	(1,086,287)
Reclass to account payable (Note 21)	(11,060,368)	-
Reclass to account payable (Note 22)	(32,816)	-
Interest expense on borrowing (Note 21)	3,542,884	6,991,768
Impairment of financial asset (Note 8)	51,621,787	29,828,572
Minimum tax (Note 9)	522,021	212,938
Additional tax levy from FIRS (Note 9)	-	237,545
Lease interest expenses (Note 16)	5,283	6,126
Depreciation expense on right of use asset (Note 16)	9,613	9,613
Financing expense writeback (NBET) (note 11)	57,798,170	-
Finance income (Note 11)	(58,079,666)	(123,564)
Changes in working		
Increase in inventories	699,678	(48,218)
Increase in trade and other receivables	(38,328,488)	(72,434,357)
Increase in trade and other payables	19,517,697	92,733,888
Cash generated from operations	(9,502,090)	3,936,969

27 Related party transactions

Related parties include the Company's shareholders, Directors, their close family members, related companies within the Kaduna Electricity Company and any employee who is able to exert a significant influence on the operating policies of the Company. Key management personnel are also regarded as related parties.

Key management personnel are among those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. Apart from compensations, the Company had no business transactions with key management personnel during the year (2019: nil).

(a) Parents and ultimate controlling entity

The Company is controlled by Northwest Power Limited, incorporated in Nigeria, which acquired 60% of the Company's shares on 4 December, 2014 under the terms and conditions of the share purchase agreement between Northwest Power Limited and Bureau of Public enterprise on 3 December, 2014. The Company's ultimate controlling parent is Northwest Power Limited, incorporated in Nigeria.

(b) Transactions with related parties

Below is an analysis of the outstanding balances to and from related parties as at the reporting date.

	31 December 2021 ₦'000	31 December 2020 ₦'000
Provision of services		
Healthstone HMO Ltd	-	32,800
	-	32,800
Energy meters		
Kano Electricity Distribution Plc.	69,786	69,786

The nature of relationship with the above related parties are joint Directorship

27.1 Key management compensation

Key management personnel of Kaduna Electricity Plc. includes its Directors (executive and non-executive). See details of compensation paid/payable to key management personnel during the periods reported in Note 28

27.2 Year-end balances arising from purchase of services

	31 December 2021 ₦'000	31 December 2020 ₦'000
Amounts due to related parties:		
Kano Electricity Distribution Plc.	69,786	69,786
	69,786	69,786

This represents the value of 250 units of Elsewedy MD (Maximum Demand) energy meters received from Kano Electricity Distribution Plc. in 2016. The meters have neither been returned nor the payment for the meters made to Kano Electricity Distribution PLC as at year end.

There were no related party receivables at the end of the year.

28 Employees information

28.1 Employee costs excluding Directors during the year amounted to:

	31 December 2021 ₦'000	31 December 2020 ₦'000
Wages and salaries	4,944,585	4,147,547
Pension cost	492,101	392,492
Staff welfare	481,974	119,945
	5,918,660	4,659,984
Employee cost included in:		
Cost of sales	4,043,188	3,394,523
Operating expenses	1,875,472	1,265,461
	5,918,660	4,659,984

28.2 Key management compensation

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

	31 December 2021 ₦'000	31 December 2020 ₦'000
Directors' fee	272,445	226,089
Fees and other compensation disclosed above includes amount paid to:		
Highest paid director	56,313	47,214

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

28.3 The average number of full-time persons employed by the Company during the year was as follows:

	Number 31 December 2021	31 December 2020
Management staff	79	79
Senior staff	1,760	1,304
Junior staff	1,379	1,827
	3,218	3,210

Employees of the Company other than Directors, whose duties were wholly or mainly discharged in Nigeria received remuneration (excluding pension contributions) in the following ranges:

	Number 31 December 2021	31 December 2020
Below N1,000,000	1,036	1,000
N1,000,001 - N1,500,000	819	827
N1,500,001 - N2,000,000	1,175	1,195
N2,000,001 - N2,500,000	28	28
N2,500,001 - N3,000,000	62	62
N3,000,001 - N3,500,000	19	19
N3,500,001 - N4,000,000	16	16
N4,000,001 - N4,500,000	20	20
N4,500,001 - N5,000,000	9	9
Above N5,000,000	34	34
	3,218	3,210

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

a). Details of professionals that provided assurance services to the Company during the year are below:

FRC Number	Name of Signer	Name of Firm	Services Rendered
BN2692913	Faruna Omaye	Faruna Omaye Consultancy Services	Tax consultancy

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

30 Contingent liabilities

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

There were a number of claims against the Company arising from litigations over its normal course of operations. The entity has been advised by its legal counsel that the cases relating to this amount is only possible but not probable and that the investigations would result in pay-out of ₦238 million (2020: ₦64m).

31 Capital commitments

The Company had no capital commitments as of the balance sheet date (2020: nil).

32 Going concern

The Company incurred a net loss of ₦36.2 billion during the year (2020: ₦54.6 billion) and, as of that date, the Company's current liabilities exceeded its total assets by ₦110 billion (2020: ₦83 billion). The Company has persistently incurred losses which was largely caused by the structural inadequacies in the Nigerian Electricity Supply Industry (NESI). The imposed constraints on the Company by the regulators prevent the Company from recovering its cost of electricity through tariff increase.

Furthermore, in 2022, the company was unable to meet its obligations on its loan to a lender. To this effect, the lender informed the Nigerian Electricity Regulatory Commission (NERC) that it has called on the collaterized shares of the shares of the company and has taken over the Board of the company. Hence, the old board members representing Northwest Power Limited's shareholders were removed and new board members representing the lender were appointed.

Going Concern issues include but not limited to the following:

The continuous high gearing level of the Company's financial position makes it unattractive to prospective lenders and investors to inject funds into the Company, regardless of the investment plan and strategic growth road map put forward by the Directors.

The commercial and collection losses is at approximately 70%. This implies that the Company was able to collect only about 30% payments from electricity supplied to its postpaid customers (category of consumers which accounts for about 94% of the Company's total revenue) a pattern that has remained since year 2015, consequently affecting the working capital requirement of the Company. This has significantly affected the Company's obligation to NBET, ONEM, TCN and other market operators. This significant commercial & collection losses are largely attributable to security challenges of banditry to include rustling and kidnapping which have permeated large expanse of our franchise area particularly within Sokoto, Zamfara & Kaduna States respectively. This has denied us unfettered access to these locations which in turn has adversely hindered our ability to implement revenue drive initiatives that would have ordinarily improved our collection efficiency.

The US Dollar indexation of gas pricing to the Electricity Generation Companies (GenCos) continues to pose threats to the existence of the Company. A further depreciation of the Naira would present significant challenge due to the absence of a cost reflective tariff that would have guaranteed the recovery of any increase in cost of electricity from the GenCos.

These circumstances give rise to a material uncertainty relating to going concern and cast doubt on the ability of the company to meet its obligations as they fall due, and accordingly the appropriateness of the use of accounting policies applicable to a going concern.

The following regulatory issues together with the strategies introduced by the Directors would ensure that the Company continue as a going concern;

The CBN-Nigerian Electricity Market Stability Fund II (CBN-NEMSF II) was implemented to provide electricity distribution companies with funding to cover deficits in remittances to The Nigerian Bulk Electricity Trading Company (NBET) for energy received as a strategy to sustain the sector's financial sustainability.

The National Mass Metering Program is a CBN-backed initiative that seeks to provide credit to power distribution companies to facilitate the mass procurement and installation of energy meters by Meter Asset Providers to be recovered over a 10-year period. Phase 0 of the NMMP has since elapsed and Phase I is scheduled to commence before the end of the first quarter of 2022.

The Company has engaged a consultant who has been interacting with the management with a view to fashioning out a pathway to the long term growth of the company. This is necessary to examine the root causes of the challenges facing the company and proffering sustainable solutions. In their assessment and financial model carried out and based on the management plan for the business, operating profit margin (EBITDA margin) will turn around to positive rate in 5years time from the current negative trend; there will be improvement in collection as a result of increased billing efficiency (reduced capping by NERC as the company meter customers phase by phase) and reduction in commercial and collection losses to 35% from the lingering 60%. This will have a huge positive impact on cash flow and net profit and a sustainable going concern prospect for the business.

The Nigerian Electricity Regulatory Commission(NERC) issued an order on net offs. In the Order, NERC categorized the net offs into 3

Firstly, in fulfillment of the Federal Government obligations to pay for electricity consumption by its Ministries, Departments and Agencies, the Federal Government had made a provision of a sum of ₦11.4 billion in the settlement of accrued liabilities over the period 2015 to 2020, pending the completion of the ongoing verification. This amount shall be utilized in equal installments to support the market obligation of the company to the MO and NBET over the period July 2022 to June 2023. Secondly, the Commission also evaluated the impact of the weighted average cost of wholesale energy to the company on end-user tariffs and hence the obligation of TCN to ensure that the dispatch of power plants by the System Operator ("SO") is in compliance with "Economic Merit Order Dispatch" of 2020. An ex-post review by the Commission indicates that the Financial impact on the company between the billing period of the year 2000 was in the sum of ₦953 million and thus recoverable by the company over the period July 2022 to June 2023 billing periods. Lastly, the part settlement of the Excess Remittance through net off of ₦2.8 billion against tariff shortfall for the billing period January 2015 to December 2021.

These net offs will reduce the payables to MO and NBET, and receivable from MDA thereby reducing the solvency risk for the company.

An inability to raise additional financing or to return to profit will impact the future assessment of the Company as a going concern. These financial statements do not reflect the adjustments to the carrying value of assets and liabilities or the classifications that would be necessary if the Company were unable to realise its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

33 Events after reporting period

On 5th July 2022, Fidelity Bank informed the Nigerian Electricity Regulatory Commission (NERC) that they have called on the collaterized shares of the company and have taken over the Board of the company. To that effect, the old board members were removed and new board members appointed.

	2021 ₦'000	%	2020 ₦'000	%
Revenue	87,313,185		47,943,418	
Other income	14,954,416		36,665,367	
Finance income	58,079,666		123,564	
	160,347,267		84,732,349	
Less: brought-in materials and services (local)	(137,584,764)		(104,399,768)	
Value (eroded)/added	22,762,503	100	(19,667,419)	100
Distributed as follows				
Employees:				
To pay salaries, wages and other staff costs	4,944,585	23	4,147,547	(21)
Providers of capital				
Finance Cost	50,567,473	222	28,150,213	(143)
Government				
Taxation- Education tax and minimum tax	978,458	4	212,938	(1)
Retained for the Company's future				
Depreciation and amortization	1,909,527	8	2,171,613	(11)
Deferred tax (charges)/credit	522,021	2	212,938	(1)
Loss for the year	(36,159,561)	(159)	(54,562,668)	277
Value (eroded)/added	22,762,503	100	(19,667,419)	100

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

Statement of financial position

	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2019 ₦'000	31 December 2018 ₦'000	31 December 2017 ₦'000
ASSET EMPLOYED					
Non current assets	58,869,227	51,582,169	48,652,710	81,557,226	64,863,054
Current assets	228,240,764	242,324,689	200,105,323	41,715,583	29,152,767
Non current liabilities	(30,678,825)	(21,870,085)	(17,314,996)	(16,233,218)	-
Current liabilities	(397,500,195)	(376,946,238)	(281,789,834)	(201,225,542)	(124,952,442)
Total net (liabilities)/ assets	**(141,069,029)**	**(104,909,465)**	**(50,346,797)**	**(94,185,951)**	**(30,936,621)**
FINANCED BY					
Share capital	5,000	5,000	5,000	5,000	5,000
Capital contribution	51,716,644	51,716,644	51,716,644	51,716,644	47,238,701
Accumulated deficits	(192,790,671)	(156,631,110)	(102,068,441)	(145,907,595)	(78,180,322)
Total equity	**(141,069,027)**	**(104,909,466)**	**(50,346,797)**	**(94,185,951)**	**(30,936,621)**
TURNOVER AND PROFIT					
Revenue	87,313,185	47,943,418	46,289,796	41,084,055	42,259,144
Loss before income tax	(35,703,124)	(54,562,668)	(32,494,907)	(68,209,769)	(49,166,241)
Income tax expenses	(456,437)	-	-	-	(52,837)
Loss for the year	(36,159,561)	(54,562,668)	(32,494,907)	(68,209,769)	(49,219,078)
Total comprehensive loss	(36,159,561)	(54,562,668)	(32,494,907)	(67,881,873)	(49,219,078)
Per share data (Kobo)					
Loss per share	**(361,596)**	**(545,627)**	**(324,949)**	**(678,819)**	**(492,191)**
Net (liabilities)/assets per share	**(1,410,690)**	**(1,049,095)**	**(503,468)**	**(941,860)**	**(309,366)**

NOTES

Basic loss per share are calculated based on the loss for the year and the number of issued and fully paid ordinary shares at the end of each financial year.

Net assets per share are based on the net assets and the number of ordinary shares in issue and fully paid at the end of each financial year.