2020 Annual Report

Bringing Energy To Life

EGBIN POWER PLC

Annual Report and Financial Statements
For the year ended 31 December, 2020

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CORPORATE INFORMATION

Directors	Temitope Shonubi	(Nigerian)	Chairman
	Kola Adesina	(Nigerian)	Director
	Ade Odunsi	(Nigerian)	Director
	Attahir Yusuf	(Nigerian)	Director
	Alex Okoh	(Nigerian)	Director
	Sang-Woo Park	(Korean)	Director

Registered Office

Egbin Power Station
Egbin Town,
Ikorodu,
Lagos State, Nigeria

Bankers

Zenith Bank Plc.
Plot 84, Ajose Adeogun Street, Victoria Island, Lagos

Fidelity Bank Plc.
Awolowo road Ikoyi, Lagos

United Bank For Africa Plc.
57, Marina Lagos.

FCMB Plc.
42, Ademola Adetokunbo Street, Victoria Island, Lagos

Sterling Bank Plc.
20, Marina Lagos, 15th Floor Sterling Tower

Access Bank Plc.
Oyin Jolayemi, Victoria Island, Lagos

Eco Bank Plc.
Plot 21, Ahmadu Bello Way, Lagos

Union Bank of Nigeria Plc.
36, Marina, Lagos

Wema Bank Plc.
54, Marina Lagos Island, Lagos

Polaris Bank Limited
28,Church gate street,Victoria Island,Lagos

FSDH Merchant Bank Ltd.
1/5 Odunlami St, Lagos Island, Lagos

Solicitors

Templars
5th Floor,The Octagon,13A AJ Marinho drive
Victoria Island,Lagos

Consolex Legal
62, Awolowo Road, Ikoyi, Lagos.

Auditor

PricewaterhouseCoopers
Chartered Accountants
Landmark Towers
Plot 5B Water Corporation Road
Victoria Island
Lagos

Company Secretary

Ejiro Gray

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Egbin Power Plc. (the "Company") will be held at the Conference room of the Company's Headquarters, Ijede Town, Ikorodu, Lagos on Friday 13th August 2021 at 2.00 p.m. to transact the following businesses:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31st December 2020 and the Reports of the Directors and Auditors thereon;

2. To re-elect Directors;

3. To authorize the Directors to fix the Remuneration of the Auditors;

4. To elect the members of the Audit Committee.

Dated 16th July 2021

BY ORDER OF THE BOARD

Ejiro Gray
FRC/2014/NBA/00000005929
Company Secretary

NOTES:

1. Proxy
A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not also be a member. A proxy form is attached herewith. Executed proxy forms should be deposited at the office of the Registered Office of the Company, Egbin Power Plc, Ijede Town, Ikorodu, Lagos not less than 48 hours before the meeting.

2. Closure of Register & Transfer Books
NOTICE IS HEREBY GIVEN that the Register of Members and Transfer Books of the Company will be closed on Wednesday 11th August 2021.

3. Audit Committee
As stipulated by Section 359(5) of the Companies and Allied Matters Act, Cap C20, LFN, 2004, any member may nominate a Shareholder for election to the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least 21 days before the Annual General Meeting.

CHAIRMAN'S STATEMENT

INTRODUCTION
Distinguished Shareholders, members of the Board, our regulators, distinguished guests, ladies & gentlemen. It is with great pleasure that I welcome you all, on behalf of the Board of Directors of Egbin Power Plc, to the 6th Annual General Meeting of our Company, wherein we will present the Annual Report for the year ended 31st December 2020 for your consideration.

The year 2020 was characterized by a very challenging macro-economic environment brought about by the Coronavirus (COVID-19) pandemic, which had a significant impact on businesses globally. The Pandemic has since its commencement triggered immense changes in how we live and work, permanently altering long-standing business models, and has caused unprecedented policy responses from governments, globally. In spite of all these, the pandemic has triggered the much-needed disruption required to build agile organizations, by forcing us all to revisit how we do things.

Egbin was able and continues to deploy its disaster management framework and business continuity strategies to mitigate the negative effects on our workforce and operating environment and leverage available opportunities while creating value for all our stakeholders. Our efforts as an organization were part of the reason for the significant increase in the Company's revenue by 51% from N78 Billion in 2019 to N119 Billion at the end of FYE 2020.

The deployment of technology and unwavering commitment of the workforce remains a key component of our strategy to achieve optimum efficiency in our operations at the plant. Our focus is to continuously invest in the most advanced project delivery tools which will be integrated into our business operations and enable our workforce and the environment to be safe and efficient.

In the year 2020, we continued to act proactively, and we integrated into our operations, the PlantDX application which streamlines the data collection process and enables effective data capturing for the maintenance of the plant. We also carried out a full Implementation of the station Log-out Tag-out (LOTO) system to enhance the safety of our plant and personnel and deliver total quality management.

I want to thank the distinguished Shareholders, for their patience, pressure, and unwavering support despite the challenges faced by the Company in the year under review.

OPERATING ENVIRONMENT
The Year 2020 was one of severe economic downturn globally. The Nigerian economy also slid into a recession in the third quarter of 2020 with a GDP shrink of -3.62% (year-on-year) in real terms in the 3rd quarter, one of its deepest recessions since the early 1990s following the deleterious health and economic crisis caused by the panic and pandemic. The fall was mostly due to the decline in the performance of the oil sector, with the drop in Brent Crude price to about a two-decade low of US$18.4 bpd and the unparalleled shock to the non-oil sector due to the impact of the COVID-19 pandemic on the global economy which dissipated economic activities. The economic and business climate were also generally unfavorable, as most businesses and economies experienced severe headwinds and turbulence caused by the coronavirus pandemic which started in December 2019.

The rapid spread of the pandemic across major cities around the world, saw most economies across the globe, locking down and aggravating an already strained oil price which had earlier been on a decline due to trade dynamics between Saudi Arabia and Russia. Nigeria, being an oil-dependent economy, was adversely impacted by the oil price shock. The country's Gross Domestic Product (GDP), which grew by 2.3% in 2019 recorded a decline of 1.92% in 2020. In the course of the year, the economy slipped into recession, having been unable to recover due to the second wave of the pandemic which slowed global recovery. Our country's Foreign Exchange Reserves also suffered a significant decline. On the domestic scene, agriculture suffered from sporadic flooding and conflicts between herders and farmers as well as bandits. Infrastructure deficits, weak revenue generation, and high government debts, all constituted significant pressure points on the economy, which the country as a whole was unable to react as fast as the decline rate which usually subsidizes the former. There was also the inability of the DISCOs to collect revenue whilst being humane in continuously supplying power to avert unrest. The phrase “Hunger and Anger in the Land” became a statuquo.

The Nigerian power sector was not immune to the global impact of COVID-19. The lockdown led to the shutdown of all but essential commercial activities across the country and this significantly reduced the electricity demand from industrial and commercial customers and consequently led to a loss of revenue. Though demand from residential consumers increased, this was not significant enough to offset the loss from the reduction of demand from commercial and industrial consumers, as the tariff charged by the Distribution Companies (DISCOs) for residential customers is often below the average cost of supply as compared to that of commercial and industrial consumers. And due to the pressure on both the informal sector and the casual daily merchants, there was a stagnation in their means of earning.

The Nigerian power sector however continues to struggle under a significant debt profile despite the interventions of the, Bureau of Public Enterprise, the Presidency, the Central Bank of Nigeria (CBN) and the NERC to address the liquidity crisis which be-devils the sector. In 2020, NERC had set a minimum market remittance threshold payable by the DISCOs across the country and mandated the DisCos to make remittances to the Transmission Company of Nigeria's (TCN) Market Operator in line with the threshold, repay loans to CBN, and remit some percentage to Nigerian Bulk Electricity Trading Company (NBET) monthly. In addition, CBN directed commercial banks to take charge of the collection of electricity bill payments. This was in a bid to ensure that payments are not diverted and are made into a dedicated account and disbursed according to a priority list, beginning with loan repayment and service charge to TCN. It was also expected to lead to cash flow management discipline in the NESI. However, due to uncontrollable reasons the Discos failed in remitting N416.94 billion between January and September 2020, according to data published by NBET.

The cumulative revenue lost by the power sector in 2020 is estimated at N645.15billion. This shortfall in funding has resulted in little or nothing left for efficient OPEX and critical capital improvements of the distribution network, making it difficult for the sector to cope with generation and transmission efficiency. The FG has, however, demonstrated fresh impetus in its efforts to invest in the sector by allocating funds for the distribution expansion programme projects to take up the stranded power from the grid. However, it would be interesting to see how the cost of these Federal Government-led distribution expansion projects would be treated in the books of the Discos: whether as equity or as a payable to the Federal Government given that the programme is expected to be driven by the private sector and recognized commercially.

The change of guard in the United States was also a significant development in 2020 as the new U.S. administration continues to reverse the policy posture of the Trump administration. Key developments in the global economic environment include trade tensions between the US and its major trading partners, particularly China and the EU, rising civil unrest across countries, climate change, Iran nuclear agreement regression in democracies across the African continent, asynchronous monetary and fiscal policy actions, and uncertainties around the nature and duration of the post-pandemic economic recovery.

PERSONAL & CORPORATE SOCIAL RESPONSIBILITY

It is also worthy of note that in response to the Covid-19 pandemic the company magnanimously authorized the deployment of a total of N250 Million (Two Hundred and Fifty Million Naira) for the support of the fight against COVID-19. We also provided /support to the indigenes of its host communities; Egbin, Ijede, and Ipakan to reduce the hardship caused by COVID-19. Part of the initiative launched was a month-long food, cleaning tools and mental health support to the residents of the communities. Cooked meals were distributed during the national lockdown and more than 3,000 families across all the three host communities received food and household items. We were also the main contributor to the

Sahara/This Day 300 Bed COVID Centre which is still running to date with six (6) Intensive Care Unit Beds.

To support the effort of healthcare professionals in combating COVID-19, we successfully commissioned an oxygen generator to supply bottled oxygen to nearby healthcare facilities. We also prioritized the health and wellbeing of our employees by introducing safety protocols to mitigate the risk of exposure of our employees and their families to COVID-19. We have also upgraded and built new medical facilities with relevant equipment as additional precautionary measures.

We continue to support underprivileged communities through our annual Scholarship scheme aimed at high potential pupils within the host communities. We also provided amenities and infrastructure improvement aimed at giving back to our host community and ensuring that we continue to make a meaningful positive impact in our immediate environment.

Our commitment to the environment and zeroing our carbon footprint is a continuous process and we are targeting this vehemently

In total, for the year under review, the Company made donations/CSR initiatives amounting to around N402 million in tangible items and cash as well as about N100 Million in intangible contributions totaling N0.5 Billion spent in CSR Initiatives/donations.

OPERATING RESULTS

In terms of economic value generated, there was a significant increase in the Company's revenue from N78 Billion in 2019 to N119 Billion at the end of FYE 2020. The Company equally made of profit of N10 Billion as compared to the profit of N5.6 Billion made in 2019. However this profit is only on paper until the Company is paid its debt in full.

It is also worthy of note to point out that in the year under review, the Company has a trade receivable balance of N115 Billion as disclosed in note 14 to the financial statements. A significant portion of these receivables were owed by Government agencies: Market Operator and Nigerian Bulk Electricity Trading Plc (NBET).

BOARD MATTERS

There were no changes to the composition of the Board of Directors during the period under review.
At this AGM however, Professor Attahir Yusuf and Mr. Sang-Woo Park will be retiring by rotation and being eligible, have offered themselves for re-election in accordance with Article 88 of the Articles of the Association of the Company and with the provisions of the Companies and Allied Matters Act CAP C20, Laws of the Federation of Nigeria 2004 (as amended).

CORPORATE GOVERNANCE

Existing Corporate Governance structures and management systems help us monitor and maintain an ethical, effective corporate culture, with the goals of providing value for stakeholders and enabling sustainable growth. Our governance strategies, policies, processes, and procedures are implemented across our entire value chain. We continually strive to ensure that we comply with the relevant laws and regulations relating to our business activities and operations.

The Board continues in its efforts to maintain a transparent and ethical system and hence continues to deploy global standards and control mechanisms to eliminate business risks and unethical practices across the organization with compliance as its ethos to good governance.

MANAGEMENT & STAFF

In Egbin Plc, we place a high premium on the health and safety of our employees as they carry out the business activities and operations of the company. It is believed that a healthy workforce increases the productivity of the organization. However, 2020 was not just disruptive but also redefining for us as a business in terms of people and workplace management. The implication of the novel pandemic for us was broad and substantial, hence the need to reorganize people management priorities to suit our business needs, now and into the future. The Company facilitated the essentials, such as equipping leaders to manage teams remotely over the long haul, deployment of the EGBIN Culture Revamp with a more incentivized workforce, and sustained employee engagement in a cost-constrained environment.

We also currently operate and implement a robust emergency preparedness and response procedure (EPRP) to ensure that potential emergencies are identified and appropriate response actions are outlined so that in an emergency situation, every employee, contractor, and visitor are promptly evacuated to a safe location.

We have also focused on intrinsic values and created the “Egbin Lifestyle” mode. As the largest privately-owned power generation plant in Sub-Saharan Africa, we embrace the all-important responsibility of playing a lead role in our industry, not only through the creation of economic value but with the provision of solutions to societal and environmental issues. During the reporting year, we took steps to introduce initiatives that ensure the environment remains sustainable to drive business continuity, productivity, and overall well-being of our employees and host communities. As such, we deployed electric buggies, electric bicycles and electric scooters for commuting within the plant to entrench a culture of zero emissions and reduce our carbon footprint. We have plans to deploy a total of 500 bicycles and an additional 200 electric scooters to enhance our response to the climate change campaign in ultimately reducing our carbon footprint to zero.

We are fully committed to building the next generation of totally satisfied staff through our various Management Training Programmes amidst other development initiatives. The Graduate Engineering Programme is structured to infuse the technical pipeline with young engineers that can be groomed over time to build foundational and professional skills with hands-on rotational assignments, strategic technical projects, and leadership skills. We also have the O&M Technician Trainee Programme which is designed to build internal capabilities by infusing undergraduate technical degree holders such as OND, NABTEB, or City & Guilds in fabrication and machining, electronics/electrical, welding, degrees to focus on building practical/hands-on basic technical engineering principles in fabrication and machining, welding, use of basic tools, decoupling and re-assembly of basic equipment.

We believe in developing our people and giving them the best opportunity to enrich their knowledge and skills. We have consistently provided opportunities for lateral movements, short-term secondments internally and externally to our sister companies. We make deliberate efforts to expose the employees to industry stakeholders fora to improve their exposure to the power value chain and key industry stakeholders.

As part of our COVID-19 protocol, Management set up an isolation center in the Estate Health Care Facility with high-quality ICU for the proper management and treatment of critical emergency health incidents. We continue to carry out routine testing for the COVID-19 Virus for the staff and residents within the estate. We will continue to take proactive measures to ensure that members of staff and residents of the estate are protected against the COVID-19 virus.

FUTURE OUTLOOK

The outlook for the global economy appears hazy considering the second and now, third wave, and the emergence of other variants of COVID-19. The discovery of a number of vaccines however holds the promise of recovery in 2021. For the domestic economy, available data and forecasts for key macro-economic variables suggest that the Nigerian economy is expected to grow by 1.8% in 2021, though there is high uncertainty about the outlook as the recovery is expected to be driven by the rise in oil exports and in domestic demand. An unexpected shock to oil prices could therefore threaten the modest growth projected.

The outlook truly remains very fragile, clouded by uncertainty regarding oil price trajectory, scarcity of FX, rising inflation, elevated unemployment, security challenges, hike in the pump price of petroleum products, and social tensions across the country.

There is however an urgent need for the Government to recapitalize the industry by putting proper structures in place to make the power sector industry more attractive and bankable for financing from private sector players.

As the largest thermal plant in Sub-Saharan Africa, we are mindful of our carbon footprint and continue to operate in compliance with global standards to ensure our environment is preserved for future generations. We continue to introduce initiatives that align with the United Nations Sustainable Development Goals (SDGs) particularly Goal 7 (Access to Affordable and Clean Energy) and 13 (Climate Action) which we have adopted, to ensure heightened environmental responsibility.

CONCLUSION

Distinguished Shareholders, I am very grateful for the dedication and loyalty of the majority of our current staff, management, and of course our Directors. Our people have been our most treasured assets and will continue to be the driving force through which we can continually deliver quality service to our great nation and to our customers.

The strategies being adopted by the Board and Management will continue to put our Company on a sound footing to enjoy growth going forward despite the challenges of the post-COVID-19 era. Further, I would like to reassure our esteemed Shareholders and other stakeholders that we will continue to strengthen our business strategies to meet both our financial and operational targets.

We are deeply grateful to all our employees, partners, stakeholders, and shareholders who make this work possible.
Thank you for your support and the trust you place in us.
Thank you for being you.

Thank you and God Bless.

Yours in faith.

Tope Shonubi
CHAIRMAN

CORPORATE GOVERNANCE REPORT

The Board carried out its functions in line with regulatory requirements and in accordance with corporate governance best practices. The Board recognises the importance of corporate governance and is committed to the highest standards of the same. The Board has implemented and operates in accordance with, governance practices that are fundamental to the Company's continued growth and sustainability. In the course of the Year, the Company also changed the Company's External Auditors from Messrs Deloitte & Touche to Messrs Price Water House Coopers for the financial year ending December 31, 2020.

The Board of Directors is ably supported in the discharge of its obligations to the company, by the following sub-committees:

- Audit, Risk & Governance Committee, chaired by Mr. Kola Adesina
- Finance, Investment & General-Purpose Committee, chaired by Mr. Ade Odunsi
- Technical and Operations Committee, chaired by Mr. Sang-Woo Park

In the year under review, the company held Four (4) Board meetings with a minimum attendance of over 95% percent at each meeting.

Directors' attendance at board meetings

The Board held Four (4) board meetings during the year and below is the record of attendance of the directors at the meeting:

	Name		Number of Meetings attended
1.	Mr. Tope Shonubi	-	4/4
2.	Mr. Alex Okoh	-	4/4
3.	Mr. Ade Odunsi	-	3/4
4.	Mr. Sang-Woo Park	-	4/4
5.	Mr. Kola Adesina	-	4/4
6.	Prof. Attahir Yusuf	-	4/4

Board Meetings of the year were held on the following dates for the year :

- 21st February 2020
- 21st May 2020
- 23rd July 2020
- 6th November 2020

Board committees

The Board Committees and their members also held meetings during the year as follows:

Audit, Risk & Governance committee

The main purpose of the Audit, Risk and Governance Committee of EGBIN POWER is to monitor and review the effectiveness of the Internal Control environment, assist the board in its oversight of the integrity of the financial statements, the company's compliance with all legal and regulatory requirements, the independence and qualification of the external/independent auditors and the continued performance of the internal control systems and the independence of the internal auditors.

The Audit, Risk & Governance Committee met four times in the year under review.
The meetings were held on the following dates -

" 19th February 2020
" 20th May 2020
" 13th August 2020
" 1st December 2020

	Name		Number of Meetings attended
1.	Mr. Kola Adesina	-	4/4
2.	Mr. Alex Okoh	-	4/4
3.	Mr. Ade Odunsi	-	3/4
4.	Prof. Attahir Yusuf	-	4/4

Finance, Investment & General-Purpose committee

The main purpose of the Finance, Investment and General Purpose Committee of the Company is to consider data and information on strategic planning, investment policies and single investment projects of the Company and prepare its recommendations on them to the Board of Directors.

The Finance, Investment & General-Purpose Committee met once in the year under review. The meeting was held on 19th February 2020.

	Name		Number of Meetings attended
1.	Mr. Kola Adesina	-	1/1
2.	Mr. Alex Okoh	-	1/1
3.	Mr. Ade Odunsi	-	0/1

Technical and operations committee

The purpose of the Technical and Operations Committee shall be to advise and assist this Board and the Board of Directors of the Company with respect to the oversight and review of

- Significant safety (including public and employee safety), technical and operational performance, and compliance issues related to the Company's, electric generation operations and facilities
- Technical risk management policies and practices related to such Generation Operations and Facilities.

The Technical and Operations Committee held informal meetings with the Technical Team of the Company at various times in the year.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2020.

Principal Activity

EGBIN Power Plc ("the Company") is a company incorporated and domiciled in Nigeria with its registered office and principal place of business at Egbin Power Station Complex, Egbin, Ikorodu, Lagos. Following the conclusion of the Government's privatization exercise in November 2013, The Federal Government of Nigeria handed over the Company to the core investor, a Joint Venture between Sahara Power Group (SPG) and Korea Electric Power Corporation ("KEPCO") known as KEPCO Energy Resource Limited ("KERL").

The principal activity of the Company remains the generation and sale of energy ("Power"). The Company is the largest power generating station in Nigeria with an installed capacity of 1320MW. It is a gas fired plant with six 220MW independent boiler turbine units. Power generated is sent to the National grid by three main transmission lines mainly: Ikeja West (330KV); Ajah (330KV); and Ikorodu (132KV) lines.

Operating results and dividend

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

	2020 N'000	2019 N'000
Revenue	119,695,559	78,899,186
Profit/(Loss) before taxation	10,200,174	(1,071,860)
Taxation	687,141	6,758,263
Profit for the year	10,887,315	5,686,403

Dividend

No dividend was paid or proposed during the year (2019: Nil).

Property, Plant and Equipment

Information relating to changes in property, plant and equipment of the Company is disclosed in Note 12 to the financial statements.

Shareholding Structure

The shareholding structure of the Company is as follows:

	2020		2019	
Names	**No of shares**	**%**	**No of shares**	**%**
KEPCO Energy Resource Limited	17,500,000	70	17,500,000	70
Bureau of Public Enterprises	6,000,000	24	6,000,000	24
Ministry of Finance Incorporated	1,500,000	6	1,500,000	6
Total	**25,000,000**	**100**	**25,000,000**	**100**

	2020 N'000	2019 N'000
Authorised		
100,000,000 ordinary shares of N1 each (2019: 100,000,000 ordinary shares of N1 each)	**100,000**	**100,000**
Issued		
25,000,000 ordinary shares of N1 each (2019: 25,000,000 ordinary shares of N1 each)	**25,000**	**25,000**

Directors and their interests

The directors of the Company during the year and up to the date of this report were:

Temitope Shonubi	(Nigerian)	Chairman
Kola Adesina	(Nigerian)	Director
Ade Odunsi	(Nigerian)	Director
Attahir Yusuf	(Nigerian)	Director
Alex Okoh	(Nigerian)	Director
Sang-Woo Park	(Korean)	Director

In accordance with Section 277 of the Companies and Allied Matters Act of Nigeria, other than as noted above, none of the other Directors has notified the Company of their direct or indirect interest in contracts or proposed contracts with the Company during the year.

Charitable donations

The Company made donations/CSR amounting to N402 million to charitable institutions and organizations during the year (2019: N76 million).

Events after the reporting date

There are no other significant events after the reporting period which could have had a material effect on the state of affairs of the Company as at 31 December 2020 and the net results for the year ended, which have not been adequately provided for or disclosed in these financial statements.

Employee Health, Safety and Welfare

The Company places a high premium on health, safety and welfare of its employees in their places of work. To this end, the company has various forms of insurance policies, including Combined all risk, Group personal accident, and Group life assurance, to adequately secure and protect its employees.

The Company places considerable value on the involvement of its employees in major policy matters and maintains a practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the Company. This is achieved through meetings with the employees.

There is great emphasis on staff development and training through carefully planned training courses and seminars to update the special skills and job requirements of the staff.

The Company does not have any policies that will hinder the employment or retention of physically challenged persons.

COVID-19

The novel Coronavirus, (COVID-19) pandemic outbreak in Nigeria has caused the Company to assess the impact of the virus and various guidelines and restriction imposed to contain the effect it may have on the business, as such, the management of Egbin Power Plc has concluded that the operations of the company will not cease or Furthermore, the company has put in place appropriate health and safety measures to mitigate the risk of employees' be significantly impacted. Furthermore, the company has put in place appropriate health and safety measures to mitigate the risk of employees' exposure to the virus.

Auditors

In accordance with Section 357 (2) of Companies and Allied Matters Act of Nigeria, Messrs Pricewaterhousecoopers (Chartered Accountants), have been appointed in office as auditors of the Company.

On behalf of the Board

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Company Secretary
Ejiro Gray

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors of Egbin Power Plc ("The Company") are responsible for the preparation of financial statements that give a true and fair view of the financial position of the Company as at 31 December 2020, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria, and the Financial Reporting Council of Nigeria Act, 2011.

In preparing the financial statements, the Directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the of impact particular transactions, other events and conditions on the Company and Company's financial position and financial performance; and
- making an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

Going concern:

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

The financial statements of the Company for the year ended 31 December 2020 were approved by Directors on 29th July, 2021

Temitope Shonubi
Chairman
FRC/2018/IODN/00000018969

Ade Odunsi
Director
FRC/2013/ICAN/00000005046

STATEMENT OF CORPORATE RESPONSIBILITY FOR THE FINANCIAL REPORTS

The Chief Executive Officer and Chief Financial Officer of Egbin Power Plc have reviewed the audited financial statements and accept responsibility for the financial and other information within the annual report.

The following certifications and disclosures regarding the true and fair view of the financial statements as well as the effectiveness of the Internal Controls established within the Company are hereby provided below:

Financial Information

i The audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made, and

ii The 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 period covered by the audited financial statement;

Effective Internal Controls

i Is responsible for establishing and maintaining internal controls and has designed such internal controls to ensure that material information relating to the company and its subsidiaries is made known to the officer by other officers ensure of the companies, particularly during the period in which the audited financial statement report is being prepared,

ii Evaluated the effectiveness of the company's internal controls within 90 days prior to the date of its audited financial statements, and

iii The Company's internal controls are effective as at 31 December 2020.

Disclosures

i There were no significant deficiencies in the design or operation of internal controls which could adversely Company's affect the ability to record, process, summarize and report financial data. Furthermore, there were no identified material weaknesses in the Company's internal control systems.

ii There were no fraud events involving management or other employees who have significant role in the Company's internal control, and;

iii There were no significant changes in internal controls or in other factors that could significantly affect internal controls.

Olurotimi Famoroti
Acting Chief Operating Officer
FRC/2021/002/00000022699
29, July, 2021

Seqinah Akinwunmi
Chief Finance officer
FRC/2018/ICAN/00000018751
29, July, 2021

REPORT OF THE AUDIT COMMITTEE

To the members of Egbin Power Plc

In compliance with section 359(6) of the Companies and Allied Matters Act (CAMA), Cap C20 Laws of the Federal Republic of Nigeria 2004(as amended), we the members of the Audit, Risk & Governance Committee of Egbin Power Plc, have reviewed the Audited Financial Statement for the year ended 31st December 2020 and hereby declare as follows:

1. We have reviewed the scope and planning of the audit for the year ended 31st December 2020, and we confirm that they were adequate;

2. The accounting and financial reporting policies of the Company conformed to legal requirements and agreed ethical practices;

3. The Internal Control and Internal Audit functions operated effectively through robust internal control and audit framework;

4. We reviewed the External Auditor's findings as stated in the management letter and are satisfied that Management is taking appropriate steps to address the issues and comments noted in the Report.

The External Auditors confirmed that they received Management's full co-operation and that their scope of work was not restricted in any way.

Dated: 16th July 2021

Mr. Kola Adesina
Chairman, Audit, Risk & Governance Committee
FRC/2016/CIIN/00000014687

MEMBERS OF THE COMMITTEE

Mr. Kola Adesina	- Chairman
Mr. Alex Okoh	- Member
Mr. Adedeji Odunsi	- Member
Prof Attahir Yusuf	- Member

Independent auditor's report

To the Members of Egbin Power Plc

Report on the audit of the financial statements

Our opinion

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

What we have audited

Egbin Power Plc's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 December 2020;
- the statement of financial position as at 31 December 2020;
- 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.)

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Provision for Decommissioning Liability (N7.9 billion) The accounting policies, critical accounting judgement and disclosures are set out in notes 3.1H, 4d and 21 respectively to the financial statements. Egbin Power Plc recognises a provision for decommissioning liability when it has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. At 31 December 2020, the company's statement of financial position included provision for decommissioning obligation of N7.9 billion. The entity accounts for the corresponding decommissioning asset in Property, Plant and Equipment using the revaluation model. In line with IFRIC 1, the effect of changes is treated consistently with other revaluation surpluses and deficits. Any cumulative deficit is taken to profit or loss, but any cumulative surplus is included as part of other reserves. To arrive at the provision for decommissioning liability balance, the entity estimates the future liability it will incur to retire the asset and restore the plant sites to its original position. The entity's provision for decommissioning liability estimate includes cost of pre-decommissioning operations, decontamination, dismantling activities, waste processing, storage disposal, site clean-up, landscaping, engineering and engineering support. The estimation performed by management requires judgement in the determination of key assumptions and future market conditions, particularly in relation to: • the decommissioning cost estimate • the discount rate • the inflation rate • year of asset retirement Management's estimation of the company's provision for decommissioning liabilities was of most significance to our audit because of the magnitude of the balance and sensitivity of the assumptions.	In evaluating the valuation and assumptions of the provision for decommissioning liability balance, our audit procedures include; • We obtained an understanding of the provision for decommissioning liability accounting policy and ensured it is in line with IAS 37. • We checked that the method selected to measure the provision for decommissioning liability is appropriate. • We obtained audit evidence in relation to management's key assumptions and data underlying the calculation. • We developed a point estimate using amounts supported by sufficient appropriate audit evidence and compared it to management's estimate • We checked that the provision for decommissioning liability estimate has been disclosed and presented in the financial statement in line IAS 1.

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Impairments of Trade Receivables (N33.9 billion)

The accounting policies, critical accounting judgement and disclosures are set out in notes 3.1E, 4a and 15 respectively to the financial statements.

The financial assets in scope for IFRS 9 impairment are: trade receivables from customers and related parties.

Trade receivables from customers include amounts due from Nigerian Bulk Electricity Trading Plc ("NBET") and Eko Electricity Distribution Company ("Eko Disco").

Trade receivable from related party includes amount due from Ikeja Electric.

The company recognized credit losses based on the "simplified approach" for trade receivables and related party receivables.

The estimation performed by management required judgement in the determination of key assumption for the simplified approach, such as:

- the historical settlement pattern to estimate the loss rate.
- the forward-looking information, such as inflation rate and GDP rate.

We focused on this area because of the materiality of the trade receivable of N163.4 billion and resulting impairment of N33.9 billion and because it requires significant judgement both for timing of recognition of impairment and estimation of amounts of such impairments.

In testing impairment of trade receivables, our audit procedures include;

- We obtained confirmation of outstanding balances from the counterparties.
- We checked whether the method selected by management to calculate the impairment provision for accounts receivable is appropriate.
- We obtained audit evidence in relation to management's key data and assumptions used in arriving at the estimates.
- We involved the services of our accounting specialist in testing the reasonableness of management's assumptions, historical loss rates and forward-looking information.
- We compared impairment amount calculated to amounts calculated to amount recognised by management.
- We checked the reasonableness of IFRS 9 disclosures in the financial statements

Other information

The directors are responsible for the other information. The other information comprises the Corporate information, Directors' report, Statement of directors' responsibilities, Statement of corporate responsibility for financial report, Value added statement, Financial summary, Statement of profit or loss and other comprehensive income (USD), Statement of financial position (USD), Statement of changes in equity (USD) and Statement of cash flows (USD) 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 agree with the books of account and returns.

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

2 August 2021

Engagement Partner: Olajide Adeola
FRC/2013/ICAN/00000004080

Statement of profit or loss and other comprehensive income

	Note	31 December 2020 N'000	31 December 2019 N'000
Revenue	5	119,695,559	78,899,186
Cost of sales	6	(111,613,895)	(77,414,305)
Gross profit		**8,081,664**	**1,484,881**
Impairment reversal	7.4	9,285,449	473,961
Administrative expenses	8	(4,061,252)	(4,071,303)
Operating profit/(loss)		**13,305,861**	**(2,112,461)**
Finance income	7.1	319,314	1,366,813
Finance cost	7.2	(1,014,508)	(851,360)
Other (losses)/gains	7.3	(2,410,493)	525,148
Profit/(Loss) before taxation		**10,200,174**	**(1,071,860)**
Taxation	11	687,141	6,758,263
Profit for the year		**10,887,315**	**5,686,403**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Other comprehensive income		1,108,191	(2,322,786)
Total comprehensive income for the year		**11,995,506**	**3,363,617**
Earnings per share - Basic & Diluted (Naira)	24	**435.49**	**227.46**

The explanatory notes on pages 26 to 56 form an integral part of these financial statements.

Statement of financial position

	Note	31 December 2020 N'000	31 December 2019 N'000
ASSETS			
Non-current assets			
Property, plant and equipment	12,12a	266,535,709	278,392,172
Intangible assets	13	1,767	450
Total non-current assets		266,537,476	278,392,622
Current assets			
Inventories	14	19,943	17,978
Trade and other receivables	15	129,560,970	89,775,478
Other assets	16	1,267,775	736,433
Restricted cash	17	4,405,742	4,227,320
Cash and cash equivalents	18	17,464,888	2,450,472
Total current assets		152,719,318	97,207,681
TOTAL ASSET		**419,256,794**	**375,600,303**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23	25,000	25,000
Retained earnings		11,419,243	531,928
Other reserves	25	191,010,485	189,902,294
Total equity		**202,454,728**	**190,459,222**
Non-current liabilities			
Deferred tax liabilities	11.2	74,295,643	75,079,301
Provision for overhauls and maintenance	18	23,459,789	8,623,191
Provision for decommissioning obligation	21	7,912,343	8,165,123
Total non-current liabilities		105,667,775	91,867,615
Current liabilities			
Trade and other payables	19	110,490,206	92,375,947
Current tax liabilities	11.2	644,085	897,519
Total current liabilities		111,134,291	93,273,466
TOTAL LIABILITIES		**216,802,066**	**185,141,081**
TOTAL EQUITY AND LIABILITIES		**419,256,794**	**375,600,303**

The financial statements on pages 22 to 60 were approved by the Board of Directors of the Company on 29 July, 2021. They were signed on its behalf by:

Olurotimi Famoroti
Acting Chief Operating Officer
FRC/2021/002/00000022699

Seqinah Akinwunmi
Chief Finance officer
FRC/2018/ICAN/00000018751

Temitope Shonubi
Chairman
FRC/2018/IODN/00000018969

Ade Odunsi
Director
FRC/2013/ICAN/00000005046

Statement of changes in equity

	Note	Share Capital N'000	Retained Earning N'000	Other Reserves N'000	Total Equity N'000
Balance at 1 January 2019		**25,000**	**(5,154,475)**	**192,225,080**	**187,095,605**
Changes in Decommissioning estimate				(2,322,786)	(2,322,786)
Profit for the year		-	5,686,403		5,686,403
Balance at 31 December 2019		**25,000**	**531,928**	**189,902,294**	**190,459,222**
Other comprehensive income		-	-	1,108,191	1,108,191
Profit for the year		-	10,887,315	-	10,887,315
Balance at 31 December 2020	23-25	**25,000**	**11,419,243**	**191,010,485**	**202,340,122**

The explanatory notes on pages 26 to 56 form an integral part of these financial statements.

Statement of cash flows

	Notes	31 December 2020 N'000	31 December 2019 N'000
Cash flows from operating activities			
Profit/(loss) before tax		10,200,174	(1,071,860)
Adjustments for:			
Depreciation on generation assets	6	12,004,955	11,019,348
Depreciation on non generation assets	8	770,380	708,614
Impairment loss allowance (Receivables)	7.4	(9,209,513)	89,370
Impairment reversal (Cash & bank)	7.4	(75,936)	(563,331)
Bad debt written off	8	304	12,527
Accretion expense	7.2	970,017	772,624
Interest on fixed deposit	7.1	(319,314)	(1,366,813)
		4,140,893	**10,672,339**
Movements in working capital			
Increase in trade and other receivables	15	(30,576,283)	(11,135,181)
(Increase)/Decrease in other assets	16	(531,342)	2,130,671
Decrease/(Increase) in inventories	14	(1,966)	3,781
Increase/(Decrease) in trade and other payables	19	32,950,857	(25,422,165)
Total adjustments and movements		**5,982,159**	**(23,750,555)**
Income taxes paid	11.1	(464,557)	(321,367)
Net cash generated from operating activities		**15,717,776**	**(25,143,782)**
Cash flows from investing activities			
Purchase of fixed assets	12b	(920,189)	(613,019)
Interest received on fixed deposits	7.1	319,314	1,366,813
(Increase)/Decrease in restricted cash	17	(178,422)	(112,486)
Net cash (used in)/generated from investing activities		**(779,297)**	**641,308**
Cash flows from financing activities		-	-
Net cash generated from financing activities		**-**	**-**
Net increase in cash and cash equivalents		14,938,479	(24,502,474)
Gross cash and cash equivalents at beginning of the year	18	2,539,995	27,042,469
Gross cash and cash equivalents at end of the year		**17,478,474**	**2,539,995**
Impairment of cash	18	(13,586)	(89,523)
Net cash and cash equivalents at end of the year		**17,464,888**	**2,450,472**

The explanatory notes on pages 26 to 56 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1.0 The Company

Egbin Power Plc ("the Company") was one of the unbundled companies from the defunct Power Holdings Company of Nigeria (PHCN). The Company was in the generating sector of the PHCN which was a state-owned Electric Power Company. During the Federal Government's privatisation program, the Company was sold to KEPCO Energy Resource Limited (KERL) in 2007 as part of the privatization of the electric power sector. The sale was authorized by the Bureau of Public Enterprises (BPE). Effective from 1st November 2013 (referred to as the handover date), the Federal Government of Nigeria (FGN) handed over the Company and other unbundled assets to their new owners. The Company entered into an operation and maintenance agreement with KEPCO in November 2013 to provide operation and maintenance services on its plant. The contract was terminated in December 2017.

1.1 Shareholding structure

The shareholding structure of the Company is as follows:

	N'000	%
KERL 17,500,000 ordinary shares of N1 each	17,500	70
BPE 6,000,000 ordinary shares of N1 each	6,000	24
Ministry of Finance Incorporated 1,500,000 ordinary shares of N1 each	1,500	6
Total issued ordinary shares	**25,000**	**100**

1.2 Principal activities

The Company'sprincipal activity is to generate power and to sell to the Nigerian Bulk Electricity Trading Plc (NBET).The Company has installed capacity of 1,320 megawatts and utilizes thermal plant to generate electricity.

1.3 Financial period

These financial statements cover the financial year from 1 January 2020 to 31 December 2020, with comparative figures for the financial year ended 31 December 2019.

1.4 Composition of financial statements

The financial statements are presented in Nigerian Naira (NGN), the functional currency of Egbin Power Plc, in accordance with IFRS accounting presentation. The financial statements comprise:

(i) Statement of profit or loss and other comprehensive income
(ii) Statement of financial position
(iii) Statement of changes in equity
(iv) Statement of cash flows
(v) Notes to the financial statements

Other information provided by management includes:
(i) Statement of value added
(ii) Five-year financial summary

1.5.1 Going concern

The management of Egbin Power Plc ("EGBIN") has continually assessed the going concern of the Company and as at the end of the financial year 2020, the management have no plans or intentions to dispose of the business or cease operations that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

The management of the company further considered that the going concern of the Company is not threatened in any form having reviewed the going concern assumption under the following contexts; financial, operational, other possible indicators and strategic growth plans.

1.6.1 Impact of COVID 19 and management plan to mitigate the risk

Egbin Power Plc business operation is mainly power generation, which, is part of the essential services granted exemption to continue operations during the lockdown imposed by the federal government premised by the increased cases of Covid-19 outbreak in the country, as such, there was no significant impact on the organization. Notwithstanding, the management of Egbin Power Plc has assessed the impact of the current Covid-19 pandemic on its operations and has summarized them as follows;

1. Planned Maintenance & Technical Services Advisory

• There is an expected impact on this activity largely due to work/production, travel, and logistics restrictions around the world. This mostly affect human expertise and the lead time for the supply of the ordered spares and equipment due to work and production restrictions observed globally. Planned maintenance have been on-going within the plant with all covid protocols observed.

2. Electricity Generation & Gas Availability

• At the moment generation is not constrained and we do not foresee an immediate or future constraint as a result of the Covid-19 pandemic. We do not foresee any constraint in this regard, as all the party to power generation have continue to delivered despite the pandemic.

• We have had adequate gas nominations so far this year with our gas suppliers (Chevron & NPDC), and relatively stable gas deliveries by the gas transportation company. There is no anticipated gas constraint on account of Covid-19.

3. Business Continuity and Sustainability

• We have deployed a number of safety and security protocols to significantly reduce the possibility of the Covid-19 virus penetrating our facility. Movement in/out of the facility is highly restricted to third parties. However, in the event of such an occurrence we have a business continuity plan for our operations and maintenance that will guarantee limited disruptions to our capacity to generate provided all gas availability and evacuation infrastructures remain available with limited equipment breakdown.

4. Manpower Management

• A large percentage of the employee stay within the facility provided by the organization, as such, we run a hitch free operation daily, with a good level of social distancing observed. Also, the few employees resident outside the organization’s premises have embraced technology to work remotely, with easy access to the organization’s domain.

5. Material sourcing and Procurement Process

• The organization maintains a good inventory re-order level, as such, major materials needed to keep the plant running are available in store, however, our procurement team have ensured that all items needed to keep the plant running are supplied from time to time.

6. Financial transactions

• Financial activities of the organization have not been impacted, as transactions are processed swiftly, leveraging on online payment platforms. Payments to major suppliers have been going smoothly. We do not envisage any material impact of Covid-19 on the financial operations of the company in the short-run.

• We do not envisage any disruption to revenue collection in the long-run as a result of the pandemic

7. Training

• High value is place on the employee of the organization, as such, various online learning/training platforms have been created for employee to keep them equipped during this pandemic period.

8. Recruitment

• The Covid-19 pandemic forced the business to review the 2020 recruitment plan to reflect the current realities.

• There was suspension of recruitment plan during the year 2020, the business imperative was to optimize the current workforce by expediting uptake of technology to improve work output and operational efficiency. However, there were few exceptions on the replacement of specialized and key strategic roles. Status quo was maintained on the Headcount. There was a marginal change because of retirements and resignations. However, recruitment plan have slightly resume to fill some necessary space.

2. Application of new and revised International Financial Reporting Standards (IFRSs)

The following new standards and amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year.

2.1 Amendments to IFRSs that are mandatorily effective for annual periods beginning on or after 1 January 2020

The following new standards and amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Committee Interpretations are effective for the current year.

Amendments to accounting standards that became effective during the year

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company but may impact future periods should the Company enter any business combinations.

Amendments to IAS 1 and IAS 8: Definition of Material

'The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

Amendments to IFRS 9 and IAS 39: Interest Rate Benchmark Reform

These amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and of amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the financial statements of Egbin Power Plc, as it does not have any interest rate hedge relationships. However the phase 2 implementation will be effective in the financial statement for the period ended 2021.

2.2 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

i Amendments to IAS 1, Presentation of financial statements' on classification of liabilities

ii Narrow-scope amendments to IFRS 3, IAS 16 and some annual improvements on IFRS 9 and IFRS 16

iii Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

3. BASIS OF PREPARATION OF THE ACCOUNTS

These "financial statements" have been prepared in accordance with International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee ("IFRIC") Interpretations (collectively referred to as IFRS), the Companies and Allied Matters Act (CAMA), and the Financial Reporting Council of Nigeria (FRC) Act as at 31 December 2020.

The financial statements have been prepared on a historical cost basis except for the property, plant & equipment balance which has been recognized on a revaluation model basis. The historical cost is generally based on the fair value of the consideration given in exchange for the assets while the revaluation model refers to the replacement costs of the fixed assets.

Accounting policies

The financial statements have been prepared in accordance with the Company's accounting policies approved by the Board of Directors of the Company.

A. Revenue recognition

Revenue from sale of electricity to Nigeria Bulk electricity Plc (NBET), it is measured at the fair value of the consideration received or receivable, net of value added tax (VAT). Revenue is recognised when title to, and control of the electricity is passed to the customer (NBET) i.e. when electricity is delivered to the delivery point in accordance with the Power Purchase Agreement (PPA). Revenue is earned over time in line with the continuous generation of power from the company's generating plant. Revenue (capacity and energy) is the total pre-agreed tariff set out in the PPA with Nigeria Bulk Electricity Trading Plc (NBET) at the time the utility service is rendered.

The revenue also includes Bilateral sales to Ikeja Electric in respect of energy generated from Unit 6, the units are based on energy volumes received by Ikeja Electric. The Company also generates additional revenue based on a compensating fee received from the System Operator (NCC) in respect of spinning reserves. This arises when the Company has been requested to step down its supply of power in order to prevent damage to the national grid.

Performance Obligation

Revenue is recognised when the electricity generated is acknowledged consumed by Nigeria Bulk electricity plc (NBET), as this is the consideration is unconditional because only the passage of time is required before the payment is due .

B. Property, plant and equipment

1. Generation assets

The Company's generation assets are stated at replacement cost using the revaluation model less accumulated depreciation and impairment losses and are generally depreciated using the unit of production method based on the machine usage hours over the estimated operating capacity of the assets. Generation assets include the operating assets which the Company uses in carrying out its normal course of business; generating power to NBET. These assets include the generating plants, turbines, plant spares, and the plant's buildings. All asset are estimated to be revalued every 5years.

Spare parts and replacement materials of significant importance to the generation assets and whose useful lives are greater than one year (either utilised or not) are classified as part of generation assets in line with IAS16 – Property, Plants and Equipment and depreciated accordingly with similar assets.

The main depreciation rate and basis used by the Company for its assets are as set out below:

Asset Class	**Rate/Useful life (yrs.)**		**Basis**
Generation assets			
Plant and machineries	Unit of production method based on machine usage hours		Capacity Utilisation
Generation plant buildings (Including Auxiliary plant)	50		Estimated Useful life

2. Non-generation assets

The Company's non-generation assets are stated at Cost amount being the fair value less accumulated depreciation and accumulated impairment losses. Depreciation is on a straight line method over the estimated useful lives of the assets.Non-generation assets include land, administrative office building, furniture and fittings, motor vehicles, etc. Land is not depreciated. The organization policy is to capitalize asset with value above one hundred thousand naira.

The main depreciation rate and basis used by the Company for its assets are as set out below:

Non-generation assets		
Land	Nil	N/A
Buildings	50	Estimated Useful life
Building Improvement	20	Estimated Useful life
Equipment	Computer (4), Communication (4), Software (4), Miscellaneous (10)	Estimated Useful life
Furniture and fittings	5	Estimated Useful life
Motor Vehicles	4	Estimated Useful life
Work-in-Progress	Nil	N/A

C. Impairment of property, plant and equipment

The carrying amounts of the Company's long-term assets are reviewed at each reporting date to determine whether there is any indication of impairment. If an indication of impairment exists, then the asset's recoverable amount is estimated.Generation assets are assessed for impairment when they are reclassified from construction in progress to property, plant and equipment (PP&E), and if facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount through the statement of profit or loss.

For the purpose of impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell ("FVLCTS").

Value in use is determined by estimating the present value of the pre-tax future net cash flows expected to be derived from the continued use of the asset.FVLCTS is based on available market information, where applicable. The Company generally estimates fair value less costs to sell using a discounted cash flow model which has a significant number of assumptions. The model uses expected cash flows from capacity of electricity generation forecast, energy unit sales price in force and other operational cost parameters. The discount rate applied to the cash flows is also subject to management's judgment and will affect the recoverable amount calculated. The Company monitors internal and external indicators of impairment relating to its generation and non-generation assets.

D. Derecognition of property, plant & equipment

Property, plant & equipment are derecognised at disposal or when no future economic benefits are expected from its use or disposal. Upon disposal, the difference between the net disposal proceeds and the carrying value of the asset is computed in order to ascertain whether there is a gain or loss. The gain/loss is then recognised in the statement of profit or loss for the year.

E. Financial instruments

Financial assets

Initial recognition and measurement

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus (in the case of investments not at fair value through profit or loss) directly attributable transaction costs. The Company's financial assets include cash and short-term deposits, trade and other receivables.

Financial asset measured at amortized cost

Financial assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short term deposits with an original maturity of three months or less, but exclude any restricted cash which is not available for use by the Company and therefore is not considered highly liquid. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

De-recognition

A financial asset (or, where an applicable part of a financial asset or part of a group of similar financial assets) is

- The right to receive cash flows from the asset has expired.
- The Company has transferred its rights to receive cashflows from the asset or has assumed an obligation to pay the received cashflows in full without material delay to a third party under a pass-through arrangement and either
  (a) the Company has transferred substantially all the risks and rewards of the asset, or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The company applies the IFRS 9 simplified approach to measure the excepted credit losses which uses a lifetime expected loss allowance for all financial asset except cash & cash equivalent which is base on general approach. To measure the expected credit losses, trade receivable have been grouped on shared credit risk characteristics and days past due. The expected loss rate are based on the payment profiles of sales over a period of 48 months before 31st December 2020 and corresponding historical credit losses experienced within this period. The historical loss rate are adjusted to reflect current and forward looking information on macroeconomic factors such as, inflation and GDP affecting the ability of the customers to settle the receivables.

The simplified approach requires expected lifetime losses to be recognized 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. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and where observable data indicate that there is a measurable decrease in the estimated future cashflows, such as changes in arrears or economic conditions that correlate with defaults.

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.

For balances which are outstanding as at year end, additional losses have been incurred due to the time value of money. Therefore, we have estimated these losses using 3-month NIBOR (as at 31December 2020)+ 10% which is in line with the interest charged on the outstanding balance.

2020	Gross carrying amount	Expected loss rate	Loss allowance
	N000	%	N000
0-30 days	-	0%	-
31 - 60 days	2,601,321	52.14%	1,356,329
61 - 90 days	2,505,301	52.32%	1,310,773
91 - 180 days	1,406,662	44.46%	625,402
181 - 360 days	924,396	100%	924,396
Over 360 days	19,105,795	100%	19,105,795
Covered under Intervention	136,069,988	7.74%	10,531,817
Total	**162,613,463**	**357%**	**33,854,512**

Credit risk

On that basis, the loss allowance as at 31 December 2020 and 31 December 2019 was determined as follows for both trade receivables

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value at amortised costs. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus attributable transaction costs. The Company's financial liabilities include trade and other payables.

Subsequent measurement

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

If there is a change in the timing or amount of estimated cash flows, then the amortised cost of the financial liability (or group of financial instruments) is adjusted in the period of change to reflect the revised actual and estimated cash flows, with a corresponding income or expense being recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include: using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

Trade and Other Payables

Creditors and accruals are the financial obligations due to third parties and are falling due within one year. The outstanding balances are not interest bearing and are stated at their nominal value.

Finance income and expense

Finance expense comprises accretion on decommissioning liabilities and impairment losses recognized on financial assets. Finance income comprises interest earned on cash and cash equivalents and short-term investments through profit or loss.

F. Employee benefit costs

The Company maintains a defined contribution pension scheme in accordance with the new Pension Reform Act, 2014. The contribution by the employer and employee is 10% and 8% respectively of the employees' monthly basic salary, transport and housing allowances. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are rewards such as wages, salaries, paid annual leave, and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars, etc.)

Medical Insurance Scheme

The Company subscribes to a medical insurance plan on behalf of its employees, paying a gross premium to a health management organization based on the level of the employee. This premium is treated as a prepayment and charged to staff costs on a monthly basis.

G. Inventories

Inventories are stated at the lower of cost and net realizable value. Inventories represent small parts, other consumables and gasfuel, the majority of which is consumed by our projects in provision of their services within one financial year. Cost comprises; direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventory to their present location and condition.

Cost is determined by the First In First Out (FIFO) method.

Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Estimates are based on the most reliable evidence available and take into consideration fluctuations in price or cost directly relating to events occurring after the reporting period to the extent that such events confirm conditions existing at the end of the reporting period.

H. Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost in the statement of comprehensive income.

Decommissioning liability

The Company recognizes a decommissioning liability when it has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the revalued amount of the related base/power stations and generating plants to the extent that it was incurred bythe development/construction of the station. Any decommissioning obligations that arise through the production of electricity are expensed as incurred. Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the revalued amount of that asset. If it does, any excess over the revalued value is taken immediately to statement of comprehensive income. If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the revalued value of the asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with IAS36. If the revised power and utilities' assets net of decommissioning provisions exceed the revalued value, that portion of the increase is charged directly to expense. Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in statement of profit or loss as a finance cost. The Company recognises neither the deferred tax asset regarding the temporary difference on the decommissioning liability nor the corresponding deferred tax liability regarding the temporary difference on a decommissioning asset.

Decommissioning provision represents the present value of estimated future decommissioning costs relating to the generation assets, which are expected to be incurred up to year 2035, based on its operating life. This provision has been created based on the management's best estimates as at reporting date. Assumptions based on the current economic environment have been made which management believes are a reasonable basis upon which to estimate the future liability. The fair values of these Asset retirement obligations are recorded on a discounted basis, at the time the obligation is incurred, and accreted overtime for the change in present value.

The estimate for the decommissioning liability was calculated based the plant capacity for the year, expected scrap value of the steel components factoring the Federal Government of Nigeria (FGN)15-year tenor bond at the rate of 7.06% (2019: 11.35%) per annum. The assumptions and judgements made in regard to this estimate are subject to annual assessment by management and adjustments if any are to be recognised. Management recognises that actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time.

Furthermore, the timing of decommissioning is likely to depend on when the generation assets cease to produce on economically viable basis.

I. Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary Assets and liabilities denominated in foreign currencies at the statement of financial position date are reported at the foreign exchange rate prevailing at that date. Foreign currency differences are generally recognised in profit or loss and presented within finance cost or income except where they are regarded as an adjustment to borrowing costs and as such capitalised as part of property, plant and equipment.

J. Taxation

1. Company income tax

Income tax expense is the aggregate of the charge to the statement of comprehensive income in respect of current income tax, education tax and deferred tax.

Current income tax is the amount of income tax payable on the taxable profit of the year determined in accordance with the Company Income Tax ACT, CAP C21 LFN 2004 (as amended). Education tax is assessed at 2% of the assessable profit in line with Tertiary Education Trust fund Act CAP2011. Minimum tax according to the Finance Act 2020 is 0.25% of gross turnover less frank investment income.

2. Deferred tax

In general, deferred tax is recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws enacted or substantively enacted by the reporting date and expected to apply when the deferred tax asset or liability is settled. This is determined through the liability method.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are presented as non-current assets or liabilities respectively.

K. Intangible assets

1. Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is calculated using the straight-line method over a period of rights obtained to allocate the cost of computer software. If software is integral to the functionality of related property, plant and equipment (PPE), then it is capitalised as part of the PPE. Costs that are directly associated with the development of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets and amortised as above.

Costs include employee costs incurred as a result of developing software, borrowing costs if relevant and an appropriate portion of relevant overheads. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

L. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term out of money borrowed specifically to finance a project, the income generated from the temporary investment of amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

All other borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred.

FINANCIAL RISK MANAGEMENT POLICY

The company's financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the company's working capital needs. The company have trade and other receivables, and cash and short-term deposits that arise directly from its operations. During the year ended 31 December 2020, the company has been exposed to energy market risk, credit risk, foreign currency exchange risk, and treasury risk.

(a) Energy market risk

The company is exposed to market risk associated with fluctuations in the market price of electricity within the framework of the Multi Year Tariff Order (MYTO) and confirmation by the market operator and generation gas compounded by volumetric loss risk of power generated caused by unplanned changes in the load, output of its portfolio of generation assets, capacity of transmitting companies and demand by customer. The risk management policies are implemented at the business level with the oversight of the Company's board, technical partner, and management teams. The company uses a number of risk measurement procedures and techniques to ensure that risk is kept within pre-approved limits. This risk is mitigated by compensation payment for capacity and load shedding by the Market Operator if reduction in generation is at their instance.

(b) Credit risk

The company is exposed to both settlement risk defined as the risk of a counterparty failing to pay for energy and/or services which have been delivered. Credit risk is mitigated by active engagement and reconciliation of energy supplied to the market operator and promotion of compliance with the MYTO agreement. Credit risk is an activity managed by the Directors with all relevant stakeholders to ensure reduced impact on provisioning policy. The expected credit loss is analysed at each reporting date and this is estimated by management taking into account forward looking information's within which the company operates. The maximum exposure to credit risk in respectof trade receivables is the carrying value of the trade receivables at the reporting date. The carrying value of trade receivables is stated gross of the allowance for recoverability provision. The policy of the organization is to make provision and write offs for receivable balance above 365days.

Sensitivity of Expected credit loss

Placement model assumptions		
Loss Given Default -Moody's Average	**2020**	**2019**
Term loans Debt Recovery Rates Measured by		
Recovery rate	73%	N/A
LGD	27%	40%
Probability of Default		
Ratings		
B2- Annually	3.19%	3.11%
B2- Monthly	0.27%	N/A
B3- Annually	6.72%	5.15%
B3- Monthly	0.56%	0.62
Forward looking information		
As at January 2021		
Inflation rate	16.47%	11.40%
GDP growth rate	1.50%	N/A
For casted default rate%	0.37%	0.40%
Scalar/Adjustments factor	0.02	N/A

The impairment loss reversal recognised in the period is impacted by changes in inflation rates and GDP growth rate, as described above. And also due to the change in approach, previously the expected credit loss and market operators was calculated using the general approach. But in the current year the simplified approach was used.

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

Change in assumptions	**2020**	**2019**
Impact in profit or loss		
	N'000	**N'000**
Increase in 10%	10,213,994	521,357
Decrease in 10%	8,356,904	426,565

Cash and cash equivalents

The Company held cash and cash equivalents of ₦21.85 billion (excluding cash in hand) as at year end (2019: ₦6.67 billion) which represents its maximum credit exposure on these assets.

The cash and cash equivalents (with the exception of ₦12.02 million held as cash and N13.58 impairment loss) by the Company are held by banks and financial institutions. The Company mitigates the credit risk exposure of its bank balances by selecting reputable banks with good credit ratings and a history of strong financial performance. Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Counterparties with external credit ratings		
Cash and equivalents		
Unrated (cash in hand)	12,027	5,871
A	48,509	960
B-	21,823,678	6,760,483
Impairment loss on cash	(13,586)	(89,522)
Total cash and cash equivalent	**21,870,629**	**6,677,791**

(c) Liquidity risk

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

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

	Contractual cash flows	
	2020	2019
Trade and other payable	**N'000**	**N'000**
Carrying amount	133,981,430	100,999,138
2 months or less	31,435	23,697
2-12 months	133,949,995	100,975,441
Total	133,981,430	100,999,138

(d) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from prior year. The capital structure of the Company consists of cash and cash equivalents as disclosed in Note 17, and the reserves in the statement of changes in equity. The company does not have borrowings, as such there is no gearing ratio.

(e) Currency risk

Foreign exchange risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Company is exposed to risks resulting from fluctuations in foreign currency exchange rates. Some of the Company's business activities and transactions (such as hire and other services) are done in a foreign currency, mainly the US Dollar. A change in the value of any such foreign currency could have an effect on the Company's cashflow and future profits. The Company is exposed to exchange rate risk as a result of cash balances denominated in a currency other than the Naira.

In managing currency risk, the Company aims to reduce the impact of short-term fluctuations on earnings.

Foreign currency denominated balances

Financial assets:		
Cash and cash equivalents	37,943,825.65	39,237,154.89
Financial liabilities:		
Trade and other payables	23,459,790,000	11,038,583,138
Payable to related companies	19,505,892,917	11,968,176,970
	42,965,682,917	23,006,760,108
Net foreign currency denominated balances	(42,927,739,091)	(22,967,522,953)

Sensitivity analysis for foreign exchange risk

A strengthening of the USD, as indicated below against the Naira at 31 Decemberwould have affected profit or loss and equity by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period and has no impact on equity. The analysis assumes that all other variables, in particular interest rates, remain constant.

The analysisis performed on the samebasisfor 2019,albeit that the reasonablypossibleforeign exchangerate variances were different, as indicated below:

Impact on profit or loss

20% change in exchange rates	(8,585,547,818)	(4,593,504,591)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy to be followed could materially affect the reported amounts of revenues, expenses, assets and liabilities of the company should it later be determined that a different choice would be more appropriate. In addition, in preparing the accounts in conformity with IFRS, the company is required to make estimates and assumptions that impact on the reported amounts of revenues, expenses, assets, and liabilities of the company. Actual results may differ from these estimates. These are discussed in more details below.

(a) Impairment of trade receivables

Trade receivables are stated net of expected credit loss. The company estimates its provision for impairment taking into account future cash flows, based on prior experience, ageing analysis and an assessment of the current economic environment and other forward looking information within which the company operates, liquidity matters amongst the market participants and related government polices and plans. These estimates and assumptions involves forward looking information and a significant degree of judgment.

(b) Impairment of property, plant and equipment

Impairment of Property, plant and equipment, and Intangible Assets with indefinite life is conducted at every reporting period in line with the provisions of IAS36. However, in certain circumstances if there are impairment indicators, Property, plant and equipment are required to be reviewed for impairment. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of the expected future cashflows of the relevant Cash Generating Unit ("CGU"), or disposal value if higher. The discount rate applied is based on the company's weighted average cost of capital with appropriate adjustments for the risks associated with the CGU. Estimates of cash flows involve a significant degree of judgment as matters relating to gas supply, grid capacity, and load capacity factor which relate to the existing operating turbines and projected plans are used in developing these estimates. The tariff on Capacity and Energy are also susceptible to changes in variable elements of the MYTO2.0 model. The Directors estimates and assumptions are based on reasonable and operational plan of the Company and existing or planned government policies.

(c) Contingencies

Appropriate disclosure of contingent liabilities is made regarding litigation, tax matters, and environmental issues, among others. Accounting for contingencies requires significant judgment by management regarding the estimated probabilities and ranges of exposure to potential loss. The evaluation of these contingencies is performed by specialists either externally contracted or internal personnel. The Company's assessment of its exposure to contingencies could change as new developments occur or more information becomes available. The outcome of the contingencies could vary significantly and could materially impact the Company's results and financial position. The Company has used its best judgment in applying IAS 37 'Provisions, Contingent liabilities and Contingent assets' to these matters during the year.

(d) Decommissioning and environmental liability

The company periodically revises the estimates made concerning the costs to be incurred in the decommissioning of the company's power generating plants and its constructive obligation to restore the station sites over the course of their operational lives.

Sensitivity analysis for decommissioning liability

Assumptions	**2020**	**2019**
Inflation rate	1.40%	N/A
Discount rate	7.06%	11.88%
Exchange rate as at 31 Dec 2020	380.47	364.7
Salvage value of scrap metal (N000)	2,001,650	1,823,500

The changes in Decommissioning estimate recognised in the period is impacted by a variety of factors, as described above.

The table below shows information on the sensitivity of the changes in Decommissioning estimate of the Company's decommissioning liabilities to the methods, assumptions and estimates used in calculating changes in Decommissioning estimate at the end of the reporting period. These methods, assumptions and estimates have a significant risk of causing material adjustments to the decommissioning liabilities.

	Impact on other comprehensive income	
Changes in assumptions	**2020**	**2019**
	N'000	**N'000**
Inflation rate -Increase by 10%	1,219,010	(2,090,508)
Discount rate - Increase by 10%	1,345,077	(2,090,508)
Exchange rate as at 31 Dec 2020 - Increase by 10%	1,345,077	(2,090,508)
Salvage value of scrap metal (NGN) - Increase by 10%	1,345,077	(2,090,508)
Inflation rate -Decrease by 10%	997,372	(2,090,508)
Discount rate - Decrease by 10%	1,100,517	(2,090,508)
Exchange rate as at 31 Dec 2020 - Decrease by 10%	1,100,517	(2,090,508)
Salvage value of scrap metal (NGN) - Decrease by 10%	1,100,517	(2,090,508)

NOTES TO THE FINANCIAL STATEMENTS

5	**Revenue**	**2020**	**2019**
	This represent revenue generated from electricity sales at a point in time	**N'000**	**N'000**
	Sale of electricity (Note 5.1)	119,676,489	78,885,992
	Ancillary services (Note 5.2)	-	4,500
	Other electricity bills (Note 5.3)	19,070	8,694
		119,695,559	**78,899,186**

5.1 The revenue recorded represents the total value of the energy received and capacity certified by the Market Operator/Nigeria Bulk Electricity Trader for energy generated by Egbin Power Plc. as recorded on the monthly settlement statements for the year between both parties. The revenue also include Bilateral sales to Ikeja Electric

5.2 The revenue earned from ancillary services represents the invoices for spinning reserves and black start services rendered to National Control Centre (NCC) Oshogbo. The spinning reserve is the unused capacity set aside on an agreement with systems operator which can be activated on decision of the system operator (NCC) to either increase or reduce supply of power to the grid, while black start is charge for the Company's ability to jumpstart the grid in the event of grid collapse.

5.3 Other electricity bills represents billings to third parties for usage of portion of energy imported by the Company from the National Grid.

6	**Cost of sales**		
	Operations & maintenance and implementation service fees (Note 6.1)	33,738,156	19,652,887
	Gas consumed	57,070,189	40,933,886
	Depreciation on generation assets	12,004,955	11,019,348
	Salaries and benefits	1,657,415	2,049,467
	Regulatory charges (Note 6.2)	1,175,118	771,050
	Other staff welfare	167,191	178,130
	Other plant maintenance cost	5,800,871	2,809,537
		111,613,895	**77,414,305**

6.1 This relates to operations and maintenance (O&M), technical services and operational support cost rendered by Kepco Energy Resource (BVI) Ltd. It also includes other O&M cost, facilities maintenance, and other ancillary support services. The fees were charged in line with the O&M contracts between the Company and KERL(BVI).

6.2 Amount represents regulatory charges due to the Nigerian Electric Regulatory Commission under the provisions of the NERC (License and Operations fee) Regulations, 2010, and is calculated as 1.5% of licensee's charges/ kWh over a period.

7 **Finance income/cost**

7.1 **Finance income**

Interest on short term deposits	319,314	1,366,813
	319,314	**1,366,813**

7.2	Finance cost	2020 N'000	2019 N'000
	Accretion expense (Note 20)	970,017	772,624
	Letters of credit charges	44,491	78,736
		1,014,508	**851,360**

7.3	Other gains and losses		
	School income - Powerfield*	180,563	197,821
	Net foreign exchange (loss) /gain	(2,604,771)	309,933
	Other income	13,715	17,394
		(2,410,493)	**525,148**

*School income-Powerfield: This school income relate to other income earned from Powerfield group of schools. Power field group of schools is an unconsolidated structured entity (as defined by IFRS 12). Its main objectives is to provide education services as a form of corporate social responsibility to the host community and also employee engagement/welfare.

The revenue of the school is generated from the subsidised school fees paid by students, Egbin Power Plc also supports the day to day running of the school as a form of corporate social responsibility. As at 31 December 2020, there were no receivables' due from the school and payables due to the school. NGN 20 million was donated to the school to support the running of the school during the period.

7.4	Impairment (losses)/reversals		
	Impairment loss allowance	(9,285,449)	89,370
	Provision no longer required	-	(563,331)
		(9,285,449)	(473,961)

This relate to impairment of receivables and cash & bank balances.
Breakdown of impairment

Trade receivable	9,209,513	89,370
Cash and cash equivalent	75,936	(563,331)
	9,285,449	(473,961)

8	Administrative expenses		
	Bad debts written off	304	12,527
	Depreciation on non-generation assets (Note 12)	770,380	708,614
	Salaries and benefits	653,410	726,109
	Repairs and maintenance	1,156,888	996,852
	Motor running expenses	323,119	206,221
	Safety & security	157,932	137,989
	Other staff welfare	278,804	281,755
	Other professional fees (Note 9.2)	18,567	327,290
	Community expenses/CSR	402,614	76,304
	Travelling and transportation	36,107	57,842
	Bank charges	33,244	106,585
	Office & IT consumables	55,813	57,243
	Audit fees (Note 9.1)	35,000	55,000

NOTES TO THE FINANCIAL STATEMENTS

	Administrative expenses Cont'd		**2020**	**2019**
			N'000	**N'000**
	Directors fees and expenses		33,814	33,766
	Entertainment and advertisement		55,432	19,944
	Insurance		14,458	20,373
	Regulatory expenses		8,401	182,111
	Business Development Expenses		-	23,150
	Other expenses		26,965	41,628
			4,061,252	**4,071,303**
9	**Professional fees**			**3**
9.1	Audit fees		**35,000**	**55,000**
9.2	**Other professional fees**			
	- Consultancy fees		15,880	86,451
	- Legal services		2,688	240,839
			18,568	**327,290**
10	**Profit before tax**			
	This is stated after charging:			
	Auditor's remuneration		35,000	55,000
	Depreciation		12,775,335	11,727,962
	Other gains and losses		(2,410,493)	525,148
11	**Income tax expense**			
	Per profit or loss			
	Income tax		350,540	394,496
	Education tax		293,323	193,662
	Policy levy		510	-
	Total income tax expense		644,373	588,158
	Prior year tax overprovision		(433,250)	(1,695,251)
	Deferred tax (Note 11.2)		(898,264)	(5,651,170)
			(687,141)	**(6,758,263)**
11.1	**Current tax liabilities**			
	Current tax			
	At 1 January		897,519	2,325,979
	Prior year tax over-provision	11	(433,250)	(1,695,251)
	Total income tax expense	11	644,373	588,158
	Payments during the year		(464,557)	(321,367)
	At 31 December		**644,085**	**897,519**

11.2 Deferred tax liabilities

Deferred tax	2020 N'000	2019 N'000
At 1 January 2020	75,079,301	80,730,471
Recognised in statement of profit or loss	(898,264)	(5,651,170)
Recognised in other comprehensive income	114,606	-
At 31 December 2020	**74,295,643**	**75,079,301**

11.3 Reconciliation of effective tax rate

Profit/(loss) before tax from continuing operations	**10,200,174**	**(1,071,860)**
Income tax expense calculated at 30% of PBT	3,060,052	321,558
Adjustment for permanent differences		
Corporate social responsibility	(24)	-
Prior yr gas estimate adjustment under pioneer	233,257	-
Investment Allowance	3,050	10,759
Provision for doubtful debts	(2,785,635)	4,622,689
Prior year tax overprovision	433,250	1,695,251
Adjustment for other taxes		
Tertiary Education Tax	(293,323)	193,662
Deferred tertiary education	36,513	(85,656)
	687,140	**6,758,263**

11.4 Analysis of deferred tax liability

	Property, plant and equipment N'000	Other provisions N'000	Total N'000
At 1 January 2019;			
Deferred tax asset	**(6,464,013)**	**-**	**(6,464,013)**
Deferred tax liability	**89,881,049**	**(2,686,565)**	**87,194,484**
Net position	**83,417,036**	**(2,686,565)**	**80,730,471**
Charged/(credited) to the income statement	(5,881,967)	230,797	(5,651,170)
At 31 December 2019	**77,535,069**	**(2,455,768)**	**75,079,301**
Charged/(credited) to other comprehensive income	**114,606**	**-**	**114,606**
Charged/(credited) to the income statement	-	(898,264)	(898,264)
At 31 December 2020	**77,649,675**	**(3,354,032)**	**74,295,643**

12 Property, Plant and Equipment

	GENERATION ASSETS			NON - GENERATION ASSETS					CAPITAL WORK IN PROGRESS	
	Plant and machinery	Auxiliary plant & building	ARO Asset cost	Equipment (Non plant)	Furniture & fittings	Motor vehicles	Freehold land	Buildings (Non plant)	Capital Work in Progress	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cost or valuation										
At 1 January 2019	566,931,348	64,707,469	3,159,414	205,697	228,710	103,201	6,735,000	15,384,088	523,480	657,978,407
Additions	146,242	2,876	-	50,632	49,114	251,496		87,253	25,407	613,019
Transfers	63,924								(63,924)	-
At 31 December 2019	**567,141,514**	**64,710,345**	**3,159,414**	**256,329**	**277,823**	**354,697**	**6,735,000**	**15,471,341**	**484,963**	**658,591,426**
At 1 January 2020	567,141,514	64,710,345	3,159,414	256,329	277,823	354,697	6,735,000	15,471,341	484,963	658,591,427
Additions	9,672	549,857	-	92,001	79,445	55,238	-	9,659	123,911	919,783
Transfers/adjustment	-	-	-	-	-	-	-		(1,484)	(1,484)
At 31 December 2020	**567,151,186**	**65,260,202**	**3,159,414**	**348,330**	**357,268**	**409,935**	**6,735,000**	**15,481,000**	**607,390**	**659,509,726**
Accumulated depreciation										
At 1 January 2019	322,485,335	42,050,852	657,736	54,243	127,571	67,610	-	3,032,955	-	368,476,301
Charge for the year	9,562,766	1,296,249	160,334	30,386	50,423	32,858	-	589,937	-	11,722,953
Adjustment										
At 31 December 2019	**332,048,101**	**43,347,101**	**818,070**	**84,629**	**177,994**	**100,468**	**-**	**3,622,892**	**-**	**380,199,254**
At 1 January 2020	332,048,101	43,347,101	818,070	84,629	177,994	100,468	-	3,622,892	-	380,199,254
Charge for the year	10,540,572	1,314,866	165,908	37,468	42,461	78,979	-	594,510	-	12,774,763
At 31 December 2020	**342,588,673**	**44,661,967**	**983,978**	**122,097**	**220,454**	**179,446**	**-**	**4,217,401**	**-**	**392,974,017**
Carrying amount										
At 31 December 2020	**224,562,513**	**20,598,235**	**2,175,436**	**226,232**	**136,814**	**230,489**	**6,735,000**	**11,263,599**	**607,390**	**266,535,709**
At 31 December 2019	**235,093,413**	**21,363,244**	**2,341,344**	**171,700**	**99,830**	**254,230**	**6,735,000**	**11,848,449**	**484,963**	**278,392,172**

12a The Directors at the reporting date have considered possible impairment triggers in respect of the operations of the Company based on industry events. Based on its assessment, no impairment provision has resulted based on the assumptions and estimates adopted on the expected cash flows from installed capacity, power generation load factor, weighted average cost of capital and technical loss ratio. The Directors believe that the estimates and assumptions made are appropriate and reasonable and based on best available information for both planning and operational purposes. The Directors acknowledge that sensitivity fluctuations may exist in the future based on macro-economic indices and Company specific factors due to the continuing restructuring and regulations in the power industry, but expects that any fluctuation which may impact on the carrying amount of the generating assets will be accounted for prospectively, if any exists in the applicable reporting period and none of these assets are pledged as collateral for loans.

12b Total additions

	2020 N'000	2019 N'000
Property, Plant and Equipment		
Additions	919,783	613,019
Transfers	(1,484)	-
	918,299	**613,019**
Intangible assets		
Additions	1,890	-
Total addition	**920,189**	**613,019**

12c Classification of depreciation

Total depreciation	**12,774,763**	**11,722,953**
Cost of sales	12,004,383	11,019,349
Administrative expenses	770,380	703,604
Total depreciation	**12,774,763**	**11,722,953**

13 Intangible assets

	Software	Software
Cost		
At 1 January	29,165	29,165
Additions	1,891	-
At 31 December	**31,056**	**29,165**
Accumulated amortisation and impairment		
At 1 January	28,715	23,705
Charge for the year	574	5,010
At 31 December	**29,289**	**28,715**
Carrying amount		
At 31 December	**1,767**	**450**

		2020	2019
14	**Inventories**	**N'000**	**N'000**
	Premium motor spirit	5,276	2,361
	Automotive gas oil	14,667	15,617
		19,943	**17,978**
15	**Trade and other receivables**		
	Trade receivables	140,349,058	115,090,954
	Amounts due from related parties (Note 20.1)	22,453,372	17,164,614
	other receivables	593,052	563,935
	Unpaid share capital	20,000	20,000
		163,415,482	**132,839,503**
	Expected credit loss (Note 14.1)	(33,854,512)	(43,064,025)
	Net trade and other receivables	**129,560,970**	**89,775,478**

Amount represents total provisions based on Directors' assessment of receivables which are doubtful of recovery, due to age of debt.

15.1	**Movement in expected credit loss allowance**		
	Balance as at 1 January	43,064,025	42,974,655
	Impairment (reversal)/loss recognised	(9,209,513)	89,370
	Balance as at 31 December	**33,854,512**	**43,064,025**
16	**Other assets**		
	Advances	1,042,667	522,236
	Prepayments	225,108	214,197
		1,267,775	**736,433**
17	**Restricted cash**		
	Cash cover for bank guarantees (Note 17.1)	**4,405,742**	**4,227,320**

17.1 This relates to cash cover for bank guarantees in respect of letter of credit for Gas suppliers

18	**Cash and cash equivalents**		
	Investment in fixed deposit (Note 18.1)	10,564,006	491,641
	Cash in bank	6,902,440	2,042,482
	Cash at hand	12,028	5,872
	Expected credit loss on cash and cash equivalent	(13,586)	(89,523)
		17,464,888	**2,450,472**

18.1 Investment in fixed deposit represents short term deposits kept by the Company in Nigerian commercial banks with maturity of 3 months or lower at fixed interest rates, and therefore yielding interest over the period of deposit.

19 Trade and other payables

	2020 N'000	2019 N'000
Amounts due to related parties (Note 20.4)	19,703,341	12,165,566
Trade creditors	83,295,653	71,787,727
O&M Provisions	23,459,789	8,623,191
Accruals and other creditors	7,491,212	8,422,654
	133,949,995	**100,999,138**
Current	110,490,206	92,375,947
Non-current (O&M Provisions)	23,459,789	8,623,191
	133,949,995	**100,999,138**

20 Related party transactions

20.1 Amounts due from related companies

Ikeja Electric (Note 20.2)	22,435,744	17,150,459
Sahara Energy Resources Limited (Note 20.3)	17,628	14,155
	22,453,372	**17,164,614**

Parent and ultimate controlling party

The parent company of Egbin Power Plc is KEPCO Energy Resource Nigeria Limited ("KERL"), with 70% shareholding. Following the conclusion of the Government's privatization exercise in November 2013, The Federal Government of Nigeria handed over the Company to the core investor, a Joint Venture between Sahara Power Group (SPG) and Korea Electric Power Corporation ("KEPCO") known as KEPCO Energy Resource Limited ("KERL").

The Company had the following transactions with the under-listed related parties during the year:

20.2 Ikeja Electric

Ikeja Electric Plc is an affiliated entity owned by Sahara group. On 18 December 2015 Ikeja Electric Plc entered into a memorandum of understanding with Egbin power plc.

The amount represents receivables due from Ikeja Electric, a related entity in respect of electricity sales under the bilateral arrangement (Unit 6). See below the transaction details.

Opening balance	17,150,459	16,507,837
Total transactions	9,437,373	10,235,405
Total payments	(4,152,090)	(9,592,783)
Total amount due as at end of the period	**22,435,742**	**17,150,459**

20.3 Sahara Energy Resources Limited

Sahara Energy Resources Limited (SERL) is an affiliated company owned by Sahara group.

The amount represents amount due from Sahara Energy Resources Limited on cash swap transactions.

	2020 N'000	2019 N'000
Opening balance	14,155	25,454
Total transactions	80,699	592,991
Total payments	(77,226)	(604,291)
Total amount due as at end of the period	**17,628**	**14,155**

20.4 Amounts due to related companies

Kepco Energy Resource Ltd. BVI (Note 20.5)	12,896,585	5,649,202
Sahara Group Limited (Note 20.6)	6,695,918	6,405,526
KEPCO Energy Resources Nigeria Ltd. (Note 20.7)	102,231	102,231
Sahara Power Limited (Note 20.8)	8,607	8,607
	19,703,341	**12,165,566**

20.5 Kepco Energy Resource Ltd. BVI

This affiliated company provides Technical Services and Operational Support to the Company. This covers: Major inspections and Overhauls of Unit Turbines, Procurement of spares and operational consumables, and Provision of specialised manpower.

Opening balance	5,649,202	-
Total transactions	16,373,968	47,411,000
Total payments	(9,126,585)	(41,761,798)
Total amount due as at end of the period	**12,896,585**	**5,649,202**

20.6 Sahara Group Limited

Sahara Group Limited has common ownership with Egbin Power Plc. Sahara Group Limited provides professional and administrative support services to the Company. See below transactions during the period.

Opening balance	6,405,525	6,303,126
Total transactions	290,392	102,399
Total payments	-	-
Total amount due as at end of the period	**6,695,917**	**6,405,525**

20.7 KEPCO Energy Resources Nigeria Limited

KEPCO Energy Resources Nigeria Limited is the parent company of Egbin Power Plc, with 70% shareholdings. There were no transactions with this company during the course of the year.

	2020 N'000	2019 N'000
Opening balance	102,231	102,231
Total amount due as at end of the period	**102,231**	**102,231**

20.8 Sahara Power Limited

This affiliated company provides administrative support services to the Company. There was no transactions with this affiliate during the year.

	2020 N'000	2019 N'000
Opening balance	8,607	8,607
Total amount due as at end of the period	**8,607**	**8,607**

21 Provision for decommissioning obligation

At 1 January	8,165,123	5,069,712
Change in estimate	(1,222,797)	2,322,786
Accretion cost for the year	970,017	772,625
At 31 December	**7,912,343**	**8,165,123**

Decommissioning provision represents the present value of estimated future decommissioning costs relating to the generation assets, which are expected to be incurred up to year 2035, based on its operating life. This provision has been created based on the management's best estimates as at reporting date. Assumptions based on the current economic environment have been made which management believes are a reasonable basis upon which to estimate the future liability. The fair values of these asset retirement obligations are recorded on a discounted basis, at the time the obligation is incurred, and accreted overtime for the change in present value. The estimate for the decommissioning liability was calculated based the plant capacity for the year, expected scrap value of the steel components factoring the Federal Government of Nigeria (FGN) 15-year tenor bond at the rate of 7.06% (2019: 11.88%) per annum. The assumptions and judgements made in regard to this estimate are subject to annual assessment by management and adjustments if any are to be recognised. Management recognises that actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the generation assets cease to produce on economically viable basis.

22 Financial instruments

22.1 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

22.2 Categories of financial instruments

The following table summarizes the Company's financial instruments:

22.2.1 Financial assets measured at amortized cost

	2020 N'000	2019 N'000
Trade and other receivables	163,415,482	132,839,503
Cash and cash equivalents	17,464,888	2,450,472
	180,880,370	**135,289,975**

23 Share capital

Authorised

100,000,000 ordinary shares of N1 each	**100,000**	**100,000**

Issued

25,000,000 ordinary shares of N1 each	**25,000**	**25,000**

Shareholders - Units	**Unit**	**Unit**
KEPCO Energy Resources Limited	17,500,000	17,500,000
Bureau of Public Enterprises	6,000,000	6,000,000
Ministry of Finance Incorporated	1,500,000	1,500,000
	25,000,000	**25,000,000**

Shareholders - % interest	**%**	**%**
KEPCO Energy Resources Limited	70	70
Bureau of Public Enterprises	24	24
Ministry of Finance Incorporated	6	6
	100	**100**

24 Earnings per share

Earnings for the purpose of basic profit per share is based on net loss attributable to equity holders of the Company.	**10,887,315**	**5,686,403**

Number of shares

	Number	Number
Number of ranking ordinary shares for the purpose of basic loss per share.	**25,000,000**	**25,000,000**
Earnings per share - Basic & Diluted (Naira)	**435.49**	**227.46**

25 Other reserves

Balance as at 1 January	**189,902,294**	**192,225,080**
Changes in Decommissioning Estimate	1,108,191	(2,322,786)
Balance as at 31 December	**191,010,485**	**189,902,294**

Analysis of balance		
Nigerian Electricity Liability Management Company (NELMCO)	(49,100,000)	(49,100,000)
Government funding	19,719,437	19,719,437
Deferred Tax on Revaluation Surplus	(94,666,146)	(94,666,146)
Revaluation Surplus	315,553,822	315,553,822
Accumulated Changes in Decommissioning Estimate	(496,627)	(1,604,819)
Closing balance	**191,010,485**	**189,902,293**

26 Information regarding Directors and employees

26.1 Directors

		2020 **N'000**
Directors' emoluments comprise:		
Fees	27,000	29,250
Expenses	6,814	4,516
	33,814	**33,766**

The number of Directors including the Chairman whose emoluments were within the bands stated below were:

	Number	Number
Up to NGN 4,000,000	4	4
NGN 4,000,001 to N 5,000,000	2	2
	6	**6**

The Directors have no interests in contracts executed by the Company during the year ended 31 December 2020.

26.2 Employees

Total number of employees as at year-end:	2020 Number	2019 Number
Management	45	45
Senior	243	236
Junior	188	188
	476	**469**

Aggregate staff costs:

	N'000	N'000
Salaries and wages (Note 6 & 8)	2,310,825	2,775,576
Other staff welfare (Note 6& 8)	445,995	459,885
	2,756,820	**3,235,461**

The number of paid employees with gross emoluments within the bands stated below were:

	Number	Number
Below N1,000,000	16	16
N1,000,000 - N2,000,000	97	97
N2,000,001 - N5,000,000	228	221
N5,000,001 - N10,000,000	103	103
Above N10,000,000	32	32
	476	**469**

27 Contingent liabilities

There is a pending litigation and claims amounting to N520 billion as at 31 December 2020 : (2019: N520 billion). The suit was instituted against the Company by members of the host community over the land on which the Company's power station is located. However, the Directors on the representation and advise of the legal advisers are of the view and confident that the Company will suffer no material losses as the suit is likely to be decided in their favour.

28 Financial commitments

There were no capital commitments contracted by the Company or approved by the Board which had not been provided for as at the reporting date (2019: Nil)

29 Subsequent events

There were no other significant events after the reporting date that could have a material effect on the state of affairs of the Company as at 31 December 2020, or on the profit for the year which have not been adequately provided for or disclosed in these financial statements.

30 Comparative figures

Certain prior year comparatives have been adjusted to properly reflect current year presentation format.

Value added statement

	31 December 2020 N'000	%	31 December 2019 N'000	%
Revenue	119,695,559	454	78,899,186	535
Bought in materials and services				
- Imported	(33,738,156)	(128)	(19,652,887)	(133)
- Local	(59,578,918)	(226)	(44,503,375)	(302)
Value added	**26,378,485**	**100**	**14,742,924**	**100**
Distributed as follows:				
To pay employees				
Staff cost	2,756,820	10	3,235,461	22
To pay Government				
Taxation	788,297	3	(1,107,093)	(8)
To pay providers of finance				
Interest expense	44,491	0	78,736	1
Maintenance of assets and future expansion				
Depreciation	12,775,335	49	11,727,962	80
Accretion expense	970,017	4	772,625	4
Deferred taxation	(1,843,790)	(7)	(5,651,170)	(38)
Profit for the year	10,887,315	41	5,686,403	39
Value added	**26,378,485**	**100**	**14,742,924**	**100**

Value added representsthe additional wealth which the Companywas able to create through its own efforts and those of its employees.This statement shows the allocation of that wealth among employees,providers of capital, government, and the proportion retained for the future creation of more wealth.

5-year financial summary

Statement of financial	31 December 2020 N'000	31 December 2019 N'000	31 December 2018 N'000	31 December 2017 N'000	31 December 2016 N'000
Assets employed					
Property, plant and equipment	266,535,709	278,392,172	289,502,105	300,297,714	307,805,528
Intangible assets	1,767	449	5,460	12,155	16,710
Other assets	-	-	-	619	39
Net current assets	41,585,027	3,934,216	27,812,524	(12,535,542)	(9,916,015)
Deferred tax	(74,295,643)	(75,079,301)	(80,730,471)	(77,235,431)	(80,137,029)
Other long-term liabilities	(31,372,132)	(16,788,314)	(49,494,013)	(5,167,727)	(4,636,946)
Net assets	**202,454,728**	**190,459,222**	**187,095,605**	**205,371,788**	**213,132,287**
Capital and reserves					
Share capital	25,000	25,000	25,000	25,000	25,000
Retained earnings	11,419,243	531,928	(5,154,475)	13,839,676	21,600,175
Other reserves	191,010,485	189,902,294	192,225,080	191,507,112	191,507,112
Total equity	**202,454,728**	**190,459,222**	**187,095,605**	**205,371,788**	**213,132,287**

Statement of profit or loss and other comprehensive income					
Revenue	119,695,559	78,899,186	91,713,176	76,746,317	78,242,055
Profit/(loss) before taxation	10,200,174	(1,071,860)	3,658,647	(9,533,664)	(19,850,784)
Taxation	687,141	6,758,263	(881,382)	1,773,165	11,608,879
Profit for the year	10,887,315	5,686,403	2,777,265	(7,760,499)	(8,241,905)
Other comprehensive income	1,108,191	(2,322,786)	717,968	-	83,319,187
Total comprehensive income for the year	**11,995,506**	**3,363,617**	**3,495,233**	**(7,760,499)**	**75,077,282**
Earnings/(loss) per share - Basic	**435.49**	**227.46**	**111.09**	**(310.42)**	**(715.67)**
Net assets per share	**8,098.19**	**7,618.37**	**7,483.82**	**8,214.87**	**18,506.86**

Notes

Earnings per share is based on the earnings/(loss) for the year and it is computed on the basis of the weighted number of ordinary shares in issue as at the end of the respective statement of financial position date.

at the end of the respective statement of financial position date.
Net assets per share is based on the net assets and the weighted number of ordinary shares in issue as

Statement of profit or loss and other comprehensive income USD

	31 December 2020 US$'000	31 December 2019 US$'000
Revenue	310,719	218,205
Cost of sales	(285,789)	(214,098)
Gross profit	**24,930**	**4,107**
Impairment reversal	23,194	1,311
Administrative expenses	(10,391)	(11,259)
Operating profit/(loss)	**37,733**	**(5,841)**
Finance income	829	3,780
Finance cost	(2,542)	(2,355)
Other (losses)/gains	(6,228)	1,452
Profit/(Loss) before taxation	**29,792**	**(2,964)**
Taxation	1,716	18,690
Profit for the year	**31,508**	**15,726**
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss	-	-
Changes in Decommissioning estimate	3,054	(6,424)
Deferred tax	(286)	-
Items that may be reclassified subsequently to profit or loss		
Translation difference	(50,793)	(8,530)
Total comprehensive income for the year	**(16,516)**	**772**
Earnings per share - Basic & Diluted (Naira/ US$)	1.26	0.63

Statement of financial position USD

	31 December 2020 US$'000	31 December 2019 US$'000
ASSETS		
Non-current assets		
Property, plant and equipment	665,789	763,347
Intangible assets	4	1
Total non-current assets	665,793	763,348
Current assets		
Inventories	50	49
Trade and other receivables	323,635	246,162
Other assets	3,167	2,019
Restricted cash	11,005	11,591
Cash and cash equivalents	43,626	6,719
Total current assets	**381,483**	**266,540**
TOTAL ASSET	**1,047,276**	**1,029,888**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	111	111
Retained earnings	139,124	107,616
Other reserves	1,017,551	1,014,783
Cumulative translation adjustment	(651,069)	(600,276)
Total equity	**505,717**	**522,234**
Non-current liabilities		
Deferred tax liabilities	185,586	205,866
Provision for overhauls and maintenance	58,601	23,645
Provision for decommmissioning obligation	19,765	22,389
Total non-current liabilities	263,952	251,900
Current liabilities		
Trade and other payables	275,998	253,293
Current tax liabilities	1,609	2,461
Total current liabilities	277,607	255,754
TOTAL LIABILITIES	**541,559**	**507,654**
TOTAL EQUITY AND LIABILITIES	**1,047,276**	**1,029,888**

Statement of changes in equity USD

	Share Capital US$'000	Retained Earnings US$'000	Other Reserves US$'000	Cumulative translation adjustment US$'000	Total Equity US$'000
Balance at 1 January 2019	**111**	**91,890**	**1,021,207**	**(591,746)**	**521,462**
Profit for the year	-	15,726	-	-	15,726
Changes in decommissioning estimate	-	-	(6,424)	-	(6,424)
Translation difference	-	-	-	(8,530)	(8,530)
Balance at 31 December 2019	**111**	**107,616**	**1,014,783**	**(600,276)**	**522,234**
Deferred tax on revaluation surplus	-	-	(317)	-	(317)
Profit for the year	-	31,508	-	-	31,508
Changes in decommissioning estimate	-	-	3,054	-	3,054
Deferred tax on revaluation surplus	-	-	(286)	-	(286)
Translation difference	-	-	-	(50,793)	(50,793)
Balance at 31 December 2020	**111**	**139,124**	**1,017,551**	**(651,069)**	**505,401**

Statement of cash flows USD

	31 December 2020 US$'000	31 December 2019 US$'000
Cash flows from operating activities		
Profit/(loss) before tax	29,792	(2,964)
Adjustments for:		
Depreciation on generation assets	29,988	30,475
Depreciation on non generation assets	1,925	1,960
Impairment loss allowance(Receivable)	(23,194)	247
Impairment - Cash & Bank	(219)	-
Bad debt written off	1	35
Accretion expense	2,423	2,137
Interest on fixed deposit	(829)	(3,780)
	10,095	**31,074**
Movements in working capital		
Increase in trade and other receivables	(77,473)	(23,799)
(Increase)/Decrease in other assets	(1,148)	5,972
Decrease/(Increase) in inventories	(1)	11
Increase/(Decrease) in trade and other payables	57,661	(75,417)
Total adjustments and movements	**(10,866)**	**(62,159)**
Income taxes paid	(1,218)	(881)
Net cash generated from operating activities	**17,708**	**(66,004)**
Cash flows from investing activities		
Purchase of fixed assets	(2,397)	(1,695)
Interest received on fixed deposits	829	3,780
(Increase)/Decrease in restricted cash	586	(122)
Net cash (used in)/generated from investing activities	**(982)**	**1,963**
Cash flows from financing activities	-	-
Net cash generated from financing activities	**-**	**-**
Net increase in cash and cash equivalents	16,726	(64,041)
Effects of exchange rate changes on cash and cash equivalents	19,970	(4,367)
Gross and cash equivalents at beginning of the year	6,964	75,372
Gross cash and cash equivalents at end of the year	**43,660**	**6,964**
Impairment of cash	(34)	(245)
Net cash and cash equivalents at end of the year	**43,626**	**6,719**

Proxy Form

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Shareholder

Before completing this form, please read the explanatory notes

I /We being a member of the Company appoint the Chairman of the meeting OR (see note 3)

as my/our proxy to attend, speak and vote on my/our behalf at the Annual General Meetings of the Company for the year ended 31st December 2020 to be held on Wednesday 13th August 2021 at the Company's Headquarters, Egbin Power Complex, Egbin, Lagos and at any adjournment of the meeting.

I/We direct my/our proxy to vote on the following resolutions as I/we have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or abstain from voting at his or her discretion and I/we authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is [properly] put before the meeting.

RESOLUTIONS	For	Against
ORDINARY BUSINESS		
1. To receive the Audited Financial Statements for the year ended 31st December 2020 and the Reports of the Directors and Auditors thereon		
2. To re-elect Directors.		
3. To authorize the Directors to fix the Remuneration of the Auditors		
4. To elect members of the Audit Committee.		
Please indicate with an "**X**" in the appropriate column, how you wish your votes to be cast on the resolutions set out above.		

Name	
Signature	
Date	

Notes to the proxy form

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.
2. This proxy form should NOT be completed and sent to the registered office of the Company if the member would be attending the Meeting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
4. To direct your proxy on how to vote on the resolutions mark the appropriate box with an "X". If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
5. To appoint a proxy using this form, the form must be:
   - Completed and signed;
   - Sent or delivered to the Company at the headquarters, Egbin Power Complex, Egbin, Lagos; and
6. Received by the Company no later than 6 pm on the Wednesday 11th August 2021
7. In the case of a member which is a company, this proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
8. Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
9. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.