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# **NIGERIAN BULK ELECTRICITY TRADING PLC**

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Annual Reports and  
Financial Statements  
for the Year Ended  
31 December 2015

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**Aminu Ibrahim & Co**

**NIGERIAN BULK ELECTRICITY TRADING PLC  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**NIGERIAN BULK ELECTRICITY TRADING PLC  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**CORPORATE INFORMATION**

***Board of Directors during the year ended 31 December 2015 \****

Dr. Ngozi Okonjo-Iweala	Minister of Finance and Coordinating Minister for the Economy	Chairman
Mr. Rumundaka Wonodi**	Managing Director/CEO	Member
Haruna Sambo Mohammed		Member
Hon. Mohammed Kumalia		Member
Mr. Paul Usoro SAN		Member
Mr. Benjamin Ezra Dikki	DG, Bureau of Public Enterprises	Member- (Representing Bureau of Public Enterprises)
Prof. Chinedu Nebo	Minister of Power	Member – (Representing Ministry of Power)

***Board of Directors - Current***

*On 5 May 2020, the President approved the reconstitution of the Board as follows:*

<b>Designation of Board Member</b>	<b>Institution</b>	<b>Representative</b>	<b>Office Holder</b>
Chairman	Federal Ministry of Finance	Minister of Finance, Budget & National Planning	Dr. (Mrs.) Zainab Shamsuna Ahmed
Non-Executive Director	Bureau of Public Enterprises	Director General	Mr. Alex A. Okoh
Non-Executive Director	Budget Office of the Federation	Director General	Mr. Ben Akabueze
Non-Executive Director	Debt Management Office (DMO)	Director General	Ms. Patience Oniha
Non-Executive Director	Federal Ministry of Power	Not below the rank of a Director	
Independent Non-Executive Director			Engr. Mustapha Balarabe Shehu
Independent Non-Executive Director			Dr. Suleyman Ndanusa
Independent Non-Executive Director			Mr. Adeyeye O. Adepegba
Managing Director / Chief Executive	Nigerian Bulk Electricity Trading Company Plc (NBET)	Managing Director/Chief Executive	Dr. Nnaemeka Ewelukwa **

*\*The Board was dissolved together with the governing boards of all Federal Government parastatals, agencies, institutions and government owned companies by the President of the Federal Republic of Nigeria, Muhammadu Buhari on 16 July 2015. The Chief Executive Officers of the affected institutions were directed to refer matters requiring the attention of their boards to the President, through the Permanent Secretaries of their respective supervising ministries or offices for action. In the case of NBET, it was the Permanent Secretary - Ministry of Power, Works and Housing, who exercised this responsibility.*

*\*\*Mr. Rumundaka Wonodi completed his tenure as the Managing Director/CEO on 7 June 2016. The President of Nigeria approved the appointment of Dr. Marilyn Amobi as Managing Director/CEO on 26 July 2016. However, between the completion of the term of Mr Wonodi on 7 June 2016 and the assumption of office of Dr Amobi on 22 August 2016, Mr Waziri Bintube acted as the Managing Director / CEO. Dr Marilyn Amobi completed her term on 24 July 2020, and Dr Nnaemeka Ewelukwa was appointed MD/CEO with effect from 25 July 2020.*

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**CORPORATE INFORMATION (CONTINUED)**

**Company Secretary**

Dr Nnaemeka Ewelukwa – up to 24 July 2020

Mr. Peter Baginwa Ogbobine – from 25 July 2020 to date

***Executive Management as at 31 December 2015***

Mr. Rumundaka Wonodi	Managing Director / CEO
Mr. Waziri Bintube	Chief Financial Officer
Dr. Nnaemeka Ewelukwa	General Counsel / Company Secretary
Mr. Abba Aliyu	Head – Human Resources and Administration
Mr Yesufu Longe Alonge	Head – Power Procurement and Power Contract

***Executive Management at date of signing of these financial statements***

Dr. Nnaemeka Ewelukwa	Managing Director / CEO
Mr. Waziri Bintube	Chief Financial Officer
Mr. Peter Baginwa Ogbobine	General Counsel / Company Secretary

<b>Independent Auditors:</b>	Aminu Ibrahim & Co (Chartered Accountants) City Plaza 3rd Floor Plot 596, Ahmadu Bello Way Garki II, Abuja. <a href="http://www.aminuibrahim.com">www.aminuibrahim.com</a> .
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<b>Registered Address:</b>	442 Zambezi Street, Maitama, Abuja Nigeria
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<b>Principal Place of Business</b>	<b>As at 31 December 2015</b> 3rd & 8th Floors, Bank of Industry House Plot 256, Zone AO Central Business District, Abuja Nigeria
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<b>Current Place of Business</b>	2 <sup>nd</sup> & 3rd Floors, Nigerian Electricity Regulatory Commission Building Plot 1387, Cadastral Zone, AOO Central Business District, Abuja Nigeria.
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**NIGERIAN BULK ELECTRICITY TRADING PLC  
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**REPORT OF THE DIRECTORS**

The directors submit their report with the audited financial statements for the year ended 31 December 2015, which disclose the state of affairs of the company.

**Incorporation**

The Company was incorporated in Nigeria as a public limited liability company on 29 July 2010 under the Companies and Allied Matters Act (CAMA) CAP C20 Laws of the Federation of Nigeria 2004. The Company was issued a trading license by the Nigerian Electricity Regulatory Commission on 15 November 2011 for the purchase of electric power from generation companies and resale to distribution companies and eligible customers in line with Electric Power Sector Reform Act (EPSRA) of 2005. The Company implements its mandate as laid down in its Memorandum of Association.

**Principal activities**

The principal activities of the Company are:

- a) To undertake the business of trading in the wholesale electricity market as bulk purchaser and bulk seller of electricity and ancillary services pursuant to the Electric Power Sector Reform Act 2005.
- b)
  - i. To take over the contract management and obligations of the Federal Government of Nigeria under existing Power Purchase Agreements.
  - ii. To assume active obligations in the gas sector pursuant to its designated role as the Federal Government of Nigeria's anchor for gas supply guarantees.
- c) To do all such other things as are incidental or may be thought conducive to the attainment of the above objects or any of them.

**Results for the year**

The following is the summary of the company's operating results:

	<b>2015</b>	<b>2014</b>
	<b>N'000</b>	<b>N'000</b>
Revenue	<u>260,615,491</u>	<u>162,641</u>
Operating (loss)	<u>(2,167,403)</u>	<u>(940,159)</u>
Net finance cost	<u>(2,118,582)</u>	<u>(1,562,417)</u>
<b>Loss for the year</b>	<b><u>(4,285,985)</u></b>	<b><u>(2,502,576)</u></b>

**Shareholding**

As at 31 December 2015, shareholding of the company was as follows:

	<b>Shareholding</b>	<b>Percentage</b>
	<b>('000 Units)</b>	<b>Holding (%)</b>
Bureau of Public Enterprises	16,000	80
Ministry of Finance Incorporated	4,000	20
<b>Total</b>	<b>20,000</b>	<b>100</b>

The Company's authorized number of ordinary shares is 20,000,000 units with a par value of 50 kobo per unit of share

**Directors**

The names of the present directors and those that served during the year 2015 are listed on page 2. None of the directors have direct or indirect interests in the issued share capital of the company.

**NIGERIAN BULK ELECTRICITY TRADING PLC  
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**Directors' interests in contracts**

None of the directors has notified the company for the purpose of section 277 of Companies and Allied Matters Act (CAMA), CAP C20 Laws of the Federation of Nigeria (LFN) 2004, of any direct or indirect interests in contracts or proposal contracts with the company during the year. The company has a process in place to identify situations where directors may be involved in contracts; this is closely monitored and evaluated.

**Employment and employees**

The Company gives full consideration to applications for employment from disabled persons where a handicapped or disabled person can adequately fulfil the requirements of the job. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

**Health and safety**

Health and safety regulations are in force within the company's premises and employees are aware of existing regulations.

**Employee training and involvement**

The Company is committed to keeping employees fully informed as far as possible regarding the company's performance and progress and seeking their views wherever practicable on matters, which particularly affect them as employees. Training is carried out at various levels through both in-house and external courses. Management, professional and technical expertise are the company's major assets, and investment in developing such skills continues.

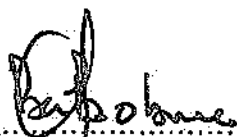
**Donations and gifts**

The company made no material contributions to charities during the year.

**Auditors**

The firm of Messrs Aminu Ibrahim & Co was appointed as external auditor in accordance with Section 357 (2) of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria 2004, and replaced Messrs. PricewaterhouseCoopers as external auditors of the Company.

By Order of the Board



**Peter Baginwa Ogbobine**  
Company Secretary  
FRCN/2021/002/00000023491  
Abuja, Nigeria.

Dated 4 March 2021

**NIGERIAN BULK ELECTRICITY TRADING PLC  
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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Companies and Allied Matters Act, Laws of the Federation of Nigeria 2020, requires the directors to prepare financial statement for each financial year that give a true and fair view of the state of financial affairs of the company at the end of the year and of its profit or loss. The responsibilities include ensuring that the company:

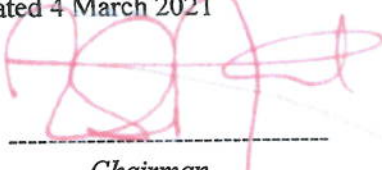
- a) Keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company and comply with the requirements of the Companies and Allied Matters Act; CAP C20 Laws of the Federation of Nigeria 2020 and the Financial Reporting Council of Nigeria Act No. 6, 2011;
- b) Establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- c) Prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements estimates, and are consistently applied.

The Directors accept responsibility for the financial statement, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with the International Financial Reporting Standard (IFRS) and the requirements of the Companies and Allied Matters Act (CAMA) and the Financial Reporting Council of Nigeria Act No. 6 of 2011.

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

Nothing has come to the attention of the Directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement

Dated 4 March 2021

  
\_\_\_\_\_  
*Chairman*  
Dr.(Mrs) Zainab Shamsuna Ahmed  
FRC/2013/ANAN/0000001549

  
\_\_\_\_\_  
*Managing Director/CEO*  
Dr. Nnaemeka Ewelukwa  
FRC/2014/NBA/0000008311

  
\_\_\_\_\_  
*Chief Financial Officer*  
Mr. Waziri Bintube  
FRC/2021/001/00000023176





**REPORT OF THE INDEPENDENT AUDITORS  
TO THE MEMBERS OF NIGERIAN BULK ELECTRICITY TRADING PLC**

**Our opinion**

In our opinion, the financial statements give a true and fair view of the financial position of **Nigerian Bulk Electricity Trading Plc**, as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, the Companies and Allied Matters Act, CAP C20) LFN 2004, and the financial policy of the Company.

**What we audited**

We have audited the accompanying financial statements of Nigerian Bulk Electricity Trading Plc, which comprise the statement of financial position as at 31 December 2015, and the statement of total comprehensive income, statement of changes in equity, and statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies.

**Basis of 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 Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Nigeria, and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

**Emphasis of Matter – Funding shortfall**

Having reviewed events after reporting date up to 31 January 2021, we draw attention to the current liquidity situation of the company which has resulted in a significant shortfall in funding required in the Nigerian Electricity Supply Industry (NESI).

As described in Note 32.4 to the financial statement, the company has paid N2.22 trillion out of total invoices of N2.94 trillion received from generating companies as at 31 January 2021, while the distribution companies have only paid N819.3 billion out of total outstanding invoices of N2.64 trillion as at 31 January 2021. This situation adversely affects the liquidity required by the Company to meet its obligations.

Since commencing operations in 2011, as a wholly owned Federal Government of Nigeria (FGN) enterprise, the Company has received and continue to receive financial support from the Federal Government, including annual budgetary appropriations and other forms of financial injection, to enable the Company reduce the funding shortfall.

In 2017, the FGN approved a N701 billion Payment Assurance Loan Facility for the Company, to support it in meeting its payment obligation to generating companies and gas suppliers. After this facility was fully utilised, a further extension of N600 billion was also made for the company in 2019.

The Company's ability to meet its obligations in the Nigerian Electricity Supply Industry is dependent on continued financial support from the Federal Government of Nigeria. Our opinion is not modified in respect of the matter emphasised.

**Other information included in the financial statements**

The Directors are responsible for the other information. The other information comprises the report of the Directors, Corporate information, Risk Management report, Statement of Value Added, and five year financial summary and any other reports excluding the financial statements as defined in our opinion paragraph above 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 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.

#### **The Directors' responsibilities for the financial statements**

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and for such internal control as the Directors determine are 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. The Directors are responsible for overseeing the company's financial reporting process.

#### **Auditors' 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 International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- ✓ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ✓ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ✓ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- ✓ Conclude on the appropriateness of 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 Directors 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.

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

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

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) The Company has kept proper books of accounts, so far as appears from our examination of those books.
- iii) The Company's statements of financial position and comprehensive income are in agreement with the books of account.

Abuja, Nigeria  
4 March 2021

  
For: Aminu Ibrahim & Co  
Chartered Accountants  
Engagement Partner: Kunle Lasisi  
FRC/2013/ICAN/000000945



**NIGERIAN BULK ELECTRICITY TRADING PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR**  
**THE YEAR ENDED 31 DECEMBER 2015**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		<b>31-Dec 2015 N '000</b>	<b>Restated<sup>1</sup> 31-Dec 2014 N '000</b>
	<b>Note</b>		
Revenue	5	260,615,491	162,641
Cost of sales	6	<u>(261,695,165)</u>	<u>-</u>
<b>Gross (loss) / profit</b>		<b>(1,079,674)</b>	<b>162,641</b>
Other income	7	10	-
Administrative and general expenses	8	(467,655)	(613,723)
Payroll and related costs	9	(510,982)	(415,339)
Depreciation and amortisation	11	<u>(109,102)</u>	<u>(73,738)</u>
<b>Operating loss</b>		<b>(2,167,403)</b>	<b>(940,159)</b>
Finance income	12	1,771,023	419,665
Finance costs	13	<u>(3,889,604)</u>	<u>(1,982,082)</u>
<b>Loss for the year</b>		<b>(4,285,985)</b>	<b>(2,502,576)</b>
Other comprehensive income:			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Fair value gains on available for sale investments	27	<u>(677,293)</u>	<u>17,494</u>
Total other comprehensive income for the year		<u>(677,293)</u>	<u>17,494</u>
<b>Total comprehensive loss for the year attributable to owners of the company</b>		<b><u>(4,963,278)</u></b>	<b><u>(2,485,082)</u></b>

<sup>1</sup> See Note 31

The notes on pages 14 to 37 are integral part of these financial statements.



**NIGERIAN BULK ELECTRICITY TRADING PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

**STATEMENT OF FINANCIAL POSITION**

		31-Dec 2015 N '000	Restated <sup>1</sup> 31-Dec 2014 N '000
	Note		
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	14	301,526	214,875
Intangible assets	15	20,047	14,883
		<u>321,573</u>	<u>229,758</u>
<b>Current assets</b>			
Trade and other receivables	16	155,601,472	362,990
Financial assets	17	7,880,432	6,951,213
Externally managed investments	18	70,232,796	65,090,842
Cash and cash equivalents	19	77,021,700	12,494,526
		<u>310,736,399</u>	<u>84,899,571</u>
<b>TOTAL ASSETS</b>		<u><b>311,057,972</b></u>	<u><b>85,129,329</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders</b>			
Share capital	22	10,000	10,000
Contributions by the Federal Government of Nigeria	23	1,708,875	1,574,775
Power trading capital	24	20,933,413	17,952,400
BPE Escrow accounts	25	54,004,059	-
Retained earnings	26	(7,492,282)	(3,206,297)
Fair value reserves	27	(677,293)	17,494
<b>TOTAL EQUITY</b>		<u><b>68,486,772</b></u>	<u><b>16,348,372</b></u>
<b>Non-Current liabilities</b>			
Borrowings	21	76,650,353	68,631,275
<b>Current liabilities</b>			
Trade and other payables	20	165,920,847	149,682
<b>TOTAL LIABILITIES</b>		<u><b>242,571,200</b></u>	<u><b>68,780,957</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>311,057,972</b></u>	<u><b>85,129,329</b></u>

The financial statements were approved and authorised for issue by the Board of Directors on 4 March 2021, and were signed on its behalf by :

Dr.(Mrs) Zainab Shamsuna Ahmed [Chairman]  
FRC/2013/ANAN/0000001549

Dr. Nnaemeka Ewelukwa [Managing Director/CEO]  
FRC/2014/NBA/0000008311

Mr. Waziri Buntube [Chief Financial Officer]  
FRC/2021/001/00000023176

<sup>1</sup> See Note 32

The notes on pages 14 to 37 are integral part of these financial statements.

**NIGERIAN BULK ELECTRICITY TRADING PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

**STATEMENT OF CHANGES IN EQUITY**

	Share capital N'000	Contributions from FGN N'000	Power trading capital N'000	BPE Escrow accounts N'000	Retained earnings N'000	Fair value reserves N'000	Total equity N'000
Balance at 1 January 2015	10,000	1,574,775	19,952,400	-	(3,206,297)	17,494	18,348,372
Additions for the year	-	134,100	3,358,000	54,004,059	-	-	57,496,158
Loss for the year	-	-	-	-	(4,285,985)	-	(4,285,985)
Fair value changes	-	-	-	-	-	(694,787)	(694,787)
Interest earned on investment	-	-	1,623,013	-	-	-	1,623,013
Transfer to operational account (Note 24(ii))	-	-	(2,000,000)	-	-	-	(2,000,000)
<b>Balance as at 31 December 2015</b>	<b>10,000</b>	<b>1,708,875</b>	<b>22,933,413</b>	<b>54,004,059</b>	<b>(7,492,282)</b>	<b>(677,293)</b>	<b>70,486,772</b>
Balance at 1 January 2014	10,000	1,219,649	15,717,672	-	(703,721)	-	16,243,600
Additions for the year	-	355,126	3,058,331	-	-	-	3,413,457
Loss for the year	-	-	-	-	(2,502,576)	-	(2,502,576)
Fair value changes	-	-	-	-	-	17,494	17,494
Interest earned on investment (Note 32)	-	-	1,176,397	-	-	-	1,176,397
<b>Balance as at 31 December 2014</b>	<b>10,000</b>	<b>1,574,775</b>	<b>19,952,400</b>	<b>-</b>	<b>(3,206,297)</b>	<b>17,494</b>	<b>18,348,372</b>

The notes on pages 14 to 37 are integral part of these financial statements.



**NIGERIAN BULK ELECTRICITY TRADING PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE**  
**YEAR ENDED 31 DECEMBER 2015**

**STATEMENT OF CASH FLOWS**

	Note	31-Dec 2015 N '000	31-Dec 2014 N '000
<b>Cash flows from operating activities</b>			
Cash generated from operations	28	9,437,612	(724,430)
<b>Net cash flows generated from operating activities</b>		<b>9,437,612</b>	<b>(724,430)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	14	(191,055)	(109,086)
Acquisition of intangible asset	15	(9,862)	(5,383)
Investment in Nigerian treasury bills	17	(929,219)	(5,182,866)
Externally managed asset (adjusted for cash element)	18	(18,050,045)	(52,154,291)
<b>Net cash used in investing activities</b>		<b>(19,180,180)</b>	<b>(57,451,626)</b>
<b>Cash flows from financing activities</b>			
Contributions from Federal Government of Nigeria	23	134,100	355,126
Power trading capital received during the year	24	1,358,000	3,058,331
Interest on investment of capitalisation fund	24	1,623,013	1,176,397
Borrowings during the year	21	4,242,480	64,658,124
Funds from BPE Escrow accounts	25	54,004,059	-
<b>Net cash generated from financing activities</b>		<b>61,361,652</b>	<b>69,247,978</b>
<b>Increase in cash and cash equivalents</b>		<b>51,619,083</b>	<b>11,071,923</b>
Cash and cash equivalents at start of year		25,431,077	14,359,154
<b>Cash and cash equivalents at end of year</b>		<b>77,050,160</b>	<b>25,431,077</b>
<b>Cash and cash equivalents comprise:</b>			
Cash in hand and at commercial banks	19	3,683,148	3,138,647
Cash with Central Bank of Nigeria	19	73,338,552	-
Cash equivalents	19	-	9,355,879
		77,021,700	12,494,526
Externally managed asset - Cash	18	28,460	12,936,551
		<b>77,050,160</b>	<b>25,431,077</b>

The notes on pages 14 to 37 are integral part of these financial statements.

**NIGERIAN BULK ELECTRICITY TRADING PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

**1 General information**

Nigerian Bulk Electricity Trading Plc (the Company) was incorporated in Nigeria on 29 July 2010. The Bureau of Public Enterprises (BPE) holds 80% of the ordinary shares whilst the Ministry of Finance Incorporated (MOFI) holds the remaining 20% both in trust for the Federal Government of Nigeria. The Company was granted a ten (10) years licence (15 November 2011 to 14 November 2021) by the Nigerian Electricity Regulatory Commission to deal in the bulk purchase and resale of electricity.

The Company's operations are funded through the market administration charges and budgetary appropriations received from the Federal Government of Nigeria, the ultimate controlling party. Funding for the Company's mandate as provided in the Electric Power Sector Reform Act (EPSRA) and as laid out in the Power Sector Road Map are appropriated to the Company from the Federal Government's annual budget.

Following the declaration of the Transitional Electricity Market (TEM) on 1 February 2015, via Order No.136 of 30th January 2015, by the Nigerian Electricity Regulatory Commission (NERC), the company took the responsibility in the transitional stage of the Nigerian Electricity Supply Industry (NESI) for purchasing bulk power from generation companies and Independent Power Producers (IPPs) based on Power Purchase Agreements (PPAs), and reselling the power to the distribution companies and eligible customers according to demand, based on vesting contracts and power sale agreements entered into with distribution companies and eligible customers respectively.

The principal activities of the Company are:

- To undertake the business of trading in the wholesale electricity market as bulk purchaser and bulk seller of electricity and ancillary services pursuant to the Electric Power Sector Reform Act 2005.
- To take over the contract management and obligations of the Federal Government of Nigeria under existing Power Purchase Agreements.
- To assume active obligations in the gas sector pursuant to its designated role as the Federal Government of Nigeria's anchor for gas supply guarantees.
- To do all such other things as are incidental or may be thought conducive to the attainment of the above objects or any of them.

The Company is domiciled in Nigeria and the address of its registered office is:  
442 Zambezi Street,  
Maitama, Abuja  
Nigeria

**2 Summary of significant accounting policies**

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

**2.1 Basis of preparation and adoption of IFRSs**

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Directors believe that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets and held-for-trading financial assets that have been measured at fair value. The financial statements are presented in naira and all values are rounded to the nearest thousand (N'000), except when otherwise indicated.

**2.1.1 Going concern**

The financial statements have been prepared on a going concern basis. The Directors have no doubt that the Company would remain in existence after 12 months.

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**2.1.2 Changes in accounting policy and disclosures**

*New standards, amendments and interpretations adopted by the Company*

The following standards have been adopted by the Company for the first time for the financial year beginning on or after 1 January 2014 and have a material impact on the Company:

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Company is not currently subjected to significant levies so the impact on the Company is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Company.

*New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company. The standards and amendments are as follows:

- (i) IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in May 2014 and will be effective 1st January 2018. It replaces the parts of IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at the initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments. The Company is yet to assess the full impact of the standards on its financial statements.
- (ii) IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Company is assessing the impact of IFRS 15.
- (iii) Amendment to IAS 36, 'Impairment of assets' to align the disclosure requirements in IAS 36 in line with IFRS 13 Fair Value Measurement disclosures, to require the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment also requires additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal, consistently with the disclosure requirements for impaired assets in Nigerian GAAP.

**2.2 Foreign currency translation**

**(i) Functional and presentation currency**

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

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**(ii) Transactions and balances**

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income or expenses'.

**2.3 Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

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

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognized when replaced. Depreciation starts when the asset is available for use. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other (losses)/gains - net' in the profit or loss.

The major categories of property, plant and equipment are depreciated on a straight-line basis are as follows:

Asset category	Depreciation rate (%)
Furniture & fittings	20
Computer equipment	33
Office equipment	20
Motor vehicles	25

**2.4 Intangible assets**

Intangible assets are stated at the amount initially recognized, less accumulated amortization and accumulated impairment losses. Intangible assets include expenditure on licenses obtained from regulatory authorities and computer software licenses. Subsequent expenditure on software is capitalized only when it increases the future economic benefits of the related software. Software maintenance costs are recognized as expenses in the profit or loss statement as they are incurred. Amortization is recognized in the profit or loss statement on a straight-line basis over the estimated useful life of the software, from the date it is available for use. The estimated useful life of software ranges between 1-3 years while that of the operating license is for a period of 10 years. These are reassessed annually.

**2.5 Impairment of non-financial assets**

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

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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**2.6 Financial instruments**

In accordance with IAS 39, all financial assets and liabilities must be recognised in the Company's statement of financial position and measured in accordance with their assigned categories. Acquisition or sales of financial assets, liabilities or equity instrument are recognised on the trade date - the date on which the Company commits to purchase or sell the asset.

**(i) Initial recognition and measurement**

Financial instruments carried at fair value through profit or loss are initially recognised at fair value while transaction costs, which are directly attributable to the acquisition or issue of the financial instruments, are recognised immediately through profit or loss. Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

**(ii) Subsequent measurement**

Subsequent to initial measurement, held to maturity instruments are measured either at fair value or amortized cost based on their classification.

**(iii) Classification and related measurement**

Management determines the classification of its financial instruments at initial recognition. The Company uses trade date accounting for regular way contracts when recording financial asset transactions

**(iv) Financial assets**

The Company classifies its financial assets in terms of the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity financial assets; and available-for-sale financial assets.

*Financial assets at fair value through profit or loss*

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Company as fair value through profit or loss upon initial recognition (the so-called "fair value option").

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments.

Financial instruments included in this category are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in profit and loss. Interest income and dividend income on financial assets held for trading are included in profit and loss respectively. At the reporting dates covered by these year end financial statements, the Company had no financial assets classified as financial assets at fair value through profit or loss.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than :

- those that the Company intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as fair value through profit or loss;
- those that the Company upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, for reasons other than credit deterioration.

Loans and receivables are initially recognized at fair value. Subsequently, loans and receivables are carried at amortised cost less any impairment.



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*Held-to-maturity financial assets*

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity, other than:

- those that the Company upon initial recognition designates as fair value through profit or loss;
- those that the Company upon initial recognition designates as available-for-sale; or
- those that meet the definition of loans and receivables.

These financial assets are subsequently measured at amortized cost using the effective interest rate method. Interest income is included in 'Interest income' in the profit or loss statement.

The Company's investment in held to maturity includes only Nigerian Treasury bills.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss.

Available-for-sale financial assets are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive income. Interest calculated using the effective interest method is recognised in 'Interest income', with dividend income included in 'Other income'. When available-for-sale financial assets are sold or impaired, the cumulative gain or loss recognised in a separate reserve in equity are reclassified to profit or loss.

**(v) Financial liabilities**

Financial liabilities are classified as financial liabilities at amortised cost. There are no financial liabilities in any other financial instrument category. Management determines the classification of financial liabilities at initial recognition.

*Financial liabilities at amortised cost*

These include trade payables and other payables. They are initially recognized at fair value. Subsequently, they are measured at amortised cost using the effective interest method. They are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

**(vi) Determination of fair value**

At initial recognition, the best evidence of the fair value of a financial instrument is the transaction price (i.e. the fair value of the consideration paid or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions of the same instrument.

Subsequent to initial recognition, for financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes quoted debt instruments on major exchanges and broker quotes. For example, the Nigerian Stock Exchange and quotes from the FMDQ OTC PLC website.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry commission, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using market inputs existing at the dates of the statement of financial position. For illiquid financial instruments, the fair values are further adjusted to compensate for the credit risks attached to the issuers.

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**(vii) De-recognition**

Financial assets and liabilities are de-recognised when the rights to receive cash flows or settle obligations have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

**(viii) Offsetting financial instruments**

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

**2.7 Impairment of financial assets**

*Assets carried at amortised costs*

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Evidence of impairment may include indications that the debtors 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 reorganisation, 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.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. As a practical expedient, the Company may measure impairment using an impairment model that incorporates critical estimates such as the loss given default, the probability of default and the aged analysis of debtors in determining collective impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

**2.8 Trade receivables**

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. Trade and other receivables are carried at the original invoice amount, less allowances made for doubtful receivables. Where the time value of money is material, receivables are carried at amortized cost. Provision is made when there is objective evidence that the Company will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

**2.9 Cash and cash equivalents**

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term investments with original maturities of three months or less, which are subject to insignificant risk of changes in their fair value, and are used in the management of the Company's short-term commitments.

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**2.10 Share capital**

The Company has only one class of shares - ordinary shares - which are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction net of tax from the proceeds.

The Company benefits from funding (Contributions by the Federal Government of Nigeria and Power Trading Capital) to finance its activities. Funds from the government are recognized at their amount received as such contributions are not refundable. These funds are recognised and presented as equity.

**2.11 Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.12 Employee benefits**

**(i) Wages, salaries and annual leave**

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

**(ii) Defined contribution plan**

The Company operates a defined contribution scheme for its employees in line with the Pension Reform Act. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company has no further payment obligations once the contributions have been paid. The Company's contributions to the defined contribution schemes are charged to the profit or loss statement in the year to which they relate.

**2.13 Provisions**

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

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

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

**2.14 Revenue recognition**

Revenue is measured at the fair value of the consideration received. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when risks and rewards have passed to the customer.

Due to the uncertainty surrounding the amount that may flow to the Company during the interim period of the power industry, the Company recognised revenue when actual payment has been made by the market operators.

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**2.15 Interest Income**

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognized using the original effective interest rate.

**2.16 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leases of assets where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

**2.17 Comparatives**

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

**3 Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed herein.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

**(i) Contingent assets and contingent liabilities**

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized but they are disclosed in the financial statement when they arise.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognized but are disclosed unless they are remote.

**(ii) Impairment of financial assets**

The Company annually tests whether the trade receivables have suffered any impairment in accordance with the Company's credit policy. Impairment is calculated based on the best estimate of available information on the ability of debtors to pay and the estimated present value of the cash flow to be received.

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**4 Financial risk management**

**4.1 Introduction and Overview of Company's Risk Management**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

***Financial risk management overview***

The main risks that the Company is facing and actively monitoring and managing are the following:

- (i) the credit risk deriving from the possible default of a counterparty; and
- (ii) the liquidity risk deriving from the risk that suitable sources of funding for the Company's operations may not be available.

**(a) Credit risk**

Credit risk represents the Company's exposure to potential losses deriving from the non-performance of counterparties (Distribution Companies or DISCOs) and other debtors. Credit risk arises from cash and cash equivalents and credit exposures to outstanding receivables and committed transactions.

In accordance with the EPSR Act, the electricity industry needs to transition to a new model, where a government owned bulk buyer carries out contract management and bulk trading (on behalf of the distribution companies or DISCOs) until such time as the industry has developed the settlement, accounting, managerial and governance systems required for successful bilateral contracting.

Therefore, in order to accelerate private sector investments in power generation, an amount was set aside in an escrow account, through which the Federal Government provides credit enhancement to the bulk purchaser that will enter into Power Purchase Agreements (PPAs) with the successor generation companies and IPPs without using the Company's working capital as subsidy for shortfalls in DISCO payments.

This escrow account represents a risk guarantee to secure the Company's payment obligations to sellers for the sale of electrical capacity and electrical energy under the Power Purchase Agreements (PPAs), as proposed by the Bureau of Public Enterprises (BPE). Pursuant to its powers under Section 11 of the Privatization Act, The National Council of Privatization (NCP) at its 5th meeting for the year 2013, on 2 December 2013, approved the amount of N50 billion from the proceeds of the privatization of Egbin Power Plc., to be placed in escrow with the escrow agents, being First City Monument Bank (FCMB), United Bank for Africa (UBA) and First Bank of Nigeria Plc. (FBN) on behalf of the Company.

This amount is to be used solely for the payment to the sellers (Generation Companies or GENCOs) in the event that the DISCOs have not made payment to the Company's clearing account sufficient to pay the sellers. The Escrow account is for a 3 year period and would be terminated when all the escrow funds have been disbursed and/or at the third anniversary of the deposit of the Escrow amount, whichever is earlier. Any balance in the escrow amount as at the third anniversary of the account would be released to BPE. However, the account is renewable if there is a payment default of a seller's invoiced amount.

Below is a breakdown of the Company's financial assets that are exposed to credit risk and the maximum credit risk exposure before collateral held or other credit enhancements as at the reporting date.

**(i) *Financial instruments exposed to credit risk***

	Maximum exposure	
	31 Dec 2015	31 Dec 2014
	N '000	N '000
Cash and cash equivalents	77,021,700	12,494,526
Trade and other receivables	155,601,472	362,990
Treasury bills - held to maturity	7,880,432	6,951,213
Externally managed assets (loans & receivables and cash)	4,783,367	35,515,348
<b>Total</b>	<b>245,286,971</b>	<b>55,324,077</b>



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Financial assets that are neither past due nor impaired	31-Dec 2015 N '000	31-Dec 2014 N '000
Cash and bank balances		
A+	-	419,955
A-	-	411,876
AA-	-	270,484
AAA	-	622,852
B	-	805,758
B+	73,338,552	-
BB-	3,683,148	9,355,879
BBB+	-	607,655
Financial assets - Held to maturity		
BB-	-	6,951,213
B+	7,880,432	-
Externally managed investment		
A+	-	9,417,379
A-	-	3,737,240
AA-	-	12,936,551
B+	4,783,367	9,424,178
	<u>89,685,499</u>	<u>54,961,020</u>

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

"AA" ratings indicate reliable and stable financial institution(s) with the lowest expectation of default risks. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

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

"BB" ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists which supports the servicing of financial commitments.

"BBB" ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories. "Others" consists of cash in hand balances.

This is based on Fitch national long-term rating and foreign currency long term rating.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

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**(b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages liquidity risk by ensuring that sufficient funds are available to meet its commitments as they fall due. The Company uses both long term and short term cash flow projections to monitor funding requirements for activities and to ensure there are sufficient cash resources to meet operational needs. Cash flow forecasting is performed by the finance department through budgeting and quarterly budget report. Cash flow projections take into consideration the Company's financing plans and source of funds. Surplus cash held by the Company over and above balance required for working capital management are transferred to the treasury department which invests in interest bearing accounts ( i.e. Nigerian Treasury Bills).

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period from the reporting dates to the contractual maturity date.

	31 December 2015			31 December 2014		
	N'000			N'000		
	Less than 3 months	3 months - 1 year	2 years to 5 years	Less than 3 months	3 months - 1 year	2 years to 5 years
Trade and other payables	40,960,741	124,960,105	-	149,682	-	-
Current portion of borrowings	-	-	-	-	7,453,371	-
Non-current portion of borrowings	-	-	76,650,353	-	-	59,177,904
	<u>40,960,741</u>	<u>124,960,105</u>	<u>76,650,353</u>	<u>149,682</u>	<u>7,453,371</u>	<u>59,177,904</u>

The amounts disclosed in the tables above are the contractual undiscounted cash flows of the liabilities. The Company does not have any long term liabilities.

**(c) Market risk**

Market risk is the possibility that changes in currency exchange rates, interest rates or commodity prices will adversely affect the value of the Company's financial assets, liabilities or expected future cash flows.

**(i) Foreign exchange risk**

Exchange rate risk arise from payment obligation to GENCOs denominated in US Dollars. The risk would be mitigated by payments in US Dollars from International customers.

**(ii) Interest rate risk**

The Company has no risk arising from interest rate as it currently has no long term loan or bank overdraft. It finances its activities from funds provided by the government and through its generated revenue.

**(iii) Price risk**

The Company is not exposed to securities price risk because there are no investments in equity held by the Company. The Company is not permitted to invest in equity investments.

**(d) Capital risk management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Company considers its capital structure to include common share capital and net working capital (defined as cash and cash equivalents, accounts receivable and other receivables and other current assets less accounts payable and accrued liabilities less other current liabilities).

The Company relies on the cash resources available from income on services provided, capital contributions and budgetary allocations by the Federal Government of Nigeria.

Capital is defined by total equity and it is monitored regularly by the Company's management. The Company is not subject to an externally imposed capital.

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**4.2 Financial instruments by category**

The carrying values of financial assets and liabilities on the statement of financial position approximates their fair values. Trade and other receivables/payables, held to maturity and cash and cash equivalents are the Company's short term financial instruments. Accordingly, management is of the opinion that their fair values are not expected to be materially different from their carrying values.

Financial instrument classification	31 December 2015		31 December 2014	
	Carrying value N '000	Fair value N '000	Carrying value N '000	Fair value N '000
<b>Loans and receivables:</b>				
Trade and other receivables	155,601,472	155,601,472	362,990	362,990
Externally managed assets (loans & receivables and	4,783,367	4,783,367	35,515,348	35,515,348
	<u>160,384,839</u>	<u>160,384,839</u>	<u>35,878,338</u>	<u>35,878,338</u>
<b>Held to Maturity:</b>				
Treasury bills	<u>7,880,432</u>	<u>7,880,432</u>	<u>6,951,213</u>	<u>6,945,141</u>
<b>Available for sale</b>				
Externally managed assets (available for sale)	<u>65,449,429</u>	<u>65,449,429</u>	<u>29,575,494</u>	<u>29,575,494</u>
<b>Assets valued through profit or loss:</b>				
Cash and cash equivalents	<u>77,021,700</u>	<u>77,021,700</u>	<u>12,494,526</u>	<u>12,494,526</u>
<b>Other financial liabilities:</b>				
Trade and other payables	165,920,847	165,920,847	149,682	149,682
Borrowings	76,650,353	76,650,353	66,631,275	66,631,275
	<u>242,571,200</u>	<u>242,571,200</u>	<u>66,780,957</u>	<u>66,780,957</u>

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument. The three levels of the fair value hierarchy are as follows:

> Level 1 - inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.

> Level 2 - inputs to the valuation methodology are derived from quoted prices for identical assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

> Level 3 - inputs to the valuation methodology are not based on observable market data.

Cash and cash equivalents have been classified as Level 1. They are carried at cost, which approximates fair value due to the short-term nature of the instrument. Available for sale instruments have also been classified as Level 1 as they are carried at unadjusted market values.

Held to maturity have been classified as Level 2. They are valued using the information substantially observed or corroborated in the marketplace.

Accounts receivable and other receivables and trade payable and accrued liabilities are all short-term in nature and as such, their carrying values approximate fair values.

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	2015 N'000	2014 N'000
<b>5 Revenue</b>		
Market proceeds (i)	334,073	162,641
Sales - bulk electricity (ii)	253,256,613	-
Interest on unpaid balance (iii)	7,024,804	-
	<u>260,615,491</u>	<u>162,641</u>

(i) This relates to market revenue obtained from the Market Operator (MO) in line with the Rules for the transitional electricity market (TEM). These charges are deducted from payments made by the distribution companies and remitted monthly to the Company by the Market Operator.

(ii) *Sales - bulk Electricity is made up of ;*

*Sales to Nigerian electricity distribution companies*

234,980,328 -

*Sales to International customers*

17,741,595 -

*Sales to GENCOs (energy import)*

534,691 -

253,256,613 -

With the commencement of the Transitional Electricity Market (TEM) in February 2015, the company activated the vesting agreements it signed with the eleven Distribution Companies (DISCOs), selling electricity to them as per the tariff schedule to the vesting agreements, while existing Nigeria bilateral agreements on power supply with the International customers continued to be operated by the Market Operator (MO) - the predecessor to NBET. However on 7 September 2016, the Ministry of Power, Works and Housing clarified that the administration of sale of electrical energy to the International customers should be transferred to NBET in line with the new structure of the electricity market in Nigeria subject to certain amendments and negotiations as condition precedents. Meanwhile the Ministry asked the Transmission Company of Nigeria and NBET to agree on a sharing formula to be used to split payments from the international customers since the MO sends single invoice to them. On 19 June 2017, the two companies agreed that the average monthly administrative charges is between 22-24%, and therefore the Ministry approved that after deduction of this percentage, the balance should be paid to NBET for settling GENCO capacity and energy payments. Therefore, the figure on International customers above represents 76% of the total value of invoices sent by the Market Operator to the International customers.

(iii) As per the Supplementary Order issued by the Nigerian Electricity Regulatory Commission (NERC), Section 8a(v), financial shortfall by DISCOs shall be repayable at NIBOR plus 10%. This is computed daily on the DISCOs outstanding balance after the payment due date.

	2015 N'000	2014 N'000
<b>6 Cost of sales</b>		
Purchases - bulk electricity (i)	256,248,679	-
Interest on unpaid balance	5,446,486	-
	<u>261,695,165</u>	<u>-</u>

(i) These are capacity and delivered energy bills from power generating companies (GENCOs) under their different Power Purchase Agreements (PPAs) based on their tariff schedule.

**7 Other income**

Sundry income

10 -

10 -

To ensure adequate capitalisation for the Company's role under the Transitional Electricity Market, the Ministry of Finance granted authorisation to utilise the interest earned and accruing on its investment in Treasury bills to boost the Company's capitalisation. The approval came into effect retroactively from 1 April 2014, but in September 2015, the Company in compliance with the directive on Treasury Single Account (TSA) started moving the funds to CBN TSA.

	2015 N'000	2014 N'000
<b>8 Administrative and general expenses</b>		
Other operating expenses	436,123	509,008
Directors' emoluments and other expenses (Note 10)	21,131	82,519
Auditors' remuneration	10,400	22,196
	<u>467,655</u>	<u>613,723</u>

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**9 Payroll and related costs**

**(i) Staff cost**

Salaries and wages	489,382	398,248
Pension costs- defined contribution plans	21,600	17,091
	<u>510,982</u>	<u>415,339</u>

Pension was determined based on monthly contribution at the rate of 8% from Employee and 10% from Company, of the basic, housing, and transport allowance of each employee, and paid to the pension fund administrator chosen by the employee. The figure above is the company's 10% contribution.

**(ii) Employee remuneration bands:**

Employees whose annual emoluments were within the following ranges in the year were:

	Number 2015	Number 2014
Below N5,000,000	20	22
N5,000,001 - N10,000,000	11	11
N10,000,001 - N15,000,000	4	5
N15,000,001 - N20,000,000	4	3
Above N20,000,001	5	3
	<u>44</u>	<u>44</u>
	<b>2015</b>	<b>2014</b>
	<b>N'000</b>	<b>N'000</b>

**10 Directors' emoluments**

Remuneration paid to the Company's directors was:

Fees and allowances	14,357	38,020
Other expenses	6,775	44,499
	<u>21,131</u>	<u>82,519</u>
Highest paid director (as executive)	<u>47,225</u>	<u>42,765</u>

**11 Depreciation and amortisation**

Depreciation expense	104,404	69,466
Amortisation expense	4,698	4,272
	<u>109,102</u>	<u>73,738</u>

**12. Finance income**

Bank interest income	5	4,335
Investment income	1,771,017	394,688
Net exchange gains	-	20,642
	<u>1,771,023</u>	<u>419,665</u>

Investment income was earned on externally managed assets (See Note 19).

**13 Finance cost**

Other financial charges	28,261	8,931
Interest expense	3,776,599	1,973,151
Net exchange loss	84,744	-
	<u>3,889,604</u>	<u>1,982,082</u>

Interest expense represent the interest on NBET's borrowings during the year. It was computed using the effective interest rate (See Note 21).



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**14 Property, plant and equipment**

	<b>Furniture &amp; fittings N'000</b>	<b>Computer Equipment N'000</b>	<b>Motor Vehicles N'000</b>	<b>Office Equipment N'000</b>	<b>Total N'000</b>
<b>Cost</b>					
At 1 January 2014	80,941	17,558	120,316	13,708	232,523
Additions	17,448	9,226	48,980	33,432	109,086
At 31 December 2014	98,389	26,784	169,296	47,140	341,609
At 1 January 2015	98,389	26,784	169,296	47,140	341,609
Additions	42,658	37,040	59,852	51,505	191,055
At 31 December 2015	141,047	63,824	229,148	98,645	532,664
<b>Accumulated depreciation</b>					
At 1 January 2014	20,365	7,097	25,998	3,808	57,268
Charge for the year	19,226	6,172	36,619	7,449	69,466
At 31 December 2014	39,591	13,269	62,617	11,257	126,734
At 1 January 2015	39,591	13,269	62,617	11,257	126,734
Charge for the year	24,109	17,643	52,284	10,368	104,404
At 31 December 2015	63,700	30,912	114,901	21,625	231,138
<b>Carrying amount</b>					
At 31 December 2015	77,347	32,912	114,247	77,020	301,526
At 31 December 2014	58,798	13,515	106,679	35,883	214,875
At 1 January 2014	60,576	10,461	94,318	9,900	175,255

**15 Intangible assets**

	<b>License N'000</b>	<b>Computer Software N'000</b>	<b>Total N'000</b>
<b>Cost</b>			
At 1 January 2014	12,305	8,675	20,980
Additions	-	5,383	5,383
At 31 December 2014	12,305	14,058	26,363
At 1 January 2015	12,305	14,058	26,363
Additions	0	9,862	9,862
At 31 December 2015	12,305	23,920	36,225
<b>Accumulated amortisation</b>			
At 1 January 2014	2,667	4,541	7,208
Charge for the year	1,230	3,042	4,272
At 31 December 2014	3,897	7,583	11,480
At 1 January 2015	3,897	7,583	11,480
Charge for the year	1,230	3,467	4,698
At 31 December 2015	5,127	11,050	16,178
<b>Net book value</b>			
At 31 December 2015	7,178	12,870	20,047
At 31 December 2014	8,408	6,475	14,883
At 1 January 2014	9,638	4,134	13,772

Nigerian Electricity Regulatory Commission (NERC) issued licence and acquired computer software recognised as intangible assets are amortized on a straight line basis over their expected useful life of approximately 10 years and 3 years respectively.

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**16 Trade and other receivables**

	2015 N'000	2014 N'000
Trade receivable (i)	155,400,844	-
Prepayments and other receivables (ii)	200,628	362,990
	<u>155,601,472</u>	<u>362,990</u>
(i) Trade receivable is made up of:-		
International customers	17,741,595	-
Local distribution Companies (DISCOs)	137,130,172	-
Local generating Companies (DISCOs)	529,077	-
	<u>155,400,844</u>	<u>-</u>

Receivables due from Distribution Companies (DISCOs) are for energy supplied to them under their respective vesting contracts. Interest at NIBOR plus 10% are applied on outstanding balances until paid.

- (ii) Included in Prepayments and other receivables is the sum of N134.099m (2014 : N355.122m) representing the balance of annual contributions received from the Federal Government of Nigeria (FGN) through the Ministry of Power. NBET was unable to utilise the funds and obtained an approval from the Accountant General of the Federation for the rollover of the funds. The funds were subsequently received after the reporting date.

**17 Financial assets - held to maturity**

	2015 N'000	2014 N'000
Investment securities	7,880,432	6,951,213
	<u>7,880,432</u>	<u>6,951,213</u>

Financial assets - held to maturity represents the Company's investments in Nigerian Treasury Bills.

**18 Externally managed investment**

	2015 N'000	2014 N'000
Loans and receivables	4,754,907	22,578,797
Available for sale	65,449,429	29,575,494
Cash and cash equivalents	28,460	12,936,551
	<u>70,232,796</u>	<u>65,090,842</u>

The externally managed investment represents sum of USD\$350 million transferred to Nigeria Sovereign Investment Authority (NSIA) under an Investment Management Agreement executed in 2014. In addition to management of the fund, NSIA also acts as a custodian and consideration will be paid to NSIA after certain milestones have been met and the customer's share of returns has been paid. NSIA's objective is to outperform a benchmark return of 1.21% - a blended rate provided across four leading Nigerian banks, however these terms were renegotiated effective 1 October 2016, setting a new hurdle rate of 4% return and capping the investment management fee at \$1 million per annum.

	2015 N'000	2014 N'000
<b>19 Cash and cash equivalents</b>		
Cash in hand	96	67
Cash at bank (Nigerian banks)	601	3,138,580
Cash at bank - BPE Escrow accounts (i)	3,682,451	-
Cash with Central Bank of Nigeria TSA account (ii)	73,333,291	-
Cash with CBN domiciliary account	5,262	-
Cash equivalents	-	9,355,879
	<u>77,021,700</u>	<u>12,494,526</u>

- (i) Cash at bank - BPE Escrow accounts represent escrowed fund to guarantee payments for the Power Purchase Agreements signed with Olorunsogo and Omotosho Gencos. The fund was utilised to augment the shortfall in payment to the two Gencos in 2016.

- (ii) In compliance with the Federal Government directive on Treasury Single account, the commercial banks transferred their account balances to the Company's TSA account with CBN. The Cash with Central Bank of Nigeria TSA account is largely made up of funds received in respect of the Power Trading Capital, the Contributions from the Federal Government of Nigeria and the BPE Egbin Escrow accounts which have been transferred from the commercial banks to the Treasury Single account (TSA) with Central Bank of Nigeria (CBN).

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	2015 N'000	2014 N'000
<b>23 Contributions by the Federal Government of Nigeria</b>		
At 1 January	1,574,775	1,219,649
Additions in the year	134,100	355,126
At 31 December	<u>1,708,875</u>	<u>1,574,775</u>

This represents annual contributions from the Federal Government of Nigeria (FGN) through the Ministry of Power for start up and operational activities of the Company. This contribution is based on the allocation to Nigerian Bulk Electricity Trading Plc., in the annual budget approved by the President of the Federal Republic of Nigeria.

	2015 N'000	2014 N'000
<b>24 Power trading capital</b>		
At 1 January	17,952,400	15,717,672
Appropriation received during the year	3,358,000	3,058,331
Interest earned on investment (i)	1,623,013	1,176,397
Transfer to operational account for financing recurrent expenditure (Note 21 ii)	<u>(2,000,000)</u>	<u>(2,000,000)</u>
At 31 December	<u>20,933,413</u>	<u>17,952,400</u>

Power trading capital represents funds appropriated to the Company from the Federal Government of Nigeria, to enable it carry out its mandate as stated in the Electric Power Sector Reform Act and as laid out in the Power Sector Road Map.

- (i) To ensure adequate capitalisation for the Company's role under the Transitional Electricity Market, the Federal Ministry of Finance granted authorisation to utilise the interest earned and accruing on its investment in Treasury bills to boost the Company's capitalisation, provided that NBET does not utilise such monies for any recurrent expenditures. The approval came into effect retroactively from 1 April 2014, but in September 2015, the Company in compliance with the directive on Treasury Single Account (TSA) started moving the funds to CBN TSA.

	2015 N'000	2014 N'000
<b>25 BPE Escrow accounts</b>		
BPE - Egbin Escrow	50,321,608	-
BPE - Olorunsogo Escrow	1,670,856	-
BPE - Omotosho Escrow	2,011,595	-
	<u>54,004,059</u>	<u>-</u>

These are funds set aside by the Bureau of Public Enterprises (BPE) as payment guarantee for the Power Purchase Agreements (PPAs) signed with the privatised Generating Companies (GENCOs).

*Movement in BPE Escrow accounts was as follows:*

	Escrowed amount (N'000)	Interest (N'000)	Total (N'000)
BPE - Egbin Escrow (i)	50,000,000	321,608	50,321,608
BPE - Olorunsogo Escrow (ii)	1,657,927	12,929	1,670,856
BPE - Omotosho Escrow (iii)	1,991,670	19,925	2,011,595
	<u>53,649,597</u>	<u>354,462</u>	<u>54,004,059</u>

- (i) At the execution of the Egbin escrow agreement in December 2013 with the escrow agents (FCMB, UBA, First Bank), the agreed interest rate was 0.02% per annum, but effective 1 July 2015 the rate was revised to 2% per annum. The fund with the escrow agents have been subsequently transferred in October 2015, into NBET CBN TSA account. In February 2016, the sum of N17.3 billion was used to settle obligations to power generating companies.
- (ii) Escrowed fund of USD10,110,000 for Olorunsogo PPA converted on 1 April 2014 at the rate of N163.9/USD1. In February and June 2016, the fund was completely used to settle the GENCO's payments shortfall.
- (iii) Escrowed fund of USD10,110,000 for Omotosho PPA converted on 22 April 2015 at the rate of N197/USD1. The interest rate was revised to 2% per annum effective 1 July 2015. In February and June 2016, the fund was completely used to settle the GENCO's payments shortfall.

	2015 N'000	2014 N'000
<b>26 Retained earnings</b>		
At 1 January	(3,206,297)	(703,721)
Transfer from profit or loss for the year	<u>(4,285,985)</u>	<u>(2,502,576)</u>
At 31 December	<u>(7,492,282)</u>	<u>(3,206,297)</u>

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	2015 N'000	2014 N'000
<b>27 Fair value reserves</b>		
Items that may subsequently be reclassified to profit or loss		
Opening balance	17,494	-
Change in value of available-for-sale financial assets	(694,787)	17,494
Closing balance	<u>(677,293)</u>	<u>17,494</u>

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in fair value reserve in other comprehensive income until the financial asset is derecognised or impaired.

	2015 N'000	2014 N'000
<b>28 Reconciliation of profit / (loss) before tax to cash generated from operations</b>		
Loss before tax	(4,285,985)	(2,502,576)
Adjustments for:		
- Depreciation (Property, plant & equipment)	104,404	69,466
- Amortization (Intangible assets)	4,698	4,272
- Net fair value changes	(694,787)	17,494
- Interest expense (unpaid)	3,776,599	1,973,151
Changes in working capital:		
Increase/(Decrease) in trade and other payables	165,771,165	70,513
(Increase)/decrease in debtors and prepayments	(155,238,482)	(356,750)
Cash generated from/(used in) operations	<u>9,437,612</u>	<u>(724,430)</u>

**29 Related party transactions and balances**

Related parties of the Company are determined based on the fact that these entities have representatives on the Company's Board. The related parties of the Company are as follows:

1. The Federal Ministry of Finance
2. The Bureau of Public Enterprise - Parent
3. Ministry of Power
4. Federal Government of Nigeria - Ultimate Controlling Parent

The following transactions were carried out with related parties:

**(a) Transactions with related entities**

	2015 N'000	2014 N'000
The Bureau of Public Enterprises (i)	54,004,059	51,657,029
Ministry of Finance (ii)	3,358,000	3,058,331
Ministry of Power (iii)	134,100	355,122
	<u>57,496,159</u>	<u>55,070,482</u>

- (i) Transactions with the Bureau of Public Enterprises (BPE) represent the escrowed funds stated in Note 25.
- (ii) Transactions with the Ministry of Finance represent funds received in respect of the Power Trading Capital which represents cash back up in order to guarantee agreements signed by the entity with the generation companies (GENCOs) as stated in Note 24.
- (iii) Transactions with Ministry of Power represent annual budgetary receipts from the Federal Government for operational activities of the Company as stated in Note 23.

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**(b) Key management compensation**

The key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity. The key management personnel are the Company's Directors and management staff. Key management personnel includes staff on the senior manager cadre and above. The compensation paid or payable to key management for employee services is shown below:

	2015 N'000	2014 N'000
<b>Salaries and other short-term employee benefits</b>		
Directors	14,357	82,519
Management	316,183	205,320
	<b>330,540</b>	<b>287,839</b>

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

**30 Capital commitments, Contingent assets and liabilities**

**(a) Capital commitments**

There were no capital expenditures contracted for at the end of each reporting period not yet incurred.

**(b) Contingent assets**

There were no contingent assets as at the reporting date.

**(c) Contingent liabilities and commitments**

There were no contingent liabilities as at the reporting date.

**31 Re-statement of 2014 financial statements**

The interest earned of N1,176,397,000 on treasury bills investment has been capitalised and reclassified to Power trading capital as shown in Note 24, instead of other income where it was previously reflected in 2014 financial statements. This is in compliance with the approval granted by the Federal Ministry of Finance vide letter ref: CME-HMF/NBET/FMF/2015/006 of 6 March 2015 paragraph 4 which states "NBET is hereby granted authorisation to utilise the interest earned and accruing on its investment in treasury bills to boost NBET's capitalisation, provided that NBET does not utilise such monies for any recurrent expenditures. This takes effect retroactively from April 01, 2014".

**32 Events after reporting date**

- 32.1 Along with all other Ministries, Departments and Agencies of Government (MDAs), the Board of Directors of the Company was dissolved vide a Presidential directive conveyed by Circular No.SGF.19/s.81/XIX/964, dated 16 July 2015, which directed the Chief Executive Officers of the affected MDAs to refer matters requiring the attention of their Boards to the President, through the Permanent Secretaries of their respective supervising ministries or offices for action. The Company was under the supervision of the Federal Ministry of Power, Works and Housing, however its Board of Directors was reconstituted in August 2018, June 2019 and May 2020. Furthermore, in May 2020, the supervision of the company was transferred to the Federal Ministry of Finance.
- 32.2 In February 2016, the total sum of N20.97 billion, consisting of N17.3 billion from Egbin escrow account, N1.67 billion from Olorunsogo escrow account and N2 billion from Omotosho escrow account were used to settle obligations to the generation companies. The balance and accrued interests in the Olorunsogo escrow account and Omotosho escrow account were used in making payment on the power plants debts. The escrow balances for Olorunsogo and Omotosho were fully depleted.
- Prior to the finalisation of the Payment Assurance Facility (PAF) term sheet that gave the company access to the N701 billion loan from the Central Bank of Nigeria, the balance of N32.7 billion held in the Egbin escrow account was utilised in supplementing payments to power generation companies for the January 2017 and part of the February 2017 invoices. The Central Bank of Nigeria has since refunded the balance to the Company.
- 32.3 The Company, pursuant to its vesting contracts with various distribution companies, received nine (9) bank guarantees from 9 distribution companies worth a total sum of N56.97 billion. A deed of assignment was executed between the company and United Bank of Africa Plc to assign the bank guarantees as payment security to electricity generating companies. The Security Trustee is United Capital Trustee Limited, who is in possession of the bank guarantees via a Security Trust Deed. The Security Trust Deed was executed on 20 May 2016, the parties to the deed are NBET, United Capital Trustees Limited and respective generation companies that are the beneficiaries.

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However, two ongoing court cases at the Federal High Court of Nigeria namely; (i) Benin Electricity Distribution Plc and Ibadan Electricity Distribution Plc vs NERC and NBET; and (ii) Enugu Electricity Distribution Plc and others (Kano Electricity Distribution Plc and Jos Electricity Distribution Plc) vs NERC, currently impede access by the generation companies to the company's payment security. This has therefore prompted the company to request that United Capital Trustees Limited freeze the annual administrative fee on the security trust deed. Furthermore, in 2018 the remaining two (2) bank guarantees were provided by Kaduna Electricity Distribution Company and Abuja Electricity Distribution company, respectively.

**32.4 Transactions with generation companies and distribution companies**

Between 1 February 2015 and 31 January 2021, the company had paid the generation companies N2.22 trillion against invoices of N2.94 trillion, representing 75% of total outstanding. Total outstanding invoices due to generation companies as at 31 January 2021 is N722 billion and; between 1 February 2015 and 31 January 2021, the eleven distribution companies have paid N819.3 billion to the company from a total invoices of N2.64 trillion representing 31% payment. Total outstanding invoices is N1.82 trillion and estimated interest receivable is N849.5 billion based on interest rate of NIBOR +4%.

**32.5 Payment Assurance Facility (N701 billion)**

The Federal Executive Council (FEC) at its meeting of March 1, 2017 approved a N701 billion Payment Assurance Facility for the power sector, to be provided by the Central Bank of Nigeria (CBN). The facility is a 10-year loan to the company at 5% interest. This facility is meant to provide the company the funds to assure existing generation companies of payment of up to 80% of their monthly invoices, and their Gas Suppliers up to 90% of their invoices. As at 31 December 2020, the total sum of N701 billion has been fully utilised, however an extension of N600 billion was approved to ensure that 100% payment to generation companies are made on their invoices. As at 31 December 2020, the Company had drawn the sum of N361.2 billion, leaving a balance of N238.7 billion. Interest on the CBN N701 billion loan became payable in January 2019 as the moratorium period lapsed after one year. As at 31 December 2020, an interest amount of N90.6 billion had accumulated for which NBET has paid N21.5 billion. The outstanding interest of N69.13 billion the Company intends to forward to Federal Ministry of Finance to settle.

Mainstream Energy Solutions Ltd, Transcorp Power Limited, Egbin Power Plc and North South Power Company Ltd (Plaintiffs) instituted an action against the Federal Government of Nigeria, Minister of Power Works and Housing, The Company, Central Bank of Nigeria, Azura Power West Africa Limited and Accugas Limited (Defendants) vide a write of summons dated 19 February 2018 but filed at the Federal High Court, Abuja, with suit No. FHC/ABJ/CS/180/2018, on 20 February 2018. The case was filed to stop the company from settling the invoices of the 5th and 6th defendants from the N701 billion Payment Assurance Facility created for the purpose of paying in an equitable and fair manner, 80% of all bills and invoices submitted by power generation and gas supply entities carrying out business of generating power. The injunction as requested by the plaintiffs was denied on 8 February 2019. The matter was adjourned severally for hearing of the substantive suit, however when the case eventually came up on 28 September 2020, the Plaintiff moved a motion to discontinue the suit and same was granted.

**32.6 The Company renegotiated the terms of the Investment Management Agreement on its \$350 million investment with Nigeria Investment Authority (NSIA) and set a more favourable new hurdle rate of 4% optimising its investment income and capping the investment management fee at \$1 million per annum. The agreement took effect from 1 October 2016. Furthermore, the Company entered into a USD120 million swap contract with the Central Bank of Nigeria on 1 March 2016 through the investment activities of NSIA on the proceeds of the \$350 million Eurobond availed to the company by the FGN. The swap contract expired on 30 November 2017.**

CBN's decision to devalue the Naira has had both FX gains and losses to the company's assets and liabilities. Notably affected is the company's Eurobond facility which has significantly increased in Naira value as the company's liabilities in the form of loan repayments/interests have increased.

**32.7 Repayment of NBET's \$350m Eurobond shareholder loan**

The \$350m Eurobond Shareholder loan availed to the Company in March 2014 fell due for repayment in June 2018. The total principal and interest due for repayment was \$428.28million. Hence the company liquidated the entire portfolio in the management of NSIA, and realised the sum of \$417.46 million. This has been paid to the Debt Management Office (DMO) leaving a shortfall of \$10.82million. Having envisaged a shortfall, the company made a provision of N2.62 billion in its 2018 budget for this purpose. As of December 2020, NBET had paid the total N3.82billion ( \$12.54 million) provided in its budget to DMO, leaving an outstanding balance of \$96,000 due to DMO. The Company has included this balance in its 2021 budget.

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**32.8 Power Sector Reform Plan**

NBET has received a total of N138 billion out of N193.3 billion from the 2018 appropriation under the Power Sector Reform Plan for the power sector reform program, and also received a total of N81.1 billion from its 2020 budget appropriation under the Power Sector Reform program. The proceeds received has been used to reduce the growing outstanding balance due to GENCOs, this is reflected in the outstanding balances as at 31 January 2021.

**32.9 Following the declaration of the Transitional Electricity Market (TEM) on 1 February 2015, the Company took the responsibility in the transitional stage for purchasing bulk power from generation companies and Independent Power Producers (IPPs), and reselling the power to the distribution companies and eligible customers according to demand, based on vesting contracts and power sale agreements entered into with the distribution companies and eligible customers respectively.**

Following the Company's designation as Nigeria sovereign agent in international power sale agreements earlier executed by the defunct Power Holding Company of Nigeria (PHCN), the Company and PHCN in 2017 executed agreements for the novation of these agreements to the Company. The agreements relate to the international power export to Société Nigérienne d'Electricité (NIGELEC) and Communauté Electrique du Bénin (CEB) respectively

**32.10 Other court cases**

In addition to the law suits already mentioned, as at 31 January 2021, there were other lawsuits relating to issues in the electricity market, in which NBET has been listed amongst the Defendants:

**(i) Mr. Chinwe Henry Mbakwem vs NERC & 20 Ors. With suit No. FHC/ABJ/Cs/1128/2018**

The claimant alleged, that NBET has failed to pay sums due and owing to the Generation Companies (GenCos) promptly and as at when due, for the supply of power to the National Grid, and that NBET continues to owe, delay payments and/or underpay invoices. This, he claimed had resulted in the inability of the GENCOs to meet their operational payment obligations to various entities including gas suppliers. This breach of duty according to the claimant, has contributed to the unsteady electricity supply in the Nigerian Electricity Market. NBET has filed a motion seeking the dismissal of the case due to lack of merit.

The matter came up for mention on the 25th day of June 2019 at the Federal High Court, Lagos division. The Court could not sit at the last adjourned date of 26 November 2020 due to the Covid-19 pandemic. The matter was adjourned to 22 February 2021.

**(ii) Registered Trustees of Human Rights Foundation Vs. NBET & 24 Ors. with Suit No. FHC/L/CS/1167/2018.**

At the heart of the matter is a complaint that the implementation of the Eligible Customer initiative has reduced the quantum of electric power available for distribution to the rest of the citizens of the country. The key focus of the law suit is the power sale agreements that Mainstream Energy Solutions Limited (MESL) executed with various companies listed as 3rd to 7th Defendants. The case seeks to invalidate these contracts as being inconsistent with the Eligible Customer Regulations as well as the Electric Power Sector Reform Act 2005 (EPSRA).

The Plaintiff erroneously stated that NBET and NERC both being regulators who ought to protect the interest of electricity consumers, have done absolutely nothing to deal with the matter. Referring to NBET as a co-regulator shows that the Plaintiff does not understand the role of NBET in the electricity market.

Notwithstanding the merit or otherwise of the main grouse of the Plaintiff, there is no basis for dragging NBET into the matter. Accordingly, NBET has made a case for it to be struck out from the lawsuit as the applicant does not have the locus standi to sue NBET since the applicant does not have any contractual relationship with NBET. The case was adjourned till the 7th day of October 2019, the 14<sup>th</sup> day of November, 2019 and subsequently, the 19<sup>th</sup> day of February, 2020.

**(iii) Registered Trustees of African Initiative Against Abuse of Public Trust Vs. NERC & 10 Others – Suit No. FHC/ABJ/CS/1454/2019**

The Plaintiff by an originating summons complained that the EPSRA does not vest in the NERC, powers to revoke, withdraw or cancel licenses of the DisCos as stated by NERC in a "Notice of Intention to cancel License" dated 8th October, 2019. The Plaintiff also contends that, the DisCos not meeting their contractual obligations under their respective Performance Agreement and Vesting Contract, and their non-remittance of proceeds of electricity generation purchased by these DisCos from NBET, was not a valid ground for cancelling their licenses, neither does NERC have the powers to order and compel the performance of the respective contracts executed by the DisCos.



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Registered Trustees of African Initiative Against Abuse of Public Trust Vs. NERC & 10 Others Cont'd.

The Plaintiff further asserts, that NERC acted outside its powers by sending out their Notice of intention to cancel the licenses issued to the respective DisCos; and that NERC did so in collusion with BPE and the DisCos core investors knowing that such an unlawful and illegal exercise of powers by NERC or the Federal Government would entitle the DisCos core investors to claim pursuant to their respective Performance Agreements and Put Call Option Agreements with BPE, 100% of their investment plus 20% Return on Investment for 5 years.

The Court, in its ruling delivered on 12<sup>th</sup> December 2019 stated that parties maintain status quo pending determination of the substantive suit. The matter was adjourned to the 17<sup>th</sup> day of January, 2020.

**(iv) The Governing Council of The Industrial Training Fund Vs. Kano Electricity Distribution Company Plc. & 4 Others – Suit No. FHC/KN/CS/130/2018.**

The matter was instituted at the Federal High Court, Kano State division on the 7<sup>th</sup> day of November, 2019.

At the heart of the matter is a complaint from the Industrial Training Fund (ITF) against KEDCO over non-compliance with the law from 2013 till date. KEDCO's lack of compliance with registration with ITF despite several visits and even after engaging consultants to educate KEDCO on the need to comply with the law shows, according to ITF, that, KEDCO had intentionally failed, refused and /or neglected to be compliant. ITF also stated that KEDCO failed to remit any funds and they do not have records of staff training despite promises to do so, hence KEDCO is liable to pay the statutory penalty of 5% on a monthly basis and other sums listed in their processes.

Notwithstanding the merit or otherwise of the complaint by the Plaintiff, NBET is of the opinion that, there was no basis for joining NBET in this matter as none of the reliefs sought relates to NBET.

**(v) Enugu Electricity Distribution Company (EEDC) V. NERC, BPE & NBET – Suit No. FHC/ABJ/CS/122/2020**

By an exparte application, EEDC complained about NERC's regulatory requirement for them to remit a stipulated minimum payment to NBET, as provided under the 2016 – 2018 Minor Review of Multi Year Tariff Order (MYTO) 2015 and Minimum Remittance Order for the Year 2019, dated 19th August 2019, with Effective Date of 1st July 2019 ("Minimum Remittance Order 2019"), and the December 2019 Minor Review and of Multi Year Tariff Order (MYTO) 2015 and Minimum Remittance Order for the Year 2020, dated 31st December 2019, with an effective date of 1st January 2020 ("Minimum Remittance Order 2020").

The court ordered that the defendants be put on notice and an order was made asking parties to maintain status quo. No date has been communicated to NBET yet, however, NERC was to procure a lawyer to defend NBET and NERC.

**(vi) Cyrex Energy Ltd & 1 Other v. FGN & 4 Ors**

The parties to the law suit are: FGN (1st Defendant), Hon. AGF (2nd Defendant), CBN (3rd Defendant), NERC (4th Defendant) and NBET (5th Defendant). The plaintiffs alleged that, the CBN NEMSF facility was established by the FGN to pay the plaintiffs and other power producers to address the payment shortfall during the interim period. After the second reconciliation, parties identified the outstanding debt to be N2,292,847,594.44 of which gas charge was N1,789,847,594.44 and payment form capacity charge was N503,259,141.36 of which the gas payment component had been disbursed to the gas supplier but the capacity charge component has not been paid till date. As at the time of filing of this suit, the plaintiffs noted that the said indebtedness was N966,257,551.41, being the principal sum and accrued interest calculated at the rate of 16% i.e., the prime lending rate as contained in the PPA as 4% and the LPR as at 2014 of 12%. The matter came up on the 15th of December 2020 for mention. The matter was adjourned till 11 March 2021.

**32.11 Reclassification of N2 billion borrowed from capital fund to deposit for shares**

On 17 September 2020, the Board of Directors of the Company resolved that the N2 billion borrowed from the capital fund, approved by the board on 7 July 2014, for financing the recurrent expenditure, be reclassified and treated as deposit for shares (equity).

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**STATEMENT OF VALUE ADDED**

	2015 N'000	%	2014 N'000	%
Revenue	260,615,491		162,641	
Less bought-in materials and services:	(264,958,695)		(2,158,646)	
Other operating income	10		1,176,397	
Value eroded	<u>(4,343,194)</u>	<u>100</u>	<u>(819,608)</u>	<u>100</u>
<b>Distributed as follows :-</b>				
Employees:				
To pay salaries, wages and other staff costs	510,982	(12)	415,339	(51)
Maintenance of assets:				
Depreciation and amortization	109,102	(3)	73,738	(9)
Future:				
Transfer to reserve	<u>(4,963,278)</u>	<u>114</u>	<u>(1,308,685)</u>	<u>160</u>
Value eroded	<u>(4,343,194)</u>	<u>100</u>	<u>(819,608)</u>	<u>100</u>

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**FIVE-YEAR FINANCIAL SUMMARY**

**STATEMENT OF FINANCIAL POSITION**

	I F R S				NGAAP
	2015 N'000	2014 N'000	2013 N'000	2012 N'000	2011 N'000
<b>ASSETS &amp; LIABILITIES</b>					
Non-current assets	321,573	229,758	189,027	153,563	12,100
Net current assets	144,815,553	84,749,889	16,054,573	9,069,186	322,189
Non-current liabilities	(76,650,353)	(68,631,275)	-	-	-
<b>Net assets</b>	<b>68,486,772</b>	<b>16,348,372</b>	<b>16,243,600</b>	<b>9,222,749</b>	<b>334,289</b>
<b>EQUITY</b>					
Share capital	10,000	10,000	10,000	10,000	10,000
Contributions by the Federal Government of Nigeria	1,708,875	1,574,775	1,219,649	664,091	381,250
Power trading capital	20,933,413	17,952,400	15,717,672	8,868,888	-
BPE Escrow accounts	54,004,059	-	-	-	-
Accumulated losses	(7,492,282)	(3,206,297)	(703,721)	(320,230)	(56,961)
Fair value reserves	(677,293)	17,494	-	-	-
<b>Total equity</b>	<b>68,486,772</b>	<b>16,348,372</b>	<b>16,243,600</b>	<b>9,222,749</b>	<b>334,289</b>

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	I F R S				NGAAP
	2015 N'000	2014 N'000	2013 N'000	2012 N'000	2011 N'000
Revenue	260,615,491	162,641	377,134	190,401	-
Other income	10	-	1,050	15	-
Cost of sales	(261,695,165)	-	-	-	-
Operating expenses	(1,087,739)	(1,102,800)	(764,500)	(454,144)	(56,961)
Net finance (cost) / income	(2,118,582)	(1,562,417)	2,825	459	-
Loss for the year	(4,285,985)	(2,502,576)	(383,491)	(263,269)	(56,961)
Other comprehensive income	(677,293)	17,494	-	-	-
<b>Total comprehensive income</b>	<b>(4,963,278)</b>	<b>(2,485,082)</b>	<b>(383,491)</b>	<b>(263,269)</b>	<b>(56,961)</b>