

# 2021 ANNUAL REPORT



Bringing energy to life responsibly



EGBIN POWER PLC

# Annual Report and Financial Statements

For the year ended 31 December, 2021

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## CORPORATE INFORMATION

|                  |                  |            |          |
|------------------|------------------|------------|----------|
| <b>Directors</b> | 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, Ajoye 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

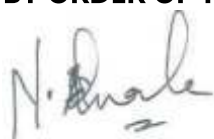
**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of **Egbin Power Plc** (the "Company") will be held at the **Boardroom, Egbin Power Plant, Ikorodu, Lagos State** on **Wednesday, 25<sup>th</sup> January 2023** at **1.00 p.m.** to transact the following businesses:

### ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31<sup>st</sup> December 2021 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 this 9<sup>th</sup> day of January 2023

### BY ORDER OF THE BOARD



**LANRE DUROJAIYE**  
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 in his/her/its stead and such a proxy need not be a member. For the appointment to be valid, executed proxy forms must be deposited at the principal place of business of the Company at Egbin Power Plant, Ikorodu, Lagos State, not less than forty-eight (48) hours before the meeting.
2. **Re-election of Directors**  
In accordance with the Companies and Allied Matters, 2020 (CAMA), the directors to retire by rotation at the Annual General Meeting are Mr. Alex Okoh and Mr. Tope Shonubi. The retiring directors being eligible offer themselves for re-election.
3. **Audit Committee**  
As stipulated by Section 404 (6) of CAMA, any shareholder may nominate another shareholder for election to the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least fourteen (14) days before the Annual General Meeting.

## CHAIRMAN'S STATEMENT

### Introduction

Dear Priceless Shareholders, distinguished members of the Board, 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 7th Annual General Meeting of our Company wherein we will present the Annual Report for the year ended 31st December 2021 for your consideration.



The past two (2) years have presented businesses in Nigeria and around the world with unprecedented challenges. These challenges are the result of the lingering impact of the COVID-19 pandemic, a worsening economic crisis, escalating socio-political tensions, several global and regional socio-economic and political factors, and the Russian-Ukraine War amongst others. Even though many businesses had to re-evaluate their strategies to integrate resilience into their work processes during this period, we were able to demonstrate our Company's strength, resilience, and capacity to adapt and improve by rising to these numerous challenges.

The year 2021 was one of objective self-evaluation and strategic adjustments as we built on our performance for 2020, particularly as we gradually recovered from the impact of the COVID-19 pandemic. We held true to our promise to reduce the rate of illiteracy in our host communities through scholarship interventions in basic education for indigent and exceptional students. We also made a concerted effort to engage qualified local vendors as much as possible. This resulted in a 19.4% increase in our local supplier base, with local suppliers receiving 80% of our N7.4 billion procurement budget.

At Egbin, we constantly seek ways to improve our output while preserving and sustaining the environment, safeguarding, and maximizing the potential of our people, as well as enhancing our profitability. In 2021, we switched from using basic Maintenance Connection software to the more robust IBM Maximo and Employee Assistance Program (EAP) systems to manage our procurement procedures. In addition, we continued to use light-emitting diode (LED) bulbs while monitoring our energy consumption. Future goals include requiring an Energy Star label for all electrical equipment purchased for the built environment.

The following events impacted our performance in the 2021 financial year:

### OPERATING ENVIRONMENT

According to the data released by the Nigerian Bureau of Statistics (NBS), Nigeria's Gross Domestic Product (GDP) grew by 3.4% in the year 2021 compared to a contraction of 1.92% in the year 2020. In real terms, it grew by 3.98% (year on year) in the fourth quarter of 2021 thereby showing sustained growth for the fifth consecutive quarter since the recession witnessed in 2020. This was the fastest GDP growth rate recorded in Nigeria in the past eight (8) years, though the macroeconomic environment faced several challenges, coupled with the crippling effect the Covid-19 pandemic had on businesses and economies globally, forcing nations around the world to close their borders.

Nigeria was faced with several challenges during the year 2021, such as inflation which stood at about 16.95%, increasing by 3.71% from 13.2% in the year 2020. This headline index, which was affected by exchange rate volatility and disruptions in the supply chain, was above the Central Bank of Nigeria's 6-9% target and above the 11.95% benchmark set by the Federal Government in the 2021 budget. Insecurity was also one of the major challenges faced as statistics showed that there were about 10,366 media-reported killings in 2021 which is about 32% increase from the previous year with kidnapping and banditry spreading to various parts and communities across the country.

Nigeria Electricity Supply Industry (NESI) has also been plagued with challenges across its subsector. In the transmission and distribution subsectors, there remain collection and metering issues, non-cost

reflective tariffs, infrastructure deficiency, customer apathy, mistrust and abysmal consequence management etc. This has made it difficult to sustain a commercially healthy market as well as evacuate the available generation capacity through the grid. The Nigeria Bulk Electricity Trading (NBET) Plc has not been able to meet all its obligations to the Power Generation Companies (GENCOs) as contained in the Power Purchase Agreements (PPA) with a total of about N1.644trillion being owed to the GENCOs cumulatively since 2015 and counting.

The Nigeria Electricity Regulatory Commission (NERC), based on data obtained in 2021, reported that power distributed in the year averaged at 4,094.09MW. Relatedly, the average unutilized power generation capacity increased to 3008.18MW in 2021 from 1030.80MW in 2013 indicating an increase of 291% in the past eight (8) years. This has denied the nation of substantial power which could have been utilized to boost economic activities. While poor transmission and distribution infrastructure was largely blamed for limiting generation, gas supply remained a big hurdle for gas-powered plants. However, it is worthy of note that efforts are ongoing to improve the state of the transmission and distribution network with several projects like the Electricity Road Map agreement with German-based Siemens with the aim of modernizing and improving the country's national grid size. While these projects are laudable and will bring significant improvements to the grid, the lead time to deliver some of them is medium to long-term nature. We are also hoping that relative investment will also be witnessed in the gas production and distribution infrastructure.

## OPERATING RESULTS

The Company's 2021 Financial Year (FY) performance demonstrated strength and resilience despite the slow response of world economies recovering from Covid-19; the challenging business environment; and unfavorable macro-economic indicators such as foreign exchange and inflation. The situation was further aggravated by a huge dollar demand and a decline in forex inflow from foreign capital, remittances, and non-oil exports.

The business reported a 29% increase in revenue from N120 Billion in 2020 to N154 Billion at the end of FY 2021. Gross Margin improved from 7% to 15% while Profit before tax increased by 7% from N10.2 Billion to N10.9 Billion Year on Year Business Performance was attributed to growth in generated MW by 17% from 547 in 2020 to 642 in 2021.

It is worthy to note that during the year under review, the Company had a net trade and other receivables balance of N111 Billion as disclosed in note 15 to the Financial Statements. A significant portion of these receivables is owed by Government agencies: Market Operator and Nigerian Bulk Electricity Trading Plc (NBET). This value continues to erode with inflation and FX devaluations.

## BOARD MATTERS

There were no changes to the composition of the Board during the period under review. At this AGM, Mr. Alex Okoh and I - Mr. Temitope Shonubi will be retiring by rotation and being eligible, have offered themselves for re-election in accordance with Article 88 of the Articles of Association of the Company and with the provisions of the Companies and Allied Matters Act 2020.

## CORPORATE GOVERNANCE

Our 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.

## MANAGEMENT & STAFF

At 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. We have been pragmatic in our approach to ensure the

health and safety of our people. We have taken deliberate steps to deploy resources to help our communities overcome hardships during these turbulent times. Over the last two years, we focused on supporting our communities and the government in the fight against COVID-19. We continued regular testing and aftercare for our staff while encouraging all staff to get vaccinated. We remain committed to keeping our staff and communities safe by being fully compliant with health and safety measures in all our operations. As part of our COVID-19 protocols, Management continued to maintain for the second year, an isolation center in the Estate Health Care Facility with basic ICU equipment and medication. We also carried out periodic testing of the staff and residents of the estate for the COVID-19 Virus. In the coming year, 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. We have stopped deducting the 13th month contribution from staff salary and the Company contributes the amount in full. We continue to upgrade the estate and build new homes for our staff annually.

We also have in place the workmen's compensation insurance policy, to adequately secure and protect our employees in addition to a robust Health Management Organisation (HMO) scheme which covers staff and their immediate family members at the Company's expense. Our health and wellness policy prescribes quarterly health education and medical check-ups for every member of staff. We have also gone intrinsic and created the "Egbin Lifestyle" mode which includes promoting recreational activities and fostering a sense of family outside work through initiatives such as Karaoke night, Protection Of My Personal Space (POMPS), sporting and cooking competitions as well as "green life" - with the provision of electric scooters and bicycles for ease of transportation within the facility. With the Egbin Lifestyle, we have made infrastructural upgrades to the recreational centre including swimming pool refurbishment, the establishment of the Minimart complex and added modern equipment to our gym. We are also supportive of mental health issues and stress-related issues.

We also continue to 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, employees, contractors, and visitors are promptly evacuated to a safe location.

We are fully committed to building the next generation of excellent Engineers and staff through our various Management Training Programmes.

#### **PERSONAL & CORPORATE SOCIAL RESPONSIBILITY (PCSR)**

As part of our PCSR activities for 2021, we continued to support underprivileged communities through our annual Scholarship scheme aimed at high-potential pupils within our host communities. We also provided basic amenities and infrastructure improvement aimed at giving back to our host communities and ensuring that we continue to make a meaningful positive impact in our immediate environment.

In 2021, we invested approximately N201 Million in CSR support to our host communities, and charitable institutions and organizations.

It is also worthy to note that we continued our palliative measures to support the local community through the provision of medical equipment, Oxygen Tanks, food, safety gear, and apparatus; also sensitizing them on the best ways to protect against COVID-19.

#### **FUTURE OUTLOOK**

The IMF has projected a 4.4% growth in the global economy for 2022, but this is against the backdrop of supply chain disruptions, a buildup in energy and commodity prices and higher inflationary pressures. It is however doubtful if the projected growth can be achieved in view of the war between Russia and Ukraine, with the resultant shortage of energy, materials and the negative effect on the OEMs.

The expected volatility and uncertainty in the business environment notwithstanding, the Board and Management remain confident about the future of the Company and are committed to its success and sustainability. We have taken significant steps in ensuring that we continue to innovate, grow, and create cutting-edge digital solutions and services that will be relevant today and fit for the future of our business. In the year 2022, we will continue to pursue our resilient strategy whilst building on our strengths and foundations to overcome the challenges the year will present.

## CONCLUSION

Distinguished Shareholders, as always, I am very grateful for the dedication and loyalty of our staff, management, and Directors. Our people have continued over the years to be our most treasured assets and will continue to be, because they are the essential internal customers through which we can continually deliver quality service to our customers and the nation at large.

We are totally committed to the environment and sustainability principles and action. We must remain a responsible citizen of the world. As I have always been, I am confident that the strategies being adopted by the Board and Management will put our Company on a sound footing to enjoy growth going forward despite the challenges of the post-COVID-19 era. I would further like to reassure our esteemed Shareholders and stakeholders that we will continue to strengthen our business strategic foundations to persist in meeting both our financial and operational targets.

On behalf of the Management of the Company, I would like to say a heartfelt thank you to our dedicated employees, our host communities, our shareholders, regulators, partners, and Directors for their continued support and the trust you place in us.

Thank you and God Bless.



**Tope Shonubi**  
CHAIRMAN



## DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2021.

### 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:

|                        | 2021<br>N'000 | 2020<br>N'000 |
|------------------------|---------------|---------------|
| Revenue                | 153,822,254   | 119,695,559   |
| Profit before taxation | 10,897,284    | 10,200,174    |
| Taxation               | 493,941       | 687,141       |
| Profit for the year    | 11,391,225    | 10,887,315    |

### Dividend

No dividend was paid or proposed during the year (2020: 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:

|                                  | 2021              |            | 2020              |            |
|----------------------------------|-------------------|------------|-------------------|------------|
| 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          |
| <b>Total</b>                     | <b>25,000,000</b> | <b>100</b> | <b>25,000,000</b> | <b>100</b> |

|                                                                                       | 2021<br>N'000  | 2020<br>N'000  |
|---------------------------------------------------------------------------------------|----------------|----------------|
| <b>Authorised</b>                                                                     |                |                |
| 100,000,000 ordinary shares of N1 each (2020: 100,000,000 ordinary shares of N1 each) |                |                |
|                                                                                       | <b>100,000</b> | <b>100,000</b> |

### Issued

|                                                                                     |               |               |
|-------------------------------------------------------------------------------------|---------------|---------------|
| 25,000,000 ordinary shares of N1 each (2020: 25,000,000 ordinary shares of N1 each) |               |               |
|                                                                                     | <b>25,000</b> | <b>25,000</b> |

## Directors' Report

### 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 303 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 N135 million to charitable institutions and organizations during the year (2020: N402 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 2021 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.

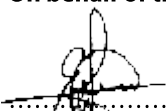
### COVID-19

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 be significantly impacted. Furthermore, the company has in place appropriate health and safety measures to mitigate the risk of employees' exposure to the virus.

### Auditors

In accordance with Section 401 (2) of Companies and Allied Matters Act of Nigeria, Messrs Pricewaterhousecoopers (Chartered Accountants), have indicated their interest to continue in office as auditors of the Company.

### On behalf of the Board

  
 .....  
**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 2021, 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 impact of 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 2021 were approved by Directors on

..... 2022



**Temitope Shonubi**

Chairman

FRC/2018/IODN/00000018969



**Ade Odunsi**

Director

FRC/2013/ICAN/00000005046

## STATEMENT OF CORPORATE RESPONSIBILITY FOR THE FINANCIAL REPORT

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 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 2021.

### Disclosures

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

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**Emmanuel Udu**

Chief Corporate Support Officer  
FRC/2022/PRO/ICAN/002/805543

.....2022

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**Oludare Oyedotun**

Chief Finance officer  
FRC/2014/ICAN/000000006018

.....2022

## REPORT OF THE AUDIT COMMITTEE

To the members of Egbin Power Plc

In compliance with section 404 (1) of the Companies and Allied Matters Act (CAMA), Cap C20 Laws of the Federal Republic of Nigeria 2020 , 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 2021 and hereby declare as follows:

1. We have reviewed the scope and planning of the audit for the year ended 31st December 2021, 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: ..... 2023

Mr. Kola Adesina

Chairman, Audit, Risk & Governance Committee  
FRC/2016/CIIN/00000014687

### MEMBERS OF THE COMMITTEE

Mr. Kola Adesina

Mr. Alex Okoh

Mr. Adedeji Odunsi

Prof Attahir Yusuf

- Chairman

- Member

- Member

- Member



## INDEPENDENT AUDITORS' REPORT



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KPMG Tower  
Bishop Abiodun Cole Street  
Victoria Island  
PMB 40014, Folorunso  
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Telephone 234 (1) 271 8955  
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### INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ikeja Electric PLC

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the financial statements of Ikeja Electric PLC (the Company), which comprise:

- the statement of financial position as at 31 December 20 21;
- the statement of profit or loss and other comprehensive income ;
- the statement of changes in equity;
- the statement of cash flows for the year then ended and
- the notes, comprising significant accounting policies and other explanatory information .

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011.

##### Basis for Opinion

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

##### Material Uncertainty Related to Going Concern

We draw attention to Note 1.2 of the financial statements, which indicates that the Company incurred a net loss of ₦ 24.78 billion (2020: net profit of ₦ 8.78 billion) during the year ended 31 December, 2021 and, as of that date, the Company's current liabilities exceeded its current assets by ₦ 75.61 billion (2020: ₦ 71.62 billion). As stated in Note 1.2, these events or conditions, along with other matters as set forth in Note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

##### Key Audit Matters

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

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##### Partners:

Adenuga A. Deyemi  
Adenuga R. Adenuga  
Adenuga K. Ajayi  
Ajibola O. Oloriola  
Akintola O. Alao  
Akintola J. Ashade  
Ayobami I. Salami  
Ayodele A. Soyinka  
Ayodele K. Oloriola  
Bolanle S. Adenuga

Boluwaji D. Akinpelu  
Chibuzor N. Anyanwuchi  
Chenine B. Nwagbo  
Dunni D. Ogunbemisola  
Ejorh D. Ogunbemisola  
Gbadegesin C. Olu  
Isomina M. Adenuga  
Isomina T. Emetere-Egbo  
Kabi O. Oloriola  
Lawrence C. Amadi

Martins I. Anagor  
Mohammed M. Adenuga  
Nwaka C. Ewur  
Ogunbayo I. Ogunbemisola  
Oladunjoye S. Adenuga  
Oladunjoye I. Salaudun  
Olanrewaju A. Babatunji  
Olanrewaju A. Babatunji  
Olanrewaju O. Olanrewaju  
Olanrewaju A. Sowande

Olanrewaju I. Olanrewaju  
Olanrewaju O. Olanrewaju  
Olanrewaju A. Olanrewaju  
Olanrewaju O. Olanrewaju  
Olanrewaju A. Olanrewaju  
Olanrewaju O. Olanrewaju  
Olanrewaju A. Olanrewaju  
Olanrewaju O. Olanrewaju

Williams I. Emetere





provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report

| <b>Revenue recognition</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>The key audit matter</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>How the matter was addressed in our audit</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <p>Revenue recognition is a matter of significance in our audit of the financial statements due to the significant judgment involved in determining</p> <ul style="list-style-type: none"> <li>• revenue from unmetered customers based on an estimated billing methodology;</li> <li>• unbilled revenue for postpaid energy sales to customers between the date of their last bill and the year-end date; and</li> <li>• deferred revenue from prepaid energy sales as at year end which require estimation of electricity units consumed by customers up to the year-end date with reference to electricity unit purchases and other assumptions.</li> </ul> <p>Furthermore, tariffs are regulated and include multiple guidelines issued by the regulator, Nigerian Electricity Regulatory Commission ("NERC"). The Company's process of implementing the multiple guidelines is manual and prone to error.</p> <p>Due to the high level of judgment involved in revenue recognition and the significance of the revenue recognised, we have considered this to be a key audit matter.</p> | <p>Our audit procedures in this area included the following:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the Company's customer billing and meter reading processes and evaluated the design and implementation of the relevant controls in relation to revenue estimation and billing systems.</li> <li>• For revenue recognised in respect of unmetered customers, we evaluated the reasonableness of the assumptions underlying the Company's estimated billing methodology by recomputing energy billed to test that the total energy billed is not higher than total energy received. We also re-computed the estimate made for unbilled revenue at year end.</li> <li>• With respect to the estimation of deferred revenue from prepaid energy sales, we obtained an understanding of the customers' consumption pattern and evaluated the reasonableness of the assumptions underlying the deferred revenue methodology by recomputing the percentage and amount deferred.</li> <li>• With respect to the estimation of unbilled revenue from postpaid energy sales, we obtained an understanding of the Company's billing cycle for the post paid customers and re-computed estimated unbilled revenue as at year end to account for the days between the period of the billing cycle for December 2021 and the year end.</li> <li>• We evaluated the various NERC guidelines issued with respect to metering and billing of customers and assessed how the Company had complied with those guidelines in formulating its billing and revenue recognition methodology by recomputing revenue based on the guidelines.</li> <li>• We evaluated the adequacy of the financial statements disclosures including disclosures of key assumptions and judgements.</li> </ul> |
| <p><i>The Company's accounting policy on revenue recognition and related disclosures are shown in Notes 3(A), 5.1, 5.2 and 6 to the financial statements respectively.</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

### **Information Other than the Financial Statements and Audit Report thereon**

The Directors are responsible for the other information. The other information comprises the Financial Highlights, Directors' Report, Statement of Directors' Responsibilities, Statement of Corporate Responsibilities, Report of the Audit, Risk and Governance Committee, and Other National Disclosures, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of the Directors for the Financial Statements***

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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



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

### **Report on Other Legal and Regulatory Requirements**

*Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act (CAMA), 2020*

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books.
- iii. The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Ayodele A. Soyinka, FCA  
FRC/2012/ICAN/ 00000000405  
For: KPMG Professional Services  
Chartered Accountants  
12 October 2022  
Lagos, Nigeria



## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|                                                                           | Note     | 31 December<br>2021<br>N'000 | 31 December<br>2020<br>N'000 |
|---------------------------------------------------------------------------|----------|------------------------------|------------------------------|
| Revenue                                                                   | 5        | 153,822,254                  | 119,695,559                  |
| Cost of sales                                                             | 6        | (130,683,238)                | (111,613,895)                |
| <b>Gross profit</b>                                                       |          | <b>23,139,016</b>            | <b>8,081,664</b>             |
| Impairment loss reversal                                                  | 7.4      | 461,893                      | 9,285,449                    |
| Administrative expenses                                                   | 8        | (4,372,913)                  | (4,061,252)                  |
| <b>Operating profit</b>                                                   |          | <b>19,227,996</b>            | <b>13,305,861</b>            |
| Finance income                                                            | 7.1      | 1,019,571                    | 319,314                      |
| Finance cost                                                              | 7.2      | (601,387)                    | (1,014,508)                  |
| Other losses                                                              | 7.3      | (8,748,896)                  | (2,410,493)                  |
| <b>Profit before taxation</b>                                             |          | <b>10,897,284</b>            | <b>10,200,174</b>            |
| Taxation                                                                  | 11       | 493,941                      | 687,141                      |
| <b>Profit for the year</b>                                                |          | <b>11,391,225</b>            | <b>10,887,315</b>            |
| <b>Other comprehensive income</b>                                         |          |                              |                              |
| <i>Items that will not be reclassified subsequently to profit or loss</i> |          |                              |                              |
| Change in Decommissioning estimate/ Deferred Tax                          | 11.2, 21 | (3,607,758)                  | 1,108,191                    |
| Revaluation surplus                                                       | 12, 13   | 5,421,333                    | -                            |
| <b>Total comprehensive income for the year</b>                            |          | <b>13,204,800</b>            | <b>11,995,506</b>            |
| <i>Earnings per share - Basic &amp; Diluted (Naira)</i>                   | 24       | <b>455.65</b>                | <b>435.49</b>                |

The explanatory notes on pages 18 to 48 form an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

|                                          |        | 31 December<br>2021<br>N'000 | Restated<br>31 December<br>2020<br>N'000 | Restated<br>01 January<br>2020<br>N'000 |
|------------------------------------------|--------|------------------------------|------------------------------------------|-----------------------------------------|
|                                          | Note   |                              |                                          |                                         |
| <b>ASSETS</b>                            |        |                              |                                          |                                         |
| <b>Non-current assets</b>                |        |                              |                                          |                                         |
| Property, plant and equipment            | 12,12a | 259,485,493                  | 266,535,709                              | 278,392,172                             |
| Intangible assets                        | 13     | 53,300                       | 1,767                                    | 450                                     |
| Total non-current assets                 |        | 259,538,793                  | 266,537,476                              | 278,392,622                             |
| <b>Current assets</b>                    |        |                              |                                          |                                         |
| Inventories                              | 14     | 13,975                       | 19,943                                   | 17,978                                  |
| Trade and other receivables              | 15     | 111,088,229                  | 129,560,970                              | 89,775,478                              |
| Other assets                             | 16     | 3,883,993                    | 1,267,775                                | 736,433                                 |
| Restricted cash                          | 17     | 3,208,146                    | 4,405,742                                | 4,227,320                               |
| Cash and cash equivalents                | 18     | 35,287,132                   | 17,464,888                               | 2,450,472                               |
| Total current assets                     |        | 153,481,475                  | 152,719,318                              | 97,207,681                              |
| <b>TOTAL ASSETS</b>                      |        | <b>413,020,268</b>           | <b>419,256,794</b>                       | <b>375,600,303</b>                      |
| <b>EQUITY AND LIABILITIES</b>            |        |                              |                                          |                                         |
| <b>Capital and reserves</b>              |        |                              |                                          |                                         |
| Share capital                            | 23     | 25,000                       | 25,000                                   | 25,000                                  |
| Retained earnings                        |        | 22,810,468                   | 11,419,243                               | 531,928                                 |
| Other reserves                           | 25     | 192,824,060                  | 191,010,485                              | 189,902,294                             |
| <b>Total equity</b>                      |        | <b>215,659,528</b>           | <b>202,454,728</b>                       | <b>190,459,222</b>                      |
| <b>Non-current liabilities</b>           |        |                              |                                          |                                         |
| Deferred tax liabilities                 | 11.2   | 71,532,005                   | 74,295,643                               | 75,079,301                              |
| Provision for decommissioning obligation | 21     | 12,078,712                   | 7,912,343                                | 8,165,123                               |
| Total non-current liabilities            |        | 83,610,717                   | 82,207,986                               | 83,244,424                              |
| <b>Current liabilities</b>               |        |                              |                                          |                                         |
| Trade and other payables                 | 19     | 111,558,292                  | 133,949,995                              | 100,999,138                             |
| Current tax liabilities                  | 11.1   | 2,191,732                    | 644,085                                  | 897,519                                 |
| Total current liabilities                |        | 113,750,024                  | 134,594,080                              | 101,896,657                             |
| <b>TOTAL LIABILITIES</b>                 |        | <b>197,360,741</b>           | <b>216,802,066</b>                       | <b>185,141,081</b>                      |
| <b>TOTAL EQUITY AND LIABILITIES</b>      |        | <b>413,020,268</b>           | <b>419,256,794</b>                       | <b>375,600,303</b>                      |

The financial statements on pages 14 to 48 were approved by the Board of Directors of the Company on....., 2022.  
They were signed on its behalf by:

**Emmanuel Udu**  
Chief Corporate Support Officer  
FRC/2022/PRO/ICAN/002/805543

  
**Temitope Shonubi**  
Chairman  
FRC/2018/IODN/00000018969

**Oludare Oyedotun**  
Chief Finance officer  
FRC/2014/ICAN/000000006018

  
**Ade Odunsi**  
Director  
FRC/2013/ICAN/00000005046

## STATEMENT OF CHANGES IN EQUITY

|                                     | Note  | Share Capital<br>N'000 | Retained<br>Earnings<br>N'000 | Other Reserves<br>N'000 | Total Equity<br>N'000 |
|-------------------------------------|-------|------------------------|-------------------------------|-------------------------|-----------------------|
| <b>Balance at 1 January 2020</b>    |       | <b>25,000</b>          | <b>531,928</b>                | <b>189,902,294</b>      | <b>190,459,222</b>    |
| Changes in Decommissioning estimate |       |                        |                               | 1,222,797               | 1,222,797             |
| Deferred tax                        |       |                        |                               | (114,606)               | (114,606)             |
|                                     |       | -                      | -                             | <b>1,108,191</b>        | <b>1,108,191</b>      |
| Profit for the year                 |       | -                      | 10,887,315                    |                         | 10,887,315            |
| <b>Balance at 31 December 2020</b>  |       | <b>25,000</b>          | <b>11,419,243</b>             | <b>191,010,485</b>      | <b>202,454,728</b>    |
| Revaluation surplus                 |       | -                      |                               | 5,421,333               | 5,421,333             |
| Changes in Decommissioning estimate |       | -                      | -                             | (3,607,758)             | (3,607,758)           |
|                                     |       | -                      | -                             | <b>1,813,575</b>        | <b>1,813,575</b>      |
| Profit for the year                 |       | -                      | 11,391,225                    | -                       | 11,391,225            |
| <b>Balance at 31 December 2021</b>  | 23-25 | <b>25,000</b>          | <b>22,810,468</b>             | <b>192,824,060</b>      | <b>215,659,528</b>    |

The explanatory notes on pages 18 to 48 form an integral part of these financial statements.



## STATEMENT OF CASH FLOWS

|                                                               | Notes | 31 December<br>2021<br>N'000 | 31 December<br>2020<br>N'000 |
|---------------------------------------------------------------|-------|------------------------------|------------------------------|
| <b>Cash flows from operating activities</b>                   |       |                              |                              |
| Profit before tax                                             |       | 10,897,284                   | 10,200,174                   |
| <b>Adjustments for:</b>                                       |       |                              |                              |
| Depreciation on generation assets                             | 6     | 12,238,126                   | 12,004,955                   |
| Depreciation on non generation assets                         | 8     | 804,569                      | 770,380                      |
| Impairment reversal -Receivables                              | 7.4   | (448,307)                    | (9,209,513)                  |
| Impairment reversal - Cash & bank                             | 7.4   | (13,586)                     | (75,936)                     |
| Bad debt written off                                          | 8     | -                            | 304                          |
| Accretion expense                                             | 7.2   | 558,611                      | 970,017                      |
| Interest on fixed deposit                                     | 7.1   | (1,019,571)                  | (319,314)                    |
|                                                               |       | <b>12,119,843</b>            | <b>4,140,893</b>             |
| <b>Movements in working capital</b>                           |       |                              |                              |
| Decrease/(Increase) in trade and other receivables            | 15    | 18,921,048                   | (30,576,283)                 |
| Increase in other assets                                      | 16    | (2,616,218)                  | (531,342)                    |
| Decrease/(Increase) in inventories                            | 14    | 5,968                        | (1,966)                      |
| (Decrease)/Increase in trade and other payables               | 19    | (22,391,702)                 | 32,950,857                   |
| <b>Total adjustments and movements</b>                        |       | <b>6,038,938</b>             | <b>5,982,159</b>             |
| Income taxes paid                                             | 11.1  | (722,050)                    | (464,557)                    |
| <b>Net cash generated from operating activities</b>           |       | <b>16,214,172</b>            | <b>15,717,775</b>            |
| <b>Cash flows from investing activities</b>                   |       |                              |                              |
| Purchase of fixed assets                                      | 12b   | (622,681)                    | (920,189)                    |
| Interest received on fixed deposits                           | 7.1   | 1,019,571                    | 319,314                      |
| Decrease/(Increase) in restricted cash                        | 17    | 1,197,596                    | (178,422)                    |
| <b>Net cash generated from/(used in) investing activities</b> |       | <b>1,594,486</b>             | <b>(779,297)</b>             |
| <b>Cash flows from financing activities</b>                   |       | -                            | -                            |
| <b>Net cash generated from financing activities</b>           |       | -                            | -                            |
| Net increase in cash and cash equivalents                     |       | 17,808,659                   | 14,938,478                   |
| Gross cash and cash equivalents at beginning of the year      |       | 17,478,473                   | 2,539,995                    |
| <b>Gross cash and cash equivalents at end of the year</b>     |       | <b>35,287,132</b>            | <b>17,478,473</b>            |
| Impairment of cash                                            | 18    | -                            | (13,586)                     |
| <b>Net cash and cash equivalents at end of the year</b>       |       | <b>35,287,132</b>            | <b>17,464,887</b>            |

## 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 1<sup>st</sup> November 2013 (referred to as the handover date), the Federal Government of Nigeria (FGN) handed over the Company, its assets to their new owners. The Company entered into an operation and maintenance agreement in November 2013 to provide operation and maintenance services on its plant.

### 1.1 Shareholding structure

The shareholding structure of the Company is as follows:

|                                         |               |            |
|-----------------------------------------|---------------|------------|
| <i>KERL</i>                             |               |            |
| 17,500,000 ordinary shares of N1 each   | 17,500        |            |
| <i>BPE</i>                              |               |            |
| 6,000,000 ordinary shares of N1 each    | 6,000         |            |
| <i>Ministry of Finance Incorporated</i> |               |            |
| 1,500,000 ordinary shares of N1 each    | 1,500         | 6          |
| <b>Total issued ordinary shares</b>     | <b>25,000</b> | <b>100</b> |

### 1.2 Principal activities

The Company's principal 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 2021 to 31 December 2021, with comparative figures for the financial year ended 31 December 2020.

### 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 2021, 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

Notwithstanding the reduced restriction globally, the management of Egbin Power Plc has assessed the impact of the Covid-19 pandemic to ensure there is no significant impact on the organization 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. These restrictions have presently been reduced globally, with minimal effect on human expertise required and the lead time for the supply of the ordered spares and equipment. 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 moderately 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 employees 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 when required, 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 employees of the organization, as such, various online learning/training platforms have been created for employees to keep them equipped during this pandemic period.

## NOTES TO THE FINANCIAL STATEMENTS

### 8. Recruitment

• 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, with the ease of lockdowns, and the need for 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 resumed 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 2021

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.

#### Amendments to accounting standards that became effective during the year

##### Amendments to IFRS 16: Covid-19 Related Rent Concessions beyond 30 June 2021

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

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions. The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022.

This amendment has no impact on the financial statements of the Company.

##### Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Effective date is 1 January 2021)

In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide the following reliefs:

• When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.

• The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

This amendment has no impact on the financial statements of the Company.

## 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 2021 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) Reference to the Conceptual Framework – Amendments to IFRS 3. Effective date is 1 January 2022
- (ii) Onerous Contracts – Cost of Fulfilling a Contract. Amendments to IAS 37. Effective date is 1 January 2022
- (iii) Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16 Effective date is 1 January 2022
- (iv) Annual Improvements to IFRS Standards 2018 – 2020. Effective date is 1 January 2022
- (v) Classification of Liabilities as Current or Non – Current – Amendments to IAS 1. Effective date is 1 January 2023 (deferred from 1 January 2022)
- (vi) Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statements 2. Effective date is 1 January 2023
- (vii) Disclosure of Accounting Estimates – Amendments to IAS 8. Effective date is 1 January 2023
- (viii) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12. Effective date is 1 January 2023
- (ix) Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28. Effective date is to be decided by the International Accounting Standards Board (IASB).
- (x) IFRS 17 Insurance Contracts. Effective date is 1 January 2023 (deferred from 1 January 2021)

## 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 2021.

The financial statements have been prepared on a historical cost basis except for the property, plant & equipment balance which has been measured 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 sent to the National Grid and acknowledged by the Nigeria Bulk Electricity Trading Plc (NBET). This 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 IAS 16 – Property, Plant 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:

| Generation assets                                      |                                                        |                       |
|--------------------------------------------------------|--------------------------------------------------------|-----------------------|
| Asset Class                                            | Rate/Useful life (yrs.)                                | Basis                 |
| 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 fair value using the revaluation model 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's policy is to capitalize assets with value above one hundred thousand naira. All assets are estimated to be revalued every 5years.

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

| Non-generation assets  |                                                                            |                       |
|------------------------|----------------------------------------------------------------------------|-----------------------|
| Asset Class            | Rate/Useful life (yrs.)                                                    | Basis                 |
| Land                   | Nil                                                                        | N/A                   |
| Buildings              | 50                                                                         | Estimated Useful life |
| Building Improvement   | 20                                                                         | Estimated Useful life |
| Equipment              | Computer (4),<br>Communication (4),<br>Software (4),<br>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 judgement 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. 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 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 cash equivalents, trade and other receivables.

##### *Classification and subsequent 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.

##### *Financial assets measured at amortized cost - Subsequent measurement and gains & losses*

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.



## NOTES TO THE FINANCIAL STATEMENTS

### Financial instruments (continued)

#### *De-recognition*

A financial asset (or, where an applicable part of a financial asset or part of a group of similar financial assets) is de-recognised when:

- The right to receive cash flows from the asset has expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows 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 expected credit losses (ECL) which uses a lifetime expected loss allowance for all financial assets except cash & cash equivalents which is based on general approach. To measure the expected credit losses, trade receivables 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 2021 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 cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## NOTES TO THE FINANCIAL STATEMENTS

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

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 15 business days past due.

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

### Measurement of ECLs

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

ECLs are discounted at the effective interest rate of the financial asset. Financial assets not classified at fair value through profit or loss are assessed at each reporting date.

Presentation of allowance for ECL in the statement of financial position:

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and recognised in profit or loss under the administrative expenses.

## Financial liabilities

### *Initial recognition and measurement*

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 and gains and losses*

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss (FVTPL). A financial liability is classified as 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 gas fuel, 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 by the 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 IAS 36. 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 management's best estimates as at the 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 on 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 12.9% (2020: 7.06%) 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 CAP 2011. 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.

**M. Share capital**

The Company has only one class of shares, ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price is recorded in the share premium reserve.

**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 2021, 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 within which the company operates. The maximum exposure to credit risk in respect of 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****Term loans**

|               | 2021 | 2020 |
|---------------|------|------|
| Recovery rate | 72%  | 73%  |
| LGD           | 28%  | 27%  |

**Probability of Default****Ratings**

|              |       |       |
|--------------|-------|-------|
| B2- Annually | 3.19% | 3.19% |
| B2- Monthly  | 0.27% | 0.27% |
| B3- Annually | 6.72% | 6.72% |
| B3- Monthly  | 0.56% | 0.56% |

**Forward looking information****As at January 2021**

|                           |        |        |
|---------------------------|--------|--------|
| Inflation rate            | 15.63% | 16.47% |
| GDP growth rate           | 1.92%  | 1.50%  |
| For casted default rate%  | 0.37%  | 0.37%  |
| Scalar/Adjustments factor | 0.02   | 0.02   |



## NOTES TO THE FINANCIAL STATEMENTS

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    | 2021    | 2020       |
|--------------------------|---------|------------|
| Impact in profit or loss | N'000   | N'000      |
| Increase in 10%          | 508,082 | 10,213,994 |
| Decrease in 10%          | 415,703 | 8,356,904  |

### Cash and cash equivalents

The Company held cash and cash equivalents of ₦35.29 billion (excluding cash in hand) as at year end (2020: ₦17.47 billion) which represents its maximum credit exposure on these assets.

The cash and cash equivalents (with the exception of ₦12.97 million held as cash) of 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. 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)                 | 12,967            | 12,027            |
| A                                      | -                 | 48,509            |
| B-                                     | 35,274,165        | 17,417,938        |
| Impairment loss on cash                | -                 | (13,586)          |
| <b>Total cash and cash equivalents</b> | <b>35,287,132</b> | <b>17,464,888</b> |

### (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:

|                                | <b>Contractual cash flows</b> |              |
|--------------------------------|-------------------------------|--------------|
|                                | <b>2021</b>                   | <b>2020</b>  |
| <b>Trade and other payable</b> | <b>N'000</b>                  | <b>N'000</b> |
| Carrying amount                | 111,558,292                   | 133,981,430  |
| 2 months or less               | 240,421                       | 31,435       |
| 2-12 months                    | 111,317,871                   | 133,949,995  |
| Total                          | 111,558,292                   | 133,981,430  |

**(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 18, 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 cash flows 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 cash flow 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 | 1,978,884,888 | 37,943,826 |
|---------------------------|---------------|------------|

**Financial liabilities:**

|                                           |                  |                  |
|-------------------------------------------|------------------|------------------|
| Trade and other payables                  | 69,499,469       | 41,551,362       |
| Payable to related companies              | 30,592,262,653   | 36,356,374,787   |
|                                           | 30,661,762,122   | 36,397,926,149   |
| Net foreign currency denominated balances | (28,682,877,236) | (36,359,982,323) |

**Sensitivity analysis for foreign exchange risk**

A strengthening of the USD, as indicated below against the Naira at 31 December would 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 analysis is performed on the same basis for 2020, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below:

**Impact on profit or loss**

|                              |                 |                 |
|------------------------------|-----------------|-----------------|
| 20% change in exchange rates | (5,736,575,447) | (7,271,996,465) |
|------------------------------|-----------------|-----------------|

#### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In determining and applying accounting policies, judgement 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 policies and plans. These estimates and assumptions involves forward looking information and a significant degree of judgement.

##### (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 IAS 36. 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 cash flows 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 judgement 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 MYTO 2.0 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 judgement 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 judgement 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**

| <b>Assumptions</b>                  | <b>2021</b> | <b>2020</b> |
|-------------------------------------|-------------|-------------|
| Inflation rate                      | 7%          | 1.40%       |
| Discount rate                       | 12.9%       | 7.06%       |
| Exchange rate as at 31 Dec          | 412.02      | 380.47      |
| Salvage value of scrap metal (N000) | 2,060,100   | 1,902,350   |

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.

|                                                      | <b>Impact on other comprehensive income</b> |              |
|------------------------------------------------------|---------------------------------------------|--------------|
| <b>Changes in assumptions</b>                        | <b>2021</b>                                 | <b>2020</b>  |
|                                                      | <b>N'000</b>                                | <b>N'000</b> |
| Inflation rate -Increase by 10%                      | (3,968,534)                                 | 1,219,010    |
| Discount rate - Increase by 10%                      | (4,365,387)                                 | 1,345,077    |
| Exchange rate as at 31 Dec 2021 - Increase by 10%    | (4,365,387)                                 | 1,345,077    |
| Salvage value of scrap metal (NGN) - Increase by 10% | (4,365,387)                                 | 1,345,077    |
| Inflation rate -Decrease by 10%                      | (3,246,982)                                 | 997,372      |
| Discount rate - Decrease by 10%                      | (2,922,284)                                 | 1,100,517    |
| Exchange rate as at 31 Dec 2021 - Decrease by 10%    | (2,922,284)                                 | 1,100,517    |
| Salvage value of scrap metal (NGN) - Decrease by 10% | (2,922,284)                                 | 1,100,517    |

## NOTES TO THE FINANCIAL STATEMENTS

### 5 Revenue

This represents revenue generated from electricity sales at a point in time

|                                    | 2021<br>N'000      | 2020<br>N'000      |
|------------------------------------|--------------------|--------------------|
| Sale of electricity (Note 5.1)     | 153,819,221        | 119,676,489        |
| Other electricity bills (Note 5.2) | 3,033              | 19,070             |
|                                    | <b>153,822,254</b> | <b>119,695,559</b> |

#### 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 includes Bilateral sales to Ikeja Electric.

#### 5.2

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

|                                                                     | 2021<br>N'000      | 2020<br>N'000      |
|---------------------------------------------------------------------|--------------------|--------------------|
| Operations & maintenance and implementation service fees (Note 6.1) | 35,380,630         | 33,738,156         |
| Gas consumed                                                        | 71,782,554         | 57,070,189         |
| Depreciation on generation assets (Note 12c)                        | 12,238,126         | 12,004,955         |
| Salaries and benefits                                               | 1,758,109          | 1,657,415          |
| Regulatory charges (Note 6.2)                                       | 1,496,781          | 1,175,118          |
| Other staff welfare                                                 | 900,635            | 167,191            |
| Other plant maintenance cost                                        | 7,126,403          | 5,800,871          |
|                                                                     | <b>130,683,238</b> | <b>111,613,895</b> |

#### 6.1

This relates to operations and maintenance (O&M), technical services and operational support cost rendered by Kepco Energy Resource Ltd (BVI). The fees were charged in line with the O&M contract between the Company and KERL(BVI). It also includes other O&M cost, facilities maintenance, and other ancillary support services. See Note 20.5 for details of transactions with KERL (BVI) in the year.

|                               | 2021<br>N'000     | 2020<br>N'000     |
|-------------------------------|-------------------|-------------------|
| Operations & maintenance cost | 46,270,406        | 32,838,668        |
| Exchange difference           | (10,889,776)      | 899,488           |
|                               | <b>35,380,630</b> | <b>33,738,156</b> |

#### 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

|                                 | 2021<br>N'000    | 2020<br>N'000  |
|---------------------------------|------------------|----------------|
| Interest on short term deposits | 1,019,571        | 319,314        |
|                                 | <b>1,019,571</b> | <b>319,314</b> |

## NOTES TO THE FINANCIAL STATEMENTS

|                                  | 2021<br>N'000      | 2020<br>N'000      |
|----------------------------------|--------------------|--------------------|
| <b>7.2 Finance cost</b>          |                    |                    |
| Accretion expense (Note 21)      | 558,611            | 970,017            |
| Letters of credit charges        | 42,776             | 44,491             |
|                                  | <b>601,387</b>     | <b>1,014,508</b>   |
| <b>7.3 Other gains/(losses)</b>  |                    |                    |
| School income - Powerfield*      | 234,480            | 180,563            |
| Gain on disposal of fixed assets | 1,400              | -                  |
| Net foreign exchange loss        | (8,989,371)        | (2,604,771)        |
| Other income                     | 4,595              | 13,715             |
|                                  | <b>(8,748,896)</b> | <b>(2,410,493)</b> |

\*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 are 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 2021, there were no receivables' due from the school and payables due to the school. A sum of NGN 20 million was donated to the school to support the running of the school during the period.

|                                                                          | 2021<br>N'000  | 2020<br>N'000    |
|--------------------------------------------------------------------------|----------------|------------------|
| <b>7.4 Impairment losses/(reversals)</b>                                 |                |                  |
| Impairment loss reversal                                                 | (461,893)      | (9,285,449)      |
| This relate to impairment of trade receivables and cash & bank balances. |                |                  |
| Breakdown of impairment:                                                 |                |                  |
| Receivables (Note 15.1)                                                  | 448,307        | 9,209,513        |
| Cash and cash equivalents                                                | 13,586         | 75,936           |
|                                                                          | <b>461,893</b> | <b>9,285,449</b> |



## NOTES TO THE FINANCIAL STATEMENTS

|             |                                                                                                 |                  |                  |
|-------------|-------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>8</b>    | <b>Administrative expenses</b>                                                                  | <b>2021</b>      | <b>2020</b>      |
|             |                                                                                                 | <b>N'000</b>     | <b>N'000</b>     |
|             | Bad debts written off                                                                           | -                | 304              |
|             | Depreciation on non-generation assets (Note 12c)                                                | 802,013          | 769,806          |
|             | Amortization on intangible assets (Note 13)                                                     | 2,556            | 574              |
|             | Salaries and benefits                                                                           | 659,434          | 653,410          |
|             | Repairs and maintenance                                                                         | 1,468,362        | 1,156,888        |
|             | Motor running expenses                                                                          | 376,631          | 323,119          |
|             | Safety & security                                                                               | 157,019          | 157,932          |
|             | Other staff welfare                                                                             | 364,546          | 278,804          |
|             | Other professional fees (Note 9.2)                                                              | 47,332           | 18,567           |
|             | Community expenses/CSR                                                                          | 750              | 402,614          |
|             | Travelling and transportation                                                                   | 94,049           | 36,107           |
|             | Bank charges                                                                                    | 59,013           | 33,244           |
|             | Office & IT consumables                                                                         | 65,193           | 55,814           |
|             | Audit fees (Note 9.1)                                                                           | 46,763           | 35,000           |
|             | Directors fees and expenses                                                                     | 69,447           | 33,813           |
|             | Entertainment and advertisement                                                                 | 58,992           | 55,432           |
|             | Insurance                                                                                       | 11,857           | 14,458           |
|             | Regulatory expenses                                                                             | 28,351           | 8,401            |
|             | Other expenses                                                                                  | 60,605           | 26,965           |
|             |                                                                                                 | <b>4,372,913</b> | <b>4,061,252</b> |
|             | <i>Other expenses relates to miscellaneous expenses not captured in the above sub-headings.</i> |                  |                  |
| <b>9</b>    | <b>Professional fees</b>                                                                        |                  |                  |
| <b>9.1</b>  | Audit fees                                                                                      | <b>46,763</b>    | <b>35,000</b>    |
| <b>9.2</b>  | <b>Other professional fees</b>                                                                  |                  |                  |
|             | - Consultancy fees                                                                              | 23,557           | 15,880           |
|             | - Legal services                                                                                | 23,775           | 2,687            |
|             |                                                                                                 | <b>47,332</b>    | <b>18,567</b>    |
| <b>10</b>   | <b>Profit before tax</b>                                                                        | <b>2021</b>      | <b>2020</b>      |
|             |                                                                                                 | <b>N'000</b>     | <b>N'000</b>     |
|             | This is stated after charging:                                                                  |                  |                  |
|             | Auditor's remuneration                                                                          | 46,763           | 35,000           |
|             | Depreciation                                                                                    | 13,040,139       | 12,774,761       |
|             | Other gains/(losses)                                                                            | (8,748,896)      | (2,410,493)      |
| <b>11</b>   | <b>Income tax expense</b>                                                                       | <b>2021</b>      | <b>2020</b>      |
|             | <b>Per profit or loss</b>                                                                       | <b>N'000</b>     | <b>N'000</b>     |
|             | Income tax                                                                                      | 1,931,860        | 350,540          |
|             | Education tax                                                                                   | 250,272          | 293,323          |
|             | Police levy                                                                                     | 545              | 510              |
|             | <b>Total income tax expense</b>                                                                 | <b>2,182,677</b> | <b>644,373</b>   |
|             | Prior year tax under/(over) provision                                                           | 87,020           | (433,250)        |
|             | Deferred tax (Note 11.2)                                                                        | (2,763,638)      | (898,264)        |
|             |                                                                                                 | <b>(493,941)</b> | <b>(687,141)</b> |
| <b>11.1</b> | <b>Current tax liabilities</b>                                                                  | <b>2021</b>      | <b>2020</b>      |
|             |                                                                                                 | <b>N'000</b>     | <b>N'000</b>     |
|             | <b>Current tax</b>                                                                              |                  |                  |
|             | At 1 January                                                                                    | 644,085          | 897,519          |
|             | Prior year tax under/(over) provision                                                           | 87,020           | (433,250)        |
|             | Total income tax expense                                                                        | 2,182,677        | 644,373          |
|             | Payments during the year                                                                        | (722,050)        | (464,557)        |
|             | At 31 December                                                                                  | <b>2,191,732</b> | <b>644,085</b>   |

## NOTES TO THE FINANCIAL STATEMENTS

### 11.2 Deferred tax liabilities

|                                           | 2021<br>N'000     | 2020<br>N'000     |
|-------------------------------------------|-------------------|-------------------|
| <b>Deferred tax</b>                       |                   |                   |
| At 1 January 2021                         | 74,295,643        | 75,079,301        |
| Recognised in statement of profit or loss | (2,763,638)       | (898,264)         |
| Recognised in other comprehensive income  | -                 | 114,606           |
| At 31 December 2021                       | <b>71,532,005</b> | <b>74,295,643</b> |

### 11.3 Reconciliation of effective tax rate

|                                                  | 2021<br>N'000     | 2020<br>N'000     |
|--------------------------------------------------|-------------------|-------------------|
| Profit before tax from continuing operations     | <b>10,897,284</b> | <b>10,200,174</b> |
| Income tax expense calculated at 30% of PBT      | 3,269,185         | 3,060,052         |
| <b>Adjustment for permanent differences</b>      |                   |                   |
| Corporate social responsibility                  | 2,138             | (24)              |
| Prior year gas estimate adjustment under pioneer | 233,257           | 233,257           |
| Investment Allowance                             | 8,933             | 3,050             |
| Provision for doubtful debts                     | (2,924,203)       | (2,785,635)       |
| Prior year tax (under)/overprovision             | (87,020)          | 433,250           |
| <b>Adjustment for other taxes</b>                |                   |                   |
| Tertiary Education Tax                           | (250,272)         | (293,323)         |
| Deferred tertiary education                      | 241,922           | 36,514            |
|                                                  | <b>493,941</b>    | <b>687,141</b>    |

### 11.4 Analysis of deferred tax liability

|                                  | Property,<br>plant and<br>equipment<br>N'000 | Other<br>provisions<br>N'000 | Total<br>N'000    |
|----------------------------------|----------------------------------------------|------------------------------|-------------------|
| At 1 January 2020;               |                                              |                              |                   |
| Deferred tax asset               | (6,464,013)                                  | -                            | (6,464,013)       |
| Deferred tax liability           | <b>84,113,688</b>                            | <b>(3,354,032)</b>           | <b>80,759,656</b> |
| At 31 December 2020              | <b>77,649,675</b>                            | <b>(3,354,032)</b>           | <b>74,295,643</b> |
| Credited to the income statement | (2,763,638)                                  | -                            | (2,763,638)       |
| At 31 December 2021              | <b>74,886,037</b>                            | <b>(3,354,032)</b>           | <b>71,532,005</b> |

NOTES TO THE FINANCIAL STATEMENTS

12 Property, Plant and Equipment

|                                 | GENERATION ASSETS      |                                  |                   | NON - GENERATION ASSETS  |                         |                   |                   |                          | CAPITAL<br>WORK IN<br>PROGRESS | Total              |
|---------------------------------|------------------------|----------------------------------|-------------------|--------------------------|-------------------------|-------------------|-------------------|--------------------------|--------------------------------|--------------------|
|                                 | Plant and<br>machinery | Auxiliary<br>plant &<br>building | ARO<br>Asset cost | Equipment<br>(Non plant) | Furniture<br>& fittings | Motor<br>vehicles | Freehold<br>land  | Buildings<br>(Non plant) | Capital<br>Work in<br>Progress |                    |
|                                 | N'000                  | N'000                            | N'000             | N'000                    | N'000                   | N'000             | N'000             | N'000                    | N'000                          | N'000              |
| <b>Cost or valuation</b>        |                        |                                  |                   |                          |                         |                   |                   |                          |                                |                    |
| 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                        | 658,591,426        |
| Additions                       | 9,672                  | 549,857                          | -                 | 92,001                   | 79,445                  | 55,238            | -                 | 9,659                    | 123,911                        | 919,783            |
| Transfers                       | -                      | -                                | -                 | -                        | -                       | -                 | -                 | -                        | (1,484)                        | (1,484)            |
| <b>At 31 December 2020</b>      | <b>567,151,186</b>     | <b>65,260,202</b>                | <b>3,159,414</b>  | <b>348,330</b>           | <b>357,268</b>          | <b>409,935</b>    | <b>6,735,000</b>  | <b>15,481,000</b>        | <b>607,390</b>                 | <b>659,509,725</b> |
| At 1 January 2021               | 567,151,186            | 65,260,202                       | 3,159,414         | 348,330                  | 357,268                 | 409,935           | 6,735,000         | 15,481,000               | 607,390                        | 659,509,725        |
| Additions                       | 150,341                | 9,504                            | -                 | 125,271                  | 140,266                 | 149,732           | -                 | 71,683                   | 467,334                        | 1,114,131          |
| Revaluations                    | 3,114,318              | (10,359,279)                     | -                 | 40,615                   | 178,167                 | 75,168            | 9,984,326         | 2,356,100                | -                              | 5,389,415          |
| Transfers                       | -                      | -                                | -                 | -                        | -                       | -                 | -                 | -                        | (485,732)                      | (485,732)          |
| Disposals                       | -                      | -                                | -                 | -                        | -                       | (45,691)          | -                 | -                        | -                              | (45,691)           |
| <b>At 31 December 2021</b>      | <b>570,415,845</b>     | <b>54,910,427</b>                | <b>3,159,414</b>  | <b>514,216</b>           | <b>675,701</b>          | <b>589,144</b>    | <b>16,719,326</b> | <b>17,908,783</b>        | <b>588,992</b>                 | <b>665,481,848</b> |
| <b>Accumulated depreciation</b> |                        |                                  |                   |                          |                         |                   |                   |                          |                                |                    |
| At 1 January 2020               | 332,048,101            | 43,347,101                       | 818,070           | 84,629                   | 177,994                 | 100,468           | -                 | 3,622,892                | -                              | 380,199,255        |
| Charge for the year             | 10,540,572             | 1,314,866                        | 165,908           | 37,468                   | 42,461                  | 78,979            | -                 | 594,510                  | -                              | 12,774,764         |
| <b>Adjustment</b>               |                        |                                  |                   |                          |                         |                   |                   |                          |                                |                    |
| <b>At 31 December 2020</b>      | <b>342,588,673</b>     | <b>44,661,967</b>                | <b>983,978</b>    | <b>122,097</b>           | <b>220,455</b>          | <b>179,447</b>    | <b>-</b>          | <b>4,217,402</b>         | <b>-</b>                       | <b>392,974,017</b> |
| At 1 January 2021               | 342,588,673            | 44,661,967                       | 983,978           | 122,097                  | 220,455                 | 179,447           | -                 | 4,217,402                | -                              | 392,974,019        |
| Charge for the year             | 10,743,030             | 1,322,776                        | 172,320           | 53,221                   | 47,447                  | 104,237           | -                 | 597,108                  | -                              | 13,040,139         |
| Disposal                        | -                      | -                                | -                 | -                        | -                       | (17,803)          | -                 | -                        | -                              | (17,803)           |
| <b>At 31 December 2021</b>      | <b>353,331,703</b>     | <b>45,984,743</b>                | <b>1,156,298</b>  | <b>175,318</b>           | <b>267,902</b>          | <b>265,881</b>    | <b>-</b>          | <b>4,814,510</b>         | <b>-</b>                       | <b>405,996,355</b> |
| <b>Carrying amount</b>          |                        |                                  |                   |                          |                         |                   |                   |                          |                                |                    |
| <b>At 31 December 2021</b>      | <b>217,084,142</b>     | <b>8,925,684</b>                 | <b>2,003,116</b>  | <b>338,898</b>           | <b>407,799</b>          | <b>323,263</b>    | <b>16,719,326</b> | <b>13,094,273</b>        | <b>588,992</b>                 | <b>259,485,493</b> |
| <b>At 31 December 2020</b>      | <b>224,562,513</b>     | <b>20,598,235</b>                | <b>2,175,436</b>  | <b>226,232</b>           | <b>136,813</b>          | <b>230,489</b>    | <b>6,735,000</b>  | <b>11,263,598</b>        | <b>607,390</b>                 | <b>266,535,709</b> |

The effective date of the Property Plant and Equipment revaluation is 31 December 2021. The revaluation of all the classes of assets was carried out by an independent valuer.

|                                                | 2021<br>N'000      | 2020<br>N'000      |
|------------------------------------------------|--------------------|--------------------|
| <b>Movement in revaluation reserves</b>        |                    |                    |
| Revaluation reserve as at 1st January          | 315,553,822        | 315,553,822        |
| Revaluation surplus*                           | 5,421,333          | -                  |
| <b>Revaluation reserve as at 31st December</b> | <b>320,975,155</b> | <b>315,553,822</b> |

\*Revaluation surplus/reserve is not available for distribution to shareholders.

## NOTES TO THE FINANCIAL STATEMENTS

**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 expect 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. None of these assets are pledged as collateral for loans.

### 12b Additions to Property, Plant and Equipment

|                                      | 2021<br>N'000    | 2020<br>N'000  |
|--------------------------------------|------------------|----------------|
| <b>Property, Plant and Equipment</b> |                  |                |
| Additions                            | 1,599,863        | 919,783        |
| Transfers from WIP                   | (485,732)        | -              |
| <b>Total additions</b>               | <b>1,114,131</b> | <b>919,783</b> |

### 12c Classification of depreciation

|                                | 2021<br>N'000     | 2020<br>N'000     |
|--------------------------------|-------------------|-------------------|
| <b>Total depreciation</b>      | <b>13,040,139</b> | <b>12,774,764</b> |
| Generation assets (Note 6)     | 12,238,126        | 12,004,958        |
| Non-generation assets (Note 6) | 802,013           | 769,806           |
| <b>Total depreciation</b>      | <b>13,040,139</b> | <b>12,774,764</b> |

### 13 Intangible assets

|                                                | 2021<br>N'000<br>Software | 2020<br>N'000<br>Software |
|------------------------------------------------|---------------------------|---------------------------|
| <b>Cost</b>                                    |                           |                           |
| At 1 January                                   | 31,056                    | 29,165                    |
| Additions                                      | 22,172                    | 1,891                     |
| Revaluation                                    | 31,917                    | -                         |
| <b>At 31 December</b>                          | <b>85,145</b>             | <b>31,056</b>             |
| <b>Accumulated amortisation and impairment</b> |                           |                           |
| At 1 January                                   | 29,289                    | 28,715                    |
| Charge for the year                            | 2,556                     | 574                       |
| <b>At 31 December</b>                          | <b>31,845</b>             | <b>29,289</b>             |
| <b>Carrying amount</b>                         |                           |                           |
| At 31 December                                 | <b>53,300</b>             | <b>1,767</b>              |

### 13a Additions to Intangible assets

|                       | 2021<br>N'000 | 2020<br>N'000 |
|-----------------------|---------------|---------------|
| Additions             | 22,172        | 1,890         |
| Transfers (from WIP)  | -             | -             |
| <b>Total addition</b> | <b>22,172</b> | <b>1,890</b>  |

## NOTES TO THE FINANCIAL STATEMENTS

|                       | 2021          | 2020          |
|-----------------------|---------------|---------------|
|                       | N'000         | N'000         |
| <b>14 Inventories</b> |               |               |
| Premium motor spirit  | -             | 5,276         |
| Automotive gas oil    | 13,975        | 14,667        |
|                       | <b>13,975</b> | <b>19,943</b> |

|                                              | 2021               | 2020               |
|----------------------------------------------|--------------------|--------------------|
|                                              | N'000              | N'000              |
| <b>15 Trade and other receivables</b>        |                    |                    |
| Trade receivables                            | 123,445,676        | 140,349,058        |
| Amounts due from related parties (Note 20.1) | 20,277,426         | 22,453,372         |
| Other receivables*                           | 751,332            | 593,052            |
| Unpaid share capital                         | 20,000             | 20,000             |
|                                              | <b>144,494,434</b> | <b>163,415,482</b> |
| Expected credit loss (Note 15.1)             | (33,406,205)       | (33,854,512)       |
| <b>Net trade and other receivables</b>       | <b>111,088,229</b> | <b>129,560,970</b> |

\* Other receivables relates to accrued interest on short term deposits and other transactions not related to electricity sales.

|                                                        | 2021              | 2020              |
|--------------------------------------------------------|-------------------|-------------------|
|                                                        | N'000             | N'000             |
| <b>15.1 Movement in expected credit loss allowance</b> |                   |                   |
| Impairment loss reversal                               | 33,854,512        | 43,064,025        |
|                                                        | (448,307)         | (9,209,513)       |
| <b>Balance as at 31 December</b>                       | <b>33,406,205</b> | <b>33,854,512</b> |

|                        | 2021             | 2020             |
|------------------------|------------------|------------------|
|                        | N'000            | N'000            |
| <b>16 Other assets</b> |                  |                  |
| Advances               | 3,633,056        | 1,042,667        |
| Prepayments            | 250,937          | 225,108          |
|                        | <b>3,883,993</b> | <b>1,267,775</b> |

|                                 | 2021             | 2020             |
|---------------------------------|------------------|------------------|
|                                 | N'000            | N'000            |
| <b>17 Restricted cash</b>       |                  |                  |
| Cash cover for bank guarantees* | <b>3,208,146</b> | <b>4,405,742</b> |

\* This relates to cash cover for bank guarantees in respect of letter of credit for Gas suppliers.

|                                                   | 2021              | 2020              |
|---------------------------------------------------|-------------------|-------------------|
|                                                   | N'000             | N'000             |
| <b>18 Cash and cash equivalents</b>               |                   |                   |
| Investment in fixed deposit (Note 18.1)           | 28,830,776        | 10,564,006        |
| Cash in bank                                      | 6,443,389         | 6,902,440         |
| Cash at hand                                      | 12,967            | 12,028            |
| Expected credit loss on cash and cash equivalents | -                 | (13,586)          |
|                                                   | <b>35,287,132</b> | <b>17,464,888</b> |

**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.

## NOTES TO THE FINANCIAL STATEMENTS

|                                            | 31 December<br>2021<br>N'000 | Restated<br>31 December<br>2020<br>N'000 | Restated<br>01 January<br>2020<br>N'000 |
|--------------------------------------------|------------------------------|------------------------------------------|-----------------------------------------|
| <b>19 Trade and other payables</b>         |                              |                                          |                                         |
| Amounts due to related parties (Note 20.4) | 36,208,689                   | 43,163,130                               | 20,788,757                              |
| Trade creditors                            | 66,593,518                   | 83,295,653                               | 71,787,727                              |
| Accruals and other creditors               | 8,756,085                    | 7,491,212                                | 8,422,654                               |
|                                            | <b>111,558,292</b>           | <b>133,949,995</b>                       | <b>100,999,138</b>                      |

## 20 Related party transactions

| <b>20.1 Amounts due from related companies</b> | <b>2021<br/>N'000</b> | <b>2020<br/>N'000</b> |
|------------------------------------------------|-----------------------|-----------------------|
| Ikeja Electric (Note 20.2)                     | 20,267,613            | 22,435,744            |
| Sahara Energy Resources Limited (Note 20.3)    | 9,813                 | 17,628                |
|                                                | <b>20,277,426</b>     | <b>22,453,372</b>     |

### Parent and ultimate controlling party

The parent company of Egbin Power Plc is KEPCO Energy Resource 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 (bilateral arrangement) with Egbin Power Plc. in respect of electricity sales from Unit 6.

The amount represents receivables due from Ikeja Electric, a related entity, under the bilateral arrangement. See transaction details below.

|                                                 | <b>2021<br/>N'000</b> | <b>2020<br/>N'000</b> |
|-------------------------------------------------|-----------------------|-----------------------|
| Opening balance                                 | 22,435,744            | 17,150,459            |
| Accrued during the year                         | -                     | 16,114,522            |
| Total payments                                  | (2,168,131)           | (10,829,237)          |
| <b>Total amount due as at end of the period</b> | <b>20,267,613</b>     | <b>22,435,744</b>     |

### 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/(to) from Sahara Energy Resources Limited on cash swap transactions.

|                                                         | <b>2021<br/>N'000</b> | <b>2020<br/>N'000</b> |
|---------------------------------------------------------|-----------------------|-----------------------|
| Opening balance                                         | 17,628                | 14,155                |
| Accrued during the year                                 | 1,888,773             | 80,699                |
| Total payments                                          | (1,949,893)           | (77,226)              |
| <b>Net amount due from/(to) as at end of the period</b> | <b>(43,492)</b>       | <b>17,628</b>         |

## NOTES TO THE FINANCIAL STATEMENTS

|                                                 | 31 December<br>2021<br>N'000 | Restated<br>31 December<br>2020<br>N'000 | Restated<br>01 January<br>2020<br>N'000 |
|-------------------------------------------------|------------------------------|------------------------------------------|-----------------------------------------|
| <b>20.4 Amounts due to related companies</b>    |                              |                                          |                                         |
| Kepeco Energy Resource Ltd. BVI (Note 20.5)     | 30,592,263                   | 36,356,375                               | 14,272,393                              |
| Sahara Group Limited (Note 20.6)                | 5,553,264                    | 6,695,917                                | 6,405,526                               |
| KEPCO Energy Resources Nigeria Ltd. (Note 20.7) | -                            | 102,231                                  | 102,231                                 |
| First Independent Power Ltd (Note 20.8)         | 1,250                        | -                                        | -                                       |
| Sahara Energy Resources Limited (Note 20.3)     | 53,304                       | -                                        | -                                       |
| Sahara Power Limited (Note 20.9)                | 8,607                        | 8,607                                    | 8,607                                   |
|                                                 | <b>36,208,688</b>            | <b>43,163,130</b>                        | <b>20,788,757</b>                       |

### 20.5 Kepeco Energy Resource Limited BVI

This affiliated company provides technical services and operations and implementation support services for the Company. This covers specialised manpower, major and minor inspections of the company's turbines, boilers and auxiliaries, procurement of spares & operational consumables; and other maintenance activities. Amount payable as at 31 December 2021 in respect of this transaction is USD 74.08m, while the impact of exchange rate revaluation is N10.9bn.

|                                                 | 2021<br>N'000     | 2020<br>N'000     |
|-------------------------------------------------|-------------------|-------------------|
| Opening balance                                 | 36,356,375        | 14,272,393        |
| Accrued during the year                         | 35,380,630        | 31,210,566        |
| Total payments                                  | (41,144,743)      | (9,126,585)       |
| <b>Total amount due as at end of the period</b> | <b>30,592,261</b> | <b>36,356,374</b> |

### 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.

|                                                 | 2021<br>N'000    | 2020<br>N'000    |
|-------------------------------------------------|------------------|------------------|
| Opening balance                                 | 6,695,917        | 6,405,525        |
| Accrued during the year                         | -                | 290,392          |
| Total payments                                  | (1,142,653)      | -                |
| <b>Total amount due as at end of the period</b> | <b>5,553,264</b> | <b>6,695,917</b> |

### 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.

|                                                 | 2021<br>N'000 | 2020<br>N'000  |
|-------------------------------------------------|---------------|----------------|
| Opening balance                                 | 102,231       | 102,231        |
| Accrued during the year                         | -             | -              |
| Total payments                                  | (102,231)     | -              |
| <b>Total amount due as at end of the period</b> | <b>-</b>      | <b>102,231</b> |



**20.8 First Independent Power Limited**

First Independent Power Limited has common ownership with Egbin Power Plc. Amount payable is in respect of reimbursable expenses incurred on behalf of Egbin Power Plc. See below transactions during the period.

|                                                 | <b>2021</b>  | <b>2020</b>  |
|-------------------------------------------------|--------------|--------------|
|                                                 | <b>N'000</b> | <b>N'000</b> |
| Opening balance                                 | -            | -            |
| Accrued during the year                         | 1,250        | -            |
| Total payments                                  | -            | -            |
| <b>Total amount due as at end of the period</b> | <b>1,250</b> | <b>-</b>     |

**20.9 Sahara Power Limited**

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

|                                                 | <b>2021</b>  | <b>2020</b>  |
|-------------------------------------------------|--------------|--------------|
|                                                 | <b>N'000</b> | <b>N'000</b> |
| Opening balance                                 | 8,607        | 8,607        |
| <b>Total amount due as at end of the period</b> | <b>8,607</b> | <b>8,607</b> |

**21 Provision for decommissioning obligation**

|                                                 | <b>2021</b>       | <b>2020</b>      |
|-------------------------------------------------|-------------------|------------------|
|                                                 | <b>N'000</b>      | <b>N'000</b>     |
| At 1 January                                    | 7,912,343         | 8,165,123        |
| Change in estimate (other comprehensive income) | 3,607,758         | (1,222,797)      |
| Accretion cost for the year                     | 558,611           | 970,017          |
| <b>At 31 December</b>                           | <b>12,078,712</b> | <b>7,912,343</b> |

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 value of this liability is recorded on a discounted basis, 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 12.9% (2020: 7.06%) per annum. The assumptions and judgements made in regard to this estimate are subject to annual assessment by management and adjustments, if any, are made to the carrying amount. 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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

|                             | 2021<br>N'000      | 2020<br>N'000      |
|-----------------------------|--------------------|--------------------|
| Trade and other receivables | 144,494,434        | 163,415,482        |
| Cash and cash equivalents   | 35,287,132         | 17,464,888         |
|                             | <b>179,781,566</b> | <b>180,880,370</b> |

### 23 Share capital

|                                        | 2021<br>N'000  | 2020<br>N'000  |
|----------------------------------------|----------------|----------------|
| <b>Authorised</b>                      |                |                |
| 100,000,000 ordinary shares of N1 each | <b>100,000</b> | <b>100,000</b> |

#### Issued

|                                       |               |               |
|---------------------------------------|---------------|---------------|
| 25,000,000 ordinary shares of N1 each | <b>25,000</b> | <b>25,000</b> |
|---------------------------------------|---------------|---------------|

#### 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         |
|                                  | <b>25,000,000</b> | <b>25,000,000</b> |

#### Shareholders - % interest

|                                  | %          | %          |
|----------------------------------|------------|------------|
| KEPCO Energy Resources Limited   | 70         | 70         |
| Bureau of Public Enterprises     | 24         | 24         |
| Ministry of Finance Incorporated | 6          | 6          |
|                                  | <b>100</b> | <b>100</b> |

## NOTES TO THE FINANCIAL STATEMENTS

### 24 Earnings per share

|  | 2021<br>N'000 | 2020<br>N'000 |
|--|---------------|---------------|
|--|---------------|---------------|

Earnings for the purpose of basic profit per share is based on net profit attributable to equity holders of the Company.

|  |                   |                   |
|--|-------------------|-------------------|
|  | <b>11,391,225</b> | <b>10,887,315</b> |
|--|-------------------|-------------------|

#### Number of shares

|  | Number | Number |
|--|--------|--------|
|--|--------|--------|

Number of ranking ordinary shares for the purpose of basic earnings per share.

|  |                   |                   |
|--|-------------------|-------------------|
|  | <b>25,000,000</b> | <b>25,000,000</b> |
|--|-------------------|-------------------|

*Earnings per share - Basic & Diluted (Naira)*

|  |               |               |
|--|---------------|---------------|
|  | <b>455.65</b> | <b>435.49</b> |
|--|---------------|---------------|

### 25 Other reserves

|  | 2021<br>N'000 | 2020<br>N'000 |
|--|---------------|---------------|
|--|---------------|---------------|

#### Balance as at 1 January

|  |                    |                    |
|--|--------------------|--------------------|
|  | <b>191,010,485</b> | <b>189,902,294</b> |
|--|--------------------|--------------------|

Changes in Decommissioning Estimate/Deferred Tax

|  |             |           |
|--|-------------|-----------|
|  | (3,607,758) | 1,108,191 |
|--|-------------|-----------|

|                     |           |   |
|---------------------|-----------|---|
| Revaluation Surplus | 5,421,333 | - |
|---------------------|-----------|---|

#### Balance as at 31 December

|  |                    |                    |
|--|--------------------|--------------------|
|  | <b>192,824,060</b> | <b>191,010,485</b> |
|--|--------------------|--------------------|

#### Analysis of other reserves:

|  | 2021<br>N'000 | 2020<br>N'000 |
|--|---------------|---------------|
|--|---------------|---------------|

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

|  |             |             |
|--|-------------|-------------|
|  | 320,975,155 | 315,553,822 |
|--|-------------|-------------|

Accumulated Changes in Decommissioning Estimate

|  |             |           |
|--|-------------|-----------|
|  | (4,104,386) | (496,628) |
|--|-------------|-----------|

#### Closing balance

|  |                    |                    |
|--|--------------------|--------------------|
|  | <b>192,824,060</b> | <b>191,010,485</b> |
|--|--------------------|--------------------|

### 26 Information regarding Directors and employees

#### 26.1 Directors

|  | 2021<br>N'000 | 2020<br>N'000 |
|--|---------------|---------------|
|--|---------------|---------------|

Directors' emoluments comprise:

Fees

|  |        |        |
|--|--------|--------|
|  | 29,920 | 29,250 |
|--|--------|--------|

Expenses

|  |        |       |
|--|--------|-------|
|  | 39,527 | 4,516 |
|--|--------|-------|

|  |               |               |
|--|---------------|---------------|
|  | <b>69,447</b> | <b>33,766</b> |
|--|---------------|---------------|

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        |
|                              | <b>6</b> | <b>6</b> |

The Directors have no interests in contracts executed by the Company during the year ended 31 December 2021.

## NOTES TO THE FINANCIAL STATEMENTS

### 26.2 Employees

Total number of employees as at year-end:

|            | 2021<br>Number | 2020<br>Number |
|------------|----------------|----------------|
| Management | 39             | 45             |
| Senior     | 203            | 236            |
| Junior     | 203            | 188            |
|            | <b>445</b>     | <b>469</b>     |

**Aggregate staff costs:**

|                                 | 2021<br>N'000    | 2020<br>N'000    |
|---------------------------------|------------------|------------------|
| Salaries and wages (Note 6 & 8) | 2,417,543        | 2,310,825        |
| Other staff welfare (Note 6& 8) | 1,265,181        | 445,995          |
|                                 | <b>3,682,724</b> | <b>2,756,820</b> |

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

|                          | Number     | Number     |
|--------------------------|------------|------------|
| Below N1,000,000         | 15         | 16         |
| N1,000,000 - N2,000,000  | 77         | 97         |
| N2,000,001 - N5,000,000  | 141        | 221        |
| N5,000,001 - N10,000,000 | 171        | 103        |
| Above N10,000,000        | 41         | 32         |
|                          | <b>445</b> | <b>469</b> |

### 27 Contingent liabilities

There is a pending litigation and claims amounting to N520 billion as at 31 December 2021 : (2020: 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 (2020: 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 2021, 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

## STATEMENT OF FINANCIAL POSITION

### NEW:

#### 31 Restatement of prior period balances

In preparing the financial statements for the prior years 2020 and 2019, some portions of trade and other payables were erroneously classified as provisions and included in non-current liability. This has been corrected in the current year financial statements, with a restatement of the prior year ended 31 December 2020 and the opening balance sheet as at 1st January 2020 in line with IAS 8 - Accounting policies, changes in accounting estimates and errors. The correction has no impact on the statement of profit or loss and other comprehensive income. The net impact on the statement of financial position is shown below:

|                                          |        | 31 December<br>2020 |              |                    | 01 January<br>2020  |             |                    |
|------------------------------------------|--------|---------------------|--------------|--------------------|---------------------|-------------|--------------------|
|                                          | Note   | Previous<br>Balance | Adjustment   | Restated           | Previous<br>Balance | Adjustment  | Restated           |
|                                          |        | N'000               | N'000        | N'000              | N'000               | N'000       | N'000              |
| <b>ASSETS</b>                            |        |                     |              |                    |                     |             |                    |
| <b>Non-current assets</b>                |        |                     |              |                    |                     |             |                    |
| Property, plant and equipment            | 12,12a | 266,535,709         |              | 266,535,709        | 278,392,172         |             | 278,392,172        |
| Intangible assets                        | 13     | 1,767               |              | 1,767              | 450                 |             | 450                |
| Total non-current assets                 |        | 266,537,476         |              | 266,537,476        | 278,392,622         |             | 278,392,622        |
| <b>Current assets</b>                    |        |                     |              |                    |                     |             |                    |
| Inventories                              | 14     | 19,943              |              | 19,943             | 17,978              |             | 17,978             |
| Trade and other receivables              | 15     | 129,560,970         |              | 129,560,970        | 89,775,478          |             | 89,775,478         |
| Other assets                             | 16     | 1,267,775           |              | 1,267,775          | 736,433             |             | 736,433            |
| Restricted cash                          | 17     | 4,405,742           |              | 4,405,742          | 4,227,320           |             | 4,227,320          |
| Cash and cash equivalents                | 18     | 17,464,888          |              | 17,464,888         | 2,450,472           |             | 2,450,472          |
| Total current assets                     |        | 152,719,318         |              | 152,719,318        | 97,207,681          |             | 97,207,681         |
| <b>TOTAL ASSETS</b>                      |        | <b>419,256,794</b>  |              | <b>419,256,794</b> | <b>375,600,303</b>  |             | <b>375,600,303</b> |
| <b>EQUITY AND LIABILITIES</b>            |        |                     |              |                    |                     |             |                    |
| <b>Capital and reserves</b>              |        |                     |              |                    |                     |             |                    |
| Share capital                            | 23     | 25,000              |              | 25,000             | 25,000              |             | 25,000             |
| Retained earnings                        |        | 11,419,243          |              | 11,419,243         | 531,928             |             | 531,928            |
| Other reserves                           | 25     | 191,010,485         |              | 191,010,485        | 189,902,294         |             | 189,902,294        |
| <b>Total equity</b>                      |        | <b>202,454,728</b>  |              | <b>202,454,728</b> | <b>190,459,222</b>  |             | <b>190,459,222</b> |
| <b>Non-current liabilities</b>           |        |                     |              |                    |                     |             |                    |
| Deferred tax liabilities                 | 11.2   | 74,295,643          |              | 74,295,643         | 75,079,301          |             | 75,079,301         |
| Provision for overhauls and maintenance  | 18     | 23,459,789          | (23,459,789) | -                  | 8,623,191           | (8,623,191) | -                  |
| Provision for decommissioning obligation | 21     | 7,912,343           |              | 7,912,343          | 8,165,123           |             | 8,165,123          |
| Total non-current liabilities            |        | 105,667,775         | (23,459,789) | 82,207,986         | 91,867,615          | (8,623,191) | 83,244,424         |
| <b>Current liabilities</b>               |        |                     |              |                    |                     |             |                    |
| Trade and other payables                 | 19     | 110,490,206         | 23,459,789   | 133,949,995        | 92,375,947          | 8,623,191   | 100,999,138        |
| Current tax liabilities                  | 11.2   | 644,085             |              | 644,085            | 897,519             |             | 897,519            |
| Total current liabilities                |        | 111,134,291         | 23,459,789   | 134,594,080        | 93,273,466          | 8,623,191   | 101,896,657        |
| <b>TOTAL LIABILITIES</b>                 |        | <b>216,802,066</b>  | <b>-</b>     | <b>216,802,066</b> | <b>185,141,081</b>  | <b>-</b>    | <b>185,141,081</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>      |        | <b>419,256,794</b>  |              | <b>419,256,794</b> | <b>375,600,303</b>  |             | <b>375,600,303</b> |

## 32 Material Contracts

### Gas Sales and Aggregation Agreement

The Company entered into a Gas Sales and Aggregation Agreement for the purchase of gas on 27th May 2021. The parties to the contract are: Egbin Power Plc (referred to as the buyer), Chevron Nigeria Limited (the seller) and Gas Aggregation Company Nigeria Limited (the aggregator). Under the terms of the agreement, the Seller is the operator of the supply area, and has gas available for the purpose of meeting its obligations to the buyer who wishes to buy and take delivery of gas from the seller for use as fuel at its power plant. The Aggregator is empowered by the national domestic gas supply and pricing regulations 2008 to coordinate wholesale gas supply from gas producers to eligible purchasers with Nigeria.

The Agreement was executed on the 27th May 2011 and shall terminate upon the earlier event to occur of: (a) the tenth (10th) anniversary of the Start Date; or (b) when 529,250,000 (five hundred and twenty-nine million, two hundred and fifty thousand) MMBtu of Gas (Contract Quantity) has been made available for delivery by the Seller, (c) any other termination event in accordance with Article 25 of the contract. The contract could be extended subject to negotiations by the parties involved.

The gas will be transported to the power plant under the Gas Transportation Agreement (GTA) signed on 23 February 2013 with the Nigerian Gas Company Limited.

### Gas Transportation Agreement

The Company entered into a Gas Transportation Agreement with Nigerian Gas Company Limited (NGC), now Nigerian Gas Infrastructure Company (NGIC) on the 23rd of February 2013. The tenure of the gas transportation agreement is ten (10) years from the commencement date. The tenure is extensible subject to notice by any of the parties and negotiation on terms for the extended tenure. Under the agreement, Nigeria Gas Company Limited (the transporter) transports Gas on behalf of Egbin Power Plc (referred to as the shipper) on the terms and conditions set out in the agreement.

In order to guarantee payment for the transportation service, the Company has an obligation to maintain a standby letter of credit (LC) equivalent to the total amount payable for Ninety (90) days transport service. See note 17 to these financial statements for further information about amounts maintained as letters of credit with respect to gas supply and transportation.

### Bulk Power Purchase Agreement

The Company entered into a 20-year Power Purchase Agreement (PPA) with the Nigerian Bulk Electricity Trading Plc (NBET) on 21 February 2013 to sell electric power (dependable capacity and gross energy output) generated from its power plant at an agreed-upon pricing model and contract capacity. Under this agreement, the Company is the seller and NBET is the buyer.

This agreement underlies the Company's revenue stream as it contains the terms upon which the Company's main customer (NBET) purchases the gross energy output generated from the Company's power plant.

NBET is wholly owned by the Federal Government of Nigeria (FGN) and was established as part of the Nigerian power sector reforms. NBET's obligation to pay the Company is also supported by the Federal Government through the Central Bank of Nigeria (CBN) power sector reform intervention fund.

Under the terms of the agreement, the Company shall deliver to the buyer (NBET) and the buyer shall accept and pay for all dispatched gross energy output and capacity.

The Parties are by the contract bound by the Market Rules and provisions of the Grid Code where applicable.

### Operation and Maintenance Contract

On 1 January 2019, the Company entered a contract with KEPCO Energy Resource Limited (KERL) for the provision of operations and maintenance services in line with the Company's five year maintenance plan. KERL is registered under the laws of the British Virgin Islands. The contract is for a period of five years. See Notes 6.1 and 20.5 to these financial statements for details of transactions with KERL in respect of this contract as at 31 December 2021.

## VALUE ADDED STATEMENT

|                                                   | 2021<br>N'000     | %          | 2021<br>N'000     | %          |
|---------------------------------------------------|-------------------|------------|-------------------|------------|
| Revenue                                           | 153,822,254       | 488        | 119,695,559       | 454        |
| Bought in materials and services                  |                   |            |                   |            |
| - Imported                                        | (35,380,630)      | (112)      | (33,738,156)      | (128)      |
| - Local                                           | (86,962,510)      | (276)      | (59,579,492)      | (226)      |
| <b>Value added</b>                                | <b>31,479,114</b> | <b>100</b> | <b>26,377,911</b> | <b>100</b> |
| <b><i>Distributed as follows:</i></b>             |                   |            |                   |            |
| <b>To pay employees</b>                           |                   |            |                   |            |
| Staff cost                                        | 3,682,724         | 12         | 2,756,820         | 10         |
| <b>To pay Government</b>                          |                   |            |                   |            |
| Taxation                                          | -                 | -          | 788,297           | 3          |
| <b>To pay providers of finance</b>                |                   |            |                   |            |
| Interest expense                                  | 42,776            | 0          | 44,491            | -          |
| <b>Maintenance of assets and future expansion</b> |                   |            |                   |            |
| Depreciation                                      | 13,040,139        | 41         | 12,774,761        | 48         |
| Accretion expense                                 | 558,611           | 2          | 970,017           | 4          |
| Deferred taxation                                 | 2,763,638         | 9          | (1,843,790)       | (7)        |
| Profit for the year                               | 11,391,225        | 36         | 10,887,315        | 41         |
| <b>Value added</b>                                | <b>31,479,114</b> | <b>100</b> | <b>26,377,911</b> | <b>100</b> |

Value added represents the additional wealth which the Company was 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

|                                                                   |                    | Restated           | Restated           |                    |                    |
|-------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                                                                   | 2021               | 2020               | 2019               | 2018               | 2017               |
|                                                                   | N'000              | N'000              | N'000              | N'000              | N'000              |
| <b>Statement of financial position</b>                            |                    |                    |                    |                    |                    |
| <b>Assets employed</b>                                            |                    |                    |                    |                    |                    |
| Property, plant and equipment                                     | 259,485,493        | 266,535,709        | 289,502,105        | 300,297,714        | 307,805,528        |
| Intangible assets                                                 | 53,300             | 1,767              | 5,460              | 12,155             | 16,710             |
| Other assets                                                      | -                  | -                  | -                  | 619                | 39                 |
| Net current assets                                                | 39,731,452         | 18,125,238         | 27,812,524         | (12,535,542)       | (9,916,015)        |
| Deferred tax                                                      | (71,532,005)       | (74,295,643)       | (80,730,471)       | (77,235,431)       | (80,137,029)       |
| Other long-term liabilities                                       | (12,078,712)       | (7,912,343)        | (49,494,013)       | (5,167,727)        | (4,636,946)        |
| <b>Net assets</b>                                                 | <b>215,659,528</b> | <b>202,454,729</b> | <b>187,095,605</b> | <b>205,371,788</b> | <b>213,132,287</b> |
| <b>Capital and reserves</b>                                       |                    |                    |                    |                    |                    |
| Share capital                                                     | 25,000             | 25,000             | 25,000             | 25,000             | 25,000             |
| Retained earnings                                                 | 22,810,468         | 11,419,243         | (5,154,475)        | 13,839,676         | 21,600,175         |
| Other reserves                                                    | 192,824,060        | 191,010,485        | 192,225,080        | 191,507,112        | 191,507,112        |
| <b>Total equity</b>                                               | <b>215,659,529</b> | <b>202,454,728</b> | <b>187,095,605</b> | <b>205,371,788</b> | <b>213,132,287</b> |
| <b>Statement of profit or loss and other comprehensive income</b> |                    |                    |                    |                    |                    |
| Revenue                                                           | 153,822,254        | 119,695,559        | 91,713,176         | 76,746,317         | 78,242,055         |
| Profit/(loss) before taxation                                     | 10,897,284         | 10,200,174         | 3,658,647          | (9,533,664)        | (19,850,784)       |
| Taxation                                                          | 493,941            | 687,141            | (881,382)          | 1,773,165          | 11,608,879         |
| Profit for the year                                               | 11,391,225         | 10,887,315         | 2,777,265          | (7,760,499)        | (8,241,905)        |
| Other comprehensive income                                        | 1,813,575          | 1,108,191          | 717,968            | -                  | 83,319,187         |
| <b>Total comprehensive income for the year</b>                    | <b>13,204,800</b>  | <b>11,995,506</b>  | <b>3,495,233</b>   | <b>(7,760,499)</b> | <b>75,077,282</b>  |
| <b>Earnings/(loss) per share - Basic</b>                          | <b>455.65</b>      | <b>435.49</b>      | <b>111.09</b>      | <b>(310.42)</b>    | <b>(715.67)</b>    |
| <b>Net assets per share</b>                                       | <b>8,626.38</b>    | <b>8,098.19</b>    | <b>7,483.82</b>    | <b>8,214.87</b>    | <b>18,506.86</b>   |

### 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.

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

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (USD)

|                                                                           | 2021<br>US\$'000 | 2020<br>US\$'000 |
|---------------------------------------------------------------------------|------------------|------------------|
| Revenue                                                                   | 383,529          | 310,719          |
| Cost of sales                                                             | (325,836)        | (285,789)        |
| <b>Gross profit</b>                                                       | <b>57,693</b>    | <b>24,930</b>    |
| Impairment reversal                                                       | 1,152            | 23,194           |
| Administrative expenses                                                   | (10,903)         | (10,391)         |
| <b>Operating profit</b>                                                   | <b>47,942</b>    | <b>37,733</b>    |
| Finance income                                                            | 2,542            | 829              |
| Finance cost                                                              | (1,499)          | (2,542)          |
| Other losses                                                              | (21,814)         | (6,228)          |
| <b>Profit before taxation</b>                                             | <b>27,169</b>    | <b>29,792</b>    |
| Taxation                                                                  | 1,232            | 1,716            |
| <b>Profit for the year</b>                                                | <b>28,401</b>    | <b>31,508</b>    |
| <b>Other comprehensive income</b>                                         |                  |                  |
| <i>Items that will not be reclassified subsequently to profit or loss</i> |                  |                  |
| Changes in decommissioning estimate/ Deferred tax                         | (8,995)          | 2,768            |
| Revaluation surplus                                                       | 13,517           | -                |
| <i>Items that may be reclassified subsequently to profit or loss</i>      |                  |                  |
| Translation difference                                                    | (14,830)         | (50,793)         |
| <b>Total comprehensive income for the year</b>                            | <b>18,093</b>    | <b>(16,516)</b>  |
| Earnings per share - Basic & Diluted (Naira/ US\$)                        | 1.14             | 1.26             |

## STATEMENT OF FINANCIAL POSITION (USD)

|                                          | 31 December<br>2021<br>US\$'000 | 31 December<br>2020<br>US\$'000 | 01 January<br>2020<br>US\$'000 |
|------------------------------------------|---------------------------------|---------------------------------|--------------------------------|
| <b>ASSETS</b>                            |                                 |                                 |                                |
| <b>Non-current assets</b>                |                                 |                                 |                                |
| Property, plant and equipment            | 629,863                         | 665,789                         | 763,347                        |
| Intangible assets                        | 129                             | 4                               | 1                              |
| <b>Total non-current assets</b>          | <b>629,992</b>                  | <b>665,793</b>                  | <b>763,348</b>                 |
| <b>Current assets</b>                    |                                 |                                 |                                |
| Inventories                              | 34                              | 50                              | 49                             |
| Trade and other receivables              | 269,619                         | 323,635                         | 246,162                        |
| Other assets                             | 9,427                           | 3,167                           | 2,019                          |
| Restricted cash                          | 7,786                           | 11,005                          | 11,591                         |
| Cash and cash equivalents                | 85,644                          | 43,626                          | 6,719                          |
| <b>Total current assets</b>              | <b>372,510</b>                  | <b>381,483</b>                  | <b>266,540</b>                 |
| <b>TOTAL ASSET</b>                       | <b>1,002,502</b>                | <b>1,047,276</b>                | <b>1,029,888</b>               |
| <b>EQUITY AND LIABILITIES</b>            |                                 |                                 |                                |
| Capital and reserves                     |                                 |                                 |                                |
| Share capital                            | 61                              | 111                             | 111                            |
| Retained earnings                        | 167,259                         | 139,124                         | 107,616                        |
| Other reserves                           | 1,022,073                       | 1,017,551                       | 1,014,783                      |
| Cumulative translation adjustment        | (665,899)                       | (651,069)                       | (600,276)                      |
| <b>Total equity</b>                      | <b>523,494</b>                  | <b>505,717</b>                  | <b>522,234</b>                 |
| <b>Non-current liabilities</b>           |                                 |                                 |                                |
| Deferred tax liabilities                 | 173,612                         | 185,586                         | 205,866                        |
| Provision for decommissioning obligation | 29,316                          | 19,765                          | 22,389                         |
| <b>Total non-current liabilities</b>     | <b>202,928</b>                  | <b>205,351</b>                  | <b>228,255</b>                 |
| <b>Current liabilities</b>               |                                 |                                 |                                |
| Trade and other payables                 | 270,759                         | 334,599                         | 276,938                        |
| Current tax liabilities                  | 5,319                           | 1,609                           | 2,461                          |
| <b>Total current liabilities</b>         | <b>276,080</b>                  | <b>336,208</b>                  | <b>279,399</b>                 |
| <b>TOTAL LIABILITIES</b>                 | <b>479,008</b>                  | <b>541,559</b>                  | <b>507,654</b>                 |
| <b>TOTAL EQUITY AND LIABILITIES</b>      | <b>1,002,502</b>                | <b>1,047,276</b>                | <b>1,029,888</b>               |

## STATEMENT OF CHANGES IN EQUITY (USD)

|                                     | Share<br>Capital<br>US\$'000 | Retained<br>Earnings<br>US\$'000 | Other<br>Reserves<br>US\$'000 | Cumulative<br>translation<br>adjustment<br>US\$'000 | Total<br>Equity<br>US\$'000 |
|-------------------------------------|------------------------------|----------------------------------|-------------------------------|-----------------------------------------------------|-----------------------------|
| <b>Balance at 1 January 2020</b>    | <b>111</b>                   | <b>107,616</b>                   | <b>1,014,783</b>              | <b>(600,276)</b>                                    | <b>522,234</b>              |
| 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)                    |
| <b>Balance at 31 December 2020</b>  | <b>111</b>                   | <b>139,124</b>                   | <b>1,017,234</b>              | <b>(651,069)</b>                                    | <b>505,401</b>              |
| Profit for the year                 | -                            | 28,401                           | -                             | -                                                   | 28,401                      |
| Revaluation surplus                 | -                            | -                                | 13,517                        | -                                                   | 13,517                      |
| Changes in decommissioning estimate | -                            | -                                | (8,995)                       | -                                                   | (8,995)                     |
| Deferred tax                        | -                            | -                                | -                             | -                                                   | -                           |
| Translation difference              | -                            | -                                | -                             | (14,830)                                            | (14,830)                    |
| <b>Balance at 31 December 2021</b>  | <b>111</b>                   | <b>167,526</b>                   | <b>1,021,756</b>              | <b>(665,899)</b>                                    | <b>523,494</b>              |

## STATEMENT OF CASH FLOWS (USD)

|                                                               | 2021<br>US\$'000 | 2020<br>US\$'000 |
|---------------------------------------------------------------|------------------|------------------|
| <b>Cash flows from operating activities</b>                   |                  |                  |
| Profit/(loss) before tax                                      | 26,448           | 29,792           |
| <b>Adjustments for:</b>                                       |                  |                  |
| Depreciation on generation assets                             | 29,703           | 29,988           |
| Depreciation on non generation assets                         | (1,088)          | 1,925            |
| Impairment loss allowance(Receivable)                         | (33)             | (23,194)         |
| Impairment - Cash & Bank                                      | -                | (219)            |
| Bad debt written off                                          | 1,356            | 1                |
| Accretion expense                                             | -                | 2,423            |
| Interest on fixed deposit                                     | (2,475)          | (829)            |
|                                                               | <b>29,416</b>    | <b>10,095</b>    |
| <b>Movements in working capital</b>                           |                  |                  |
| Increase in trade and other receivables                       | 45,923           | (77,473)         |
| (Increase)/Decrease in other assets                           | (6,350)          | (1,148)          |
| Decrease/(Increase) in inventories                            | 14               | (1)              |
| Increase/(Decrease) in trade and other payables               | (54,346)         | 57,661           |
| <b>Total adjustments and movements</b>                        | <b>14,657</b>    | <b>(10,866)</b>  |
| Income taxes paid                                             | (1,752)          | (1,218)          |
| <b>Net cash generated from operating activities</b>           | <b>39,353</b>    | <b>17,708</b>    |
| <b>Cash flows from investing activities</b>                   |                  |                  |
| Purchase of fixed assets                                      | (1,511)          | (2,397)          |
| Interest received on fixed deposits                           | 2,475            | 829              |
| (Increase)/Decrease in restricted cash                        | 2,907            | 586              |
| <b>Net cash (used in)/generated from investing activities</b> | <b>3,870</b>     | <b>(982)</b>     |
| <b>Cash flows from financing activities</b>                   | -                | -                |
| <b>Net cash generated from financing activities</b>           | -                | -                |
| Net increase in cash and cash equivalents                     | <b>43,223</b>    | <b>16,726</b>    |
| Effects of exchange rate changes on cash and cash equivalents | (1,239)          | 19,970           |
| Gross and cash equivalents at beginning of the year           | 43,660           | 6,964            |
| <b>Gross cash and cash equivalents at end of the year</b>     | <b>85,644</b>    | <b>43,660</b>    |
| Impairment of cash                                            | -                | (34)             |
| <b>Net cash and cash equivalents at end of the year</b>       | <b>85,644</b>    | <b>43,626</b>    |

## Proxy Form

-----  
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 31 <sup>st</sup> 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.



