

**ABUJA ELECTRICITY DISTRIBUTION PLC**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2023**

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## Corporate Information

Registered No 638681

Tax Identification Number 01783033-0001

Directors	Name	Designation
	Stanley Lawson	Chairman (Non-Executive)
	Dr. Abubakar Tambuwal Atiku	Non-Executive
	Chiugo Ndubisi	Non-Executive
	Dr. (Mrs) Owen Omogiafo, OON	Non-Executive
	Ayodeji Ariyo Gbeleyi	Non-Executive
	Hajiya Sutura Aisha Bello	Alternate to DG (BPE)
	Chijioke Okwuokenye	Ag. Managing Director/CEO

Registered Office 1 Ziguinchor Street  
Off IBB Way  
Wuse Zone 4  
Abuja

Company Secretary Iguwo Ukwu  
1 Ziguinchor Street  
Off IBB Way  
Wuse Zone 4  
Abuja

Auditor Ernst & Young  
10th and 13th Floors, UBA House,  
57 Marina, Lagos.

Bankers United Bank for Africa Plc  
UBA House, 57 Marina Lagos Island, Lagos Nigeria.

First Bank of Nigeria  
Coomassie House, Central Business Area, Lagos, Nigeira.

Guaranty Trust Bank  
Plot 771, National Mosque Road CBD, Abuja, Nigeria.

## Report of the Directors

### For the year ended 31 December 2023

The directors present their report on the affairs of Abuja Electricity Distribution Plc ("the Company"), together with the financial statements and auditor's report for the year ended 31 December 2023.

#### Legal form and business review

The Company was incorporated in Nigeria on 8 November 2005 as a public limited company to take over electricity distribution activities and related businesses of the Power Holding Company of Nigeria Plc ("PHCN") in the Federal Capital Territory (FCT) Abuja, Niger, Kogi and Nasarawa States.

As part of the Federal Government of Nigeria's ("FGN") initiative to transform the power sector, the Nigerian Electricity Regulatory Commission (NERC) was established in October 2005 as required under the Electric Power Sector Reform Act (EPSRA) 2005. NERC is Nigeria's independent regulatory agency for the Nigerian electricity industry comprising generation, transmission and distribution sectors and regulates the activities of the Company. In 2008, NERC introduced a Multi-Year Tariff Order (MYTO) as the framework for determining the industry pricing structure and this forms the basis of revenue earned by the Company after taking into consideration changes as applicable per the Transitional Electricity Market (TEM) rules as issued by NERC via Order number 136 dated 29 January 2015 and effective 1 February 2015. The TEM rules were amended on 18 March 2015 and the amended rules became effective 1 April 2015.

On 1 November 2013, the FGN completed the privatization of the electricity sector effectively handing over 6 generation and 11 distribution companies to new owners under various share sale agreements. As a result of this, 60% interest of the Company was acquired by a Nigerian company, KANN Utility Company Limited ("KANN"). In 2020, CEC Africa Investments Limited acquired the majority of KANN's shares. As a result, the ultimate controlling party of the Company was CEC Africa. On 31 December 2021, the controlling shares of the Company (60%) were allotted to United Capital Trustees Limited (UCTL) and that made UCTL the new controlling party of the Company. On 18 May 2023, a consortium of new investors- Jeolan International Limited led by Transcorp Group acquired a sixty percent (60%) investment of the Company with commitment to commence immediate turnaround of the Company.

#### Principal activities

The Company continues with its electricity distribution activities and related businesses in the Federal Capital Territory (FCT) Abuja, Niger, Kogi and Nasarawa States.

#### Operating results

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

<i>Summary of profit or loss</i>	2023 ₦'000	2022 ₦'000
Revenue	250,548,755	148,882,467
Gross (loss)/profit	(5,728,099)	5,769,177
Operating profit before interest & tax	20,193,750	8,132,602
<b>Profit/(loss) before tax</b>	<b>1,655,036</b>	<b>(6,590,187)</b>
Minimum tax	(1,256,808)	(746,615)
Income tax expense	(82)	-
<b>Profit/(loss) for the year</b>	<b>398,146</b>	<b>(7,336,802)</b>

#### *Summary of financial position*

Total assets	380,806,600	284,125,939
Total liabilities	326,260,238	251,069,489
Equity	54,546,362	33,056,450

## Report of the Directors - continued

### Operating results - continued

The Company's revenue for the year 2023 amounts to ₦250.6b representing a 68% increase from ₦148.8b in 2022. This is as a result of increase in the national grid supplies and tariff shortfall awarded to the Company in 2023 (see note 6.1).

The directors have continued with certain initiatives aimed at improving the financial position and operations of the Company. These include:

**-Access to the Central Bank of Nigeria (CBN) Nigerian Electricity Market Stabilisation Fund (NEMSF) and National Mass Metering Programme (NMMP):** In 2018, the Company accessed the CBN fund and utilized a drawdown of ₦23.72 billion to settle a portion of its market debt. Subsequently, in 2019, an additional drawdown of ₦1.08 billion from the fund was used to settle legacy gas debts.

In 2021, the Company drew down a total amount of ₦23.17 billion from this loan. Out of this amount, ₦9.8 billion was allocated to settle outstanding market debts, ₦6 billion was utilized to settle payments to Meter Asset Providers involved in the National Mass Metering Programme (NMMP) initiated by NERC. The remaining ₦8.1 billion was disbursed directly to the Company.

Furthermore, in 2022, the Company drew down ₦17.7 billion. From this amount, ₦7.5 billion was allocated to pay TCN contractors through AEDC, with the aim of enhancing the transmission infrastructure within the AEDC Franchise.

In 2023, the Company received additional loans on NEMSF 2 (CBN CAPEX Intervention Project) amounting to ₦6.49 billion which was paid directly to the CBN CAPEX contractors.

**-Subsidies for tariff shortfalls:** In 2019, NERC awarded the Company an accumulated tariff shortfall for 2015 to 2018 of ₦102.22 billion and a tariff shortfall for 2019 of ₦62.69 billion. The Company recognised the sum of ₦51.5 billion and ₦29.8 billion shortfall for 2020 and 2021 based on the NERC approved parameters. During the year 2023, the sum of ₦70.57 billion (2022: ₦8.05 billion) was also recognised as tariff shortfall. The tariff shortfalls have been settled via a net off of NBET payables.

### Dividends

No dividend has been recommended by the directors for the year ended December 2023 (2022: Nil).

### Directors and their interests

The Directors who served during the year were as follows:

<u>Name</u>	<u>Nationality</u>	<u>Designation</u>	<u>Date Appointed /Resigned</u>
Dr. Stanley Lawson	Nigerian	Chairman	Appointed on 18 May 2023
Dr. (Mrs) Owen Omogiafo, OON	Nigerian	Member	Appointed on 18 May 2023
Mr. Victor Osadolor**	Nigerian	Chairman	Resigned 18 May 2023
Mr. Alex Okoh*	Nigerian	Member (BPE)	
Mr. Amaechi Alope*	Nigerian	Alternate Director (BPE)	
Dr. Abubakar Tambuwal Atiku	Nigerian	Member	
Mr. Razak Shittu	Nigerian	Member	Resigned 14 August 2023
Mr. Uche Ike	Nigerian	Member (BPE)	Resigned on 18 May 2023
Mr. Chiugo Ndubisi	Nigerian	Member	Appointed on 18 May 2023
Mr. Christopher Ezeafulukwe	Nigerian	Member	Appointed on 1 September 2023
Mr. Adeoye Fadeyibi	Nigerian	Member	Resigned on 31 August 2023

\* Mr. Amaechi Alope is alternate director to Mr. Alex Okoh-DG, BPE. Mr. Amaechi Alope represents Mr. Alex Okoh at all the Company's board meetings in the absence of the latter.

\* Mr. Alex Okoh and Mr. Amaechi Alope were removed in the subsequent period ending 31 January 2024. They were replaced by Ayodeji Ariyo Gbeleyi as the new Director (BPE) and Hajiya Sutura Aisha Bello as his Alternate Director (BPE).

\*\*Mr. Victor Osadolor resigned as board chairman on the 18 May 2023 and became a board member of the Company. He subsequently resigned his appointment as a board member with effect from 28 July 2024.

Subsequent to the year end, on 22 July 2024, Mr. Chijioke Okwuokenye was appointed as the Ag. Managing Director/CEO.

## Report of the Directors - continued

### Directors interest in shares

The directors indicate that they do not have any interests required to be disclosed under Section 301 of the Companies and Allied Matters Act 2020.

### Directors interest in contracts

In accordance with Section 303 of the Companies and Allied Matters Act 2020, none of the directors has notified the Company of any declarable interests in contracts with the Company.

### Shareholding structure

The shareholding structure of the Company is as follows:

	<u>15 million shares at ₦ 1 each</u>			
	<u>31 December 2023</u>		<u>31 December 2022</u>	
	%	Number	%	Number
Jeolan International Limited	60	9,000,000	-	-
United Capital Trustees Limited	-	-	60	9,000,000
Bureau of Public Enterprises	32	4,800,000	32	4,800,000
Ministry of Finance Incorporated	8	1,200,000	8	1,200,000
<b>Total</b>	<b>100</b>	<b>15,000,000</b>	<b>100</b>	<b>15,000,000</b>

On 18 May 2023, the Company's 60% shareholding was transferred to Jeolan International Limited.

### Corporate governance

Consistent with applicable NERC rules, the Board continues to emphasize the maintenance of high standards of corporate governance, central to achieving the Company's objective of maximizing shareholder value. As a result, the Board has a schedule of matters reserved specifically for its decision and the Directors have been empowered by the provision of access to learning appropriate professional skills and knowledge development.

The Chief Executive Officer in the person of the Managing Director has extensive knowledge of the power sector and is supported by a strong leadership team (see section on leadership team) while the non-executive directors bring to the table their broad knowledge of business, financial, commercial and technical experience.

The board met six (6) times during the year. The board meetings were held to set and monitor strategy as well as approve key policies pertinent to the operations of the Company.

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

DIRECTORS	DESIGNATION	Q1	Q2	Q3	Q4
Dr. Stanley Lawson	Chairman	NP	1	1	1
Mr. Victor Osadolor	Chairman	2	2	1	1
Mr. Alex Okoh	Member (BPE)	2	2	1	1
Dr. (Mrs) Owen Omogiafo, OON	Member	NP	1	1	1
Dr. Abubakar Tambuwal Atiku	Member	2	2	1	1
Mr. Razak Shittu	Member	2	2	RE	RE
Mr. Uche Ike	Member	2	2	RE	RE
Mr. Chiugo Ndubisi	Member	NP	1	1	1
Mr. Christopher Ezeafulukwe	Member	NP	NP	1	1

N/P= Not yet appointed

RE= Resigned

## Report of the Directors - continued

### Corporate governance - continued

#### Committees and sub-committees of the board

Three board committees were constituted during the year under review, namely; Board Finance and General Purpose Committee, Board Audit and Governance Committee and Board Technical and Safety Committee.

COMMITTEE	TERMS OF REFERENCE	Membership
Finance and General Purpose	The F&GPC is responsible for discharging the Board's specific functions as it relates to the strategic direction, technical matters, information technology, financial performance, risk monitoring and management and general matters requiring the Board's attention and oversight.	1. Mr. Victor Osadolor - Chairman 2. Mr. Alex Okoh - Member 3. Dr. (Mrs) Owen Omogiafo, OON - Member 4. Mr. Chiugo Ndubisi - Member 5. Mr. Christopher Ezeafulukwe - Member
Audit and Governance	The BAGC is responsible for carrying out the Board's functions and responsibilities as it relates to governance, appointment, remuneration, human resources and policy formation, risk and audit.	1. Dr. (Mrs) Owen Omogiafo, OON - Chairperson 2. Mr. Alex Okoh - Member 3. Mr. Victor Osadolor - Member
Technical and Safety	The primary purpose of the Committee is to assist the Board to fulfil its responsibilities and deliver exceptional performance in relation to health and safety risks, public safety and environmental protection matters arising out of the activities of the Company. The Committee advises the Board on health, safety and environment matters in relation to employees, contractors, customers, and the general public.	1. Mr. Alex Okoh - Chairman 2. Mr. Chiugo Ndubisi - Member 3. Dr. Abubakar T. Atiku - Member 4. Dr. (Mrs) Owen Omogiafo, OON - Member 5. Mr. Christopher Ezeafulukwe - Member

#### Leadership team

The Board delegated the day to day running of the Company to the leadership team of the Company headed by the Chief Executive Officer. The leadership team comprises:

##### Members

Mr. Chijioko Okwuokenye  
Mr. Olumide Jerome  
Mr. Iguwo Ukwu  
Mrs. Wuraola Laly  
Mrs. Irene Nwankwo  
Engr. Godfrey Aba  
Mr. Canice Obi  
Mrs. Leticia Ejindu  
Mr. Kehinde Adeyemi Jonathan  
Mr. Samuel Odekina  
Mrs. Veronica Abah  
Mr. Olaseni Agunpopo

##### Designation

Ag. Managing Director/CEO  
Chief Operating Officer  
Company Secretary/Head, Legal  
Ag. Chief Financial Officer  
Chief Internal Auditor  
Chief Technical Officer  
Chief Business Officer  
Chief Business Officer  
Chief Business Officer  
Chief Business Officer  
Chief Business Officer  
Chief Business Officer

## Report of the Directors - continued

### Material agreements

The Company has entered into the following material agreements:

#### 1 Loan agreements with NELMCO and TCN

In a bid to raise required cash to collateralize a letter of credit in favour of NBET, the Company entered into loan agreements with the Nigerian Electricity Liability Management Company (NELMCO) and the Transmission Company of Nigeria (TCN) for funds amounting to NGN 6.50 billion and NGN 1.21 billion from TCN and NELMCO respectively to establish the letter of credit required for participation in the Transitional Electricity Market (TEM). Under TEM, all the Company's trading arrangements will be consummated through the Power Purchase Agreements, and Vesting Contracts.

#### 2 Nigerian Electricity Stabilization Facility Disbursement agreement with CBN and NERC

As part of the initiatives to resolve the liquidity problem in the Nigerian Electricity Supply Industry (NESI), the Federal Government established the Nigerian Electricity Market Stabilization Facility (NEMSF) aimed at settling the outstanding payment obligations due to the market participants and the legacy gas debts due to NELMCO.

The Company entered into an agreement with the Central Bank of Nigeria (CBN) and the Nigerian Electricity Regulatory Commission (NERC). During the year, a total amount of ₦17.7 billion was drawn down from this facility, out of which ₦10.2 billion was used to settle part of outstanding market debts in 2022, ₦7.5 billion was paid to TCN contractors through AEDC towards improving the transmission infrastructure within AEDC franchise see Note 23.

In 2022, CBN disbursed two (2) tranches of Loan to the Company through NESI for NEMSF. The amount disbursed was ₦10.22 billion and ₦7.53 billion for the two (2) tranches respectively. The purpose of the Loan was to part-finance solely the company's obligations to Nigerian Bulk Electricity Trading Plc (NBET) & Market Operator (MO) and its operations arising from the under collection under the service based tariff scheme in line with ramp up programme and ₦7.5 billion was paid to TCN contractors through AEDC towards improving the transmission infrastructure within the AEDC Franchise.

In 2023, the Company got additional loans on NEMSF 2 (CBN CAPEX Intervention Project) amounting to ₦6.50 billion which was paid directly to the CBN CAPEX contractors.

#### 3 Collection Channel Partners' agreement

As part of the measures to make vending platforms more readily available to prepaid customers, the Company entered into separate agreements with Collection Channel Partners. Under the agreements, the Partners are to provide electronic platforms and web based applications to enable customers vend electricity online, paying with credit or debit cards. These Partners earn a commission of between 0.5% and 4.25% of sales depending on the mode of transaction.

Management intends to continue to enter into this type of arrangements with quality partners to improve its collection rates.

#### 4 Operations and management (O&M) agreement with related parties

The Company has an Operations and Management (O & M) agreement with the parent company, Jeolan International Limited for the provision of management services which include corporate services (strategy setting and change management), risk and compliance services, network planning and operations and capacity building. The remuneration of Jeolan International will be made up of two components. The first component will be a Fixed Fee (equivalent to 2% of collections) to reimburse costs incurred by Jeolan. The second component of remuneration will be a Management Fee which will be a performance related fee based on the achievement of performance measures.

#### 5 Deed of assignment of pre-completion receivables and liabilities

As part of the privatization completion, the Company through the Bureau of Public Enterprises signed a deed of assignment of pre-completion receivables and liabilities with the Nigerian Electricity Liability Management Company Limited (NELMCO) effective 31 October 2013. NELMCO is a government owned entity established to take over and manage the stranded assets and liabilities in the Power sector.

##### a) Pre-completion receivables

Per the Deed of Assignment of Pre-completion Receivables, all the trade receivables of the Company as at 31 October 2013 were transferred to NELMCO without recourse. Further interpretation accorded to the definition of pre-completion receivables by NERC expanded this to include cash and cash equivalents held as at 31 October 2013.



## Report of the Directors - continued

### b) Pre-completion liabilities

Per the Deed of Assignment of Pre-completion liabilities, all liabilities and contingent liabilities of the Company as at 31 October 2013 were transferred to NELMCO subject to certain terms and conditions which management believes do not limit the transfers.

On the basis of this agreement, management derecognized qualifying assets and liabilities as at 31 October 2013 from the 2013 financial statements.

### Geographical presence

To enable the Company operate in the Federal Capital territory (FCT), Kogi, Nasarawa and Niger States where it distributes electricity, it has thirty-three (33) business districts excluding the head office in the FCT and 15 area offices and 3 regional offices in the outer regions (Kogi, Nasarawa and Niger States). The business districts in the FCT are headed by Business District Heads who report to the leadership team based at the head office.

The regional offices in outer regions are headed by Regional Managers and the area offices are headed by Area Managers who report to the Regional Managers. The regional managers report to the leadership team based at the head office. Financial reporting is done centrally.

### Property, plant and equipment (PPE)

Information relating to changes in property, plant and equipment is given in Note 13 to the financial statements.

In the opinion of the directors, market value of the Company's property, plant and equipment is not less than the value shown in the financial statements.

### Charitable contributions

During the year, the Company made charitable contributions to various organizations and persons amounting to NGN7.2 million (2022: NGN5.5 million).

In accordance with Section 43 of the Companies and Allied Matters Act 2020, the Company did not make any donation or gift to any political party, political association or for any political purpose in the course of the year (2022 : Nil).

### Events after the reporting date

There are no events after reporting date which could have material effect on the Company's financial statements.

### Employment and employees

#### a) Employment consultation and training:

The Company places considerable value on the involvement of its employees in major policy matters and keeps them informed on matters affecting them as employees and on various factors affecting the performance of the Company. This is achieved through regular meetings with employees and consultations with their representatives. Training is conducted for the Company's employees as the need arises.

The Company's major assets are management, professional and technical expertise. The Company continues to invest in developing such skills. The Company has in-house training facilities, complemented, when and where necessary, with external training for its employees.

#### b) Dissemination of information:

In order to maintain shared perception of our goals, the Company is committed to communicating information to employees as promptly and as effectively as possible. This is considered critical to the maintenance of team spirit and high employee morale.

**Report of the Directors - continued**

**c Employment of physically challenged persons:**

The Company has sixteen (16) physically challenged persons in its employment (2022: Seventeen (17)). Applications for employment by physically challenged 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 physically challenged, 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 training, career development and promotion of physically challenged persons should, as far as possible, be identical with that of other employees.

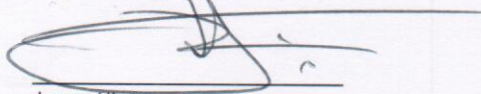
**d Employee health, safety and welfare**

The Company places high premium on the health, safety and welfare of its employees in their places of work. To this end, the Company has various insurance policies, including group personal accident and group life insurance, to adequately secure and protect its employees. It is the Company's goal to ensure that its incident-free safety record in operations is amongst the best, locally and globally, and its Safety policy is based on this goal.

**Independent Auditor**

Ernst & Young have expressed their willingness to continue in office as the Company's independent auditor in accordance with Section 401(2) of the Companies and Allied Matters Act, 2020. A resolution will be proposed at the Annual General Meeting to authorize the Directors to fix their remuneration.

By order of the Board



**Iguwo Ukwu**

Company Secretary

FRC/2015/PRO/NBA/004/00000013495

26 September 2024



**Statement of Directors' Responsibilities in relation to the Preparation of the Financial Statements**  
For the year ended 31 December 2023

The Companies and Allied Matters Act, (CAMA) 2020, requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company:

1. Keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act, (CAMA) 2020, IFRS Accounting Standards as issued by the International Accounting Standards Board, and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act, 2023;
2. Establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
3. Prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates that are consistently applied.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board, and the requirements of the Companies and Allied Matters Act 2020, and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit for the year ended 31 December 2023. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead. See Note 34 to the financial statements for more details.

Signed on behalf of the Board of Directors by:

  
\_\_\_\_\_  
Stanley Lawson  
Chairman  
FRC/2015/PRO/DIR/003/00000012416

26 September 2024

  
\_\_\_\_\_  
Chijioke Okwuokenye  
Ag. Managing Director/CEO

26 September 2024

1. The Financial Reporting Council of Nigeria has granted Chijioke Okwuokenye a waiver to execute the audited financial statements.

**Statement of Corporate Responsibility for the Financial Statements**  
For the year ended 31 December 2023

Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Chief Executive Officer and Chief Financial Officer, hereby certify the financial statements of Abuja Electricity Distribution Plc for the year ended 31 December 2023 as follows:

- a) That we have reviewed the audited financial statements of the Company for the year ended 31 December 2023.
- b) That the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading, in the light of the circumstances under which such statement was made.
- c) That 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 year ended 31 December 2023.
- d) That we are responsible for establishing and maintaining internal controls relating to the Company during the year ended 31 December 2023.

Signed on behalf of:



Chijioke Okwuokenye  
Ag. Managing Director/CEO

26 September 2024



Wuraola Laly  
Ag. Chief Financial Officer  
FRC/2018/PRO/00000018672

26 September 2024

1. The Financial Reporting Council of Nigeria has granted Chijioke Okwuokenye a waiver to execute the audited financial statements.





Building a better  
working world

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**INDEPENDENT AUDITOR'S OPINION  
TO THE MEMBERS OF ABUJA ELECTRICITY DISTRIBUTION PLC**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

We have audited the financial statements of Abuja Electricity Distribution Plc ('the Company'), which comprise the Statement of financial position as at 31 December 2023, and the 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 notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Abuja Electricity Distribution Plc as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

**Basis for Opinion**

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

**Material Uncertainty Related to Going Concern**

We draw attention to Note 34 to the financial statements which indicates that the Company recorded accumulated losses of ₦65.65 billion as at 31 December 2023 (2022: ₦66.11 billion). As at that date, the Company had net current liabilities of ₦112.67 billion (2022: ₦110.77 billion).

These conditions, along with other matters set forth in Note 34 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore may be unable to realise its assets and settle its liabilities in the ordinary course of business. Our opinion is not modified in respect of this matter.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section of our report, we have determined the matter described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of the 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. For the matters below, our description of how our audit addressed the matters are provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**INDEPENDENT AUDITOR'S OPINION  
TO THE MEMBERS OF ABUJA ELECTRICITY DISTRIBUTION PLC  
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Key Audit Matter	How the matter was addressed in the Audit
<p><b>Impairment of Trade Receivables</b></p> <p>As at 31 December 2023, the Company reported an impairment allowance of ₦50.31 billion (2022: ₦89.85 billion) against the gross trade receivables balance of ₦173.58 billion (2022: ₦148.57 billion). The allowance for expected credit loss represents 28.98% (2022: 60.5%) of the gross trade receivable balance.</p> <p>The impairment allowance on trade receivables has remained significant as recovery of amounts billed to post-paid customers continues to be a challenge</p> <p>We considered this a key audit matter due to the materiality of the amounts involved and the high level of judgment required in determining the key inputs for the expected credit loss model used in calculating the impairment allowance.</p> <p>Refer to Note 16 (Trade and Other receivables) and Note 31.2.1 (Credit risk) to the financial statements.</p>	<p>•We obtained an understanding of the Company's process for estimating the expected credit loss (ECL) on trade receivables in line with the provisions of IFRS 9 - Financial Instruments.</p> <p>•We determined the appropriateness of the categorization of the trade receivables portfolio based on shared credit risk characteristics.</p> <p>•We assessed the appropriateness of the historical loss rates used per grouping and considered for reasonableness the forward-looking information; assessing these assumptions using available information.</p> <p>•We recalculated the allowance for expected credit loss on trade receivables and compared with management's estimate.</p> <p>•We reviewed the disclosures made in the financial statements based on the requirements of IFRS 9.</p>

**Other Information**

The Directors are responsible for the other information. The other information comprises the information included in the document titled "Abuja Electricity Distribution Plc Annual Report and Financial Statement for the year ended 31 December 2023", which includes the Report of the Directors, Statement of Directors' Responsibilities in relation to the Preparation of the Financial Statements, Statement of Corporate Responsibility for the Financial Statements and Other National Disclosures. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.



*INDEPENDENT AUDITOR'S OPINION  
TO THE MEMBERS OF ABUJA ELECTRICITY DISTRIBUTION PLC*

*REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS*

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

*Responsibilities of the Directors for the Financial Statements*

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act, 2023, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

As part of an audit in accordance with the ISAs, 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.
- 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 auditors' 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.

**INDEPENDENT AUDITOR'S OPINION  
TO THE MEMBERS OF ABUJA ELECTRICITY DISTRIBUTION PLC  
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirement of the Fifth Schedule of the Companies and Allied Matters Act, 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 purpose of our audit;
- ii) in our opinion, proper books of account have been kept by the Company, in so far as it appears from our examination of those books; and
- iii) the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.



Adewuyi Adeyemo, FCA  
FRC/2012/PRO/ICAN/004/00000000148  
For: Ernst & Young  
Lagos, Nigeria

26 SEPTEMBER 2024





**Statement of Profit or Loss and Other Comprehensive Income**  
For the year ended 31 December

	Note	2023 ₦'000	2022 ₦'000
Revenue	6	250,548,755	148,882,467
Cost of sales	7.1	(256,276,854)	(143,113,290)
<b>Gross (loss)/profit</b>		<b>(5,728,099)</b>	<b>5,769,177</b>
Other income	8	8,098,188	25,969,770
Impairment reversal/(loss)	16.2	39,545,248	(1,130,748)
Administrative expenses	7.2	(21,721,587)	(22,475,597)
<b>Operating profit</b>		<b>20,193,750</b>	<b>8,132,602</b>
Finance income	9.1	221,770	372,683
Finance costs	9.2	(18,760,484)	(15,095,472)
<b>Net finance costs</b>		<b>(18,538,714)</b>	<b>(14,722,789)</b>
<b>Profit/(loss) before tax expense</b>		<b>1,655,036</b>	<b>(6,590,187)</b>
Minimum tax	12.1	(1,256,808)	(746,615)
Income tax expense	12.2	(82)	-
<b>Profit/(loss) for the year</b>		<b>398,146</b>	<b>(7,336,802)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>		-	-
<i>Items that will never be reclassified to profit or loss</i>			
Remeasurement gain on defined benefit obligations	27.2	59,969	107,745
Revaluation surplus on land and building	13.4	21,031,797	-
<b>Other comprehensive income, net of taxes</b>		<b>21,091,766</b>	<b>107,745</b>
<b>Total comprehensive income/(loss)</b>		<b>21,489,912</b>	<b>(7,229,057)</b>

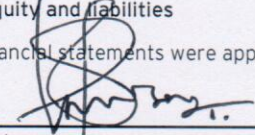
The accompanying notes to the financial statements form an integral part of these financial statements.

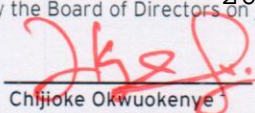
**Statement of Financial Position**

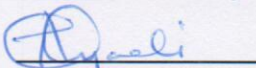
As at 31 December 2023

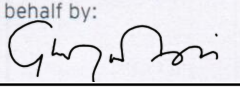
	Note	31 December 2023 ₦'000	31 December 2022 ₦'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	210,729,043	186,384,954
Right-of-use assets	25	169,409	197,512
Intangible assets	14	641,606	697,724
		<u>211,540,058</u>	<u>187,280,190</u>
<b>Current assets</b>			
Inventories	15	440,709	334,576
Trade and other receivables*	16	154,116,593	87,608,124
Prepayments*	17	3,632,272	1,098,896
Cash and cash equivalents	18	11,076,968	7,804,153
		<u>169,266,542</u>	<u>96,845,749</u>
<b>Total assets</b>		<u>380,806,600</u>	<u>284,125,939</u>
<b>EQUITY</b>			
Share capital	19	15,000	15,000
Accumulated losses		(65,651,916)	(66,110,031)
Revaluation reserve	19.2	120,183,278	99,151,481
		<u>54,546,362</u>	<u>33,056,450</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	23	29,795,105	27,844,854
Lease liabilities	24	470,760	493,911
Employee benefit obligations	27	1,058,392	946,627
Deferred income	20	12,997,417	14,164,365
		<u>44,321,674</u>	<u>43,449,757</u>
<b>Current liabilities</b>			
Loans and borrowings	23	15,050,150	17,836,791
Lease liabilities	24	73,169	118,639
Trade and other payables	21	256,695,193	181,702,880
Contract liabilities	26	2,350,397	1,685,660
Deferred income	20	2,816,962	2,579,959
Provisions	22	361,040	361,040
Current tax liabilities	12.3	4,591,653	3,334,763
		<u>281,938,564</u>	<u>207,619,732</u>
<b>Total liabilities</b>		<u>326,260,238</u>	<u>251,069,489</u>
<b>Total equity and liabilities</b>		<u>380,806,600</u>	<u>284,125,939</u>

These financial statements were approved by the Board of Directors on 26 September 2024 and signed on its behalf by:

  
Stanley Lawson  
Chairman  
FRC/2015/PRO/DIR/003/00000012416

  
Chijioke Okwuokenye  
Ag. Managing Director/CEO

  
Wuraola Laly  
Ag. Chief Financial Officer  
FRC/2018/PRO/00000018672

  
Chuigo Ndubisi  
Director  
FRC/2013/PRO/ICAN/001/00000001565

The accompanying notes to the financial statements form an integral part of these financial statements.

\* See Note 35 on reclassification.

1. The Financial Reporting Council of Nigeria has granted Chijioke Okwuokenye a waiver to execute the audited financial statements.

**Statement of Changes in Equity**  
For the year ended 31 December

	NOTES	Share capital ₦'000	Accumulated losses ₦'000	Revaluation reserve ₦'000	Total ₦'000
As at 1 January 2022		15,000	(58,880,974)	99,151,481	40,285,507
Loss for the year		-	(7,336,802)	-	(7,336,802)
<b>Other comprehensive income</b>					
Remeasurement gain on define benefit obligations	27.2	-	107,745	-	107,745
<b>Total comprehensive loss, net of tax</b>		<u>-</u>	<u>(7,229,057)</u>	<u>-</u>	<u>(7,229,057)</u>
<b>As at 31 December 2022</b>		<u>15,000</u>	<u>(66,110,031)</u>	<u>99,151,481</u>	<u>33,056,450</u>
<b>At 1 January 2023</b>		15,000	(66,110,031)	99,151,481	33,056,450
Profit for the year		-	398,146	-	398,146
Revaluation of land and building		-	-	21,031,797	21,031,797
<b>Other comprehensive income</b>					
Remeasurement gain on defined benefit obligations	27.2	-	59,969	-	59,969
<b>Total comprehensive profit, net of tax</b>		<u>-</u>	<u>458,115</u>	<u>21,031,797</u>	<u>21,489,912</u>
<b>As at 31 December 2023</b>		<u>15,000</u>	<u>(65,651,916)</u>	<u>120,183,278</u>	<u>54,546,362</u>

*The accompanying notes to the financial statements form an integral part of these financial statements.*

## Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 ₦'000	2022 ₦'000
<b>Operating activities</b>			
Cash flows generated from/(used in) operating activities	28	15,855,380	(12,490,617)
Tax paid	12.3	-	(10,000)
Defined benefit obligation paid	27.2	(51,103)	(128,887)
Lease interest paid*	24	(27,348)	(38,546)
Long service award paid	27.1	(29,803)	(13,585)
<b>Net cash flows from/(used in) operating activities</b>		<b>15,747,126</b>	<b>(12,681,635)</b>
<b>Investing activities</b>			
Proceeds on disposal of PPE		100	-
Acquisition of property, plant & equipment	13.2	(5,955,497)	(3,717,468)
Acquisition of intangible assets	14	(467,836)	(375,408)
Interest received	28	194,441	372,683
<b>Net cash flows used in investing activities</b>		<b>(6,228,792)</b>	<b>(3,720,193)</b>
<b>Financing activities</b>			
Payment of principal portion of lease liabilities*	24	(73,169)	(80,093)
Principal repayment loans and borrowings	23.4	(5,297,311)	(1,161,020)
Proceeds from loans and borrowings	23.4 & 20.1	6,488,780	17,748,168
Interest paid	23.4	(7,330,822)	(5,568,928)
<b>Net cash flows (used in)/ generated from financing activities</b>		<b>(6,212,521)</b>	<b>10,938,127</b>
Net increase/(decrease) in cash and cash equivalents		3,305,813	(5,463,701)
Cash and cash equivalents at the beginning of the year		7,804,153	13,293,696
Effects of exchange rate changes		(32,998)	(25,842)
<b>Cash and cash equivalents at the end of the year</b>	18	<b>11,076,968</b>	<b>7,804,153</b>

The accompanying notes to the financial statements form an integral part of these financial statements.

\* See Note 35 on reclassification

## Notes to the financial statements

### 1 Reporting entity

Abuja Electricity Distribution Plc ("the Company") is a public liability company incorporated on 8 November 2005 to take over as a going concern, the electricity distribution activities and related business of the Power Holding Company of Nigeria Plc (PHCN) in the Federal Capital Territory (FCT) Abuja, Niger, Kogi and Nasarawa States. The Company is domiciled in Nigeria and has its registered office address at 1 Ziguinchor Street, Off IBB Way Wuse Zone 4, Abuja.

The Company supplies electricity within the captive regions above based on a licence granted to it by the Nigerian Electricity Regulatory Commission (NERC). The licence is for a period of 15 years and expires in 2028 with an option to renew for another 10 years. Based on the terms and conditions of the licence and regulations as contained in the Electrical Power Sector Reform Act (EPSRA) 2005, the Company is a monopoly within its geographical coverage area and operates under a price control regime known as the Multi Year Tariff Order (MYTO). The business activity of the Company during the year was governed by the TEM Rules which became effective from 1 February 2015.

On 1 November 2013, KANN Utility Company Limited, a Nigerian company, successfully acquired a 60% stake in the Company, thereby gaining control of it. This acquisition was made possible through the privatization initiative of the power sector undertaken by the Federal Government of Nigeria. The remaining 40% of the company's shareholding is held by the Bureau of Public Enterprises (32%) and Ministry of Finance Incorporated (8%). On 31 December 2021, controlling shares of the Company (60%) owned by KANN Utility Company Limited was allotted to United Capital Trustees Limited (UCTL). In May 2023, 60% controlling shares of the Company was transferred to Jeolan International Limited. As a result, the parent company of Abuja Electricity Distribution Company is Jeolan International Limited.

### 2 Basis of preparation

The financial statements of the Company have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies and Allied Matters Act (CAMA) 2020, IFRS Accounting Standards, and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act, 2023. The financial statements have been prepared on the historical cost basis except for interest bearing loans and borrowings which are initially measured at fair value and subsequently at amortised cost. Also, land and buildings and distribution network assets are measured at revalued amounts.

The financial statements were authorised for issue by the Board of Directors on 26 September2024.

Details of the Company's material accounting policies are included in Note 4.

#### *Going concern basis of accounting*

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and settle its liabilities in the normal course of business. See Note 34.

### 3 Functional and presentation currency

These financial statements are presented in Nigerian Naira (NGN), which is the Company's functional currency. All amounts stated in NGN have been rounded to the nearest thousand (₦'000), unless otherwise indicated.

### 4 Summary of material accounting policies

The material accounting policies set out below have been applied consistently to all periods presented in these financial statements, except if mentioned otherwise.

#### a) Revenue from contract with customers

Revenue primarily represents the sales value of electricity and other related energy services supplied to customers during the year and excludes Value Added Tax. The Company generally recognizes revenue when it transfers control over a good or service to a customer.

**Notes to the financial statements - continued**

**a) Revenue from contract with customers - continued**

In line with the applicable tariff framework, prices charged by the Company for electricity distribution are regulated. However, the Company is allowed to recover excess costs incurred through future price increases charged on future deliveries. Similarly, where current regulated rates are determined to be excessive, the Company may be subject to a rate reduction in the future against future deliveries. The Company does not recognize an asset or liability, as the case may be, on account of under-recovery or over-recovery except where it is obligated to provide future services at a loss in which case a provision is recognized.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Category of revenue	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Post-paid revenue	The performance obligation of the Company is satisfied overtime as electricity is supplied to the customers.  Billing is done on a monthly basis and payment is contractually within 30 days of billing.	Revenue is recognised over time as electricity is provided. The amount of revenue to recognize during the year is assessed based on the unit consumed method.  The stand-alone selling price is determined based on the NERC approved tariff for the different categories of customers. The post-paid revenue are majorly from unmetered customers.
Prepaid revenue	Satisfaction of performance obligation is same as post-paid revenue. Payment is received in advance of consumption of electricity.	Revenue is recognised over time as electricity is provided.  In case of prepaid customers, the unearned revenue as at year-end is measured and this is included in the statement of financial position as contract liability.  The stand-alone selling price is determined based on the NERC approved tariff for the different categories of customers.

**Notes to the financial statements - continued**

**a) Revenue from contract with customers - continued**

**Tariff shortfalls**

Tariff shortfalls arising from the difference between actual end-user tariffs approved by the Nigerian Electricity Regulatory Commission (NERC) and cost-reflective tariffs allowed by NERC for recovery are based on regulatory orders and subject to recovery through means other than recovery through billings to customers. Revenue is recognized at the point in time the regulatory orders are issued and a financial asset is created or a financial liability is derecognized as might be applicable.

**b) Finance income and finance costs**

Finance income comprises interest income on short-term deposits with banks and foreign exchange gains. Interest income on short-term deposits is recognized using the effective interest method. In addition, day-one-gain on initial recognition of loans at fair value are recognized as finance income.

Finance costs comprise interest expense on interest bearing liabilities and foreign exchange losses. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognized in profit or loss using the effective interest method.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

Foreign exchange gains and losses are recognized on net basis.

Write back of interest attributable to tariff shortfalls and interest expenses on liabilities to NBET are recognized on a net basis as either finance income or finance cost depending on whether the summation of both results in a net gain or a net loss position.

**c) Foreign currency transactions**

Transactions denominated in foreign currencies are translated and recorded in the functional currency (Nigerian Naira) at the spot exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the spot rates of exchange prevailing at that date.

Foreign currency differences are generally recognized in profit or loss. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

**d) Property, plant and equipment (PPE)**

**i) Recognition and measurement**

Land, buildings and distribution network assets are measured at revalued amounts, based on valuations by external independent valuers, less subsequent accumulated depreciation and accumulated impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The entity performs its revaluation exercise every three years.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

**Notes to the financial statements - continued**

**i) Recognition and measurement - continued**

Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Increases in the carrying amount arising on revaluation of land, buildings and distribution network assets are recognized in other comprehensive income (OCI) and shown as revaluation reserve in equity. Decreases that offset previous increases of the same asset are recognized in other comprehensive income and reduces the amount accumulated in equity under the heading of revaluation reserve; all other decreases are recognized in profit or loss.

Likewise, increases that offset previous deficits of the same asset are recognized in the profit or loss to the extent of the previous decrease.

Assets under construction are stated at cost which includes cost of materials and direct labour and any costs incurred in bringing it to its present location and condition.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

**ii) Subsequent expenditure**

Subsequent expenditure is included in the asset's carrying amount or recognized as a separate asset as appropriate, only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in profit or loss during the financial period in which they are incurred.

**iii) Depreciation**

Depreciation is calculated to write off the cost or revalued amount of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss.

The estimated useful life of items of property, plant and equipment are as follows:

	<b>Life (years)</b>
Buildings	5-50
Distribution network assets	15-50
Motor vehicles	5
Equipment, fixtures & fittings	5

Capital work-in progress is not depreciated until when the asset is available for use and transferred to the relevant category of property, plant and equipment.

Land is not depreciated as it is a freehold asset with an indefinite useful life.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**iv) Derecognition of PPE**

The carrying amount of an item of property, plant and equipment shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal.

The gains or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognized.



**Notes to the financial statements - continued**

**v) Contribution of assets by customer**

Contributions by customers of items of property, plant and equipment, which require an obligation to supply goods to the customer in the future, are recognized at the fair value of the consideration paid by the customer when the company has control. The Company assesses whether the transferred item meets the definition of an asset, and if so recognizes the transferred asset as PPE.

At initial recognition, its cost is measured at fair value, and a corresponding amount is recognized in revenue when the Company has no future performance obligations. If the Company is yet to discharge the future performance obligation, the corresponding amount is recognized as a deferred income pending the performance of the obligation. This is then released to revenue as the performance obligation is discharged overtime.

However, a new order on the Reimbursement of Meter Costs Effective April 1, 2023, requires all Distribution Companies (Discos) to initiate the repayment process for customers who funded their meter installations through the Meter Asset Provider (MAP) scheme starting from the same date. As a result of this directive, the cost of meters financed by customers will no longer be recognized as revenue for Discos and the reimbursement will take the form of energy credits rather than cash. However, contributions from customers for Distribution Network Assets other than meters will continue to be accounted for as revenue.

**e) Intangible assets**

Intangible assets with finite useful lives that are acquired separately are measured at cost less accumulated amortization and accumulated impairment losses. Acquired computer software licenses are capitalized on the basis of its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and any directly attributable cost of preparing the software for its intended use.

***Subsequent expenditure***

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognised in profit or loss as incurred.

***Amortisation***

Amortisation of the asset begins when the asset is available for use. Amortisation is calculated to write-off the cost of intangible assets less the estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful life of items of intangible assets are as follows:

	<b>Life (years)</b>
Customer management system	10
Computer software licences	5

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**Derecognition of intangible assets**

The carrying amount of an item of intangible assets shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal.

The gains or losses arising from the derecognition of an item of intangible asset shall be included in profit or loss when the item is derecognized.

**f) Financial instruments**

***i) Recognition and initial measurement***

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

## Notes to the financial statements - continued

### i) *Recognition and initial measurement - continued*

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at 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.

### ii) *Classification and subsequent measurement*

#### **Financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI (Fair value through other comprehensive income)- debt investment; FVOCI - equity investment; or FVTPL (Fair value through profit or loss).

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 change in the business model.

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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.

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 fair value 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 requirements 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.

#### **Financial assets-business model assessment**

The Company makes an assessment of the objective of the business model in which a financial 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:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

## Notes to the financial statements - continued

### Financial assets-Business model assessment - continued

- how the performance of the portfolio is evaluated and reported to the Company's management;
- 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;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

### Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as 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 a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the sole payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

### Financial assets- Subsequent measurement and gains and losses

#### Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment loss are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

**Notes to the financial statements - continued**

**Financial liabilities - Classification, subsequent measurement and gains and losses**

The Company classifies non-derivative financial liabilities into the other financial liabilities' category.

All financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities with maturity date more than twelve months from the year end are classified as non-current. Otherwise they are classified as current.

**iii) Derecognition**

**Financial assets**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

**Financial liabilities**

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

**iv) Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**g) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash balances with banks and fixed deposits that have maturity periods less than 3 months and form an integral part of the Company's cash management.

**h) Share capital**

**Ordinary shares**

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognized as a deduction from equity.

**i) Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

**Notes to the financial statements - continued**

**j) Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on weighted average cost principle. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

**k) Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**i) As a lessee**

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

## Notes to the financial statements - continued

### i) As a lessee - continued

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### l) Impairment of financial assets

#### i) Non-derivative financial assets

Financial instruments and contracts assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) on:

- ▶ financial assets measured at amortised cost; and
- ▶ Contract assets

The Company measures loss allowances at an amount equal to lifetime ECLs except for the following, which are measured at 12-month ECLs:

- ▶ debt securities that are determined to have low credit risk at the reporting date; and
- ▶ other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

## Notes to the financial statements - continued

### i) Impairment of financial assets - continued

The Company considers a debt security to have low credit risk when the security is held with a financial institution that have high credit ratings and meet the cash and liquidity thresholds set by the Central Bank of Nigeria (CBN).

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

12-month ECLs are portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

#### Measurement of ECL

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

ECLs are discounted at the effective interest rate of the financial asset.

#### Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- ▶ significant financial difficulty of the borrower or issuer;
- ▶ a breach of contract such as a default or being more than 360 days past due;
- ▶ it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- ▶ the disappearance of an active market for a security because of financial difficulties.

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

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

#### Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For customers, the Company makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

### ii) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

**Notes to the financial statements - continued**

**ii) Impairment of non-financial assets - continued**

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**m) Employee benefits**

**i) Short term employee benefits**

Short - term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employee renders the related service. Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**ii) Defined contribution plan**

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in future payments is available.

In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for all staff effective from 1 November 2013. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is recognized in profit or loss as employee benefit expense in the periods during which services are rendered by employees.

Employees contribute 8% each of their basic salary, transport and housing allowances to the Fund on a monthly basis.

The Company's contribution is 10% of each employee's basic salary, transport and housing allowances.

**iii) Defined benefits plan**

The Company's net obligation in respect of its defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, and discounting that amount.

The calculation of defined benefit obligations is performed annually by qualified actuary using the projected unit credit method. Currently, none of the plans is funded.

Remeasurements of the defined benefit liability, which comprise remeasurement gains and losses are recognized immediately in OCI.



## Notes to the financial statements - continued

### iii) Defined benefits plan - continued

The Company determines the net interest expense (income) on the defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

### iv) Other long term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements gain loss are recognized in profit or loss in the period in which they arise.

### v) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

### n) Provisions and contingent liabilities

#### *Provisions*

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

#### **Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are only disclosed and not recognized as liabilities in the statement of financial position.

If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

### o) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

## Notes to the financial statements - continued

### o) Fair value measurement - continued

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

### p) Income taxes

Income tax expense comprises current tax (company income tax, tertiary education tax, and Nigeria Police Trust Fund levy) and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Company had determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

### i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income tax, if any.

It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:

- ▶ Company income tax is computed on taxable profits
- ▶ Tertiary education tax is computed on assessable profits
- ▶ Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the company during the year)

Current tax assets and liabilities are offset if certain criteria are met.

Total amount of tax payable under CITA is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and minimum tax. Taxes based on profit for the period are treated as income tax in line with IAS 12.

**Notes to the financial statements - continued**

**ii) Offset of current tax assets against current tax liabilities**

The Company offsets the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, the Company has a legally enforceable right to set off the recognised amounts, and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefits would be realized.

**iii) Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences.

If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company as approved by the Board.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax are reassessed at each reporting date and recognised to the extent that it has become probable that future profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

**q) Minimum tax**

Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, are not presented as part of income tax expense in the profit or loss.

The Company applied the provisions of the Company Income Tax Act 2004 as amended by the Finance Act 2022 that mandates a minimum tax assessment computed based on 0.5% of gross turnover. The tax payer's final liability is based on the higher of tax based on taxable profit and minimum tax.

**Notes to the financial statements - continued**

**q) Minimum tax - continued**

Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognised in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as minimum tax.

**r) Operating profit/loss**

Operating profit/loss is the result generated from the continuing principal revenue producing activities of the Company as well as other income and expenses related to operating activities. Operating profit/loss excludes net finance costs, minimum tax, and income taxes.

**s) Measurement of fair values**

Some of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. The Chief Finance Officer (CFO) has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Audit Committee and Board of Directors.

The CFO regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the CFO assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS Accounting Standards, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Audit Committee and Board of Directors. When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- ▶ Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ▶ Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- ▶ Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

## Notes to the financial statements (continued)

### 5 Significant accounting judgements, estimates and assumptions

The preparation of the Company's historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

#### i Defined benefit obligations

The cost of the defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers market yield on federal government bonds and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligations.

#### ii Useful lives of property, plant and equipment

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

#### iii Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default, expected loss rates and maximum contractual period. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 31.2.1.

#### iv Revaluation of properties, plant and equipment

The company measures land, building and distribution network assets using the revaluation model. The valuation is carried out by an independent valuer using the exchange worth in the open market for the land, building and depreciated replacement approach for distribution network assets. The key assumptions used to determine the fair value and sensitivity analysis are disclosed in Note 13.4.

### 6 Changes in accounting policies and disclosures

#### 6.1 New and amended standards adopted by the Company

The following amendments became effective during the year:

##### i Amendments to IFRS 17: Insurance contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The new standard had no impact on the Company's financial statements.

## Notes to the financial statements (continued)

### ii Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Company's financial statements.

### iii Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

### iv Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The amendments to IAS 12 Income Taxes narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendment had an immaterial impact on the Company's financial statement.

### v International Tax Reform—Pillar Two Model Rules - Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's Base Erosion and Profit Sharing (BEPS) Pillar Two rules and include

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date. The mandatory temporary exception - the use of which is required to be disclosed - applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023. The amendments had no impact on the Company's financial statements as the Company is not in scope of the Pillar Two model rules.

## 6.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

### a) Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

## Notes to the financial statements (continued)

### b) Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- ▶ What is meant by a right to defer settlement
- ▶ That a right to defer must exist at the end of the reporting period
- ▶ That classification is unaffected by the likelihood that an entity will exercise its deferral right
- ▶ That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

### c) Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

The Board amended IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. The amendments describe the characteristics of an arrangement for which an entity is required to provide the information. The amendments note that arrangements that are solely credit enhancements for the entity or instruments used by the entity to settle directly with a supplier the amounts owed are not supplier finance arrangements. An entity applies the amendments to IAS 7 for annual reporting periods beginning on or after 1 January 2024 (with earlier application permitted) and the amendments to IFRS 7 when it applies the amendments to IAS 7. The Company is currently assessing the impact of the amendments.

### d) Lack of exchangeability - Amendments to IAS 21

On 15 August 2023, the International Accounting Standards Board (the IASB or Board) issued Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates) (the amendments). IAS 21 sets out the requirements for determining the exchange rate to be used for recording a foreign currency transaction into the functional currency and translating a foreign operation into a different currency. The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted. The date of initial application is the beginning of the annual reporting period in which an entity first applies the amendments. The amendments are not expected to have a material impact on the Company's financial statements.

### e) Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The amendments are not expected to have any impact on the Company's financial statements.

## Notes to the financial statements - continued

### 6 Revenue

#### 6.1 Revenue streams

The Company generates revenue primarily from delivering electricity and other related activities across the Company's distribution network in the Federal Capital Territory (FCT) Abuja, Kogi, Nasarawa and Niger States. Other sources of revenue in the current period include tariff shortfall issued by the regulator, Nigerian Electricity Regulatory Commission (NERC) and assets contributed by customers.

	Note	2023 ₦'000	2022 ₦'000
<b>Revenue from contracts with customers</b>	6.2	177,768,708	134,225,334
Other revenue			
Tariff shortfall awarded by NERC	6.1.1	70,562,746	8,048,000
Customer contributed assets	6.1.2	2,217,301	6,609,133
<b>Total revenue</b>		<b>250,548,755</b>	<b>148,882,467</b>

##### 6.1.1 Tariff shortfall awarded by NERC

On 1 July 2019 and 31 December 2019, the Nigerian Electricity Regulatory Commission (NERC) issued the Minor Review and Minimum Remittance Orders - Order No. NERC/GL/170 "The 2016 - 2018 Minor Review of the Multi Year Tariff Order (MYTO) 2015 and Minimum Remittance Order for the year 2019" and Order No. NERC/GL/184/2019 "December 2019 Minor Review Multi Year Tariff Order 2015 and Minimum Remittance Order for the year 2020". These Orders award the Company an accumulated tariff shortfall of N102.22 billion from 2015 to 2018, N62.69 billion in 2019 and N29.8 billion in 2021. A sum of N70.5 billion was awarded and recognised as the tariff shortfall for the year (2022: N8.05 billion). In line with the Orders, the awarded tariff shortfalls are netted off the Company's payables to NBET.

##### 6.1.2 Customer contributed assets

The Nigerian Electricity Regulatory Commission (NERC) issued the Meter Asset Provider (MAP) Regulation requiring all distribution companies to engage the services of MAPs towards covering the metering gap in the country. In 2023, the Company appointed ten (10) MAP entities to supply and install meters to its customers within the network. In line with the regulation, the customers bear all costs relating to delivery, activating and maintaining the meters though ownership resides with the Company and these meters are a requirement of the Company to fulfill its contract with the customers.

Included in customer contributed assets of N2.2 billion (2022:N6.6 billion) are various assets (transformers, substations) contributed by customers during the year amounting to N388 million (2022: N421 million). Once these assets are connected to AEDC's distribution network, they become the property of AEDC. Consequently, AEDC records the value of these assets as revenue.

#### 6.2 Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by customer type, and mode of payment.



Notes to the financial statements - continued

		2023 ₦'000	2022 ₦'000
<b>6.2 Classification by customer payment mode</b>			
Postpaid		106,936,582	87,183,878
Prepaid		70,832,126	47,041,456
		<b>177,768,708</b>	<b>134,225,334</b>
<b>6.3 Timing of revenue recognition</b>			
Over time		177,768,708	134,225,334
		<b>177,768,708</b>	<b>134,225,334</b>
<b>6.4 Contract balances</b>			
Trade receivables	16	123,272,842	58,715,046
Contract liabilities	26	2,350,397	1,685,660
<b>7 Expenses by function</b>	<b>Notes</b>		
<b>7.1 Cost of sales</b>			
Commission to super vendors		7,158,045	2,405,682
Cost of energy	21.1	236,660,136	129,811,611
Maintenance expenses		2,772,803	1,895,801
Depreciation charge for the year (DNA)	13.1	9,685,870	9,000,196
		<b>256,276,854</b>	<b>143,113,290</b>
<b>7.2 Administrative expense</b>			
Auditor remuneration		66,300	62,230
Amortisation of intangible assets	14	523,953	418,880
Bank charges		59,017	35,942
Board expenses		6,358	-
Consumables and other direct costs		858,141	759,508
Consultancy fees		84,756	210,820
Depreciation- property, plant and equipment	13.1	778,289	722,531
Depreciation- right-of-use- assets	25	83,638	201,343
Directors remuneration		196,864	165,561
Insurance		327,992	304,985
Litigation expenses		5,703	5,550
Office repairs and maintenance		853,558	517,552
Office stationery and utilities		820,842	412,938
Operations and maintenance service fees		-	2,797,727
Other expenses	7.3	308,703	129,174
Professional services	7.4	1,085,766	816,826
Rent and accommodation expense		234,294	274,005
Security and safety		904,945	771,379
Staff and related costs	11.1	13,166,236	12,944,441
Subscription and registration		97,214	79,529
Transport		1,259,018	844,676
<b>Total administrative expenses</b>		<b>21,721,587</b>	<b>22,475,597</b>
<b>Total cost of sales and administrative expenses</b>		<b>277,998,441</b>	<b>165,588,887</b>
<b>7.3</b>	Other expenses comprises of marketing expenses, advertising and publicity, business development expenses,		
<b>7.4</b>	Professional services comprises of legal fees, consultancy fee and vending infrastructure support.		

**Notes to the financial statements - continued**

		2023 ₦'000	2022 ₦'000
<b>7.5 Non audit services paid to the statutory auditors</b>			
No non-audit services rendered			
Non-audit services		-	-
<b>8 Other income</b>			
Service reconnection fees		482,959	75,639
Administrative charge on meter tampering		204,981	237,230
Amortisation of government grant	20.1	2,755,539	2,322,132
Insurance claims		1,187	27,185
Miscellaneous income *		4,391,670	9,412,292
Bad debt recovered **		-	13,882,534
Revaluation surplus on land and building***		110,493	-
Gain on disposal of PPE		24	-
Gain on lease modification	25.1	151,335	12,758
		<b>8,098,188</b>	<b>25,969,770</b>
<p>*Miscellaneous income in the current year majorly represents the reversal of provision for National Intergrated Power Project (NIPP) asset no longer required. For the year 2022, miscellaneous income majorly comprises of income from energy exported to other discos.</p> <p>** Bad debt recovered relates to payments received from previously written off receivable from Government Ministries Department and Agencies from 2015 to 2020.</p> <p>*** The disclosure on the revaluation surplus on land and building is consistent with the IFRS Accounting Standards. This amount reverses a previously recognised revaluation loss in profit or loss in 2020.</p>			
<b>9 Finance income and finance costs</b>			
<b>9.1 Finance income</b>			
Interest income on fixed deposits		221,770	367,241
Foreign exchange gain	10	-	5,442
		<b>221,770</b>	<b>372,683</b>
<b>9.2 Finance costs</b>			
Interest on loans	23.4	7,128,555	5,967,454
Interest on TCN loans		242,493	394,595
Foreign exchange loss*	10	172,789	-
Net interest on NBET and ONEM bills	9.3	11,088,951	8,623,137
Interest on lease liabilities	24	127,696	110,286
		<b>18,760,484</b>	<b>15,095,472</b>
<b>Net finance costs</b>		<b>(18,538,714)</b>	<b>(14,722,789)</b>
*foreign exchange loss relates to FX losses from cash and bank balances and other payables			
<b>9.3 Net interest on NBET and ONEM bills</b>			
Writeback of interest attributable to the tariff shortfalls		44,065,782	35,305,899
Interest on NBET and ONEM bills		(55,154,733)	(43,929,036)
		<b>(11,088,951)</b>	<b>(8,623,137)</b>

**Notes to the financial statements - continued**

**9.3.1 Net interest on NBET and ONEM bills**

This represents interest arising from the non payment of minimum/base line remittances on the Nigerian Bulk Electricity Trading (NBET) and Operator of the Nigeria Electricity Market (ONEM) invoices during the year. In 2023, the required remittance threshold on NBET invoice is 66.52%. The shortfall on remittance attracts interest at NIBOR plus 4% and 92.25% of the NBET and ONEM bills respectively in 2022.

**9.3.2 Write back of interest attributable to the tariff shortfalls**

This represents write back of interests attributable to the tariff shortfall awarded by NERC during the year. In line with the NERC order No. NERC/GL/170 "The 2016 - 2018 Minor Review of the Multi Year Tariff Order (MYTO) 2015 and Minimum Remittance Order for the year 2019" issued in 2019, the Company has written back interest payable on unpaid NBET and ONEM invoices attributable to the tariff shortfall (See Note 21).

**10 Profit/(loss) before minimum tax and income tax**

	Notes	2023 ₦'000	2022 ₦'000
Profit/(loss) before income tax is stated after charging/(crediting)			
Auditor remuneration		66,300	62,230
Depreciation- property, plant and equipment	13	778,289	722,531
Depreciation- right-of-use- assets	25	83,638	201,343
Amortisation of intangible assets	14	523,953	418,880
Staff and related costs	11.1	13,166,236	12,944,441
Directors remuneration	11.4	196,864	165,561
Foreign exchange (gain)/loss	9.2	172,789	(5,442)
		<b>13,166,236</b>	<b>12,944,441</b>

**11 Employee benefit expense/(gain) and director remuneration**

**11.1 Employee benefit expense during the year amounted to:**

Salaries and wages		11,934,733	11,582,035
Contributory pension cost		978,668	950,382
Termination benefits		195	133,317
Gratuity **	27.2.1	193,851	545,051
Past service cost	27.2.1	-	(223,867)
Long service award*	27.2.1	58,789	(42,477)
		<b>13,166,236</b>	<b>12,944,441</b>

\* Long service award consist of current service award, interest cost, remeasurement (gain)/loss due to change in assumption and past service cost.

\*\* Gratuity comprises of current service cost, interest cost and termination costs of ₦93,696, ₦97,021 and ₦354,334 respectively.

**Notes to the financial statements - continued**

- 11.2** Number of employees of the Company as at 31 December, whose duties were wholly or mainly discharged in Nigeria, received annual remuneration excluding pension contributions and certain benefits in the following:

Amount (₦)	2023 Number	2022 Number
200,001 - 2,200,000	1,483	1,572
2,200,001 - 4,200,000	931	994
4,200,001 - 6,200,000	681	591
6,200,001 - 8,200,000	51	91
8,200,001 - 10,200,000	96	63
10,200,001 - 12,200,000	32	35
12,200,001 - 14,200,000	47	55
14,200,001 - 16,200,000	11	7
16,200,001 - 18,200,000	9	5
18,200,001 - 20,200,000	11	4
20,200,001 - 22,200,000	2	4
22,200,001 - 24,200,000	-	1
24,200,001 - 26,200,000	-	-
30,200,001 - 32,200,000	1	-
32,200,001 - 34,200,000	1	-
34,200,001 - 38,200,000	-	1
38,200,001 - 40,200,000	-	-
40,200,001 - 51,200,000	5	4
51,200,001 - 58,200,000	-	-
68,200,001 - 75,900,000	-	-
80,200,001 - 102,500,000	1	1
	<u>3,362</u>	<u>3,428</u>

- 11.3** The average number of full time personnel employed by the company during the year are as follows:

	2023 Number	2022 Number
Administration	436	466
Finance	218	228
Marketing	1,401	1,438
Technical	1,307	1,296
	<u>3,362</u>	<u>3,428</u>

- 11.4** Director remuneration

	2023 ₦'000	2022 ₦'000
Directors' remuneration paid during the year comprises:		
Director fees	33,752	51,078
Other emolument*	163,112	114,483
	<u>196,864</u>	<u>165,561</u>

\*Other emolument comprises mainly of sitting and travelling allowance.

**Notes to the financial statements - continued**

**11.4 Director remuneration - continued**

	2023	2022
	₦'000	₦'000
The directors' remuneration shown above includes:		
Chairman	33,450	33,000
Highest paid director other than chairman	28,600	23,600

The number of directors (excluding the Chairman and highest paid director) who received emoluments excluding pension contributions and certain benefits were within the following range:

	2023	2022
	Number	Number
20,000,000 - 52,000,000	6	4

**12 Tax expense**

**12.1 Minimum tax expense**

Minimum tax expense	1,256,808	746,615
	<b>1,256,808</b>	<b>746,615</b>

**12.2 Income tax expense**

Company Income tax	-	-
Tertiary education tax	-	-
Nigeria Police Trust Fund Levy (NPTF)	82	-
	<b>82</b>	-

The Company applied the provisions of the Company Income Tax Act 2004 as amended by the Finance Act 2022 that mandates a minimum tax assessment computed based on 0.5% of gross turnover. The tax payer's final liability is based on the higher of tax based on taxable profit and minimum tax. The company Income tax is nil in the current year as there was no taxable profit during the year.

Tertiary education tax is imposed on every Nigerian resident company at the rate of 2.5% of the assessable profit for each year of assessment. The entity did not have an assessable profit position for the year, hence, no education tax.

**12.3 Current tax liabilities**

Balance as at 1 January	3,334,763	2,598,148
Minimum tax charge	1,256,808	746,615
Nigeria Police Trust Fund Levy	82	-
Tax paid	-	(10,000)
Balance as at 31 December	<b>4,591,653</b>	<b>3,334,763</b>

Notes to the financial statements - continued

12.4 Reconciliation of effective tax rates

	2023	2022
	₦'000	₦'000
Profit/(loss) before tax expense	<u>1,655,036</u>	<u>(6,590,187)</u>
Income tax using the statutory tax rate (32.5%)	537,887	(2,141,811)
Current year losses for which deferred tax is not recognised	(280,770)	3,406,538
Nigeria Police Trust Fund Levy (NPTF)	82	-
Non-deductible expenses	8,347,237	(7,800,242)
Tax incentives - investment allowance	229,131	(235,478)
Current temporary differences for which deferred tax is not recognised	<u>(8,833,485)</u>	<u>6,770,992</u>
	<u>82</u>	<u>-</u>
Effective tax rate	0.00%	0.00%

12.5 Unrecognised deferred taxes.

Deferred tax assets have not been recognised in respect of the following items because of the uncertainty around the availability of future taxable profits against which the Company can use the benefits there from.

NBV of qualifying assets	55,688,337	55,063,246
Impact of revaluation on land and building	6,342,687	-
TWDV of qualifying assets	(3,012,914)	(5,002,431)
Capital allowances carried forward	<u>(57,931,756)</u>	<u>(54,134,836)</u>
	<u>1,086,354</u>	<u>(4,074,021)</u>
Unrelieved loss carried forward	<u>(30,690,838)</u>	<u>(21,857,355)</u>
Impairment Loss on Trade and Other Receivables	(16,349,960)	(29,202,166)
Provision (NELMCO)	(242,356)	(242,356)
Provision for Gratuity	(343,978)	(307,654)
Interest on lease liabilities	(241,197)	(199,695)
Actual payment of lease liabilities	346,656	313,988
Depreciation on ROU assets	(453,004)	(425,821)
Unrealised Exchange differences	7,496	-
	<u>(17,276,342)</u>	<u>(30,063,704)</u>
PPE	1,086,354	(4,074,021)
Tax losses	(30,690,838)	(21,857,355)
Deductible differences	<u>(17,276,342)</u>	<u>(30,063,704)</u>
	<u>(46,880,826)</u>	<u>(55,995,081)</u>

Notes to the financial statements - continued

13 Property, plant and equipment	Land ₦'000	Buildings ₦'000	Distribution network assets ₦'000	Equipment, fixtures and fittings ₦'000	Motor vehicles ₦'000	Capital work in progress ₦'000	Total ₦'000
Balance as at 1 January 2022	13,114,202	6,174,565	163,729,456	3,823,969	1,998,811	1,998,715	190,839,718
Additions	-	501,491	7,849,258	386,056	49,987	1,539,809	10,326,601
<b>Balance as at 31 December 2022</b>	<b>13,114,202</b>	<b>6,676,056</b>	<b>171,578,714</b>	<b>4,210,025</b>	<b>2,048,798</b>	<b>3,538,524</b>	<b>201,166,319</b>
Balance as at 1 January 2023	13,114,202	6,676,056	171,578,714	4,210,025	2,048,798	3,538,524	201,166,319
Additions	-	765,874	10,393,292	698,766	746,059	1,062,044	13,666,035
Revaluation adjustment *	19,393,685	1,748,605	-	-	-	-	21,142,290
Disposal	-	-	-	(296)	-	-	(296)
Reclassification/transfers	-	(2,129,211)	2,129,211	-	-	-	-
<b>Balance as at 31 December 2023</b>	<b>32,507,887</b>	<b>7,061,324</b>	<b>184,101,217</b>	<b>4,908,495</b>	<b>2,794,857</b>	<b>4,600,568</b>	<b>235,974,348</b>
<b>Depreciation</b>							
Balance as at 1 January 2022	-	491,171	-	2,951,193	1,616,271	-	5,058,635
Charge for the year	-	140,103	9,000,196	388,517	193,911	-	9,722,727
<b>Balance as at 31 December 2022</b>	<b>-</b>	<b>631,274</b>	<b>9,000,196</b>	<b>3,339,710</b>	<b>1,810,182</b>	<b>-</b>	<b>14,781,362</b>
Balance as at 1 January 2023	-	631,274	9,000,196	3,339,710	1,810,182	-	14,781,362
Charge for the year	-	106,182	9,686,512	482,472	188,993	-	10,464,159
Disposal	-	-	-	(217)	-	-	(217)
Reclassifications/transfers	-	(54,077)	54,077	-	-	-	-
<b>Balance as at 31 December 2023</b>	<b>-</b>	<b>683,379</b>	<b>18,740,785</b>	<b>3,821,965</b>	<b>1,999,175</b>	<b>-</b>	<b>25,245,304</b>
<b>Carrying amount</b>							
<b>As at 31 December 2023</b>	<b>32,507,887</b>	<b>6,377,945</b>	<b>165,360,432</b>	<b>1,086,531</b>	<b>795,683</b>	<b>4,600,567</b>	<b>210,729,043</b>
<b>As at 31 December 2022</b>	<b>13,114,202</b>	<b>6,044,782</b>	<b>162,578,518</b>	<b>870,315</b>	<b>238,616</b>	<b>3,538,524</b>	<b>186,384,954</b>

\* Revaluation adjustment of amounting to N21,142,290 comprises of N21,031,792 recognised in revaluation reserve and N110,493 recognised in P/L

\* This transfer relates to the distribution network assets previously classified as buildings.

During the year, the Company disposed assets which cost N296,000 with an accumulated depreciation of N217,000. The proceeds received from the disposal of assets during the year amounts to N100,000.

**Notes to the financial statements - continued**

	Notes	2023 ₦'000	2022 ₦'000
<b>13.1 The depreciation charge for the year is allocated as follows:</b>			
Cost of sales		9,685,870	9,000,196
General and administrative expenses		778,289	722,531
<b>Depreciation charge for the year</b>	<b>7</b>	<b><u>10,464,159</u></b>	<b><u>9,722,727</u></b>
<b>13.2 Reconciliation of additions to property, plant and equipment to statement of cash flow</b>			
Total additions		(13,666,035)	(10,326,601)
Customer contributed assets recognised in revenue		2,217,301	6,609,133
Customer contributed assets recognised as liability		5,493,237	-
<b>Acquisition of property, plant &amp; equipment</b>		<b><u>(5,955,497)</u></b>	<b><u>(3,717,468)</u></b>

**13.3** The Company had capital commitments amounting to ₦2.4 billion (2022: ₦2.8 billion)

**13.4 Fair values of Land and buildings**

Independent valuations of the Company's land and buildings are performed by external valuers to determine their fair value.

On 31 December 2023, the Company revalued its land and buildings. The valuation was carried out by Achoru Associate & Co.(FRC/2015/0000007097), an external valuer.

The fair value of the portions of Land was determined to be N32.51 billion resulting in a net surplus of N19.39 billion representing an amount of N19.41 billion as revaluation surplus in other comprehensive income and N13.06 million as revaluation loss in profit or loss.

The fair value of the Buildings was determined to be N6.4 billion resulting in a net surplus of N1.75 billion representing an amount of N1.63 billion as revaluation surplus in other comprehensive income and N123.56 million as reversal of previously recognised revaluation surplus in profit or loss.

The fair value of the land and buildings was determined using the exchange worth of the property in the open market, taking into consideration the discounted net benefits derivable from the property over its useful economic life, cost of building a similar property after adjusting for physical, economic and functional obsolescence.

Significant unobservable valuation input:	Range
Price per square metre	N50,000 - N230,000

Significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value.

<b>Fair value hierarchy</b>	<b>Level 3</b>
	<b>₦'000</b>
Land	32,507,887
Buildings	6,369,463

Included in building is N8,549,000 which was a new asset that was bought and the purchase price is approximately the fair value hence it was not revalued during the year.

There were no transfers between fair value hierarchies during the year.



**Notes to the financial statements - continued**

**13.4 Fair values of land, building - continued**

Revaluation surplus recognised in other comprehensive income

	2023	2022
	₦'000	₦'000
Land & building	21,031,797	-
	21,031,797	-

**13.5 Capital work in progress (CWIP)**

Capital work in progress (CWIP) comprises:

PPE items in store*	1,061,685	1,560,814
On-going works with respect to substations	3,538,881	1,977,710
	4,600,566	3,538,524

\* Included in PPE items in store are transformers of ₦310 million (2022: ₦992.9 million), meters and other distribution assets of ₦752 million (2022: ₦567.9 million).

Notes to the financial statements - continued

13.6 Land, building and distribution network assets: historical assets

If Land, building and distribution network assets were stated on historical cost basis, the carrying amounts would be as follows:

	Land ₦'000	Buildings ₦'000	Distribution network assets ₦'000
<b>31 December, 2023</b>			
Cost	11,702,055	6,653,694	38,279,485
Accumulated depreciation	-	(1,690,213)	(3,416,580)
<b>Carrying amount</b>	<b>11,702,055</b>	<b>4,963,481</b>	<b>34,862,905</b>
<b>31 December, 2022</b>			
Cost	11,702,055	5,887,820	27,886,193
Accumulated depreciation	-	(1,557,139)	(2,650,990)
<b>Carrying amount</b>	<b>11,702,055</b>	<b>4,330,681</b>	<b>25,235,203</b>

14 Intangible assets

	Computer software licences ₦'000	Customer management system ₦'000	Total ₦'000
<b>Cost</b>			
Balance as at 1 January 2022	256,595	1,013,315	1,269,910
Additions	375,408	-	375,408
<b>Balance as at 31 December 2023</b>	<b>632,003</b>	<b>1,013,315</b>	<b>1,645,318</b>
Balance as at 1 January 2023	632,003	1,013,315	1,645,318
Additions	467,836	-	467,836
<b>Balance as at 31 December 2023</b>	<b>1,099,839</b>	<b>1,013,315</b>	<b>2,113,154</b>
<b>Accumulated amortisation</b>			
Balance as at 1 January 2022	224,718	303,996	528,714
Charge for the year	317,549	101,331	418,880
<b>Balance as at 31 December 2022</b>	<b>542,267</b>	<b>405,327</b>	<b>947,594</b>
Balance as at 1 January 2023	542,267	405,327	947,594
Charge for the year	422,622	101,332	523,953
<b>Balance as at 31 December 2023</b>	<b>964,889</b>	<b>506,659</b>	<b>1,471,547</b>
<b>Carrying amount</b>			
As at 31 December 2023	<b>134,950</b>	<b>506,656</b>	<b>641,606</b>
As at 31 December 2022	<b>89,736</b>	<b>607,988</b>	<b>697,724</b>

Amortisation of intangible assets is included as part of administrative expenses (Note 7).

There are no restrictions on the title of the Company's intangible assets as of the reporting date.

The Company has not pledged any of its Property, Plant, and Equipment or intangible assets as security for any liabilities or commitments as of the reporting date.

Notes to the financial statements - continued

15 Inventories

	2023	2022
	₦'000	₦'000
Consumable spare parts	414,873	260,852
Other consumables*	25,836	73,724
	440,709	334,576

Inventories recognized as expense include consumable spare parts and other consumables used in maintenance during the year. They are included in maintenance expenses in cost of sales and amounted to ₦1.1billion (2022: ₦860 million).

In addition, consumable spare parts have been reduced by ₦33.75 million (2022: ₦136.47 million) as a result of the write-down to net realisable value. These include fuse, tapes, control cables, safety boots, safety helmets and angle iron.

\* Other consumables consists of stationeries and lubricants.

16 Trade and other receivables

Trade receivables	123,272,842	58,715,046
Other receivables****	30,843,751	28,893,078
	154,116,593	87,608,124

Trade receivable- Gross	173,580,411	148,567,863
Expected credit loss allowance	(50,307,569)	(89,852,817)
	123,272,842	58,715,046

Other receivables- Gross	30,843,751	28,893,078
Expected credit loss allowance ***	-	-
	30,843,751	28,893,078

16.1 Other receivables comprises:

**Financial assets**

Employee receivables*	73,289	81,027
Interest receivables	27,329	51,084
Receivables from super vendor	3,454,176	726,800
Intercompany receivable	7,500	7,500
	3,562,294	866,411

**Non-financial assets**

Withholding tax receivables	34,977	25,660
Restricted cash**	27,246,480	28,001,007
	27,281,457	28,026,667
	30,843,751	28,893,078

\* This relates to employee advances during the year.

\*\* Included in restricted cash balance is a cash collateral of ₦5.4 billion on letter of credit facility obtained from United Bank for Africa Plc as a requirement for participation in the Transitional Electricity Market (TEM). Also included in restricted cash balance is ₦21.8 billion set aside with United Bank for Africa Plc in order to comply with the Central Bank of Nigeria policy on VAT remittance.

\*\*\*The expected credit loss on other receivables as at 31 December 2023, was assessed as immaterial.

\*\*\*\* See note 35 on reclassification.

16.2 Reconciliation of impairment allowance of trade receivables

As at 1 January	89,852,817	88,722,069
(Reversal)/charge for the year	(39,545,248)	1,130,748
<b>As at 31 December</b>	<b>50,307,569</b>	<b>89,852,817</b>

The significant decrease in impairment allowance during the year was due to improved settlements of outstanding debts from Federal Government Ministries, Departments, and Agencies, as well as the recovery of ₦23.7 billion from these entities. The recovered amount positively impacted the Company's loss rate for impairment provisioning. Furthermore, the Company metered over 90,000 postpaid customers, migrating their debts to the prepaid vending platform for full recovery through vending. This migration substantially reduced the expected loss rate.

<b>17</b>	<b>Prepayments</b>	<b>2023</b>	<b>2022</b>
		<b>₦'000</b>	<b>₦'000</b>
	Insurance	-	138,177
	Rent	111,786	59,792
	Advance payment to vendors*	3,520,486	900,927
		<u>3,632,272</u>	<u>1,098,896</u>

\* See note 35 on reclassification

<b>18</b>	<b>Cash and cash equivalents</b>		
	Bank balances	11,075,869	7,800,612
	Cash on hand	1,099	3,541
	<b>Cash and cash equivalents per statement of cash flow</b>	<u>11,076,968</u>	<u>7,804,153</u>

All cash and bank balances are non-interest bearing and the allowance for ECL relating to cash and bank balances is immaterial, hence it has not been disclosed.

**19 Share capital and reserves**

**19.1 Share capital comprises:**

	<b>Share capital</b>		
	15,000,000 ordinary shares at N1 each	<u>15,000</u>	<u>15,000</u>

**19.2 Nature and purpose of reserves**

**Revaluation reserve**

The revaluation reserve relates to the revaluation surplus arising from the revaluation of land, buildings and distribution network assets. This was recorded in other comprehensive income as an item that will not be reclassified to profit or loss. See Note 13.4.

Revaluation reserves arising during the year is made up as follows:

	Land and building	<u>21,031,797</u>	-
		<u>21,031,797</u>	-
	Movement in revaluation reserve:		
	<b>As at 1 January</b>	99,151,481	99,151,481
	Land and building	21,031,797	-
	<b>As at 31 December</b>	<u>120,183,278</u>	<u>99,151,481</u>

Notes to the financial statements - continued

20 Deferred income

	2023 ₦'000	2022 ₦'000
Government grant (a)	<u>15,814,379</u>	<u>16,744,324</u>
Non-current portion	12,997,417	14,164,365
Current portion	<u>2,816,962</u>	<u>2,579,959</u>
	<u>15,814,379</u>	<u>16,744,324</u>

(a) Government grant is made up of:

Government granted assets*	2,458,191	2,583,084
Day one gain on loans**	<u>13,356,188</u>	<u>14,161,240</u>
	<u>15,814,379</u>	<u>16,744,324</u>

\*Over the years, the Company received some assets granted to it by the government in a bid to improve the infrastructure within the Company's region of operation. These assets have been included in property, plant and equipment and deferred income. Amortization of the deferred income is at the same rate as the associated PPE is depreciated.

\*\*In 2023, CBN disbursed additional (6) tranches of Loans on the CBN-NEMSF 2 loan of N11.74billion. In year 2022, CBN disbursed nine (9) tranches of Loan to the Company through NESI for NEMSF amounting to N6.49 billion. The loan was granted at below market interest rates. The management has recognized the loan at fair value as required by the applicable financial reporting framework at initial recognition. As a result, the difference between the fair values at initial recognition and the proceed from loan received was recognized as deferred income (day one gain). This initial gain is then spread/amortised over the period of the loan term.

20.1 Reconciliation of deferred income

Balance as at 1 January	16,744,324	13,246,264
Additions (day one gain on loans)	1,825,594	5,820,192
Amortisation to profit or loss (Note 8)	<u>(2,755,539)</u>	<u>(2,322,132)</u>
Balance as at 31 December	<u>15,814,379</u>	<u>16,744,324</u>

21 Trade and other payables

Trade payables (Note 21.1)	168,708,484	112,399,214
Payables to other vendors	12,851,920	7,115,015
Due to related parties (Note 29.4)	7,637,242	7,637,242
Payables to NELMCO	745,711	745,711
Accruals (Note 21.2)	<u>3,899,504</u>	<u>7,552,782</u>
	<u>193,842,861</u>	<u>135,449,964</u>
Statutory deductions (Note 21.3)	<u>62,852,332</u>	<u>46,252,916</u>
	<u>256,695,193</u>	<u>181,702,880</u>

**Notes to the financial statements - continued**

**21 Trade and other payables - continued**

**21.1 Trade payables**

Trade payables comprise amount due to the Nigerian Bulk Electricity Trading Plc (NBET) and the Operator of the Nigeria Electricity Market (ONEM). NBET is the supplier of power to the Company and bills for the cost of energy while other administrative charges incidental to the cost of energy are billed by ONEM.

The movement in the account is as follows:	2023	2022
	₦'000	₦'000
As at 1 January	112,399,215	123,965,001
Cost of energy	236,962,095	129,878,750
Interest on shortfall	55,154,733	43,929,036
Net-off of tariff payment shortfall	(70,562,746)	(8,048,000)
Net-off of interest on tariff shortfall	(44,065,782)	(35,305,899)
Accrued energy cost	-	(4,942)
Regulatory net off*	-	(23,705,219)
Merit order receivable**	-	(1,371,000)
Outstanding inter-disco traded energy	-	(7,459,276)
Receivable from TCN (Note 23.1)	-	(7,530,046)
Interest paid on TCN loan	(676,939)	(29,708)
Payments	(120,502,094)	(101,919,482)
As at 31 December	<u>168,708,482</u>	<u>112,399,215</u>

\* In year 2022, NERC awarded the sum of ₦23.7bn to the Company as settlement of historical FGN Ministries, Departments and Agencies (MDA) debts on electricity bills from 2015 to 2020. The Commission directed the payment as a 12-month settlement of ₦1.98b against the monthly market bills from Jul 2022 - Jun 2023, which commenced in July 2022. As at December 2022, the unsettled amount was ₦13.8 billion. In line with the orders, the awarded amount was netted off the Company's trade payables.

\*\* During the year 2022, NERC awarded the sum of ₦1.3bn as compensation to the Company for TCN's non-adherence to economic merit order dispatch that led to the higher weighted average cost of energy in TCN's historical bills. TCN was mandated to prioritize and wheel energy from cheaper generation companies, but this wasn't adhered to. Hence, the commission penalized TCN to pay ₦1.3bn as compensation to the Company. The Commission directed the payment as a 12-month settlement of ₦114.2m against the monthly invoice of TCN from July 2022 - June 2023, which commenced in July 2022. As at December 2022, the unsettled amount was ₦800 million. In line with the orders, the awarded amount is netted off the Company's trade payables.

**21.2 Accruals**

Accruals comprises of staff expense, other accruals, accrued audit fees, accrued liabilities, fines and penalties.

**21.3 Statutory deductions**

Statutory deductions comprises of pension contribution, VAT, withholding tax, PAYE payables and NHF.

**22 Provisions**

At 1 January	361,040	361,040
Provision made during the year	-	-
At 31 December	<u>361,040</u>	<u>361,040</u>

The Company was subjected to a regulatory fine, which it is currently contesting in a court of law. Additionally, the Company did not comply with certain filing requirements. The estimated cash outflows that the Company might be required to make as a result of the regulatory fine and non-compliance with filing requirements amount to ₦250 million (2022: ₦250 million) and ₦111.04 million (2022: ₦111.04 million) respectively, and these have been provided for in these financial statements. The directors expect these matters to be resolved within the next 12 months.

**Notes to the financial statements - continued**

23 Interest bearing loans and borrowings	2023 ₦'000	2022 ₦'000
CBN loan (Note 23.1)	38,782,178	39,618,568
CAPMI loan (Note 23.3)	1,115,520	1,115,520
NELMCO loan (Note 23.2)	807,449	807,449
TCN loan (Note 23.2)	4,140,108	4,140,108
	<b>44,845,255</b>	<b>45,681,645</b>
Current	15,050,150	17,836,791
Non-current	29,795,105	27,844,854
	<b>44,845,255</b>	<b>45,681,645</b>

**23.1 CBN loan**

In 2018, the Company received two tranches of ₦20.23 billion and ₦3.49 billion from the NEMSF. In 2019, the Company received a third tranche of ₦1.08 billion. These are to be repaid within 81 months from disbursement with a contractual interest rate of 10%. In 2021, the Company drew down a total amount of ₦23.17 billion from this loan. Out of this amount, ₦9.8 billion was allocated to settle outstanding market debts, ₦6 billion was utilized to settle payments to Meter Asset Providers involved in the National Mass Metering Programme (NMMP) initiated by NERC. The remaining ₦8.1 billion was disbursed directly to the Company.

In 2022, CBN disbursed two (2) tranches of Loan to the Company through NESI for NEMSF. The amount disbursed was ₦10.22 billion and ₦7.53 billion for the two (2) tranches respectively. The purpose of the Loan was to part-finance solely the company's obligations to Nigerian Bulk Electricity Trading Plc (NBET) & Market Operator (MO) and its operations arising from the under collection under the service based tariff scheme in line with ramp up programme and ₦7.5 billion was paid to TCN contractors through AEDC towards improving the transmission infrastructure within the AEDC Franchise. The Loans are repayable up to 120 months subject to maximum of July 2032. In addition, NERC approved the CBN - Nigeria Electricity Market Stabilization Facility 3 (CBN-NEMSF 3) for the purpose of Electricity Transmission/Distribution Network investment. A sum of ₦ 7.53 billion was disbursed to contractors of the Transmission Company of Nigeria through Abuja Electricity Distribution Company (AEDC) towards improving the transmission infrastructure within AEDC franchise in 2022. In line with the agreements between the Company, TCN and CBN, the amount was loaned to the Company and is to be repaid within 117 months with a moratorium of 21 months on the principal amount. The amount has been agreed by the Company and TCN to be recovered from the outstanding amount owed to TCN by the Company.

During the year, CBN disbursed a sum of ₦6.5 billion in nine (9) tranches directly to the Company's vendors for procurement of capital expenditure items on behalf of the Company. The Loans are repayable within 84 months till December 2030 with a contractual interest rate of 9%.

**23.2 TCN and NELMCO loans**

In a bid to raise required cash to collateralize a letter of credit in favour of NBET, the Company entered into loan agreements with the Nigerian Electricity Liability Management Company (NELMCO) and the Transmission Company of Nigeria (TCN)

The drawdowns amounting to ₦6.50 billion and ₦1.21 billion from TCN and NELMCO respectively were utilized by the Company to establish the letter of credit required for participation in the Transitional Electricity Market (TEM).

The contracts have a tenor of 48 months from disbursement with interest of 10% effective from 2018. However, at the reporting date, the loan term has elapsed and default interest computed has been recognised as penalties under accruals(liabilities).

**Notes to the financial statements - continued**

**23.3 CAPMI Loan**

In a bid to bridge the metering gap and to reduce estimated billings, NERC issued the Credited Advance Payment for Metering Implementation (CAPMI) scheme. The CAPMI scheme allowed willing customers to advance funds to the distribution companies for meter procurement and installation. Amounts advanced by a customer under this scheme plus a one off nominal interest of 12% less cost of installation, is refundable to the customer in monthly installments such that the repayment period shall not exceed 3 years.

**23.4 Reconciliation of loans and borrowings**

	2023 ₦'000	2022 ₦'000
Balance as at 1 January	45,681,645	34,887,029
Interest accrued	7,128,556	5,967,454
Principal repayment	(5,297,311)	(1,161,020)
Addition	4,663,186	11,927,976
Default on loan repayment on TCN & NELMCO* reclassified	-	(370,866)
Interest paid	(7,330,822)	(5,568,928)
<b>Balance as at 31 December</b>	<b>44,845,254</b>	<b>45,681,645</b>

\* Based on the agreement with TCN and NELMCO, a 19% default is applied to any loan that falls due and is yet to be paid as at the payment date.

**24 Lease liabilities**

As at 1 January	612,550	584,446
Additions during the year	72,079	99,041
Interest expense	127,696	110,286
Payment for interest during the year	(73,169)	(80,093)
Payment for principal during the year	(27,348)	(38,546)
Modification*	(167,879)	(62,584)
<b>As at 31 December</b>	<b>543,929</b>	<b>612,550</b>
Current portion	73,169	118,639
Non-current portion	470,760	493,911
	<b>543,929</b>	<b>612,550</b>

\*Modification relates to buildings vacated during the year.

The Company has lease contracts for various office and residential buildings located in the Federal Capital Territory (Abuja), Niger, Kogi and Nasarawa states. The lease terms are between 2 - 5 years.

**The following are the amount recognised in profit or loss**

Depreciation expense of right-of-use-assets	83,638	201,343
Expense relating to short term leases (included in administrative expense)	234,294	269,943
Interest expense on lease liabilities	127,696	110,286
<b>Total amount recognised in profit or loss</b>	<b>445,628</b>	<b>581,572</b>

**The following are the impact of the lease on cash flow**

Depreciation expense of right-of-use-assets (Note 25)	83,638	201,343
Interest expense on lease liabilities	127,696	110,286
<b>Net cash flow from operating activities</b>	<b>211,334</b>	<b>311,629</b>
Lease payment	(73,169)	(80,093)
<b>Net cash flow from financing activities</b>	<b>(73,169)</b>	<b>(80,093)</b>



Notes to the financial statements - continued

25	<b>Right of use asset-Buildings</b>	<b>2023</b>	<b>2022</b>
		<b>₦'000</b>	<b>₦'000</b>
	<b>Cost</b>		
	At 1 January	894,526	995,528
	Additions	72,079	99,041
	Modification*	(285,469)	(200,043)
	<b>At 31 December</b>	<b>681,136</b>	<b>894,526</b>
	<b>Accumulated depreciation</b>		
	At 1 January	697,014	645,888
	Charge for the year	83,638	201,343
	Modification*	(268,925)	(150,217)
	<b>At 31 December</b>	<b>511,727</b>	<b>697,014</b>
	<b>Carrying amount</b>	<b>169,409</b>	<b>197,512</b>
	**Modification relates to buildings vacated during the year.		
25.1	<b>Gain on modification of leases recognised under profit or loss</b>		
	Modification of ROU Cost	285,469	200,043
	Modification of ROU Accumulated Depreciation	(268,925)	(150,217)
	Modification of Lease Liabilities	(167,879)	(62,584)
		<b>(151,335)</b>	<b>(12,758)</b>
26	<b>Contract liabilities</b>	<b>2,350,397</b>	<b>1,685,660</b>
26.1	<b>Reconciliation of contract liabilities</b>		
	As at 1 January	1,685,660	1,137,850
	Additions during the year	2,350,397	1,685,660
	Amount recognised as revenue during the year	(1,685,660)	(1,137,850)
		<b>2,350,397</b>	<b>1,685,660</b>
	The contract liabilities primarily relates to the advance consideration received from customers for the supply of electricity.		
27	<b>Employee benefit obligation</b>		
	Long service award	264,134	235,148
	Defined benefit obligation	794,258	711,479
		<b>1,058,392</b>	<b>946,627</b>

**Notes to the financial statements - continued**

**27.1 Long service award**

This scheme entitles employees who have worked for five years and above to a monetary reward amounting to a certain percentage of their total annual emolument. The independent actuarial valuation was performed by Alexander Forbes (FRC/2012/000000000504) as signed by the Partner- Wayne van Jaarsveld (FRC/2021/002/00000024507) using the projected unit credit method. This scheme is not funded.

	2023	2022
	₦'000	₦'000
The movement in the long service awards during the year is as follows:		
At 1 January	235,148	291,211
Current service cost	33,220	32,975
Interest cost	35,485	28,386
Remeasurement gain due to change in assumptions	(9,916)	(6,488)
Past service cost-reversal of over provision	-	(97,350)
Benefit paid	(29,803)	(13,585)
<b>At 31 December</b>	<b>264,134</b>	<b>235,148</b>

Current service cost, interest cost, past service cost and remeasurement (gain)/loss have been included in administrative expenses in profit or loss.

**27.2 Defined benefit obligations**

This entitles employees who have worked for at least five years to a certain percentage of their total annual emolument upon retirement or end of contract. The measurement is based upon an independent actuarial valuation performed by Alexander Forbes (FRC/2012/000000000504) as signed by the Partner- Wayne van Jaarsveld (FRC/2021/002/00000024507) using the project unit credit basis. The defined benefit schemes of the company is unfunded.

The movement in the defined benefit obligations during the year is as follows:

At 1 January	711,479	990,741
Current service cost	85,808	93,696
Interest cost	108,043	97,021
Remeasurement gain due to change in financial and demographic assumptions	(59,969)	(107,745)
Effect of movement in exchange rates	-	(9,480)
Past service cost-reversal of over provision	-	(223,867)
Benefit paid	(51,103)	(128,887)
<b>At 31 December</b>	<b>794,258</b>	<b>711,479</b>

**Notes to the financial statements - continued**

**27.2.1 Amount recognised in profit or loss**

	2023	2022
	₦'000	₦'000
Current service cost	119,028	126,671
Interest cost	143,528	125,407
Remeasurement gain due to change in assumptions	(9,916)	(6,488)
Past service cost-reversal of over provision	-	(321,217)
Termination cost		354,334
	<u>252,640</u>	<u>278,707</u>

**Amount recognised in other comprehensive income**

Remeasurement loss due to change in financial and demographic assumptions	<u>(59,969)</u>	<u>(107,745)</u>
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**Amount recognised in the statement of cashflow**

Long service award benefit (gain)/expense		
Current service cost	33,220	32,975
Interest cost	35,485	28,386
Remeasurement gain due to change in assumptions	(9,916)	(6,488)
Past service cost-reversal of over provision	-	(97,350)
	<u>58,789</u>	<u>(42,477)</u>

**Defined benefit expense**

Current service cost	85,808	93,696
Interest cost	108,043	97,021
Past service cost-reversal of over provision	-	(223,867)
	<u>193,851</u>	<u>(33,150)</u>

**27.2.2 The principal assumptions used in determining the defined benefit obligations are shown below:**

	2023	2022
Discount rate	15.30%	14.00%
Salary increase rate	5.00%	5.00%
Mortality		
Pre-retirement: A1967/70 Ultimate Table		
	Number of deaths per 1,000 lives	
Sample age	2023	2022
25	7	7
30	7	7
35	9	9
40	14	14
45	26	26
50	48	48
55	84	84
60	144	144

**27.2.3 Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Discount rate (1% increase)	509,849	446,151
Discount rate (1% decrease)	(574,075)	(509,734)
Salary increase rate (1% increase)	579,363	514,922
Salary increase rate (1% decrease)	(504,754)	(441,013)
Mortality (1% increase)	544,149	479,814
Mortality (1% decrease)	(537,152)	(473,193)

**Notes to the financial statements - continued**

		2023	2022
		₦'000	₦'000
<b>28 Computation of cash generated from operating activities</b>			
	Notes		
Profit/(loss) before tax		1,655,036	(6,590,187)
Adjustment for non cash items:			
Depreciation of property, plant and equipment	13	10,464,159	9,722,727
Depreciation- right-of-use- assets	25	83,638	201,343
Amortisation of intangible assets	14	523,953	418,880
Inventory write down	15	33,000	136,000
Amortisation of government grant	20.1	(2,755,539)	(2,322,132)
(Writeback)/credit loss expense on receivables	16.2	(39,545,248)	1,130,748
Net revaluation surplus on land and building	8	(110,493)	-
Long service award benefit expense/(gain)	27.1	58,789	(42,477)
Defined benefit expense	27.2.1	193,851	(33,150)
Interest expense on loan	23.4	7,128,556	6,362,049
Net interest on NBET and ONEM bills	9.2	11,088,951	8,623,137
Interest on lease liabilities	9.2	127,696	110,286
Finance income	9.1	(194,441)	(372,683)
Tarriff shortfall awarded by NERC	6.1	(70,562,746)	(8,048,000)
Income from contributed assets	6.1	(2,217,301)	(6,609,133)
Gain on disposal of property, plant and equipment	8	(24)	-
Gain on lease modification	8	(151,335)	(12,758)
<b>Working capital changes</b>			
Inventories		(106,133)	(174,649)
Trade and other receivables		(26,963,221)	(18,789,161)
Prepayments		(2,533,376)	(167,442)
Trade and other payables		128,972,871	3,418,175
Contract liabilities		664,737	547,810
<b>Cash generated from/(used in) operations activities</b>		<b><u>15,855,380</u></b>	<b><u>(12,490,617)</u></b>

Notes to the financial statements - continued

29 Related party transaction

*Identity of related parties*

29.1 Parent and ultimate controlling party

KANN Utility Company Ltd (KANN) acquired a majority of the Company's shares from BPE and Ministry of Finance on 1 November 2013. KANN was jointly owned by CEC Africa Investments Ltd and Xerxes Global Investment Ltd. During 2020, CEC Africa Investments Limited acquired the majority of the KANN's shares. As a result, the ultimate controlling party of the Company was CEC Africa.

On 31 December 2021, the controlling shares of the Company (60%) was allotted to United Capital Trustees Limited (UCTL) which made UCTL the new parent Company. UCTL is owned by United Capital Plc. In May 2023, 60% controlling shares of the Company was transferred to Jeolan International Limited. As a result, the parent company of Abuja Electricity Distribution Company is Jeolan International Limited.

29.2 Transactions with related parties

	2023	2022
	₦'000	₦'000
<i>Supply of electricity</i>		
-Bureau of Public Enterprises (BPE)	131,272	22,789
-Ministry of Finance Incorporated (MoFI)	34,785	72,589
	562,794	94,378

29.3 Key management personnel remuneration

Key management personnel are those involved in key decision making process of the Company and comprise directors and executive management staff.

Key management personnel compensation comprised:

Salaries	404,947	525,662
Other short-term benefits	157,848	68,691
	562,794	594,353

Other than as detailed above, in terms of compensation, there were no transactions between key management personnel and the Company.

29.4 Other related party balances

Other related party balances at the year end were as follows:

Due from related parties:

Advance to key management personnel	-	-
<b>Related party balance included in trade and other receivables</b>	-	-

Due to related parties:

Accruals for compensation to key management personnel		-
KANN	7,626,129	7,626,129
CEC Africa	11,113	11,113
<b>Related party balance included in trade and other payables</b>	7,637,242	7,637,242
<b>Net related party balance</b>	(7,637,242)	(7,637,242)

None of the balances due to related parties is secured.

## Notes to the financial statements - continued

### 29.5 Operations and management (O&M) services

The Company has an Operations and Management (O & M) agreement with the parent company, Jeolan International Limited for the provision of management services which include corporate services (strategy sitting and change management), risk and compliance services, network planning and operations and capacity building. The remuneration of Jeolan International will be made up of two elements. The first element will be a Fixed Fee (equivalent to 2% of collections) to reimburse costs incurred by Jeolan. The second element of remuneration will be Management Fee which will be a performance related fee based on the achievement of performance measures.

### 30 Contingent liabilities/assets

#### 30.1 Transfer of pre-completion liabilities and trade receivables

As part of the privatization completion, the Company through the Bureau of Public Enterprises signed a deed of assignment of pre-completion receivables and liabilities with the Nigerian Electricity Liability Management Company Limited (NELMCO) effective 31 October 2013. The final confirmation of amounts transferred will be determined based on a reconciliation between the company and NELMCO. As at date of issue of these financial statements, the reconciliations are yet to happen.

The Directors, based on independent legal advice obtained as well as their understanding of the Share Purchase Agreement between KANN, BPE and the Ministry of Finance Incorporated are of the opinion that all trade receivables and pre-completion liabilities (crystallized or contingent) as at 31 October 2013 have been effectively transferred. If in the process of a subsequent reconciliation with NELMCO, certain items are identified and agreed to be borne by the Company, the amounts would be recorded in the period they were identified or when payment becomes probable.

#### 30.2 Litigations and claims

The Company is involved in certain litigations and claims (separate from those taken over by NELMCO). Maximum exposure based on the damages being claimed by litigants amounts to ₦ 13.8 billion (2022: ₦8.5 billion). The Directors based on a review of the circumstances of each claim and advice from external solicitors (where deemed necessary), believe the risk of material loss to the Company is remote and as such no provisions have been recorded.

Notes to the financial statements - continued

31 Financial instruments-Fair values and risk management

31.1 Accounting classifications and fair values

Set out below is a comparison by category of carrying amount and fair value of all financial instruments

	Carrying amount		Fair value	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
<b>Financial liabilities</b>				
Loans and borrowings	44,845,255	45,681,645	44,845,255	45,681,645
Cash and cash equivalent	11,076,968	7,804,153	11,076,968	7,804,153
Trade and other receivable	123,272,842	58,715,046	173,580,411	148,567,863
Trade and other payables	256,695,193	181,702,880	256,695,193	181,702,880
	<b>629,733,119</b>	<b>429,353,688</b>	<b>680,040,688</b>	<b>519,206,505</b>

In determining the fair value of interest bearing loans and borrowings, non-performance risks of the Company as at year end were assessed to be insignificant.

31.1.1 Fair value hierarchy

As at the reporting date, the Company had classified its financial instruments into the three levels prescribed under the accounting standards. There were no transfers of financial instruments between fair value hierarchy levels during the year.

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000
<b>31 December, 2023</b>			
Loans and borrowings	-	44,845,255	-
<b>31 December, 2022</b>			
Loans and borrowings	-	45,681,645	-

The fair value of the Company's interest bearing loans and borrowings is determined by using discounted cash flow models that use market interest rates as at the reporting date.

EFFECTIVE INTEREST RATE	2023	2022
<b>CBN loan:</b>		
1st drawdown	15%	15%
2nd drawdown	17%	17%
3rd drawdown	14%	14%
4th drawdown	17%	17%
5th drawdown	17%	17%
6th drawdown	17%	17%
7th drawdown	18%	18%
8th drawdown	20%	20%
9th drawdown	19%	-
10th drawdown	19%	-
11th drawdown	19%	-
12th drawdown	19%	-
13th drawdown	19%	-
14th drawdown	20%	-
CAPMI loan	-	-
TCN loan	8%	8%
NELMCO loan	8%	8%

**Notes to the financial statements - continued**

**31.2 Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk

**Risk management framework**

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. 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.

The Company's audit and finance committees oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by Internal Audit. Internal Audit is expected to undertake both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. 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.

**31.2.1 Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and government related entities as well as cash and bank balances.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	2023	2022
		N'000	N'000
Trade and other receivables*	16	200,903,676	176,560,014
Cash and cash equivalents	18	11,075,869	7,800,612
		211,979,545	184,360,626

\* Carrying amount of the trade and other receivable does not include advance payment to vendors.

Expected credit losses on financial assets recognised in profit or loss were as follows:

	2023	2022
	N'000	N'000
(Write back)/expected credit loss allowance on trade receivables	(39,545,248)	1,130,748
	(39,545,248)	1,130,748



**Notes to the financial statements - continued**

**31.2.1 Credit risk - continued**

**Trade and other receivables**

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base. The Company has a large customer base within its licensed area of supply thereby reducing its concentration of credit risk. To further mitigate credit risk, the Company is continually increasing the share of prepaid customers in its portfolio. The Company's exposure to credit risk is influenced by the characteristics of each category of customers.

In monitoring credit risk, customers are grouped according to common credit risk characteristics - geographic region, metering status and volume of consumption. No security is provided for the electricity supplied though the Company retains the right to disconnect non paying customers to enforce collections.

The Company does not require collateral in respect of trade and other receivables. The company does not have trade receivable for which no loss allowance is recognised because of collateral.

**Expected credit loss assessment for customers**

The Company uses an allowance matrix to measure the expected credit losses (ECLs) of trade receivables from customers. Loss rates are based on actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast gross domestic product rates.

Loss rates are calculated separately for exposures in different segments based on the following common credit risk characteristics - geographic region, metering status and volume of consumption.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2023.

	<b>Gross carrying amount</b>	<b>Loss allowance</b>
	<b>₦'000</b>	<b>₦'000</b>
Prepaid customers (PPM)*	12,763,331	728,163
Government Agencies	20,459,243	5,951,222
Metered Maximum Demand customers	17,655,777	2,353,318
Unmetered Maximum Demand customers	703,097	208,813
Metered non-Maximum Demand customers (High tier)	5,714,074	2,801,811
Metered non-Maximum Demand customers (Middle tier)	249,108	83,297
Metered non-Maximum Demand customers (Low tier)	2,567,335	647,016
Unmetered non-Maximum Demand customers (High tier)	99,321	45,553
Unmetered non-Maximum Demand customers (Middle tier)	264,514	106,722
Unmetered non-Maximum Demand customers (Low tier)	113,104,613	37,381,654
	<b>173,580,412</b>	<b>50,307,570</b>

Notes to the financial statements - continued

31.2.1 Credit risk - continued

Expected credit loss assessment for customers - continued

No of days	Loss Rate	Total Gross	ECL
		Receivable	
		₦'000	₦'000
0-60	23%	145,339,685	33,648,231
61-120	58%	21,811,719	12,757,983
121-180	59%	3,382,306	2,003,739
181 -240	57%	1,092,591	619,950
241 -300	67%	366,318	247,056
301 -360	66%	214,450	141,476
361 and above	65%	1,373,342	889,135
<b>Total</b>		<b>173,580,412</b>	<b>50,307,570</b>

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2022

	Gross carrying	Loss allowance
	amount	
	₦'000	₦'000
Prepaid customers(PPM)*	1,665,997	1,594,736
Government Agencies	7,111,863	5,331,901
Metered Maximum Demand customers	6,057,410	1,827,873
Unmetered Maximum Demand customers	577,582	211,318
Metered non-Maximum Demand customers (High tier)	1,871,687	951,519
Metered non-Maximum Demand customers (Middle tier)	114,084	59,795
Metered non-Maximum Demand customers (Low tier)	2,533,578	1,247,361
Unmetered non-Maximum Demand customers (High tier)	25,451	14,140
Unmetered non-Maximum Demand customers (Middle tier)	112,658	76,834
Unmetered non-Maximum Demand customers (Low tier)	128,497,554	78,537,341
	<b>148,567,863</b>	<b>89,852,818</b>

No of days	Loss Rate	Total Gross	ECL
		Receivable	
		₦'000	₦'000
0-60	61%	114,585,526	70,011,559
61-120	56%	21,861,236	12,290,903
121-180	59%	6,067,436	3,592,984
181 -240	62%	1,945,585	1,198,582
241 -300	57%	1,188,023	676,108
301 -360	70%	551,048	387,284
361 and above	72%	2,369,009	1,695,396
<b>Total</b>		<b>148,567,863</b>	<b>89,852,818</b>

**Notes to the financial statements - continued**

**31.2.1 Credit risk - continued**

**Expected credit loss assessment for customers - continued**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2023	2022
	₦'000	₦'000
Balance at 1 January	89,852,817	88,722,069
Charge for the year	(39,545,248)	1,130,748
<b>Balance at 31 December</b>	<b>50,307,569</b>	<b>89,852,817</b>

**Cash at bank**

The Company held cash and cash equivalents of ₦11.08 billion at 31 December 2023 (2022: ₦7.8 billion). The cash and cash equivalents are held with bank and reputable financial institution in Nigeria.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

**Employee receivables**

The Company advances funds to employees for operational activities. To mitigate credit risk, the Company monitors the progress of such activities which have been funded.

**Letter of credit**

The Company has letter of credit facility of ₦10.5 billion obtained from United Bank of Africa Plc. A cash collateral of ₦5.45 billion was deposited with the bank. The Company considers that the letter of credit have low credit risk based on the external credit ratings of the counterparty.

**Notes to the financial statements - continued**

**31 Financial instruments-Fair values and risk management - continued**

**31.2.2 Liquidity risk**

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

In order to manage liquidity risks and ensure that it has sufficient cash to match outflows expected in the normal course of its business, the Company is doing the following:

- Intensifying efforts to collect trade receivables.
- Accessing the various financial interventions applicable to the Company under the PSRP (See Note 34) - going concern.

The following are the contractual maturities of financial liabilities, including estimated interest payments for loans and borrowings and excluding the impact of netting agreements.

	Contractual cash flows					Total
	Less than 1 year	1 - 2 years	2- 3 years	3-5 Years	Above 5 years	
Non-derivative financial liabilities	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
<b>31 December 2023</b>						
Trade and other payables	193,842,861	-	-	-	-	193,842,861
Loans and borrowings	15,050,150	13,231,912	8,921,534	8,497,904	33,533,620	79,235,120
Lease liabilities	73,169	104,677	159,554	191,408	228,334	757,140
	<b>208,966,180</b>	<b>13,336,589</b>	<b>9,081,088</b>	<b>8,689,312</b>	<b>33,761,954</b>	<b>273,835,121</b>
<b>31 December 2022</b>						
Trade and other payables	135,449,964	-	-	-	-	135,449,964
Loans and borrowings	17,836,791	11,773,714	12,042,373	7,759,020	28,137,492	77,549,389
Lease liabilities	118,639	100,517	104,677	159,554	419,742	903,128
	<b>153,405,394</b>	<b>11,874,231</b>	<b>12,147,050</b>	<b>7,918,574</b>	<b>28,557,234</b>	<b>213,902,481</b>

**31.2.3 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the 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 optimizing the return.

The Company manages market risks by keeping costs low through various cost optimization programs. Moreover, market developments are monitored and discussed regularly, and mitigating actions are taken where necessary.

**Currency risk**

The Company, based on operations to date has limited exposure to currency risks based on the fact that its revenue is earned in its functional currency and the cost of energy supplied paid in same. Exposure to currency risk is majorly limited to cash balances which are denominated in US Dollar. The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

In managing currency risk, the Company aims to reduce the impact of short-term fluctuations on earnings. Although the Company has various measures to mitigate exposure to foreign exchange rate movement, over the long term, permanent changes in exchange rates would have an impact on profit or loss. It monitors the movement in the currency rates on an ongoing basis.

**Exposure to currency risk**

The summary of quantitative data about the Company's exposure to currency risk as reported by management is as follows:

	2023	2023	2022	2022
	USD	NGN	USD	NGN
Cash and cash equivalents	43,186	38,720,999	53,597	24,713,577
Trade and other payables	(407,650)	(365,503,067)	405,733	187,083,486
<b>Net statement of financial position exposure</b>	<b>(364,464)</b>	<b>(326,782,068)</b>	<b>459,330</b>	<b>211,797,063</b>

The following significant exchange rates were applied during the year

Notes to the financial statements - continued

	Average rate		Reporting date spot rate	
	2023	2022	2023	2022
US \$	691.1	673.13	896.61	461.1

The Company translates its US Dollar denominated balances using the Nigerian autonomous foreign exchange (NAFEX) rate.

**Sensitivity analysis**

A 20% strengthening of the USD at 31 December 2023 (2022:15%) would have increased/(decreased) loss for the year by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2023	2022
	₦'000	₦'000
Impact on loss for the year		
20% increase (2022:15%)	(57,612)	(7,414)
20% decrease (2022: 15%)	57,612	7,414

**Interest rate risk**

**Interest rate risk management**

The Company is exposed to interest rate risk arising from the interest bearing obligations from the (Market Operator) MO/NBET payables.

**Interest rate risk-Sensitivity analysis**

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Rate	2023	Rate	2022
<b>Variable-rate instruments</b>				
MO/NBET market debts	NIBOR+4%	168,708,482	NIBOR+4%	112,399,215

**Fair value sensitivity analysis for fixed-rate instruments**

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss, or designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

**Sensitivity analysis for variable rate instruments**

A change of 300 basis points in interest rates at the reporting date would have increased/(decreased) profit/(loss) by the amounts shown below.

	2023	2022
	₦'000	₦'000
300 basis point increase	8,273,210	6,589,355
300 basis point decrease	(8,273,210)	(6,589,355)

**Notes to the financial statements - continued**

**32 Capital management**

The Company's policy is to maintain a strong capital base so as to gain investor, creditor and market confidence and to sustain future development of the business. The Company monitors capital using a ratio of 'adjusted net debt' to 'total equity'. For this purpose, adjusted net debt is defined as total liabilities, less cash and cash equivalents. Total equity comprises all components of equity.

The board of directors seeks to achieve a more favourable total equity to adjusted net debt by engaging in mass metering projects and strengthening the revenue assurance function. The Company is not subject to any externally imposed capital requirements.

The Company's adjusted net debt to equity ratio as at December 2022 was as follows:

	2023 ₦'000	2022 ₦'000
Total liabilities	326,260,238	251,069,489
Less: cash and cash equivalents	(11,076,968)	(7,804,153)
Adjusted net debts	315,183,270	243,265,336
Total equity	54,546,362	33,056,450
Total equity to adjusted net debts	5.78	7.36

Equity includes share capital, revaluation reserves and accumulated losses.

**33 Events after reporting date**

No event, which is material to the understanding of this report, has occurred between the year-end date and the date of this report.

**34 Going concern**

The Company recorded a net profit of ₦398.15 million for the year ended 31 December 2023 (2022: a net loss of ₦7.34 billion). As at that date, the Company recorded accumulated losses of ₦65.65 billion (2022: ₦66.11 billion) and the Company had net current liabilities of ₦112.67 billion (2022: ₦110.77 billion). The Company's reported profit in the current year was majorly because of impairment write back during the year and losses in the prior year resulted from inability of the Company to charge a cost-reflective tariff under the current regulated MYTO regime, high aggregate technical, commercial and collection losses (ATC&C losses) as well as significant interest expense on loans, borrowings, and market invoices.

The Company's current liabilities include an amount of ₦168.71 billion (2022: ₦112.40 billion) due to the Nigerian Bulk Electricity Trading Plc (NBET) and the Operator of the Nigerian Electricity Market (ONEM), which forms part of trade and other payables as indicated in Note 21 of these financial statements. This amount is due for immediate payment in line with the applicable NERC orders.

The ability of the Company to continue as a going concern is largely dependent on the successful actualization of the budgeted results of the Company which is premised on assumptions that full cost reflective tariffs would be implemented in the immediate future, the Company's investment in distribution network assets will bring about a reduction in ATC&C losses which will improve both billing and collection efficiencies. The improvement in billing and collection efficiencies will significantly reduce the Company's outstanding market obligations and related interest expenses, which will lead to an improvement in liquidity.

## Notes to the financial statements - continued

### 34 Going concern - continued

On 18 May 2023, a consortium of new investors- Jeolan International Limited led by Transcorp Group acquired a sixty percent (60%) investment of the Company with commitment to commence immediate turnaround of the Company. To this end, Management has a comprehensive plan to reduce technical losses by creating more sub-feeders for improved efficiencies and more supply of electricity to customers. Other plans include the upgrade of substations and the construction of new injection substations. Other specific initiatives aimed at improving its billings and collections are:

- Create energy trade visibility and accountability from the trade feeders to the distribution transformers and all the way to customer premises. The Energy Monitoring Center project will help localize and unbundle ATC&C losses.
- Automation of smart energy allocation model for profitable retailing of allocated grid energy.
- Aggressive debt recoveries to help unlock additional liquidity on monthly basis.
- Purchase of operational vehicles, fast moving materials, and repair of bad equipment for prompt fault clearing on the lines, stable network, and efficient power delivery.
- Purchase of 30 Auto reclosures to minimize the duration of power outages, improve network reliability and meet SBT requirements.
- Meter all unmetered customers within FCT.
- Acquire and deploy Advanced Metering Infrastructure (AMI) platform for real time meter data visibility.
- Replacement of obsolete meters.

The introduction of collection agents and the project relating to the prepaid meters will bring about an increase in collections, enhance the billing capabilities of the company, and increase collection efficiency, thereby reducing the receivables and impairment charged on receivables.

The Company (with other Discos) is working with other stakeholders to restructure the terms of payment of the historical debt (Market-short fall from 2015 to 2020) from NBET and ONEM and write off all accumulated interests on the debt. Also, the recognition of interest charges on the market shortfall is being challenged for discontinuance. This is in consideration that delayed payments from customers on electricity bills do not attract interest charges.

The Federal Government of Nigeria initiated a program in conjunction with Powertech to ensure all Ministries, Departments and Agencies (MDAs) meters are read remotely and visible to the Ministry of Finance so that the Ministry can directly make payments to the DISCOs. This is expected to mitigate the rising MDA debts, positively impact liquidity and reduce impairment on receivables from MDAs.

The financial statements are prepared on the basis that the Company will continue to be a going concern. This basis of preparation presumes that the Company will achieve its plans and realize its assets and discharge its liabilities in the ordinary course of business.

### 35 Reclassification of Financial Statement Items

#### ● Advance payment to vendors

During the current financial year, the company identified that an advance payment to a vendor from "Other Receivables" in the statement of financial position for the year ended 31st December 2023 (2022) were more appropriately classified as "Prepayments".

**Nature of Reclassification:** The advance payment, which was originally classified under "Other Receivables," represents a payment made in advance to contractor for the project or service to be delivered in the next financial year. As such, it has been determined that this advance payment is more appropriately classified as a "Prepayment."

**Amount Reclassified:** The amount of the advance payment reclassified from "Other Receivables" to "Prepayments" for the prior year is ₦900 million.

Notes to the financial statements - continued

**Reason for Reclassification:** The reclassification was made to better reflect the nature of the transaction as a prepayment for future goods and services, which aligns with the company's accounting policy for prepayments. This change provides more relevant information to the users of the financial statements by accurately depicting the timing of the expected inflow of economic benefits associated with the advance payment.

- **Interest paid on lease liability**

During the current financial year, the company identified that interest paid on lease liability classified under "Financing activities" in the statement of cash flow for the year ended 31st December 2023 (2022) were more appropriately classified as "Operating activities".

**Nature of Reclassification:** The interest paid on lease liability, which was originally classified under "Financing activities," represents interest portion from payment made to reduce lease liability. As such, it has been determined that this interest paid is more appropriately classified under "Operating activities".

**Amount Reclassified:** The amount of the advance payment reclassified from "Financing activities" to "Operating activities" for the prior year is ₦38.5 million.

**Reason for Reclassification:** The reclassification was made to better reflect the nature of the transaction as an operating activity, which aligns with the requirements of IFRS.



## Other national disclosures

**Value Added Statement**  
For the year ended 31 December 2023

	<u>2023</u>	%	<u>2022</u>	%
	N'000		N'000	
Revenue	250,548,755		148,882,467	
Bought in materials and services:				
-Local	(185,696,275)		(154,511,146)	
-Foreign				
	<u>64,852,480</u>		<u>(5,628,679)</u>	
Finance Income	221,770		372,683	
Other income	8,098,188		25,969,770	
<b>Value added</b>	<u><u>73,172,438</u></u>	<u>100%</u>	<u><u>20,713,774</u></u>	<u>100%</u>
<b>Applied as follows:</b>				
<b>To Employees:</b>				
- as salaries, wages and other staff costs	13,166,236	18%	12,944,441	62%
<b>To Providers of finance:</b>				
- Finance cost and similar charges	18,760,484	26%	15,095,472	73%
- Impairment reversal/(loss)	39,545,248	54%	(1,130,748)	-5%
<b>To Government as:</b>				
- Taxes	82	0%	-	0%
<b>Retained in the business:</b>				
To maintain and replace				
- property, plant and equipment	778,289	1%	722,531	3%
- intangible assets	523,953	1%	418,880	0%
- To augment reserves	398,146	1%	(7,336,802)	-35%
<b>Profit/(loss) for the year</b>	<u><u>73,172,438</u></u>	<u>100%</u>	<u><u>20,713,774</u></u>	<u>100%</u>

The Value added represents the additional wealth which the Company has been able to create by its own and employees' effort. This statement shows the allocation of that wealth to employees, providers of finance, shareholders, government and that retained for creation of future wealth.

**Five-Year Financial Summary**

**Statement of profit or loss and other comprehensive income**

	Restated				
	2023	2022	2021	2020	2019
	N'000	N'000	N'000	N'000	N'000
Revenue	250,548,755	148,882,467	165,325,621	139,131,455	255,987,711
Results from operating activities	20,193,750	8,132,602	(1,109,852)	(1,913,809)	107,605,424
(Loss)/profit before taxation	1,655,036	(6,590,187)	(11,208,028)	(11,122,518)	125,790,733
Profit/(loss) before taxation	398,146	(7,336,802)	(11,945,351)	(11,471,618)	124,292,535
Profit/(loss) after taxation	<u>21,489,912</u>	<u>(7,229,057)</u>	<u>42,362,998</u>	<u>(10,512,503)</u>	<u>124,194,001</u>

**Statement of financial position**

	Restated				
	2023	2022	2021	2020	2019
	N'000	N'000	N'000	N'000	N'000
<b>Employment of funds</b>					
Property, plant and equipment	210,729,043	186,384,954	185,781,081	134,662,508	126,906,631
Right of Use asset	169,409	197,512	349,640	726,601	820,401
Intangible assets	641,606	697,724	741,196	848,888	920,334
Net current liabilities	(112,672,022)	(110,773,983)	(112,432,066)	(116,858,652)	(95,037,339)
Non-current liabilities	(44,321,674)	(43,449,757)	(34,154,344)	(21,456,836)	(25,175,014)
<b>Net Assets/(liabilities)</b>	<u>54,546,362</u>	<u>33,056,450</u>	<u>40,285,507</u>	<u>(2,077,491)</u>	<u>8,435,013</u>
<b>Funds Employed</b>					
Share capital	15,000	15,000	15,000	15,000	15,000
Accumulated losses	(65,651,916)	(66,110,031)	(58,880,974)	(47,137,702)	(35,537,529)
Revaluation reserve	120,183,278	99,151,481	99,151,481	45,045,211	43,957,542
	<u>54,546,362</u>	<u>33,056,450</u>	<u>40,285,507</u>	<u>(2,077,491)</u>	<u>8,435,013</u>