

TRANSMISSION COMPANY OF NIGERIA PLC

***Annual reports and accounts
for the year ended 31 December 2020***

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CORPORATE INFORMATION

Company registration number
 RC 639052

Directors

		Appointment Date	Resignation Date
Engr. S. A. Abdulaziz	Ag. Managing Director/CEO	20 May 2020	Not applicable
Usman Gur Mohammed	Managing Director/CEO	1 Feb 2018	May 19 2020
Engr. Adewumi Gbadebo Victor	Executive Director (TSP)	29 Dec. 2019	Not applicable
Isah-Dutse Ahmed	Executive Director (F&A)	29 Dec. 2019	Not applicable
Dodo Justin Ishaya	Executive Director (HR&CS)	29 Dec. 2019	Not applicable
Engr. Lawal Maman Jimoh	Executive Director (ISO)	29 Dec. 2019	Not applicable
Fatima Lawan Muhtar	Company Secretary/ Legal Adviser	1 Nov 2013	Not applicable

Corporate office

Plot 14, Zambezi Crescent
 Maitama
 Abuja, FCTNigeria

Auditors

Ahmed Zakari & Co (Chartered Accountants)
 2nd Floor
 Akintola Williams House
 Plot 2048 Micheal Okpara Way
 Wuse Zone 7
 Abuja.

Principal Banker

Central Bank of Nigeria

Company Secretary

Mrs Fatima Lawan Muhtar
 Plot 14, Zambezi Crescent
 Maitama District
 Abuja, FCT
 Nigeria.

Report of the directors

The directors submit their report together with the audited financial statement for the year ended 31 December 2019 to the members of the Transmission Company of Nigeria Plc. ("the Company"). This report discloses the financial performance and situation of the Company.

1. Principal activities

The Company is principally engaged in the transmission of electric power. The Company was issued two transmission licenses, one on 1 July 2006 and the other on 10 June 2013. Its licensed activities include electricity transmission and system operations.

2. Operating Environment

The Covid 19 outbreak in 2020 triggered health and unprecedented economic shocks globally. The pandemic significantly impacted operations and finances of TCN particularly due to strict lockdown restrictions which disrupted demand and supply chains as well as ongoing power projects across the country. Reduced economic activities and collection losses from defaulting customers affected the Discos and International customers thereby impacting TCN finances adversely. Notwithstanding, TCN Management took an innovative approach to maintaining and expanding the Transmission Network through its Nigeria Electricity Grid Maintenance, Expansion and Rehabilitation Program (NEGMERP) aimed at improving the transmission of bulk electricity distribution load centers across the country. TCN also engaged In-house Engineers to install and repair major power equipment internally; improving Internally Generated Revenue to strengthen the company's ability to meet its obligations; human capacity development and general improvement in operational systems and processes, among others.

TCN was able to effectively manage the National Grid to achieve an all-time peak generation of 5,377.8MW on August 1, 2020, and another all-time National Peak of 5,420.30MW on August 19, 2020, which was effectively transmitted to Load Centers, within an interval of less than 3 weeks. Other milestone achievements include the creation of two new work centers in Katsina and Jalingo, upgrading of Gwagwalada work center to a subregion, and completion of some abandoned ongoing projects such as; Gagarawa 2X60MVA, 132/33Kv substation, in Jigawa state; 1X100MVA transformer at Ogba substation, Lagos state; installation and commissioning of 132/33Kv 60MVA Transformer at Rumousi substation, Port Harcourt, Rivers state; installation and commissioning of 1X150MVA transformer at Kano; and an overall increase in transmission wheeling capacity to about 8,100 MW. In the same year, TCN commenced deployment of Automatic Meter Reading (AMR) system to improve efficiency and transparency in market data administration. TCN also made progress in the donor funded projects by the world (WB), Africa Development bank (AFDB) and Agence Francaise Development (AFD) which are currently at different stages of implementation.

3. Results and dividends

The Company's results for the year ended 31 December 2020 are set out on page 8. The profit for the year has been transferred to retained earnings. The summarized results are presented below:

	31 December 2020 N'000	31 December 2019 N'000
Revenue	156,989,280	112,298,607
Profit before tax	37,959,893	4,995,024
Tax credit/ (expense)	(19,097,120)	(6,760,424)
Profit/(loss) for the year	18,862,773	(1,765,401)
Other comprehensive gain	NIL	NIL
Total comprehensive profit/(loss) for the year	18,862,773	(1,765,401)

The directors did not recommend payment of dividend to the shareholders in 2020 (2019: Nil).

Report of the directors (Continued)

4. Directors

The directors who held office during the year and to the date of the approval of this report are set out on page 2.

5. Shareholding

As at 31 December 2020, the shareholders of the Company were as follows:

Shareholders	Number of shares (Unit)	Percentage holding (%)
Bureau of Public Enterprise	8,000,000	80%
Ministry of Finance Incorporated	<u>2,000,000</u>	<u>20%</u>
Total	<u>10,000,000</u>	<u>100%</u>

6. Directors' interest in contracts

None of the directors has notified the Company for the purpose of Section 303 of the Companies and Allied Matters Act (CAMA) 2020 of their direct or indirect interest in contracts or proposed contracts with the Company during the year.

7. Directors' shareholding

For the purpose of Sections 301 and 302 of the Companies and Allied Matters Act (CAMA) 2020, none of the Directors had direct and indirect holding in the Company.

8. Employment and employees

(a) Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues, and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

(b) Employee health, safety and welfare

The Company places a high premium on the health, safety and welfare of its employees in their place of work. To this end, the Company has various forms of insurance policies, including workmen's compensation and group life.

(c) Employee training and involvement

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

The Company has in-house training facilities, complemented, when necessary, with additional outsourced facilities for the training of its employees.

Report of the directors (Continued)

9. Property, plant and equipment

The Company invests in property, plant and equipment which are used during its business. These items have been recorded at cost less any accumulated depreciation and accumulated impairment. The Company's property, plant and equipment have been appropriately disclosed in Note 14.

10. Donations and gifts

No donation was made to charitable institutions and organizations during the year (2019: Nil). In accordance with Section 43 of the Companies and Allied Matters Act (CAMA) 2020, the Company did not make any donation or gift to any political party, political association or for any political purpose during the year (2019: Nil).

11. Auditors

Messrs. Ahmed Zakari & Co (Chartered Accountants) have indicated their willingness to continue in office as auditors in accordance with Section 401(2) of the Companies and Allied Matters Act (CAMA) 2020.

By Order of the Board



Fatima Lawan Muhtar
Company Secretary, Abuja, Nigeria
FRC/2017/NBA/00000016329



Date

Statement of Directors' responsibilities


The directors accept responsibility for the preparation of the financial statements set out on pages 12 to 47 that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act, (CAMA) 2020 and Financial Reporting Council of Nigeria Act, 2011.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, (CAMA) 2020 and for such internal control as the directors deemed necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

SIGNED BY:

Engr. S. A. Abdulaziz
Ag. Managing Director/CEO
FRCN NO: FRC/2020/002/00000021756


Signature

31/01/22
Date

Ahmed Isah-Dutse
Executive Director, Finance & Accounts
FRCN NO: FRC/2018/ANAN/00000018748


Signature

26/01/2022
Date

Statement of Corporate Responsibility for the financial reports

In line with the provision of Section 405 of the Companies and Allied Matters Act (CAMA) 2020, we have reviewed the audited financial statements of the company for the year ended 31 December 2020 and based on our knowledge, we certify as follows:


- a) The audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would render the statements misleading, in the light of the circumstances under which such statement was made.
- b) The audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the company as of and for, the periods covered by the audited financial statements.
- c) The company's internal control has been designed to ensure that material information relating to the company is received and provided to the auditors during the course of their audit.
- d) We have evaluated the effectiveness of the company's internal controls within 90 days prior to the date of this audited financial statements and hereby certify that the company's internal controls are effective as of 31 December 2020.
- e) That we have disclosed to the Auditors and the Audit Committee the following information:
 - The absence of significant deficiencies or material weaknesses in the design or operation of internal controls which could adversely affect the company's ability to record, process, summarise and report financial data.
 - That to the best of our knowledge, there were no fraud involving management or other employees who have a significant role in the company's internal control.
- f) There were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of the audit, including any corrective actions with regard to significant deficiencies and material weaknesses.

Engr. S. A. Abdulaziz
Ag. Managing Director/CEO
FRCN NO: FRC/2020/002/00000021756


Signature

31/01/22
Date

Ahmed Isah-Dutse
Executive Director, Finance & Accounts
FRCN NO: FRC/2018/ANAN/00000018748


Signature

26/01/2022
Date

Independent auditor's report

To the members of Transmission Company of Nigeria Plc.

Opinion

We have audited the financial statements of Transmission Company of Nigeria Plc. ("The Company") which comprise the statement of financial position as at 31 December 2020, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements including a summary of significant accounting policies and other explanatory notes, as set out on pages 12 to 47.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2020 and of the financial performance and cash flows for the year then ended in accordance with the Companies and Allied Matters Act, (CAMA) 2020 and in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011 and the International Financial Reporting Standards.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Responsibilities of the Auditor for the financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key Audit Matters are those matters, which in our professional judgement, were of most significance in our audit of the financial statements for the year ended 31 December 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as the key audit matters to be communicated in our report.

1. Expected Credit Loss (ECL) on trade receivables

The ECL allowance on trade receivables from market operators continues to be one of our key audit focus areas due to the level of subjectivity and judgements involved in estimating the key assumptions that impact the recoverability of the receivables. The Company had a gross trade receivable sum of ₦317.63 billion and the allowance for credit loss of ₦283.84 billion representing 89.36 percent of the gross trade receivable as at 31 December 2020.

Key ECL indicators such as the liquidity challenge currently faced by the Nigerian Electricity Supply Industry (NESI), the impact of government policies and regulations as well as the effect of other prevailing macroeconomic factors are areas with inherent significant management judgements and assumptions which our audit focused on.

Our audit procedures thereon

- i. We obtained an understanding of the methodology used by management in estimating the credit loss allowance on trade receivables.*
- ii. We assessed the methodology used to ensure it is in line with the provision of IFRS 9. In addition, we tested the consistency of management application of this ECL approach on trade receivables with those of prior years.*
- iii. We checked the accuracy of the ECL rate by ensuring all relevant data such as the inflation rates have been factored into the computation of the ECL rate applied*
- iv. We reviewed the computation model used by management together with all relevant input and re-performed the computation of the loss allowance using the adjusted Historic Loss Rate (HLR).*
- v. We reviewed the disclosures presented in the financial statements to ensure compliance with the provision of IFRS 9*

2. Loans to related parties

The loan advanced to related parties is another audit focus area due to the disclosure requirements associated with the nature of the transaction and our plan to assess the risks of material misstatement on the carrying amount.

Kaduna Electricity Distribution Plc. (KEDC) and Abuja Electricity Distribution Plc. (AEDC) were the beneficiaries of the loans. While KEDC failed to meet all instalments payments obligation on the loan as at 31 December 2020, AEDC was able to meet only one repayment obligation during the year. Also, the industry in which both borrower companies operate is currently experiencing a significant liquidity constraint which cast doubt on their ability to meet repayments obligations as and when due.

Management has appropriately made an ECL allowance of 85 percent and 60 percent on the current carrying amounts for KEDC and AEDC respectively in the current year financial statements.

Our audit procedures thereon

- i. We reviewed borrowers' financial records as well as other relevant documents and borrowers' industry related information to assess their ability to meet repayments obligation as and when due.*
- ii. We reviewed the impairment assessment carried out on the loans advanced to both companies to ensure all relevant information required for proper assessment were taken into consideration.*
- iii. We sent balance confirmation circularisation to the borrowers and validated their responses to the reported balances on the financial statements.*
- iv. We assessed the company's credit loss classification for each of the borrower in line with IFRS 9 credit loss stages to enable us conclude whether or not they are fairly classified.*

Other information

The Directors are responsible for the other information. The other information comprises the Report of the Directors, Statement of Directors' Responsibilities, Statement of Corporate Responsibility for the financial reports, value added statement and five-year financial summary. Other information does not include the financial statements and our audit report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

Directors' responsibility for the financial statements

The Directors are responsible for overseeing the company's financial reporting process including the preparation and fair presentation of the financial statements in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011 and in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria, (CAMA) 2020. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

Responsibilities of the Auditor for 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 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 International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

Responsibilities of the Auditor for the financial statements (Continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit 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 the audit.

Report on Other Legal and Regulatory Matters

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

We confirm that:

- (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit;
- (ii) Proper books of account have been kept by the company, so far as appears from our examination of those books and adequate returns have been received from branches not visited;
- (iii) The Company's statements of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.



Isma'ila Muhammadu Zakari, FCA
FRC/2013/ICAN/00000002077
For: Ahmed Zakari & Co.
(Chartered Accountants)
Abuja, Nigeria

29 December 2021



TRANSMISSION COMPANY OF NIGERIA PLC


STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

ASSETS	Notes	2020 N'000	2019 N'000
Non current assets			
Property plant and equipment	16	570,756,784	560,160,276
Right-of-use assets	17	323,100	-
Loans to related parties	18	2,516,586	4,279,317
Deferred tax assets	22.3	37,708,624	48,698,460
Total non current assets		611,305,094	613,138,053
Current assets			
Inventories	19	6,041,842	7,172,930
Trade, other receivables	20	35,354,727	21,781,392
Prepayments and other assets	21	81,245,044	76,547,394
Cash and cash equivalents	23	169,315,962	110,661,468
Total current assets		291,957,575	216,163,184
Total Assets		903,262,669	829,301,237
EQUITY AND LIABILITIES			
Equity and reserves			
Ordinary share capital	24	5,000	5,000
Capital contribution	25.1	291,413,433	268,919,570
Retained earnings	25.2	4,434,067	(14,428,706)
Revaluation reserve	25.3	413,461,379	413,461,379
Total equity		709,313,879	667,957,243
Non current liabilities			
Borrowings	26	164,633,169	138,912,870
Total non current liabilities		164,633,169	138,912,870
Current liabilities			
Trade and other payables	28	15,063,205	16,285,992
Current tax liabilities	22.2	14,252,416	6,145,132
Total current liabilities		29,315,621	22,431,124
Total liabilities		193,948,790	161,343,994
Total liability and equity		903,262,669	829,301,237

The financial statements on pages 12 to 15 were approved and authorised for issue by the Board of Directors on 29 December 2021 and were signed on its behalf by:


Engr. S.A. Abdulaziz
 Ag. Managing Director/CEO
 FRCN NO: FRC/2020/02/00000021756


Ahmed Isah-Dutse
 Executive Director, Finance & Accounts
 FRCN NO: FRC/2018/ANAN/00000018748

The notes on pages 16 to 45 and the other national disclosures on pages 46 to 47 form an integral part of the financial statements.

TRANSMISSION COMPANY OF NIGERIA PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

<i>Continuing operation</i>	Note	2020 ₦'000	2019 ₦'000
Revenue	7	156,989,280	112,298,607
Cost of sales	8	(22,640,861)	(20,838,382)
Gross profit		134,348,419	91,460,225
Other Income	9	604,496	131,968
Administrative expenses	10	(101,528,849)	(87,680,950)
Operating profit		33,424,066	3,911,243
Net Finance income/(cost)	12	4,535,827	1,083,781
Operating profit before taxation		37,959,893	4,995,024
Taxation	22.1	(19,097,120)	(6,760,424)
Profit/(loss) for the year after tax		18,862,773	(1,765,400)
Other comprehensive income		-	-
Total other comprehensive income		-	-
Total comprehensive profit/(loss) for the year		18,862,773	(1,765,400)
Earnings Per Share (Expressed in Naira Per Share)			
Basic and diluted	39	1,886	- 177

The notes on pages 16 to 45 and the other national disclosures on pages 46 to 47 form an integral part of the financial statements.

TRANSMISSION COMPANY OF NIGERIA PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital #'000	Capital contribution #'000	Revaluation reserve #'000	Retained earnings #'000	Total #'000
At 1 January 2019						
Effect of remeasurement on borrowings	25.1	-	(14,735,522)	-	-	(14,735,522)
Net adjustments in revaluation reserves				(471,102)	-	(471,102)
Net adjustments in retained earnings				-	463,490	463,490
At 1 January 2019 (restated)						
		5,000	251,653,090	413,461,379	(12,663,306)	652,456,163
Comprehensive income						
Loss for the year		-	-	-	(1,765,400)	(1,765,400)
Total loss for the year		-	-	-	(1,765,400)	(1,765,400)
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	(1,765,400)	(1,765,400)
Additional capital contribution by owners	14.1	-	17,365,734	-	-	17,365,734
Fair value adjustment on related party loan amortisation	25.1	-	(99,254)	-	-	(99,254)
Other comprehensive income (net of tax)		-	-	-	-	-
At 31 December 2019		5,000	268,919,570	413,461,379	(14,428,706)	667,957,243
1 January 2020						
		5,000	268,919,570	413,461,379	(14,428,706)	667,957,243
Comprehensive income						
Profit for the year		-	-	-	18,862,773	18,862,773
Total profit for the year		-	-	-	18,862,773	18,862,773
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	18,862,773	18,862,773
Additional capital contribution by owners	14.1	-	22,848,536	-	-	22,848,536
Reclassification	25.1	-	(354,673)	-	-	(354,673)
		-	22,493,863	-	-	22,493,863
At 31 December 2020		5,000	291,413,433	413,461,379	4,434,067	709,313,879

The notes on pages 16 to 45 and the other national disclosures on pages 46 to 47 form an integral part of the financial statements.

TRANSMISSION COMPANY OF NIGERIA PLC

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 ₦'000	2019 ₦'000
Cash flows from operating activities			
Profit before taxation		37,959,893	4,995,024
Adjustment for:			
Depreciation on Property, Plant and Equipment	16	17,353,639	16,929,918
Depreciation on right-of-use assets	17	54,600	-
Loss allowance on other assets	21	2,324,520	12,643,167
Impairments on Property, Plant and Equipment	16	7,663,495	-
Loss allowance on loan to related parties	18	1,607,969	4,800,000
Loss allowance on trade and other receivable	20	28,913,890	33,855,753
Adjustment in retained earnings	25.2	-	463,490
Adjustment in Property, Plant and Equipment	16	(7,050,792)	35,021
Adjustment in revaluation reserve	25.3	-	(471,102)
Interest income and other gains	12	(4,539,827)	(1,635,920)
Cash flow before changes in working capital		84,287,387	71,615,351
Movement in working capital:			
Decrease/(Increase) in inventory		1,131,088	346,067
Decrease/(Increase) in trade and other receivables		(42,487,224)	(22,013,810)
Decrease/(Increase) in other assets		(7,022,170)	(33,781,649)
(Decrease)/Increase in trade and other payables		(1,222,788)	1,900,757
Net cash provided by operating activities		34,686,293	18,066,716
Cash flows from investing activities:			
Purchases of property, plant and equipment	16	(28,562,850)	(29,248,455)
Additions to right-of-use assets	17	(377,700)	-
Loans and advances	18	-	(9,079,317)
Receipts from loans to related parties	18	154,762	-
Interest income and other gains	12	4,539,827	1,635,920
Net cash used in investing activities		(24,245,961)	(36,691,852)
Cash flows from financing activities:			
Receipts from borrowings	26	10,735,634	-
Adjustment in borrowings	26.2	14,984,665	21,799,947
Additional capital contribution by the owners	14.1	22,848,536	17,365,734
Fair value adjustment on related party loan amortisation	25.1	-	(99,254)
Reclassification in capital contribution	25.1	(354,673)	(14,735,522)
Net cash provided by financing activities		48,214,162	24,330,905
Net increase/(decrease) in cash and cash equivalents		58,654,494	5,705,769
Net cash and cash equivalents at 1 January		110,661,468	104,955,699
Net Cash and cash equivalents at 31 December	23	169,315,962	110,661,468

The notes on pages 16 to 45 and the other national disclosures on pages 46 to 47 form an integral part of the financial statements.

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. General Information

1.1 Legal form

Transmission Company of Nigeria Plc ("the Company") was incorporated in Nigeria on 11 November 2005 under the Companies and Allied Matters Act as a Public Limited Liability Company (PLC). Two licenses were issued to the company on 1 July 2006 and 10 June 2013 to enable it take over as a going concern, the Transmission and System operations activities of the defunct Power Holding Company of Nigeria. ("PHCN"). The company commenced operation after the unbundling on 1 November 2013.

The shareholding structure of the company is as follows;

	%
Bureau of Public Enterprises	80
Ministry of Finance Incorporated	20

1.2 Principal Activity

The core business activities of the company is the provision of electricity transmission services, management of the flow of electricity across the Nigerian National grid and all relevant ancillary services to the Nigeria Electricity Supply Industry.

1.3 Composition of financial statements

The financial statements are drawn up in naira (₦), the functional currency of Transmission Company of Nigeria Plc. The following are the components of the financial statements in accordance with International Financial Reporting Standards (IFRS), CAMA 2020 and in the manner required by the Financial Reporting Council of Nigeria Act, 2011 .

- Statement of financial position
- Statement of profit or loss and other comprehensive Income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements.
- Other national disclosures

2. Basis of preparation

2.1 Statement of compliance

The Company's financial statements for the year ended 31 December 2020 and the accompanying comparative financial statement relate to the full year ended 31 December 2019 are presented in accordance with, and comply with, International Financial Reporting Standards (IFRS) and International Reporting Interpretations Committee (IFRIC) interpretations issued and effective for the periods presented.

2.2 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency and presentation currency of the Company is the Nigerian Naira (₦). Except as indicated in these financial statements, financial information presented in Naira has been rounded to the nearest thousand.

2.3 Going concern status

In preparation of financial statements, management makes an assessment of the Company's ability to continue as a going concern. Financial statements are prepared on a going concern basis unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so. This assessment is usually expected to span at least a period of 12 months after the end of the reporting period.

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Basis of measurement (continued)

The financial statements have been prepared under the historical cost basis except for the following:

- Investment properties measured at fair value.
- Financial assets measured at:
 - amortized cost.
 - fair value through other comprehensive income (FVTOCI).
 - fair value through profit or loss (FVTPL)
- Financial liabilities measured at:
 - amortized cost.
 - fair value through profit or loss (FVTPL)
- Defined benefit obligations measure at the discounted future value of all expected future obligations plus past service costs and actuarial loss less actuarial gains.
- Inventory measured at lower of cost and net realisable value.

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

4.1 New accounting standards, amendments and interpretations issued but not yet effective

The following revisions to accounting standards and pronouncements were issued but are not yet effective. Where IFRSs and IFRIC Interpretations listed below permits early adoption, the company has not applied any in the preparation of these financial statements.

The full impact of these IFRSs and IFRIC Interpretations is currently being assessed by the company, but none of these pronouncements are expected to result in any material adjustments to the financial

Standard	Pronouncement/details of amendment	Issued Dates	Effective Date
<i>Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)</i>	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	January 2020	1-Jan-23
<i>IAS 1 Presentation of Financial Statements</i>	Amended by Definition of Material (Amendments to IAS 1 and IAS 8)	January 2020	1-Jan-22
<i>Reference to the Conceptual Framework (Amendments to IFRS 3)</i>	The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.	May-20	1-Jan-22
<i>IFRS 17 Insurance Contracts</i>	Allows insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as of 1 January 2021.	May 2017	1-Jan-23
<i>Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)</i>	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.	May 2020	1-Jan-22

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

.1 Accounting standards and interpretations issued but not yet effective (continued)

Standard	Pronouncement/details of amendment	Issued	Effective
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	It specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).	May 2020	1-Jan-22
Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Introduces a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.	August 2020	1-Jan-21

Annual Improvements to IFRS Standards 2018–2020 Cycle

Amendments to IFRS 1, First-time Adoption of IFRS

For Subsidiary as a first-time adopter. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. Effective date is for annual periods beginning 1 January 2022. Early application is permitted.

Amendments to IFRS 9, Financial Instruments

Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. Effective date is for annual periods beginning 1 January 2022. Early application is permitted.

Amendments to IFRS 16, Leases

Lease incentives. The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. The amendment is only regards an illustrative example, so no effective date is stated.

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4. Application of new and revised International Financial Reporting Standards (IFRSs) (Cont'd)

.2 New and revised IFRSs/IFRICs affecting current year financial statements

In the current year, the Company has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019.

Pronouncement/a mendments	Nature of change	Required to be implemented for periods beginning on or after
<i>Definition of Material (Amendments to IAS 1 and IAS 8)</i>	It provides a broader spectrum to the Definition of Materiality (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.	Annual periods beginning on or after 1 January 2020
<i>Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)</i>	This is to clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.	Annual periods beginning on or after 1 January 2020
<i>Covid-19-Related Rent Concessions (Amendment to IFRS 16)</i>	The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.	Annual reporting periods beginning on or after 1 June 2020

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

5. *Significant accounting policies*

The significant accounting policies applied in the preparation of the financial statements are set out below:

5.1 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in profit or loss within finance income/ expense. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

5.2 Financial assets

a) Recognition and initial Measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial asset and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivables without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fairvalue through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

b) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; Fairvalue through other comprehensive income (FVOCI)- some debt investment and equity investment and FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the changes in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and it is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and it not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and the financial assets.
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fairvalue in OCI. This election is made on an investment -by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirement to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

5. Significant accounting policies

5.2 Financial instruments (Continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and it not designated as at FVTPL: (Continued)

Business model assessment:- Applicable from 1 January 2018

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- 1) The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual return revenue, maintaining a particular return rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- 2) How the performance of the portfolio is evaluated and reported to management;
- 3) The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

Assessment of whether contractual cash flows are solely payments of principal and return on principal amount outstanding Applicable from 1 January 2018

As a second step of its classification process the Company assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). 'Return' includes consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

5.2.2 Financial liabilities

a) Classification

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

b) Financial liabilities at amortized costs

These include trade payables, other payables and borrowings. Trade payables are classified as current liabilities due to their short term nature while borrowings are split into current and non current liabilities. Borrowings included in non-current liabilities are those with maturities greater than 12 months after the reporting date.

c) Recognition and measurement

Financial liabilities are recognized initially at fair value, net of any transaction costs. Subsequently, they are measured at amortised cost using the effective interest method.

5.2.3 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Company tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

5. Significant accounting policies

5.2 Financial instruments (Continued)

5.2.4 Offsetting Financial Instruments

Financial Instruments 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.

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

5.2.5 Impairment of Financial Assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets 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 or Company of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a Company 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 (excluding future credit losses that have not been incurred) 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 profit or loss statement.

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 profit or loss.

5.3 IFRS 15: Revenue

The Company adopted IFRS 15 Revenue from contracts with customers on its effective date of 1 January 2018. IFRS 15 replaces IAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts.

The standard establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model requires the Company to:

- i. identify the contract with the customer,
- ii. identify each of the performance obligations included in the contract,
- iii. determine the amount of consideration in the contract,
- iv. allocate the consideration to each of the identified performance obligations and
- v. recognise revenue as each performance obligation is satisfied.

Revenue from a valid contract with a customer is recognised when the following conditions are met:

- The contract has been approved by the parties to the contract.
- The rights and obligations of the parties to the contract in relation to the goods and services to be transferred are identifiable.
- The payment terms for the goods and services to be transferred are identifiable.
- The contract has commercial substance.
- it is probable that the consideration to which the Company is entitled to in exchange for the goods or services will be collected.

Revenue from energy wheeled into national grid

Revenue represents the total tariff earned per kilowatt of energy wheeled into the national grid.

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

5. Significant accounting policies

5.4 Employee Benefits

5.4.1 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.

5.4.2 Defined Contribution Scheme

The Company operates a defined contribution retirement benefit scheme for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. In a defined contribution plan, the actuarial risk falls 'in substance' on the employee. The employee contributes 8% while the Company contributes 20% of the emoluments (basic, housing and transport allowance). The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods

The assets of this scheme are held by pension fund administrators, which are funded by contributions from both the employee and the Company. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Company operates only a defined contribution pension scheme.

5.5 Cash and Cash Equivalents

Cash and cash equivalents as shown in the statement of financial position comprise cash in hand or bank, deposits held at call with banks and time deposits which are readily convertible to cash with a maturity of three months or less.

5.6 Statement of cash flows

The statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities.

The cash flows from operating activities are determined by using the indirect method. Net income is therefore adjusted by non-cash items, such as changes from receivables and liabilities. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated.

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposit held at call with banks, other short term highly liquid investments with original maturities of three months or less. The cash flows from investing and financing activities are determined by using the direct method.

5.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes: expenditure that are directly attributable to the acquisition of the fixed assets. Historical costs includes expenditure that is directly attributable to the acquisition of the item. When parts of an item of fixed assets have different useful life, they are accounted for as separate items of fixed assets. Costs relating to fixed assets under construction or in the process of installation are disclosed as capital work in progress. The cost attributable to each asset is transferred to the relevant category immediately the asset is available for use.

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

Construction work in progress is not depreciated. All such assets, once available for use are capitalised within the appropriate class of property, plant and equipment and subjected to the applicable depreciation rate in the year they are used.

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

5. Significant accounting policies

5.7 Property, Plant and equipment (continued)

Land is not depreciated by the Company. Depreciation of other items of property, plant and equipment is calculated using the straight-line method to allocate their cost, less their residual values over their estimated useful lives, as follows:

	Useful life Years
Buildings	60
Transmission lines	40
Plant and Machinery	60
Motor Vehicles	5
Furniture, fittings and equipment	10
Communication equipment	10

Depreciation starts when assets are available for use. The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate.

Property, plant and equipment 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 the estimated selling price in the ordinary course of business less costs to sell and value in use.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and taken into account in determining operating profit. These gains or losses are recognised within "other income or loss" in profit or loss.

5.8 Impairment of Non-financial Assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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. For the purposes of assessing impairment, assets are carried at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

5.9 Current and Deferred Taxation

a) Current Tax

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

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

b) Deferred Tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

5. Significant accounting policies

5.9 Current and Deferred Taxation (continued)

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

5.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable selling expenses.

The cost of finished goods and work in progress is determined using the weighted average method and comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), incurred in bringing inventory to its present location and condition but excludes borrowing costs.

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

5.11 Borrowings

Borrowings are recognized initially at fair value, as the proceeds received, net of any transaction cost incurred. Borrowings are subsequently recorded at amortized cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted in profit or loss using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

5.12 Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables are classified as current liabilities if payment is within one year or less. Otherwise, they are classified as non-current liabilities.

Payables are recognised initially at fair value and re-measured annually where they are denominated in foreign currencies.

5.13 Share Capital

The Company has only one class of shares; ordinary shares. Ordinary shares are classified as equity.

5.14 Capital Contribution

Capital contributions relate to contributions from the owners of the Company, in this case, the Federal Government of Nigeria. In their capacity as owners of the entity, these inflows are distinguished from transfers that arise from trading activities in the normal course of business. These capital contributions are non-reciprocal in nature (i.e. without a contractual obligation to repay it) and have been accounted for as an equity transaction and presented in the statement of changes in equity as a transaction with owners in their capacity as owners. In addition, day-1 gains/losses on Federal Government of Nigeria loans are recognised as capital contribution from the Federal Government of Nigeria.

5.15 Comparatives

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

5.16 Leases

5.16.1 Company as lessee

The Company designates a contract a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether a contract is or contains a lease at the inception of the contract. A contract is assessed to contain a lease if the following conditions are established:

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

5.16 Leases

5.16.1 Company as lessee (Continued)

- There is an identifiable asset in the contract.
- The customer has the right to control the use of the asset throughout the period of the lease in exchange for a consideration to the supplier.
- The customer has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use.
- The supplier does not have a substantive right to substitute the use of the asset throughout the period of use of the asset.

Where the Company is a lessee in the lease contract, the Company recognises a right of use asset and a lease liability at the inception of the contract. The right of use asset is measured using the cost model provided it:

- is not an investment property and the lessee fair values its investment properties.
- does not relate to a class of property, plant and equipment to which the lessee applies revaluation model, in which case all right-of-use assets relating to that class of property, plant and equipment can be revalued.

Under the cost model a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment. Where the lease is for a term of 12 months or less and containing no purchase options or the underlying asset has a low value such as personal computers or small items of office furniture, the Company accounts for lease payments as an expense on a straight-line basis over the term of the lease except another systematic basis is more reflective of the economic benefits obtainable from utilisation of the leased asset.

The right of use asset and the lease liability are initially measured at the present value of the lease payments payable over the lease term by discounting with the implicit rate of the lease. Where the implicit rate cannot be readily determined, the Company shall apply its incremental borrowing rate. The company has opted for partial restatement approach for any adjustment arising from the application of IFRS 16, Leases.

5.16.2 Company as lessor

Where the Company is a lessor in the lease contract, it classifies the lease either as a finance or operating lease. The Company designates a lease a finance lease where it transfers substantially all risks associated with ownership of the asset to the lessee otherwise it is designated as an operating lease.

The Company recognizes assets held under a finance lease as a receivable at an amount equal to the net investment in the lease. The Company recognizes finance income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment.

The Company recognizes operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished or another systematic basis.

6. Critical accounting estimates, judgements and errors

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included together with information about the basis of calculation for each affected line item in the financial statements.

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 N'000	2019 N'000
7. Revenue		
Transmission Service Provider (TSP)	140,678,300	101,159,795
System Operator (SO)	14,894,613	10,476,591
Market Operator (MO)	1,416,367	662,221
	156,989,280	112,298,607

Recognised revenue relates to the value of energy wheeled and delivered by the company to various trading points within the Nigerian Electricity Supply Industry (NESI). Recognised revenue is arrived at after appropriate measurement of the delivered energy and reconciliation between the company and the Operators of Nigerian Electricity Market (ONEM) together with the application of the relevant Transmission Use of Service (TUoS) rates.

	2020 N'000	2019 N'000
8. Cost of sales		
Repairs and maintenance of technical assets	6,514,017	4,879,741
Depreciation on technical assets	16,126,844	15,958,641
	22,640,861	20,838,382

	2020 N'000	2019 N'000
9. Other income		
Other non operating income	604,496	131,968
	604,496	131,968

Included in other income are rental income from the company's service lines and bidding fees income from prospective contractors.

10. Administrative Expenses		
Salaries and other staff cost	42,838,657	25,629,211
Lodging and accommodation	1,388,751	999,553
Rent expenses (See Note 17)	146	162,399
Transport and travelling expenses	1,747,209	1,392,764
Vehicles running and maintenance	704,615	627,531
Subscription and fees	942,587	809,433
Other administrative expenses	5,677,667	5,015,199
Legal and consultancy fees	726,210	753,832
Audit fees	20,829	20,829
Loss allowance on trade receivables (See Note 38.1)	28,913,890	33,855,754
Loss allowance on loans to related parties	1,607,969	4,800,000
Loss allowance on prepayments and other assets (See Note 21)	8,015,429	12,643,167
Impairments on Property, Plant and Equipment (See Note 16)	7,663,495	-
Depreciation on administrative assets	1,281,395	971,278
	101,528,849	87,660,950

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 N'000	2019 N'000
11. Bought in Material and Services		
Operating cost	22,640,861	20,838,382
Administrative expenses	101,528,849	87,680,950
Salaries and wages	(42,838,657)	(25,629,211)
Depreciation	(17,408,239)	(16,929,918)
	63,922,814	(65,960,203)
12. Net finance income/(cost)		
.1 Finance income		
Interest and similar income (See note 12(a))	722,183	1,528,890
Other gains (See note 12(b))	3,817,644	107,030
	4,539,827	1,635,920
.2 Finance cost		
Interest expense	4,000	552,139
Other finance cost	-	-
	4,000	552,139
Net finance cost	4,535,827	1,083,781

- a. Included here is the sum of N693.16 million (2019: N1.506 billion) which represent interest earned on loan advanced to related parties. (See note 18)
- b. This represent net gain/(loss) realised on translating the monetary items of the financial statements at 31 December.

	2020 N'000	2019 N'000
13. Profit before taxation		
Profit before taxation is arrived at after charging/(crediting):		
Directors emolument	-	-
Audit fee	20,829	20,829
Depreciation of property, plant and equipment;		
Charged on Technical Assets	16,126,844	15,958,641
Charged on Administrative Assets	1,281,395	971,278
Interest payable and similar charges	-	-

14. Related party transactions

The Company enters into transactions with companies and entities that fall within the definition of a related party as contained in International Financial Reporting Standards - IAS 24: Related Party Disclosures. Related parties comprise companies under common ownership and/or common management and control and key management personnel.

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

		2020 ₦'000	2019 ₦'000
14. Related party transactions (continued)			
The following transactions were carried out with related parties during the year:			
.1 Capital contribution	Relationship		
Federal Government of Nigeria - annual subvention	Owner	6,017,999	16,764,889
Federal Ministry of Power, Works and Housing	Related	-	246,172
FGN - AFD loan injected as grant	Owner	13,046,340	-
Federal Ministry of Finance - World bank loan	Related	-	354,673
FGN - JICA assets grant	Owner	3,624,449	-
Others	Related	159,748	-
		22,848,536	17,365,734
.2 Non current loan			
Federal Government of Nigeria (See Note 26)	Shareholder	164,633,169	138,912,870
.3 Other transactions with related parties during the year were:			
Abuja Electricity Distribution Plc (Loan advanced)	Related	6,500,000	6,500,000
Kaduna Electricity Distribution Plc	Related	5,000,000	5,000,000
		11,500,000	11,500,000

15. Compensation of personnel

.1 Compensation of key management personnel:

The remuneration of the directors, who are the key management personnel of the company, is set out below in aggregate for each of the categories specified in International Financial Reporting Standards - IAS 24: Related Party Disclosures.

	2020 ₦'000	2019 ₦'000
<i>The remuneration of executive management team was as follows:</i>		
Short-term benefits	307,009	215,750
<i>The remuneration of directors during the year was as follows:</i>		
Short-term benefits	-	-

No other Director received emoluments during the year.

.2 Information regarding employees

.2.1 Employees remunerated at higher rates:

The number of employees excluding directors, whose emoluments other than allowances are within the following ranges were:

	Number	Number
Up to N1,000,000	34	33
N1,000,001 - N3,000,000	1,456	1,436
N3,000,001 - N6,000,000	1,073	1,058
Above 6,000,000	1,258	1,241
	3,821	3,768

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 N'000	2019 N'000
15. Compensation of personnel (continued)		
.2.2 Number of employees by category were :		
Managerial	282	339
Senior staff	3,003	2,847
Junior staff	536	582
	3,821	3,768
2.3 Staff turnover		
.2.3.1 Newly employed	Number	Number
Managerial	-	-
Senior staff	212	200
Junior staff	35	3
	247	203
.2.3.2 Exited staff		
Managerial	57	37
Senior staff	56	82
Junior staff	81	6
	194	125
.2.4 Staff costs excluding the Directors:-	N'000	N'000
Salaries and wages	37,782,802	22,763,795
Pension	5,055,855	2,865,416
Other staff cost	6,321	6,321
	42,844,978	25,635,532

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NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

16. Property, plant and equipment

The movement on this account during the year was as follows:

	Land	Building	Transmission Lines	Plant and Machinery	Motor Vehicles	Furniture, Fittings and Equipments	Communication Equipment	Capital Work in Progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Deemed cost:									
At 1 January 2019	31,263,767	12,476,346	390,508,999	180,541,103	3,054,019	2,622,400	3,800,625	144,746,754	769,014,013
Additions	14,000	569,544	-	5,225,477	-	154,380	-	23,285,054	29,248,455
Adjustment	-	(1,483)	-	-	(97,196)	(875,305)	(211,302)	828,790	(356,496)
Transferred (Note 16.1)	-	574,070	6,484,740	12,691,370	-	-	-	(19,750,180)	-
At 31 December 2019	31,277,767	13,618,477	396,993,739	198,457,950	2,956,823	1,901,475	3,589,323	149,110,418	797,905,972
At 1 January 2020	31,277,767	13,618,477	396,993,739	198,457,950	2,956,823	1,901,475	3,589,323	149,110,418	797,905,972
Additions	-	749,664	-	-	438,919	361,383	179,381	26,833,503	28,562,850
Adjustments (Note 16.2)	-	(9,322)	(200,000)	2,124,443	31,051	(4,474)	-	5,109,094	7,050,792
Transferred (Note 16.1)	-	1,149,764	10,276,343	10,388,826	-	-	-	(21,814,933)	-
At 31 December 2020	31,277,767	15,508,583	407,070,082	210,971,219	3,426,793	2,258,384	3,768,704	159,238,082	833,519,614
Depreciation:									
At 1 January 2019	-	5,484,634	184,075,002	25,458,276	2,060,941	997,479	3,060,921	-	221,137,253
For the year	-	470,310	14,410,034	1,410,962	383,205	117,762	137,645	-	16,929,918
Adjustments (Note 16.2)	-	-	-	-	(88,635)	(21,538)	(211,302)	-	(321,475)
At 31 December 2019	-	5,954,944	198,485,036	26,869,238	2,355,511	1,093,703	2,987,264	-	237,745,696
Depreciation and Impairments:									
At 1 January 2020	-	5,954,944	198,485,036	26,869,238	2,355,511	1,093,703	2,987,264	-	237,745,696
Depreciation for the year	-	525,108	14,514,311	1,612,533	399,385	154,593	147,709	-	17,353,639
Impairments (Note 16.3)	-	-	-	-	-	-	-	7,663,495	7,663,495
At 31 December 2020	-	6,480,052	212,999,347	28,481,771	2,754,896	1,248,296	3,134,973	7,663,495	262,762,830
Carrying amount:									
At 31 December 2019	31,277,767	7,663,533	198,508,703	171,588,712	601,312	807,772	602,059	149,110,418	560,160,276
At 31 December 2020	31,277,767	9,028,531	194,070,735	182,489,448	671,897	1,010,088	633,731	151,574,587	570,756,784

.1 This represents value of completed assets ready and available for use as at 31 December 2020.

.2 This represents various corrections and reclassifications relating to current year to ensure the carrying amounts of the assets are appropriate.

.3 This relates to identified items of assets under construction that have suffered impairments.

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

17. Right-of-use assets

.1 Leases as a lessee

The Company leases a few number of buildings which normally run for a period of 1 to 2 years, with an option to renew the leases after expiration. The option to extend the leases are exercisable only by the Company and not the lessors. The Company often exercise this right after it reassesses all relevant significant events or changes in circumstances within its control. Lease rental fees are renegotiated when necessary to reflect fair current market rental rates.

The following are the leased properties classified as right-of-use assets as presented in the statement of financial position.

	Buildings ₦'000	Total ₦'000
Cost:		
At 1 January 2019	-	-
Additions	-	-
At 31 December 2019	-	-
At 1 January 2020 (Reclassified on adoption of IFRS 16)	22,500	22,500
Additions	355,200	355,200
At 31 December 2020	377,700	377,700
Depreciation:		
At 1 January 2019	-	-
Charge for the year	-	-
At 31 December 2019	-	-
At 1 January 2020	-	-
Charge for the year	54,600	54,600
At 31 December 2020	54,600	54,600
Carrying amount:		
At 31 December 2019	-	-
At 31 December 2020	323,100	323,100

- .2 The Company applied IFRS 16 using the modified retrospective approach. Under this method, the right-of-use assets are recognised on the basis of the lease liabilities. The comparative information presented for 2019 is not restated but presented as previously reported under IAS 17. The details of the new accounting policies are disclosed on note 5.16 to the financial statements above.

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 N'000	2019 N'000
18. Loans to related parties		
Loans and advances (See note 18.1)	8,924,555	9,079,317
Impairment provision	(6,407,969)	(4,800,000.00)
Total loans to related parties	<u>2,516,586</u>	<u>4,279,317</u>

1 This represents the sum of N5 Billion and N6.5 Billion advanced to Kaduna Electricity Distribution Plc and Abuja Electricity Distribution Plc respectively at a 10 percent rate of inconvenience fee.

Management's objective is to hold the assets for the purpose of collecting the contractual cash flow at the specified dates stated on the repayment amortisation schedule. The reported amount has been measured at amortised cost using the effective interest rate method. The below market loss has been reported in reserve.

The company's assessment shows the existence of a significant credit deterioration of the beneficiary companies of the loan. While one of the companies have defaulted in all repayment obligations during the year, the other met only one repayment obligation. Other adverse solvency ratios and industry related constraints amongst other factors were considered in determining the recognised amount of Expected Credit Loss on this financial asset.

	2020 N'000	2019 N'000
19. Inventories		
Stock of Cables and Conductors	451,585	453,986
Transmission materials	7,900,209	9,012,716
Stationery Stores	102,408	107,802
Gross value of inventory	8,454,202	9,574,504
Provision for Obsolete Stock	(2,412,360)	(2,401,574)
	<u>6,041,842</u>	<u>7,172,930</u>
20. Trade and other receivables		
Trade receivables	317,630,169	276,707,584
Total loss allowance on trade receivables (See note 38.1)	(283,845,137)	(254,931,247)
Net trade receivable	<u>33,785,032</u>	<u>21,776,337</u>
Other receivables	12,304,061	10,739,421
Impairment on other receivables (See note 20.1)	(10,734,366)	(10,734,366)
	<u>1,569,695</u>	<u>5,055</u>
Net trade and other receivable	<u>35,354,727</u>	<u>21,781,392</u>
<i>Movement in trade receivable</i>		
Balance at 1 January	276,707,584	241,525,253
Current trade receivable	40,922,585	35,182,331
Provision for doubtful debt	(283,845,137)	(254,931,247)
Balance at 31 December	<u>33,785,032</u>	<u>21,776,337</u>

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

20. Trade and other receivables (Continued)

	2020 N'000	2019 N'000
<i>Movement in impairment provisions on trade receivables;</i>		
Balance at 1 January	254,931,247	222,504,703
Additions to Impairment losses	28,913,890	32,426,544
Effect of IFRS 9 Impairment allowance as at 1 January 2018	-	-
Balance at 31 December	283,845,137	254,931,247

On adoption of IFRS 9, the company has computed its impairment provision in line with the ECL model and has made disclosures in Note 38.1. the impairment on trade receivables was ₦283.845 billion as at 31 December 2020 (31 December 2019: ₦254.931 billion). The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds. The company does not hold any collateral over these balances.

- .1 This represents the impairment provision on receivable from other services provided by the company for which the recoveries remained doubtful as at 31 December 2020. The sum of ₦10.734 billion remained outstanding from two customers Alheri Ltd and Phase 3 Telecom Ltd. These customers have instituted legal action against the company, disputing the amount and praying the court to award damages in the sum of ₦6.250 billion against the company for wrongful termination of contract. The case is still pending in court as at the reporting date.

21. Prepayments and other assets

	2020 N'000	2019 N'000
Contractors and other advances (See note 21.1)	18,060,756	26,223,365
Eurobond sinking fund - DMO (See note 21.3)	40,432,547	27,601,551
Unutilised Letter of Credit (See Note 21.4)	37,719,428	35,365,645
	96,212,731	89,190,561
Impairment provision (See note 21.2 and 21.4)	(14,967,687)	(12,643,167)
	81,245,044	76,547,394

- .1 This represents payments made in advance to various providers of goods and services, the consideration of which were yet to be received and/or enjoyed by the Company as at the reporting date.
- .2 Included in impairment is the amounts advanced to various contractors for which the performance obligation remained unfulfilled for a past period of at least 4 years. The recovery of the amount or the performance of the contractual obligation from the contractors remained doubtful. Included also are the lagacy balances inherited from the defunct PHCN. Based on the impairment assessment, management has classified the credit risk on this asset as "significant deterioration".
- .3 This represents the sum of ₦40.4 billion swept by the Debt Management Office (DMO) from the Company's eurobond loan Sinking Fund Accounts(SFA) maintained with the Central Bank of Nigeria as at 31 December 2020 (31 December 2019: ₦27.6 billion). The amount was reported to have been used for investment purpose in line with the Eurobond loan agreement, which grants DMO the authority to utilise the fund for investment purpose on behalf of TCN and make the fund available in the SFA for the loan repayment on due date. The certificate of investment and other details required for appropriate disclosure and to ascertain if the company is a party to the contract were yet to be received from DMO as at the reporting date.
- .4 Included in impairment on unutilised Letters of Credit (LC) is ₦1.589 billion (2019: ₦5.786 billion), while additional sum of ₦1.494 billion impairment provision was recognised in current year, the sum ₦5.690 billion was discovered to be prior years misstatement and now derecognised. The carrying amount derecognised in current year was contained in the loss allowance of ₦5.786 billion recognised in year 2019.

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 N'000	2019 N'000
22. Taxation		
Income taxes relating to continuing operation		
.1 Income tax recognised in profit or loss		
Current tax		
Corporate tax	6,754,376	3,386,118
Tertiary Education Tax (TET)	1,351,010	677,291
Nigerian Police Trust Fund Levy (NPTF)	1,898	250
	<u>8,107,284</u>	<u>4,063,659</u>
Deferred taxation		
Deferred tax expense recognised in the current year	10,989,836	2,696,765
Total current income tax expense	<u>19,097,120</u>	<u>6,760,424</u>

The Company was assessed based on the provisions of both the Companies Income Tax Act amended to date and the Finance Act 2020 that mandates a minimum tax assessment, where a tax payer's tax liability computed on assessable profit is less than the minimum tax liability. This is not the case in this regard, hence no minimum tax liability is applicable.

The Nigeria Police Trust Fund (Establishment) Act, 2019 imposes a levy of 0.005% of the net profit of companies operating in Nigeria.

The income tax expense for the year can be reconciled to the accounting profit as follows:

	%	2020 N'000	%	2019 N'000
Profit before taxation		<u>37,959,893</u>		<u>4,995,024</u>
Expected income tax expense using statutory rate	30	11,387,968	30	1,498,507
Tertiary Education Tax based on profit before tax	2	759,198	2	99,900
Effect of income that is exempted from taxation	10	(3,817,644)	2	107,030
Effect of expenses that are not deductible in determining taxable profit	-	33,408,269	-	-
Effect of prior year provision derecognised	-	-	9	463,490
Effect of difference between CIT and TET rates	(13)	(4,811,043)	11	540,416
Effect of recognised temporary difference	(29)	(10,989,836)	(54)	(2,696,765)
Effect of NPTF (see note 22.1)	-	1,898	-	250.00
Effect of claimed tax incentives	-	(45,035,930)	-	(6,773,253)
Income tax expenses recognised in comprehensive income	0	<u>(19,097,120)</u>	0	<u>(6,760,424)</u>

The tax rate used for 2019 and 2018 reconciliation above is the company income tax rate of 30% based on the provisions of the Companies Income Tax Act, CAP C21, LFN 2004, as amended. The rate of 2% for education tax is based on the provisions of the Education Tax Act, CAP E4, LFN 2004.

	2020 N'000	2019 N'000
.2 Current tax liabilities		
At 1 January	6,145,132	2,081,473
Income tax expense recognised in current year	<u>8,107,284</u>	<u>4,063,659</u>
	14,252,416	6,145,132
Payments during the year	-	-
At 31 December	<u>14,252,416</u>	<u>6,145,132</u>

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

22. Taxation (Continued)

.3 Deferred tax

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax assets offset presented in the Statement of Financial Position:

31 December 2020

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	closing balance
	N'000	N'000	N'000	N'000
Deferred tax in relation to:	-	-	-	-
Property, plant and equipment	109,167,610	994,250	-	110,161,860
Unrealised foreign exchange differences	34,250	1,187,396	-	1,221,646
Unrelieved losses	-	-	-	-
Provisions-Assets	(25,115,643)	1,581,396	-	(23,534,247)
Utilised against current income tax	(132,784,677)	7,226,794	-	(125,557,883)
	(48,698,460)	10,989,836	-	(37,708,624)

31 December 2019

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	closing balance
	N'000	N'000	N'000	N'000
Deferred tax in relation to:	0	-	-	-
Property, plant and equipment	109,088,059	79,551	-	109,167,610
Unrealised foreign exchange differences	-	34,250	-	34,250
Unrelieved losses	-	-	-	-
Provisions-Assets	(25,115,643)	-	-	(25,115,643)
Utilised against current income tax	(135,367,641)	2,582,964	-	(132,784,677)
	(51,395,225)	2,696,765	-	(48,698,460)

Movement at a glance

Deferred assets

At 1 January
Recognised in profit or loss
Recognised in other comprehensive income

At 31 December

2020 N'000	2019 N'000
48,698,460	51,395,225
(10,989,836)	(2,696,765)
-	-
37,708,624	48,698,460

23. Cash and cash equivalents

Cash at bank
Cash in hand

2020 N'000	2019 N'000
169,315,962	110,661,468
-	-
169,315,962	110,661,468

The carrying amount of these assets are approximately equal to their fair value.

24. Ordinary share capital

Authorised, issued and fully paid

10,000,000 ordinary shares at 50 kobo each

2020 N'000	2019 N'000
5,000	5,000

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

25. Reserves

.1 Capital contribution

Summary of movement during the year:

At 1 January

Additions during the year (See Note 14.1)

Fair value gains on loan amortisation

Adjustment:

NETAP loan reclassification (See Note 26.1.3)

Related to correction of errors

Remeasurement of Eurobond and NEGIP (See Note 25.1.1)

At 31 December

2020 N'000	2019 N'000
268,919,570	266,388,612
22,848,536	17,365,734
291,768,106	283,754,346
-	(99,254)
291,768,106	283,655,092
(354,673)	
-	(180,121)
-	(14,555,401)
291,413,433	268,919,570

- .1.1 Included in the total adjustment in capital contribution for year 2019 is the sum of N11.9 Billion and N2.6 Billion relating to the adjustment in IFRS Day 1 fair value gain as a result of changes in the basis of computation in amortised cost.

.2 Retained earnings

Summary of movement during the year:

At 1 January

Profit/(loss) for the year after tax

Net adjustments from prior years

At 31 December

2020 N'000	2019 N'000
(14,428,706)	(13,126,796)
18,862,773	(1,765,400)
-	463,490
4,434,067	(14,428,706)

.3 Revaluation reserve

At 1 January

Net adjustments from prior years

At 31 December

2020 N'000	2019 N'000
413,461,379	413,932,481
-	(471,102)
413,461,379	413,461,379

26. Borrowings

Foreign borrowings (Note 26.1)

Local borrowings

Total carrying amount

2020 N'000	2019 N'000
164,633,169	138,912,870
-	-
164,633,169	138,912,870

- .1 Included in borrowings are;

- .1.1 A 40 year World bank loan - Nigeria Electricity and Gas Improvement Project USD300 million. Total draw down was USD265.67 million and first drawn down in year 2014. Although loan is at zero percent interest rate, a service charge payment of 0.75% per annum on the total amount drawn on the credit line is required.

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

26. Borrowings (Continued)

1.2 A 9.5 year Eurobond term loan obtained by Federal Government of Nigeria on behalf of TCN. The loan amount is USD135.5 million at 6.625 interest rate. Loan was received in 2014.

1.3 A 33 year World bank loan - Nigeria Electricity Transmission Project (NETAP) USD486 million. Total draw down as at 31 December 2020 was USD28.29 million and first drawn down in year 2019. Although loan is at zero percent interest rate, a front end fee of 0.75% per annum on the total amount drawn on the credit line is required. The loan was first drawn in 2019. It was initially recognised in Capital contribution but now reclassified to borrowing in current year when the agreement that introduced the Company as a party to the contract was executed.

The loans are US Dollars denominated and has been valued at amortized cost, using effective interest rates. The below - market rate of interest gain has been recognised by the company in reserve as capital contribution.

The total foreign loan obligation as at 31 December 2020 was 429.46 USD million (2019 USD401.174 million).

	2020 ₦'000	2019 ₦'000
.2 Movement during the year:		
At 1 January	138,912,870	117,112,923
Addition: Draw down on NETAP (See Note 26.1.3)	10,735,634	-
	<u>149,648,504</u>	<u>117,112,923</u>
Total adjustment in borrowings		
Fair value interest related to current year	4,000	3,834
Accrued interest for the moratorium period on Eurobond loan	-	2,751,411
Correction of errors	-	3,075
Omitted service charges and interest relating to prior years	-	3,345,979
Adjustments relating to amortised cost recomputation	-	14,555,401
Effect of exchange rate difference	13,127,575	591,942
Interest recognised for the year	1,853,090	548,305
	<u>14,984,665</u>	<u>21,799,947</u>
At 31 December	<u>164,633,169</u>	<u>138,912,870</u>

27. Retirement benefit obligations

.1 Defined contribution plan - Pension

The employees of the Company are members of a state arranged pension scheme (Pension Reform Act, 2014) which is managed by several licensed Pension Fund Administrators (PFA). The Company is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the defined contribution plan is to make the specified contributions and remit to respective PFA nominated by each employee.

	2020 ₦'000	2019 ₦'000
28. Trade and other payables		
Trade payables	13,213,410	14,918,190
Accruals and other payables	1,849,795	1,367,802
	<u>15,063,205</u>	<u>16,285,992</u>

Items of trade payables represent obligations to contractors for supplies and services delivered to the company during the year, for which payments were yet to be made as at the reporting date.

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

29. *Contingent liabilities*

There were no contingent liabilities as at 31st December 2020 (2019: Nil).

30. *Capital commitment*

There were no capital commitments as at 31st December 2020 (2019: Nil).

31. *Events after the reporting period*

There were no events after the reporting date that could have had a material effect on the financial statements of the Company that have not been adequately provided for or disclosed in the financial statements.

32. *Approval of financial statements*

The financial statements were approved by the board of directors and authorised for issue on 29 December 2021

33. *Capital management*

The Company manages its capital to ensure that it will continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remained unchanged.

The capital structure of the Company consists of equity, comprising issued ordinary share capital, capital contribution by owners, revaluation reserve and retained earnings as disclosed on the statements of changes in equity and in the relevant notes to the financial statements.

The Company is not subject to any externally imposed capital requirements.

The management of the Company reviews the capital structure on a frequent basis to ensure that debt to equity balance is within acceptable limit. The overall objective of capital management is to reduce debt to equity ratio to the barest minimum.

The Company debt to equity ratio at the end of the reporting period:

	2019 N'000	2018 N'000
Debt	(164,633,169)	(138,912,870)
Cash and bank balance	169,315,962	110,661,468
Net debt		
(i)	<u>4,682,793</u>	<u>(28,251,402)</u>
Equity (ii)	<u>709,313,879</u>	<u>667,957,243</u>
Net debt to equity ratio	0.01	(0.04)

ii. Equity includes all capital and reserves of the Company that are managed as capital.

34. *Categories of financial instruments*

31 December 2020	Loans and receivables	Available for sale	Other financial assets	Total
	N'000	N'000	N'000	N'000
Financial Assets				
Cash and bank balance	169,315,962	-	-	169,315,962
Non current accounts receivable	2,516,586	-	-	2,516,586
Current accounts receivable	35,354,727	-	-	35,354,727
	<u>207,187,275</u>	<u>-</u>	<u>-</u>	<u>207,187,275</u>

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

34. Categories of financial instruments (continued)

31 December 2020		Amortised cost ₦'000	Other financial liabilities ₦'000	Total ₦'000
Financial Liabilities				
Borrowings		164,633,169		164,633,169
Trade and other payables		29,315,621		29,315,621
		193,948,790	-	193,948,790

31 December 2019	Loans and receivables ₦'000	Available for sale ₦'000	Other financial assets ₦'000	Total ₦'000
Financial Assets				
Cash and bank balance	110,661,468	-	-	110,661,468
Non current accounts receivable	4,279,317	-	-	4,279,317
Trade and other receivables	21,781,392	-	-	21,781,392
	136,722,177	-	-	136,722,177

		Amortised cost ₦'000	Other financial liabilities ₦'000	Total ₦'000
Financial Liabilities				
Borrowings		138,912,870	-	138,912,870
Trade and other payables		22,431,124	-	22,431,124
		161,343,994	-	161,343,994

35. Risk management

The Company has exposure to the following risks from its use of financial instruments:

- Market
- Liquidity risk
- Credit

This note presents information about the Company's exposure to the above risks, the Company's objectives, policies and procedures for measuring and managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework, including implementation and monitoring of these policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits, controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

35. Risk management (Continued)

.1 Market risk (Continued)

.1.1 Currency risk

The Company undertakes transactions denominated in foreign currencies and is exposed to interest rate risk because it borrows funds at fixed and floating interest rates; consequently, exposures to exchange rate fluctuations arise.

The Company is exposed to currency risk, the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in the foreign exchange rates.

The Company monitors the movement in the currency rates on an ongoing daily basis. The company ensures that the movements in the exchange rates do not adversely affect the company's income or value of its holdings of financial instruments.

.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in market interest rates. As at the reporting date, the company had no interest bearing financial instruments that are subject to fluctuations.

.1.3 Sensitivity analysis

An increase of 300 basis points in interest rates at the reporting date would have increased the profit by the amounts shown below. This analysis assumes that the other variables remain constant.

Effect	2020 N'000	2019 N'000
Interest	21,665	45,867

A decrease of 300 basis points in interest rates at the reporting date would have the equal opposite effect, on the basis that all other variables remain constant.

.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages its cash position and future outflows on an ongoing, daily basis and ensures that it has sufficient cash on demand to meet expected operational expenses and liabilities as they fall due. The Company also manage liquidity risk by maintaining adequate reserves, banking facilities and accepting capital contributions from related parties, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Exposure to liquidity risk

31 December 2020	Carrying amount N'000	Contractual cashflows N'000	6 months or less N'000	6 – 12 Months N'000	Above 12 months N'000
Non-derivative financial liabilities					
Trade payable (Note 28)	15,063,205	15,063,205	244,731	1,704,786	13,113,688
	<u>15,063,205</u>	<u>15,063,205</u>	<u>244,731</u>	<u>1,704,786</u>	<u>13,113,688</u>

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

35. Risk management (continued)

.2 Exposure to liquidity risk (Continued)

31 December 2019	Carrying amount N'000	Contractual cashflows N'000	6 months or less N'000	6 – 12 Months N'000	Above 12 months N'000
Non-derivative financial liabilities					
Trade payable (Note 28)	16,285,992	16,285,992	205,142	1,367,803	14,713,048
	<u>16,285,992</u>	<u>16,285,992</u>	<u>205,142</u>	<u>1,367,803</u>	<u>14,713,048</u>

.3 Credit risk

Credit risk is the risk of financial loss to the company if a customer fails to meet its contractual obligations that arises principally from the Company's receivables from customers.

The Company's principal exposure to credit risk is in its trade and other receivables. Trade receivables principally represent amounts owing to the Company by their customers and credit risk is managed at the management level. Credit evaluations are performed on all customers requiring credit over a certain amount. The company has no significant concentration of credit risk, with exposure spread over a large number of parties.

.3.1 Exposure to credit risk

The carrying value of the Company's financial assets represents its maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date was:

	2020 N'000	2019 N'000
Trade receivables	317,630,169	276,707,584
Other receivables	12,304,061	10,739,421
Loans to related parties	2,516,586	4,279,317
Bank deposits	169,315,962	110,661,468
	<u>501,766,778</u>	<u>402,387,791</u>
The maximum exposure to credit risk for trade receivables at the reporting date by type of receivables was:		
Receivable from Operators of Nigerian Electricity Market	283,845,137	254,931,247
Receivables from other customers	10,734,366	10,739,421
Recovery on loans to related parties	6,407,969	4,800,000
	<u>300,987,472</u>	<u>270,470,668</u>

36. Fair value of financial instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

37. Segment reporting

Nigeria is the Company's primary geographical segment as all the Company's income is derived in Nigeria. In addition, all of the Company's income comprise income from transmission of electricity from the electricity Generation Companies to the various electricity trading points in the Nigerian Electricity Supply Industry (NESI). This is in accordance with the provision of Electric Power Sector Reform Act 2005 and its licensing agreement with Nigerian Electricity Regulatory Commission (NERC). The company presents no further business or geographical segment information.

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

38. Disclosures on expected credit loss

.1 Expected credit loss assessment.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

The company uses an allowance matrix to measure the expected credit loss (ECLs) of Trade receivables. Loss rate are based on actual credit loss experience over the past three years. The table below provides information about the exposure to credit risk and ECLs for Trade receivables 1 January and 31 December.

31 December 2020	Gross carrying amount N'000	Weighted Average loss rate	Lifetime ECL N'000
0-30 days	22,006,118	38.97%	8,576,174
31-60 days	22,846,486	42.53%	9,715,646
61-90 days	11,236,369	45.27%	5,086,878
91-180 days	128,329	48.38%	62,086
181-360days	2,418,671	58.30%	1,410,156
> 360 days	258,994,196	100.00%	258,994,197
	317,630,169		283,845,137
31 December 2019			
0-30 days	9,547,031	31.17%	2,976,075
31-60 days	9,272,935	32.50%	3,014,115
61-90 days	655,029	33.95%	222,414
91-180 days	-	35.24%	-
181-360days	15,088,280	43.57%	6,574,335
> 360 days	242,144,309	100.00%	242,144,308
	276,707,584		254,931,247
Current year loss allowance on trade receivables			28,913,890

39 Earnings Per Share (EPS)

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

The Company does not have ordinary shares with convertible options and therefore, there is no dilutive impact on the profit.

The basic EPS of the company as at 31 December are calculated as follows:

	2020 N'000	2019 N'000
Profit from continuing operations attributable to owners	18,862,773	(1,765,400)
Weighted average number of ordinary shares in issue (in thousands)	10,000	10,000
Basic EPS expressed in Naira	1,886	(177)

TRANSMISSION COMPANY OF NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

40. *Assessment on the Impact of COVID-19*

There was a global outbreak of the Corona virus disease (COVID-19) during the year which was declared a pandemic by the World Health Organisation (WHO). As a result, the country experienced monumental disruptions to social and economic activities, businesses were forced to shut down and the movement of persons, goods and services were largely restricted in a bid to contain the spread of this disease.

The company provides essential services, hence, it was not significantly affected by the restrictive measures imposed by the Nigerian government. However, the company responded by ensuring the safety of all personnel and other parties with whom the company had dealings during the period. The company ensured that while staff worked remotely where practicable, energy wheeling services and other ancillary services deliveries continued without significant disruptions. Although these measures mitigated the severe impact of COVID-19 on the Company, it experienced the following events which resulted in some revenue losses and disruptions in the Company's operations;

- (a) the strict lockdown and restrictions of personnel movement created some disruption in the demand and supply chains as well as affecting the timely completion of some ongoing power projects across the country.
- (b) the dwindled household income resulting from the limited economic activities increased collection losses from defaulting customers affected the Discos and International customers, thereby impacting the Company's cash inflow adversely.

Based on this assessment, nothing has come to the attention of the management to indicate that the Company will not continue to operate into the foreseeable future. The assessment also included a line- by- line impact of COVID-19 on the amount presented on the statement of financial position and concluded that no further adjustment will be required in the financial statements.

OTHER NATIONAL DISCLOSURES

TRANSMISSION COMPANY OF NIGERIA PLC
FINANCIAL SUMMARY

31 DECEMBER

	2020 N'000	2019 N'000	2018 N'000	2017 N'000	2016 N'000
ASSETS EMPLOYED					
Non current assets	611,305,094	613,138,053	610,323,659	595,114,335	534,926,680
Current assets	291,957,575	216,163,184	190,455,270	156,761,487	152,499,167
Non current liabilities	(164,633,169)	(138,912,870)	(117,112,923)	(105,904,271)	(165,076,598)
Current liabilities	(29,315,621)	(22,431,124)	(16,466,709)	(14,097,116)	(64,621,228)
Net assets	709,313,879	667,957,243	667,199,297	631,874,435	457,728,021
CAPITAL EMPLOYED					
Ordinary share capital	5,000	5,000	5,000	5,000	5,000
Capital contribution	291,413,433	268,919,570	266,388,612	241,982,781	259,652,514
Revaluation reserve	413,461,379	413,461,379	413,932,481	413,932,481	-
Retained Earnings	4,434,067	(14,428,706)	(13,126,796)	(24,045,827)	198,070,507
Total equity	709,313,879	667,957,243	667,199,297	631,874,435	457,728,021
TURNOVER AND PROFIT					
Revenue	156,989,280	112,298,607	109,866,110	100,721,134	83,554,144
Profit/(loss) before income tax	37,959,893	4,995,024	13,040,175	(27,849,996)	(31,463,877)
Income tax expenses	(19,097,120)	(6,760,424)	(8,419,301)	151,702,649	(85,205,343)
Profit/(loss) for the year	18,862,773	(1,765,400)	4,620,874	123,852,653	(116,669,220)
Other comprehensive income	-	-	-	(104,652)	(104,652)
Total comprehensive profit/(loss)	18,862,773	(1,765,400)	4,620,874	123,748,001	(116,773,872)
Per share data (Kobo)					
Profit/(loss) per share	1,886	(177)	462	12,375	(11,677)
Net assets per share	70,931	66,796	66,720	63,187	45,773

NOTES

Basic earnings per share are calculated based on the profit after taxation and the number of issued and fully paid ordinary shares at the end of each financial year.

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