



**Eko Electricity Distribution Plc**  
*(Registration number 638862)*

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**Eko Electricity Distribution Plc**  
(Registration number 638862)  
Financial Statements for the year ended 31 December 2023

**Contents**

---

	<b>Page</b>
Corporate information	2
Directors' report	3 - 5
Statement of directors' responsibilities	6
Statement of corporate responsibility	7
Corporate governance report	8 - 10
Audit committee report	11
Independent auditor's report	12 - 16
Statement of profit or loss and other comprehensive income	17
Statement of financial position	18
Statement of changes in equity	19
Statement of cash flows	20
Notes to the financial statements	21 - 63
<b>Other national disclosures:</b>	
Value added statement	65
Five year financial summary	66

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Corporate information

---

<b>Company registration number</b>	638862
<b>Country of incorporation and domicile</b>	Nigeria
<b>Directors</b>	Oritsedere Otubu Tinuade Sanda (Recalled by WPG and subsequently terminated, April 2024)  Charles Momoh Simon Ani (Recalled by WPG May 2024) Tunji Olowolafe Ignatius Ayewoh Babor Egeregor Alex Okoh (Resigned January 2024)
<b>Registered office</b>	24/25 Marina Road, Lagos State
<b>Secretary</b>	GEP Nominees Limited
<b>Legal advisors</b>	George Etomi & Partners (Legal practitioners)
<b>Auditors</b>	PricewaterhouseCoopers Landmark Towers 5B Water Corporation Road Victoria Island Lagos
<b>Bankers</b>	First City Monument Bank Limited Union Bank of Nigeria Plc United Bank for Africa Plc Wema Bank Plc Zenith Bank Plc

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Directors' report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2023, which discloses the state of affairs of Eko Electricity Distribution Plc.

### 1. Nature of business

Eko Electricity Distribution Plc ("the Company") was incorporated in Nigeria with interests in the Services industry. The Company operates in Nigeria, and was incorporated on 8 November 2005 as a public limited liability company to take over as a going concern, the electricity distribution activities and related business of the Power Holding Company of Nigeria ("PHCN") within Eko zone which comprises of 10 districts namely; Apapa, Agbara/ Badagry, Ojo, Festac, Ijora, Islands, Lekki, Mushin, Orile and Ibeju districts.

As part of the Federal Government of Nigeria's ("FGN's") 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 2013, the FGN completed its planned privatisation of the power sector effectively handing over 5 generation and 11 distribution companies to new owners under various share sale agreements. As a result of this, 60% equity interest in the Company was acquired by a Nigerian company, West Power and Gas Limited ("WPG"). 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 8 June 2023, the Electricity Bill 2023 was signed into law as Electricity Act, 2023 ("the Act"). The Act provides a detailed framework for the operation of a fully privatized, cost and service reflective tariff, contract and rule-based competitive electricity market in Nigeria. It is expected that the policies and regulatory measures introduced by the act will affect the operations of the company, such as the introduction of State Electricity Regulatory Commissions, the possibility of a 100% private ownership as it is expected that the federal government 40% ownership will be transferred to private investors, the legal right for states and private entities to generate and distribute electricity, the act also encourage investment in infrastructure and technology which will aid in the reduction of losses. It should be noted that the introduction of this act does not in any way affect the going concern of the company.

There have been no material changes to the nature of the Company's business from the prior year.

### 2. Review of financial results and activities

The financial statements have been prepared in accordance with IFRS Accounting Standards and the requirements of the Companies and Allied Matters Act 2020 and The Financial Reporting Council Act 2011 (as amended). The accounting policies have been applied consistently for the years presented.

The Company's result for the year ended are set out on page 17. The summarised results are presented below.

Results

#### Results

	2023	2022
	N. '000	N. '000
Profit/(Loss) before tax	9,639,832	(13,927,251)
Taxation	414,262	13,240,721
<b>Profit/(Loss) after tax</b>	<b>10,054,094</b>	<b>(686,530)</b>

Full details of the financial position, results of operations and cash flows of the Company are set out in these financial statements.

### 3. Share capital

#### Indirect shares

As of 31 December 2023, the Directors of EKEDP highlighted below indirectly held a total of 46,356,800 shares in West Power and Gas Limited (WPG). This represents 68% of the total shares in WPG and translates to an indirect shareholding in EKEDP.

	2023	2022	2023	2022
	N. '000	N. '000	Number of shares	Number of shares
Issued				
Charles Momoh (through Atlantic Meridean Limited)	17,753,900	17,753,900	35,507,800	35,507,800
Tunji Olowolafe (through Kagera Limited)	5,424,500	5,424,500	10,849,000	10,849,000
	<b>23,178,400</b>	<b>23,178,400</b>	<b>46,356,800</b>	<b>46,356,800</b>

# Ekco Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Directors' report

### 3. Share capital (continued)

For the purpose of Section 303 of the Companies and Allied Matters Act of Nigeria 2020, no other Director has notified the Company of any declarable interests in contracts with the Company, except as disclosed in Note 35 to these financial statements.

Shareholding structure	2023	%	2022	%
West Power and Gas Limited	240,000,000	60	240,000,000	60
Bureau of Public Enterprises	128,000,000	32	128,000,000	32
Ministry of Finance Incorporated	32,000,000	8	32,000,000	8
	<b>400,000,000</b>	<b>100</b>	<b>400,000,000</b>	<b>100</b>

There have been no changes to the authorised or issued share capital during the year under review.

### 4. Directorate

The directors in office during the year and at the date of this report are as follows:

Directors	FRC NO.	Office	Designation	Changes
Oritsedere Otubu	FRC/2013/PRO/00 000004695	Chairman	Non- Executive Director	
Tinuade Sanda	FRC/2015/ICAN/00 000012005	Former Managing Director	Executive Director	Recalled by WPG and subsequently terminated, April 2024
Alex Okoh	FRC/2019/IODN/0 0000019210		Non- Executive Director	Resigned January 2024
Babor Egeregor			Non- Executive Director	
Simon Ani			Non- Executive Director	Recalled by WPG May 2024
Charles Momoh	FRC/2024/PRO/DI R/003/329449		Non- Executive Director	
Tunji Olowolafe			Non- Executive Director	
Ignatius Ayewoh	FRC/2022/PRO/AU DITCOM/002/7948 85		Non- Executive Director	Appointed January 2024

### 5. Holding company

The Company's holding company is West Power and Gas Limited which holds 60% (2022: 60%) of the Company's equity. Also, West Power and Gas Limited is incorporated in Nigeria.

### 6. Events after the reporting period

Events after the reporting date have been disclosed in Note 40 to the financial statements.

### 7. Property, plant and equipment

Information relating to changes in property plant and equipment is disclosed in Note 18 to these financial statements.

# EkO Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Directors' report

---

### 8. Charitable donations

In accordance with Section 43 (2) of the Companies and Allied Matters Act 2020, the Company made donations of NGN256,337 million to social causes during the year (2022: NGN69.5 million).

### 9. Employment and employees

#### a. Employee 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. Management, professional and technical expertise are the Company's major assets. The Company continues to invest in developing such skills. The Company has in-house training facilities, complemented, when and where necessary with external and overseas training for its employees. This has broadened opportunities for career development within the organization.

#### b. Dissemination of information

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

#### c. Employment of physically challenged persons

The Company has 32 physically challenged persons in its employment (2022: 16). 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 much as possible, be identical with that of other employees.

#### d. Employee health, safety and welfare

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

The Company has a well-established Environmental Health and Safety ("EH&S") management system, which formalises EH&S processes, procedures and programmes and provides for integration of EH&S issues into business planning and operations. It is the Company's goal to ensure that incident free safety record in operations is amongst the best, both locally and globally, upon which it has set its safety policy.


### 10. Auditor

PricewaterhouseCoopers(PwC) has indicated its willingness to continue in office as auditor in accordance with S.401(2) of the Companies and Allied Matters Act 2020, Laws of the Federation of Nigeria.

### 11. Date of authorisation for issue of financial statements

The financial statements have been authorised for issue by the Directors on 27 May 2024. No authority was given to anyone to amend the financial statements after the date of issue.

Signed on behalf of the Board of Directors by:

  
\_\_\_\_\_  
Company Secretary  
Diana Abasi Okop  
FRC/2021/002/00000024950



GEP Nominees Limited  
FRC/2023/COY/288969

27 May 2024

# **Eko Electricity Distribution Plc**

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## **Statement of directors' responsibilities**

---

The Companies and Allied Matters Act 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:


- a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria (Amendment) Act, 2023;
- b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the International Financial Reporting Standard (IFRS) and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

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

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of approval of these financial statements.

### **Approval of financial statements**



---

**Oritsedere Otubu**  
Chairman  
FRC/2013/PRO/00000004695

27 May 2024



---

**Charles Momoh**  
Director  
FRC/2024/PRO/DIR/003/329449

27 May 2024

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Statement of corporate responsibility

---

Further to the provisions of Section 405 of the Companies and Allied Matters Act 2020, we hereby certify the financial statements of Eko 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 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 and have designed such internal controls to ensure that material information relating to the Company is made known to us by other officers of the Company, particularly during the period in which the audited financial statement reports are being prepared;
- e) That we have evaluated the effectiveness of the Company's internal controls within 90 days prior to the date of audited financial statements, and certify that the Company's internal controls are effective as of that date;
- f) That we have disclosed the following information to the Company's auditors:
  - i) there are no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data, and have identified for the Company's auditors any material weaknesses in internal controls, and
  - ii) there is no fraud that involves management or other employees who have a significant role in the Company's internal controls.
- g) That there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

---

**Momoh Rekhia**  
Ag. Chief Executive Officer  
FRC/2024/PRO/NIM/002/949539  
27 May 2024

---

**Joseph Esenwa**  
Chief Financial Officer  
FRC/2013/PRO/00000001049  
27 May 2024



# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Corporate governance report

---

Subsequent to WPG's acquisition of 60% equity interest in the Company, and consistent with applicable NERC rules, the Board re-emphasized 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.

NERC rules require that the Company has at least five Directors of which at least one must be an independent Director. As at the date of the financial statements approval, the Company currently has 6 non-executive directors and 1 executive director. None of them is an independent director. The Managing Director has extensive knowledge of the power sector while the non-executive Directors bring to the table their broad knowledge of business and their financial, commercial and technical experience.

### Names of directors:

1	Oritsedere Otubu	Chairman/Non-executive Director
2	Tinuade Sanda (Recalled and terminated)	Former Managing Director/Chief Executive Officer
3	Alex Okoh/Ignatius Ayewoh	Non-executive Director/Alternate Director
4	Babor Egeregor	Non-executive Director
5	Tunji Olowolafe	Non-executive Director
6	Simon Ani (Recalled)	Non-executive Director
7	Charles Momoh	Non-executive Director

### Board committees

There are five (5) board committees, they are as follows:

- Finance and General Purpose Committee
- Board Strategy and Technical Matters Committee
- Board Human Resources and Administration Committee
- Legal, Corporate Governance and Regulatory Committee
- Audit and Compliance Committee

### Board committee functions

The functions of the board committees are as follow :

#### a. Finance and General Purpose Committee

The members of this committee during the year were as follows:

1	Charles Momoh	Chairman
2	Tinuade Sanda (Recalled and terminated)	Managing Director
3	Babor Egeregor	
4	Simon Ani (Recalled)	
5	Tunji Olowolafe	
6	Ignatius Ayewoh	
7	Alex Okoh (Resigned)	

The primary objective of the committee is to carry out oversight functions on matters relating to or affecting the Company's financial direction and the development and implementation of necessary initiatives. The committee is responsible for proffering independent recommendations to the Board on financial matters.

The committee also has the following responsibilities:

- Provide oversight with respect to capital structure, cash flows and key financial ratios of the Company and make recommendations with respect to the Company's financial policies.
- Review policies with respect to distributions to shareholders generally, make recommendations with respect to the declaration of dividends, and also recommend the repurchase of shares of the Company from time to time consistent with authority levels established by the Board.
- Review the Company's liquidity position, including the Company's credit facilities.
- Review the Company's credit ratings and monitor its activities with respect to credit rating agencies.
- Review financial plan and make recommendations on behalf of the Board as part of its oversight functions.
- Assist the Board in fulfilling its responsibilities relating to managing the financial activities of the Company.
- Periodically review the Company's investor relation's program, shareholder profile and analyst coverage.
- Any additional matters delegated to the committee by the Board.

# **Eko Electricity Distribution Plc**

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## **Corporate governance report**

---

### **b. Board Strategy and Technical Matters Committee**

The members of this committee during the year were as follows:

- 1 Simon Ani (Recalled) Chairman
- 2 Tinuade Sanda (Recalled and terminated) Managing Director
- 3 Ignatius Ayewoh
- 4 Babor Egeregor
- 5 Tunji Olowolafe
- 6 Charles Momoh
- 7 Alex Okoh (Resigned)

The primary objective of the committee is to assist the Board in its oversight of the strategic and technical operations and activities of the Company in delivering its business plans whilst not diluting the accountability of the Company's executive team for the management of strategy and technical operations of the Company.

### **c. Board Human Resources and Administration Committee**

The members of this committee during the year were as follows:

- 1 Tunji Olowolafe Chairman
- 2 Tinuade Sanda (Recalled and terminated) Former Managing Director
- 3 Ignatius Ayewoh
- 4 Babor Egeregor
- 5 Simon Ani (Recalled)
- 6 Charles Momoh
- 7 Alex Okoh (Resigned)

The Board Human Resources and Administration Committee is responsible for assisting the Board of Directors in fulfilling its oversight responsibilities in relation to:

- The compensation of the Managing Director/Chief Executive Officer and senior management.
- The selection and retention of staff.
- Planning for the succession of staff.
- Professional development for staff.
- The management of pension and significant benefit plans for employees; and any additional matters delegated to the human resources committee by the board.

### **d. Legal, Corporate Governance and Regulatory Committee**

The members of this committee during the year were as follows:

- 1 Babor Egeregor Chairman
- 2 Tinuade Sanda (Recalled and terminated) Managing Director
- 3 Ignatius Ayewoh
- 4 Simon Ani (Recalled)
- 5 Tunji Olowolafe
- 6 Alex Okoh (Resigned)

The primary objective of the committee is to carry out oversight functions on matters relating to the Company in respect of corporate procedures, corporate governance, statutory/regulatory and procedural compliance, general legal matters and policies. The committee is also responsible for the following:

- Review of the Company's corporate governance matters and make recommendation to the Board.
- Review and advise the Company on contentious legal issues that may arise and proffering solutions.
- Seek any information it requires from any employee of the Company.
- Obtain any independent legal or other professional advice and to source the attendance of external advisers at its meetings if it considers this necessary, at the Company's expense.

# **Eko Electricity Distribution Plc**

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## **Corporate governance report**

---

### **e. Audit and Compliance Committee**

The members of this committee during the year were as follows:

- |   |                  |            |
|---|------------------|------------|
| 1 | Ignatius Ayewoh  | Chairman   |
| 2 | Oritsedere Otubu |            |
| 3 | Simon Ani        | (Recalled) |
| 4 | Alex Okoh        | (Resigned) |
| 5 | Babor Egeregor   |            |
| 6 | Tunji Olowolafe  |            |

The committee derives its authority from the Board to:

- Assist the Board in effectively discharging its responsibilities prescribed by applicable laws relating to financial accountability, audit, risk assessment, financial and performance management and financial reporting process.
- Adequately monitor and manage the Company's system of internal control, audit process and ensure due compliance with relevant Corporate Governance and Regulatory Policies.
- Pre-recommend all auditing and non-audit services.

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Audit committee report

---

This report is provided by the audit committee appointed in respect of the 2023 financial year of Eko Electricity Distribution Plc.

### 1. Members of the Audit Committee

The committee is satisfied that the members thereof have the required knowledge and experience as set out in the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2020.

The audit and compliance committee's overall purpose is to enhance confidence in the integrity of the Company's processes and procedures relating to internal control and corporate reporting. The audit and compliance committee is responsible for the review of financial reporting, appointment and provision of oversight for the work of the external auditor.

The committee makes recommendations to the Board concerning internal financial controls, effectiveness of its internal audit functions viz a viz compliance with internal processes and procedures. It also ensures statutory compliance with the provisions of Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2020.

### 2. Meetings held by the Audit Committee

The audit committee performs the duties laid upon it by the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2020 by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditors.

The committee held two (2) scheduled meetings during 2023 and all the members of the committee attended all the meetings.

### 3. External auditor

The audit committee has nominated PricewaterhouseCoopers as the independent auditor for the performance of the 2024 audit.

The committee satisfied itself through enquiry that the external auditors are independent as defined by the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2020 and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided in accordance with the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2020 that internal governance processes within the firm support and demonstrate the claim to independence.

The audit committee in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

### 4. Financial statements

Following the review of the financial statements, the audit committee recommend board approval thereof.

On behalf of the audit committee



---

**Ignatius Ayewoh**

**Chairman Audit Committee**

**FRC/2022/PRO/AUDITCOM/002/794885**



## *Independent auditor's report*

To the Members of Eko Electricity Distribution Plc

### *Report on the audit of the financial statements*

---

#### *Our opinion*

In our opinion, Eko Electricity Distribution Plc's ("the company's") financial statements give a true and fair view of the financial position of the company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with international financial reporting standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

#### **What we have audited**

Eko Electricity Distribution Plc's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 December 2023;
- the statement of financial position as at 31 December 2023;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of material accounting policies.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

#### **Independence**

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

#### *Key audit matters*

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

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="228 338 738 371"><i>Impairment of trade receivables (₦75.02 billion)</i></p> <p data-bbox="228 454 759 512"><i>Refer to notes 4(m), 6(ii), 9.5(a), 12 and 22 of these financial statements</i></p> <p data-bbox="228 542 794 741">The company bills its customers monthly using the Multi-Year Tariff Order (MYTO). Customers are classified based on their payment pattern as prepaid and post-paid. The risk of impairment to trade receivables relates to only post-paid customers because some customers do not make payment as and when due on the bills.</p> <p data-bbox="228 775 777 945">We focused on this area due to the materiality of the trade receivable of ₦128.34 billion and resulting impairment of ₦75.02 billion and because it requires significant judgment both for timing of recognition of impairment and estimation of the amount of such impairment.</p> <p data-bbox="228 978 783 1093">The expected credit loss (ECL) model requires significant judgment in measuring ECL especially incorporating forward looking information in building the economic scenarios used in the ECL model.</p> <p data-bbox="228 1126 794 1379">The company utilised the “simplified approach” model in determining the provision for impairment for the trade receivables. Under the simplified approach, the provision combines the historical loss rate with forward looking assumptions (forecast GDP growth rate and crude oil prices) which takes management’s view of the future of the customer into account. In computing the ECL, the company considered the classification of customers based on customer grouping.</p>	<p data-bbox="823 463 1286 577">We adopted a substantive approach in assessing the allowance for impairment made by the directors. We performed the following procedures:</p> <ul data-bbox="823 611 1297 1330" style="list-style-type: none"> <li data-bbox="823 611 1297 725">• Obtained an understanding of the company’s process for grouping its customers and estimating the expected credit loss (ECL) for these customers;</li> <li data-bbox="823 790 1297 936">• Challenged management regarding the forward-looking assumptions (forecast GDP growth rate and crude oil prices) and compared those assumptions against publicly available information;</li> <li data-bbox="823 1001 1297 1059">• Tested the calculation of the historical loss rates across the aging buckets;</li> <li data-bbox="823 1124 1297 1216">• Recomputed the impairment amount and compared to amount recognised by management; and</li> <li data-bbox="823 1281 1297 1330">• Reviewed the IFRS 9 disclosures for reasonableness.</li> </ul>



*Recognition of tariff shortfall (₦62.2 billion)*

*Refer to notes 4(j), 8 and 14 of the financial statements*

The Nigerian Electricity Regulatory Commission (NERC) regulates electricity tariffs in the Nigerian electricity supply industry through the periodic issuance of tariff orders known as the Multi-Year Tariff Order (MYTO). The MYTO ensures prices charged by licensees are fair to consumers and are sufficient to allow licensees recover the cost of energy purchased from the Nigerian Bulk Electricity Trading Plc. (NBET), including a reasonable return on the capital invested in the business.

NERC implemented MYTO reviews in 2020 which had a material and immediate impact on end-user tariff payables by all classes of electricity customers in the country. Prior to this review, there existed a wide tariff gap due to the absence of cost-reflective tariffs which has not been completely eliminated. As a result, the company is not able to pass on the full cost of energy purchased to end users leading to tariff shortfall. The tariff shortfall will be fully settled under the financing plan of the Power Sector Recovery Plan (PSRP) approved by the Federal Government.

Based on the orders, the company recognised a tariff shortfall of ₦62.2 billion in 2023.

We focused on this area due to the peculiarity of the transaction to the industry and the materiality of the balance.

We performed the following procedures:

- Examined the NERC orders to obtain an understanding of the considerations for recognition;
- Checked that the tariff shortfall amount recognised by the company was in line with the NERC orders; and
- Evaluated the adequacy of the disclosures in the financial statements.

---

*Other information*

The directors are responsible for the other information. The other information comprises the Corporate information, Directors' report, Statement of directors' responsibilities, Statement of corporate responsibility, Corporate governance report, Audit committee report, Value added statement and Five year financial summary, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



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

---

### *Responsibilities of the directors and those charged with governance for the financial statements*

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the requirements of the Companies and Allied Matters Act, 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.

Those charged with governance are responsible for overseeing the company's financial reporting process.

### *Auditor's responsibilities for the audit of the financial statements*

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

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

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





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

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

---

### *Report on other legal and regulatory requirements*

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from locations not visited by us;
- 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 and returns.

---

*Akinyemi Akingbade*

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

Engagement Partner: Akinyemi Akingbade  
FRC/2013/PRO/ICAN/004/0000004012



25 July 2024

## Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

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

		2023	2022
	Note(s)	N. '000	N. '000
Revenue	10	180,685,487	137,444,238
Cost of sales	11	(198,816,617)	(117,157,370)
<b>Gross (loss) profit</b>		<b>(18,131,130)</b>	<b>20,286,868</b>
Other income	14	76,726,511	21,412,174
Net impairment losses on financial assets	12	(11,130,570)	(18,138,882)
Operating expenses	13	(31,832,197)	(31,834,122)
<b>Operating Profit/(Loss)</b>		<b>15,632,614</b>	<b>(8,273,962)</b>
Finance income	15	350,858	259,031
Finance costs	16	(6,343,640)	(5,912,320)
Net finance cost		(5,992,782)	(5,653,289)
<b>Profit/(Loss) before taxation</b>		<b>9,639,832</b>	<b>(13,927,251)</b>
Taxation	17	414,262	13,240,721
<b>Profit/(Loss) for the year</b>		<b>10,054,094</b>	<b>(686,530)</b>
Other comprehensive income		-	-
<b>Total comprehensive Profit/(Loss) for the year</b>		<b>10,054,094</b>	<b>(686,530)</b>
<b>Earnings per share</b>			
<b>Per share information</b>			
Basic and diluted Earnings/(Loss) per share (NGN)	33	25	(2)

The notes on pages 21 to 63 form an integral part of the financial statements.

# Eko Electricity Distribution Plc

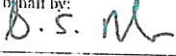
(Registration number 638862)

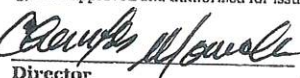
Financial Statements for the year ended 31 December 2023

## Statement of financial position as at 31 December 2023

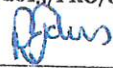
		31 December 2023	31 December 2022
	Note(s)	N. '000	N. '000
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	18	76,555,254	62,136,214
Right-of-use assets	20	4,103,507	2,020,862
Intangible assets	19	1,036,464	1,391,101
Loans receivable	39	12,481,000	19,011,740
Restricted cash	22	7,020,015	6,792,501
Deferred tax	17	30,699,289	26,261,203
		<b>131,896,438</b>	<b>111,443,630</b>
<b>Current Assets</b>			
Inventories	21	4,110,004	3,213,067
Trade and other receivables	22	122,352,130	68,543,064
Contract assets	27	2,436,182	1,818,426
Prepayments	23	1,022,819	1,029,819
Restricted Cash	22	12,240,223	17,775,545
Cash and cash equivalents	24	18,938,305	14,373,078
		<b>161,099,663</b>	<b>106,745,999</b>
<b>Total Assets</b>		<b>292,996,101</b>	<b>218,189,629</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	31	200,000	200,000
Retained earnings	32	67,364,832	57,310,738
		<b>67,564,832</b>	<b>57,510,738</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Borrowings	28	26,417,682	28,030,012
Lease liabilities	20	3,482,559	1,668,764
Long term employment benefit	34	150,960	120,575
Deferred income	29	14,575,241	14,197,062
		<b>44,626,442</b>	<b>43,416,413</b>
<b>Current Liabilities</b>			
Trade and other payables	25	157,035,453	94,509,161
Borrowings	28	5,295,478	4,382,382
Lease liabilities	20	895,682	1,147,058
Long term employment benefit	34	-	1,320
Contract liabilities	26	1,373,463	1,643,279
Deferred income	29	3,364,705	6,779,785
Current tax payable	17	12,717,690	8,693,867
Provisions	30	123,356	105,626
		<b>180,804,827</b>	<b>117,262,478</b>
<b>Total Liabilities</b>		<b>225,431,269</b>	<b>160,678,891</b>
<b>Total Equity and Liabilities</b>		<b>292,996,101</b>	<b>218,189,629</b>

The financial statements and the notes on pages 21 to 63, were approved and authorized for issue by the board of directors on 27 May 2024 and were signed on its behalf by:

  
**Chairman**  
**Dere Otubu**  
 FRC/2013/PRO/00000004695

  
**Director**  
**Charles Momoh**  
 FRC/2024/PRO/DIR/003/329449

  
**Chief Financial Officer**  
**Joseph Esenwa**  
 FRC/2013/PRO/00000001049

  
**Ag. Chief Executive Officer**  
**Momoh Rekhia**  
 FRC/2024/PRO/NIM/002/949539

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Statement of changes in equity

	Share capital	Retained earnings	Total equity
	N. '000	N. '000	N. '000
<b>Balance at 01 January 2022</b>	<b>200,000</b>	<b>57,997,268</b>	<b>58,197,268</b>
Loss for the year	-	(686,530)	(686,530)
Other comprehensive income	-	-	-
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(686,530)</b>	<b>(686,530)</b>
<b>Balance at 31 December 2022</b>	<b>200,000</b>	<b>57,310,738</b>	<b>57,510,738</b>
<b>Balance at 01 January 2023</b>	<b>200,000</b>	<b>57,310,738</b>	<b>57,510,738</b>
Profit for the year	-	10,054,094	10,054,094
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>10,054,094</b>	<b>10,054,094</b>
<b>Balance at 31 December 2023</b>	<b>200,000</b>	<b>67,364,832</b>	<b>67,564,832</b>

The notes on pages 21 to 63 form an integral part of the financial statements.

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Statement of cash flows

		2023	2022
	Note(s)	N. '000	N. '000
<b>Cash flows from operating activities</b>			
Profit/(Loss) before taxation		9,639,832	(13,927,251)
<b>Adjustments for:</b>			
Depreciation of property plant and equipment	18	9,348,837	8,192,507
Amortisation of intangible assets	19	446,478	419,457
Depreciation expense on right-of-use assets	20	1,371,162	870,858
(Gains) /losses on foreign exchange		(9,027)	3,275
Finance income	15	(350,858)	(259,031)
Finance costs	16	6,343,640	5,912,320
Impairment losses	12	11,130,570	18,138,882
Amortisation of deferred income (government grant)	29	(2,649,897)	(3,108,833)
Inventories lost or written off	11	104,112	11,344
long term employment benefit	34	29,065	33,477
Provisions	30	16,730	(64,190)
<b>Changes in working capital:</b>			
Inventories		(1,001,049)	(1,583,436)
Trade and other receivables		(65,237,150)	6,562,847
Contract assets		(617,756)	(316,419)
Restricted Cash		5,535,322	(17,775,545)
Trade and other payables		62,526,292	(6,170,239)
Contract liabilities		(269,816)	(49,747)
<b>Cash generated from operations</b>		<b>36,356,487</b>	<b>(3,109,724)</b>
Tax paid	17c	-	(335,421)
<b>Net cash generated from/(used in) operating activities</b>		<b>36,356,487</b>	<b>(3,445,145)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	18	(23,767,877)	(16,585,387)
Purchase of intangible assets	19	(91,842)	(165,272)
Advances of loans receivable at amortised cost	39	-	(12,911,749)
Receipts from loans receivable at amortised cost	39	1,570,700	168,731
Interest income	15	350,858	259,031
Acquisition of right-of-use assets	20.4	(1,181)	(3,610)
<b>Net cash used in investing activities</b>		<b>(21,939,342)</b>	<b>(29,238,256)</b>
<b>Cash flows from financing activities</b>			
Repayment of principal on borrowings	28	(4,824,344)	(827,361)
Repayment of interest on borrowings	28	(4,681,194)	(2,625,276)
Proceeds from borrowings	28	1,372,088	21,154,825
Payment on lease liabilities	20.4	(1,727,495)	(1,188,718)
<b>Net cash (used in)/generated from financing activities</b>		<b>(9,860,945)</b>	<b>16,513,470</b>
<b>Total cash movement for the year</b>		<b>4,556,200</b>	<b>(16,169,931)</b>
Cash at the beginning of the year		14,373,078	30,546,284
Effect of exchange rate movement on cash balances	14	9,027	(3,275)
<b>Total cash at the end of the year</b>	24	<b>18,938,305</b>	<b>14,373,078</b>

The notes on pages 21 to 63 form an integral part of the financial statements.

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the financial statements

---

### 1. General information

Eko Electricity Distribution Plc ("the Company" or "EKEDP") was incorporated in Nigeria on 8 November 2005 as a public limited liability company to take over as a going concern, the electricity distribution activities and related business of the Power Holding Company of Nigeria ("PHCN") within the Eko zone, which comprised of 8 districts namely Apapa, Agbara/Badagry, Ojo, Festac, Ijora, Islands, Lekki and Mushin districts. In 2017, Orile and Ibeju were separated from Mushin and Lekki respectively as stand alone districts. In 2022, Ajah district was created out of Ibeju district bringing the total number up to 11.

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 are regulated by Nigerian Electricity Regulatory Commission (NERC), which sets out the Electricity Market Rules to ensure efficiency, stability and reliability in the supply of electricity in Nigeria. NERC set out the Transitional Electricity Market ("TEM") rules of the Nigerian Electricity Supply Industry ("NESI") which became effective from 1 February 2015.

Effective 1 November 2013, West Power and Gas Limited, a Nigerian company, acquired 60% interest in the Company thereby acquiring control of the Company. The remaining 40% shareholding is held by Bureau of Public Enterprises (32%) and Ministry of Finance Incorporated (8%). The acquisition of the 60% interest in the Company was as a result of the privatisation initiative of the power sector embarked on by the Federal Government of Nigeria.

### 2. Basis of preparation

#### a. Compliance with IFRS Accounting standards

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) applicable to companies reporting under IFRS Accounting Standards. The financial statements comply with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), the requirements of the Companies and Allied Matters Act (CAMA) and the Financial Reporting Council (Amendment) Act, 2023

The preparation of financial statements, in conformity with generally accepted accounting principles under IFRS Accounting Standards, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

These accounting policies are consistent with the previous period.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires directors to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 6.

#### b. Basis of measurement

The financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value on initial recognition, long term employee benefits measured using projected unit credit method, contribution of assets by customers recognised at fair value and government grant recognised at fair value and inventory at lower of cost and net realisable value. The financial statements are presented in Naira. All values are rounded to the nearest thousand (N'000), except where otherwise indicated.

#### c. Going concern

The financial statements have been prepared on a going concern basis. The Directors have no doubt that the Company would remain in existence into the foreseeable future and for at least twelve (12) months from the date of the approval of the financial statements.

### 3. Functional and presentation currency

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

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the financial statements

### 4. Material accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements except as otherwise stated:

#### a. Revenue from contracts 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 supplies electricity to a customer. Delivery is deemed complete when the risks and rewards associated with ownership have been transferred to the buyer as contractually agreed, that is the electricity has been consumed by the customers, compensation has been contractually established and collection of the resulting receivable is probable. Revenue is measured at the fair value of the consideration received or receivable.

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 payments terms	Revenue recognition
Post-paid revenue	The performance obligation of the Company is satisfied over time as electricity is supplied to the customers. Billing is done on a monthly basis and payment is contractually expected within 30 days of billing	Revenue is recognised over time as electricity is provided. The amount of revenue to recognise during the year is assessed based on the unit delivered method. The stand-alone selling price is determined based on the NERC approved tariff for the different categories of customers. Billings to customers are recognised as revenue based on the evaluation of whether collection of consideration is probable. The Company recognises postpaid revenue in the amount to which it has the right to invoice. An estimate is also made for earned but unbilled revenue as at year end, this is included as contract asset in statement of financial position.
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 the case of prepaid customers, an estimate is made for unearned revenue as at year end 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.

#### b. Finance income and finance costs

Finance income comprises interest income on financial instruments held at amortised cost and fair value gain.

Finance costs comprise interest expense on interest bearing liabilities, unwinding discount from Credit Advance Payment for Metering Implementation (CAPMI) and bank charges. Interest expense on interest bearing borrowings is recognised using the effective interest method. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss using the effective interest method. Write back of interest attributable to tariff shortfalls and interest expenses on liabilities to Nigerian Bulk Electricity Trading (NBET) are recognized on a net basis as either finance income or finance cost depending on whether the summation results in a net gain or a net loss position.

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the financial statements

---

### c. Translation of foreign currencies

#### Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency using exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency (Nigerian Naira) at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

### d. Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are recognised and measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes any costs directly attributable to bringing the asset to its location and condition necessary for it to be capable of operating in the manner intended by the Company including relevant borrowing costs.

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. Items of property, plant and equipment are available for use and depreciation, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. 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 and the cost is reliably measurable. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

#### (iii) Depreciation

Depreciation is calculated to write off the cost 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 recognised in profit or loss. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

---

Item	Average useful life
Buildings	40-50 Years
Distribution Network Assets	10-30 Years
Furniture and fixtures	4-5 Years
Motor vehicles	5 Years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Capital work in progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category at the point when the asset becomes available for use and is depreciated accordingly.

#### (iv) Contribution of assets by customer

Contributions of items of property, plant and equipment by customers are recognised at the fair value when the Company has control of the item. The Company assesses whether the transferred item meets the definition of an asset, and if so recognizes the transferred asset as property, plant and equipment. At initial recognition, its cost is measured at fair value, and a corresponding amount is recognised as other income.

#### (v) Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal of the asset or when no future economic benefits are expected to accrue to the Company from its continued use. Any gain or loss arising on derecognition is included in the statement of profit or loss in the period in which the asset is derecognised. The gain or loss is determined as the difference between the carrying value and the net proceeds on the sale of the assets, if any, at the time of disposal.



# Ekco Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the financial statements

---

### e. Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Acquired computer software licences are capitalized on the basis of costs incurred to acquire and bring the specific software to the useful state.

#### (i) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

#### (ii) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their 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 for the current and comparative years for computer software is 5 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### (iii) Derecognition

The carrying amount of intangible assets is derecognised on disposal or when no future economic benefits are expected to accrue to the Company from its continued use. The gain or losses that arises upon the derecognition of any intangible asset shall be included in profit or loss in the period of derecognition

### f. Financial instruments

#### (i) Recognition and measurement

Trade receivables 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. 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 fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### (ii) Classification and subsequent measurement

##### Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the 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.

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:

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the financial statements

---

### f Financial instruments (continued)

- 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;
- 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).

### Financial assets – subsequent measurement, 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 are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

#### 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 derecognises 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 derecognised financial assets that is created or retained by the Company is recognized as a separate asset or liability.

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the financial statements

---

### f Financial instruments (continued)

#### Financial liabilities

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

#### (iv) Modification

When the contractual cash flows of a financial instrument are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Company recalculates the gross carrying amount of the financial instrument and recognises a modification gain or loss immediately within finance income/(cost) at the date of the modification. The gross carrying amount of the financial instrument is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial instrument's original effective interest rate.

#### (v) 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 and cash balances with banks. Bank overdrafts which are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of statement of cash flows. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

### h. Inventories

Inventories are stated at the lower of cost or net realisable value. The initial cost of inventory constitutes the purchase price, cost of transportation, VAT and every other cost incurred to bring it to its intended use. The subsequent value of inventory is based on weighted average cost. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. Allowance is made for obsolete, slow-moving or defective items where appropriate. Inventories are stated net of write-downs and provisions.

### i. Government grants

The Central Bank of Nigeria provided the Company with a loan facility at an interest rate lower than the market rate. Gains on the government loan (the difference between the fair value and face value of the loan) is recognised as a government grant. Government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant, they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset they relate to.

Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

### j. Tariff shortfall

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 billings to customers. Shortfalls are recognized in profit or loss as other income in the periods the shortfalls are approved by NERC. Tariff shortfalls relating to prior periods are recognised in other income in the current period upon NERC approval.

### k. Cost of sales

Cost of sales includes the cost of energy, distribution network assets, staff cost of distribution (technical) staff and any direct costs for the distribution of energy.

Cost of energy refers to all costs incurred in the purchase of energy from suppliers. This comprises cost of electricity purchased from the Nigerian Bulk Electricity Trading Company (NBET) and service charges from the Market Operator (MO).

### l. Leases

The Company assesses at contract inception 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.

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the financial statements

---

### 1 Leases (continued)

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, 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 lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Company under residual value guarantees;
- the exercise price of purchase options, if the Company is reasonably certain to exercise the option;
- 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, if the lease term reflects the exercise of an option to terminate the lease.

#### 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. IFRS 16 provides lessees with an election not to recognise a right-of-use asset and lease liability for leases for which the underlying asset is of low value. The Company classifies assets worth N30,000 and below as low-value.

In addition, in line with IFRS 16, the Company defines a short-term lease as one that has a lease term of 12 months or less without any purchase options.

### m. Impairment

#### (i) Financial instruments and contract assets

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost and contract assets under IFRS 15: Revenue from Contracts with Customers. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach or the three-stage general approach to determine impairment of receivables depending on their respective nature. The simplified approach is applied for trade receivables and contract assets while the general approach is applied to tariff shortfall receivables, other receivables and cash and bank balances.

The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the Company's historical default rates observed over the expected life of the receivable and adjusted forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance.

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the financial statements

---

### m Impairment (continued)

Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each ageing bucket and for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimate of expected cash recoveries after considering the historical pattern of the receivable, and it assesses the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period. The EAD is the total amount of outstanding receivable at the reporting period. These three components are multiplied together and adjusted for forward looking information, such as the inflation rate and crude oil prices, to arrive at an ECL which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

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 held); or
- the financial asset is more than 90 days past due.

### 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 asset

At each reporting date, the Company assesses whether financial assets carried at amortised cost 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 obligor or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- it is probable that the obligor 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 related financial 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. 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. The amount written off is included in impairment loss on financial assets in the Statement of profit or loss and other comprehensive income.

### (ii) 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. 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.

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the financial statements

---

### n. Employee benefits

#### (i) Short-term employee benefits

Short term employee benefits (excluding termination benefits) are benefits earned by employees for rendering related services and are expected to be settled within 12 months after the end of the reporting period. 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 plans

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. The Company operates a defined contribution pension scheme in accordance with Pension Reform Act 2014. Staff contributions to the scheme amount to 8% of the employee's basic salary, housing and transport allowances which are funded through payroll deductions while the Company's contribution of 10% of the employee's basic salary, housing and transport allowances is recognised in profit or loss as employee benefit expense in the periods during which services are rendered by employees.

#### (iii) Other long term employee benefits

The Company's other long term employee benefits represents a Long Service Award scheme for employees on the completion of designated long service milestones from 5, 10, 15, 20, 25 and 30 years respectively. This scheme is instituted for all permanent employees. The Company's obligations in respect of these schemes are the amounts of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to its present value. The discount rate is a result of the Company's objective to ensure that the underlying cost inflation remains below the country's headline inflation, having considered the weighted average of 10 and 20 year Nigerian Government Bond Yields approximating the term of the Company's obligation. The calculation is performed using the Projected Unit Credit method. Remeasurements are recognized in profit or loss in the period in which they arise. This scheme is not funded. The obligations are paid out of the Company's cashflows as and when due.

#### (iv) 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 recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

### o. Provisions and contingencies

#### 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 recognised 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.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

#### 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.

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the financial statements

---

### **o Provisions and contingencies (continued)**

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.

### **Contingent assets**

Contingent assets are possible assets that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events that are not wholly within the control of the entity. Contingent assets are not recognized but are disclosed, when it is more likely than not that an inflow of benefit will occur.

### **p. Income tax**

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.

#### **(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 at 30% tax rate;
- Tertiary Education Tax is computed on assessable profits at 3% and
- Nigeria Police Trust Fund Levy is computed on net profit at 0.005% (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 where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

#### **(ii) Minimum tax**

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

The Finance Act 2021 stated that the minimum tax payable is determined at 0.25% of the annual gross turnover less franked investment income, in respect of tax returns due and filed between 01 January 2019 and 31 December 2021. Subsequently, minimum tax is determined at 0.5% of the annual gross turnover less franked investment income.

Gross turnover means the gross inflow of economic benefits during the period arising in the course of the operating activities of an entity. This also includes sales of goods, supply of services, receipt of interest, rent, royalties or dividends. Franked investment income relates to income in the form of dividends paid to a company from earnings on which corporation tax has already been paid by the originating company.

Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognized 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.

#### **(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 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 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.

# **Eko Electricity Distribution Plc**

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## **Notes to the financial statements**

---

### **p Income tax (continued)**

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 when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

### **q. Share capital**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the company in which they are declared.

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

### **r. Statement of cash flows**

The Statement of cash flows is prepared using the indirect method. Changes in Statement of financial position items that have not resulted in cash flows such as fair value changes and other non-cash items, have been eliminated for the purpose of preparing the statement. Finance costs paid are also included in financing activities while finance income received is included in investing activities.



# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

---

### 5. Changes in accounting policies and disclosures

#### 5.1 Standards and interpretations effective and adopted in the current year

All applicable standards have been applied in preparing these financial statements. As at the date of authorisation of this financial statement, the Company has applied the following standards and amendments for the first time in the annual reporting period commencing 1 January 2023:

##### a. IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for eligible groups of insurance contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023.

The effective date of the standard is for years beginning on or after 1 January 2023.

The amendment did not have any impact on the amount recognised in the prior periods or current period..

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

The IASB amended IAS 1 Presentation of Financial Statements to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The effective date of the standard is for years beginning on or after 1 January 2023.

The amendment did not have any impact on the amount recognised in the prior periods or current period.

##### c. 'Definition of Accounting Estimates – Amendments to IAS 8'

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The effective date of the standard is for years beginning on or after 1 January 2023.

The amendment did not have any impact on the amount recognised in the prior periods or current period.

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

---

### 5. Changes in accounting policies and disclosures (continued)

#### d. Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in the opening balance of retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The effective date of the standard is for years beginning on or after 1 January 2023.

The amendment did not have any impact on the amount recognised in the prior periods or current period.

#### 5.2 New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below:

##### a. Classification of liabilities as current or non-current: Amendments to IAS 1

Amendments made to IAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date. The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:

- the carrying amount of the liability
- information about the covenants, and
- facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note. The amendments must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

The effective date of the standard is for years beginning on or after 1 January 2024.

The amendment is not expected to have any impact on the amount recognised in the entity's financial statements.

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

---

### 5. Changes in accounting policies and disclosures (continued)

#### b. Supplier finance arrangements – Amendments to IAS 7 and IFRS 7

The IASB has issued new disclosure requirements about supplier financing arrangements ('SFAs'), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures falls short of meeting user information needs. The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following: The terms and conditions of SFAs.

1. The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.
2. The carrying amount of the financial liabilities in (b) for which suppliers have already received payment from the finance providers.
3. The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.
4. Non-cash changes in the carrying amounts of financial liabilities in (b).
5. Access to SFA facilities and concentration of liquidity risk with finance providers.

The IASB has provided transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application. Therefore, the earliest that the new disclosures will have to be provided is in annual financial reports for December 2024 year-ends, unless an entity has a financial year of less than 12 months.

The effective date of the standard is for years beginning on or after 1 January 2024.

The amendment is not expected to have any impact on the amounts recognised in the entity's financial statements.

#### c. Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28

The IASB has made limited scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

In December 2015, the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

The effective date of the standard is for years beginning on or after 1 January 2024.

The amendment is not expected to have any impact on the amounts recognised in the financial statements.

#### d. Lease Liability in a Sale and Leaseback - Amendments to IFRS 16

In September 2022, the IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of the transaction.

The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

The effective date of the amendments is for years beginning on or after 1 January 2024.

The amendments are not expected to have any impact on the amounts recognised in the financial statements.

# Ekco Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

---

### 6. Critical accounting estimates and judgements

In preparing these financial statements, the Directors have made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

#### (i) Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors, including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the lessee.

#### (ii) Impairment of trade and other receivables

The Company annually tests whether the trade and other receivables have suffered any impairment through the application of Expected Credit Loss (ECL). The impairment of trade and other receivables have been calculated and the impact reflected in the financial statements. Management considers, among other factors, the age of debts, customer's payment history and financial condition of the customer in determining the allowance for impairment losses. Debt owed by inactive customers are also fully impaired. Total impairment loss recognised during the year is N11.1 billion (2022: N18.1 billion).

Details of the key assumptions and inputs used are disclosed in Note 9.5

#### (iii) Deferred tax assets

The Company is subject to income taxes within Nigeria, which does not require much judgment in terms of the provision for income taxes but a certain level of judgment is required for the recognition of the deferred tax assets. Management assessed the ability of the Company to generate future taxable economic earnings that will utilise the deferred tax assets. Assumptions over the generation of future taxable profits depends on management's estimates of future cash flows.

#### (iv) Impairment assessment of non-financial assets

The Company has substantial investments in tangible long-lived assets comprising mainly of network distribution assets, land and building. The Company conducts impairment reviews of these assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable in accordance with the relevant accounting standards. Determining whether an asset is impaired requires an estimation of the value in use, which requires the Company to estimate the future cash flows, a growth rate (that reflects the economic environments in which the Company operates) and a pre-tax discount rate (that reflects the current market assessments of the time value of money and the risks specific to the asset) in order to calculate the present value. Where the expected cash flows are less than the asset's carrying amount, an impairment loss may arise. After reviewing the business environment as well as the Company's current and past performances, management did not identify events or changes in circumstances indicating impairment of its assets.

#### (v) Defined benefit obligations

These 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, mortality rates and changes in inflation rates.

Due to the complexities involved in the valuations 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 extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

Other key assumptions for defined benefits obligations are based in part on current market conditions. Additional information is disclosed in Note 34.

# Ekco Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

---

### (vi) Useful lives of assets

The useful lives of property, plant and equipment are reviewed for reasonableness at least annually. The review is based on the current market situation. The review of useful lives did not significantly impact depreciation.

### (vii) Contract assets

Contract assets relates to amount of energy supplied to customers but have not been billed as at year end. The Company estimates this amount by using a consumption factor based on billings for the year multiplied by the number of outstanding days to the period end from the last billing dates.

### (viii) Contract liabilities

The contract liabilities primarily relate to the advance consideration received from prepaid customers for supply of electricity which is yet to be consumed. This is derived by calculating an energy consumption factor for each customer based on energy unit purchased during the year and applying this on a prorated basis to estimate quantity of the last units of energy purchased by the customer that should be deferred.

### (ix) Inventories

Inventories are carried at the lower of Net realizable value or cost (the cost is generally determined under the weighted average method). Inventory costs include expenditures and other charges directly and indirectly incurred in bringing the inventory to its existing condition and location.

## 7. 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.

### Fair value hierarchy

Also, when measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quotes 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).

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities (Note 4f). 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. If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price. 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.

# **Eko Electricity Distribution Plc**

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## **Notes to the Financial Statements**

---

### **8. Tariff shortfall**

Tariff shortfall is derived from the variance between cost reflective tariffs and actual charges to energy users in the Nigerian Electricity Supply Industry ("NESI"). On 21 December 2015, Nigerian Electricity Regulatory Commission ("NERC") signed its Multi-Year Tariff Order ("MYTO") which indicated rates that the Distribution Companies ("DisCos") should charge its customers. However, these rates do not allow the DisCos to recover their cost of purchase and transmission of electricity from NBET and TCN respectively, and therefore the DisCos are not able to make any profit from its transactions with customers.

NERC in order No. NERC/GL/172A issued on 1 July 2019 introduced the concept of tariff shortfall to be recognized by the DisCos as the Government's compensation for the non-cost reflective tariff from 2015 till date and going forward.

#### **Recognition**

In the accounts of the EKEDP, the tariff shortfall is recognised as a debit to Other Receivables (Regulatory Receivables) and a corresponding credit to Other Income. The Company recognizes tariff shortfall in its financial statements based on the NERC Orders received in the financial year. Tariff shortfall recognized in the year amounted to N62.2 billion (2022: N9.5 billion)

#### **Treatment of credit notes received from NBET**

In line with NERC orders NERC/GL/172A, NERC/GL/186B/2019 and NERC/196/2020, and NBET's Payment Assurance Facility, NBET from time to time may send credit notes to the DisCos to reduce their receivables from the DisCos. These credit notes are recognized in the accounts of the Company as a reduction to Trade Payables (NBET) and a decrease to Other Receivables (Tariff shortfall receivables).

#### **Order on regulatory net-off**

On account of non-compliance with the Economic Merit Dispatch Order for the period January 2020 to December 2020, a sum of N1.3 billion shall be recovered from the amount payable to the Transmission Company of Nigeria Plc (TCN) through twelve instalments over the period July 2022 to June 2023. The Market Operator shall reflect the monthly deduction in the revenue accruable/payable to TCN in its records. This is an implementation of the Economic Merit Order Dispatch as provided for in the December 2019 Minor Review Order and subsequent Tariff Orders. This has been recognised as an other income with a corresponding receivable.

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

### 9. Financial instruments and risk management

#### 9.1. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effect on its financial and operational performance.

The Company has a risk management function that manages the financial risks relating to the Company's operation under the policies approved by the board of directors.

#### a. Market risk

This is the risk of movements in the fair value of future cash flows of a financial instrument because of changes in market prices. The Company is exposed to changes in price of electricity, however, this exposure does not have any impact on recognised financial instruments.

##### (i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company held balances denominated in foreign currency as at each year end. The devaluation of the Naira and unification of Exchange Rates by the CBN is a major concern as some of the Company's transactions are carried out with foreign currency.

##### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have any long-term borrowings at variable rates as at the reporting date.

##### (iii) Price risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk. There are no financial instruments exposed to other price risk.

#### b. Credit risk

Credit risk is the risk that a borrower or issuer of a financial instrument will not repay the principal and/or interest according to the terms specified in the credit agreement. Credit risk arises from cash and cash equivalents, restricted cash, and trade receivables held at amortised cost. The trade receivables arise from exposures to key client groups (KCG) and Non Key Client Groups (NKCG). The Company has policies in place to ensure that customers are disconnected from the network when their credit limit is exceeded. These credit limits are set based on the customers' tariff classification, credit history and other relevant factors.

The carrying amounts of financial assets represent the maximum exposure to credit risk of the Company.

Below is a breakdown of the Company's financial assets that are exposed to credit risk and the maximum exposures as at each reported date:

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

		Maximum exposure	
	Notes	31 December 2023	31 December 2022
		N. '000	N. '000
Cash and cash equivalents	24	18,938,305	14,373,078
Restricted cash	22	7,020,015	6,722,501
Trade receivables	22	128,336,485	116,166,589
Other receivables*	22	64,432,724	13,290,178
Unpaid share capital	22	195,000	195,000
<b>Total</b>		<b>218,922,529</b>	<b>150,747,346</b>

\*Other receivables exclude withholding tax recoverable, supplier advances, prepayment and value added tax (VAT) receivables as these are non-financial instruments.

# Ekco Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

### 9. Financial instruments and risk management (continued)

#### (ii) Credit quality of cash and cash equivalent

The credit quality of cash and cash equivalent and restricted cash that are neither past due nor impaired can be referenced to external ratings (if available) or to historical information about counterparty default rates.

	31 December 2023 N. '000	31 December 2022 N. '000
B	-	14,368,626
B-	18,937,531	3,700
Non-rated	774	752
	<b>18,938,305</b>	<b>14,373,078</b>

This is based on Fitch national long-term rating. National credit ratings are an assessment of credit quality relative to the rating of the lowest credit risk in a country. This lowest risk will normally, although not always, be assigned to all financial commitments issued or guaranteed by the sovereign state. National Ratings are not intended to be internationally comparable and are denoted by a special identifier for the country concerned. The performance of national ratings will also not be strictly comparable over time, given the moving calibration of the entire scale to the entity or entities with the lowest credit risk in a country, whose creditworthiness relative to other entities internationally may change significantly over time.

These above ratings are explained as follows:

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

The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories. 'Others' indicate cash in hand and financial institutions with no available ratings

#### c. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently has a liquidity risk policy and relies on cash flows generated from customer payments to settle its financial obligations.

#### Maturity analysis

The table below analyses financial liabilities of the Company into relevant maturity periods based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

#### 2023

		Less than 1 year N. '000	Between 1 to 2 years N. '000	Beyond 2 years N. '000	Total N. '000
Borrowings	28	5,295,478	5,481,071	38,749,293	49,525,842
Lease liabilities	20.2	1,397,046	1,390,446	1,390,171	4,177,663
Trade and other payables*		115,891,080	-	-	115,891,080
		<b>122,583,604</b>	<b>6,871,517</b>	<b>40,139,464</b>	<b>169,594,585</b>



# Ekco Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

### 9. Financial instruments and risk management (continued)

2022

		Less than 1 year N. '000	Between 1 to 2 years N. '000	Beyond 2 years N. '000	Total N. '000
Borrowings	28	4,382,382	4,982,464	23,047,548	32,412,394
Lease liabilities	20.2	1,147,058	592,313	476,451	2,215,822
Trade and other payables*	25	47,771,830	-	-	47,771,830
		<b>53,301,270</b>	<b>5,574,777</b>	<b>23,523,999</b>	<b>82,400,046</b>

\*Trade and other payables above exclude Pension, Value Added Tax (VAT) and Withholding Tax (WHT) payables as at year end.

All trade and other payable amounts in table above fall due within 3 months from year end.

Borrowings relates to Central Bank of Nigeria (CBN)- Nigerian Electricity Market Stabilization facility and commercial bank facilities.

#### 9.2. Sensitivity analysis

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

##### Simplified approach

Expected cash flow recoverable from trade receivables:

The table below demonstrates the sensitivity to a 10% change in the expected cash flows from trade receivables, with all other variables held constant:

	2023 N. '000	2023 N. '000	2022 N. '000	2022 N. '000
<b>Increase or decrease in rate</b>				
<b>Impact on profit or loss:</b>				
Estimated cashflow +10%/ (-10 %)	(5,437,785)	5,437,785	(5,139,402)	5,139,402

A 10% increase in the estimated cash flows would reduce loss before tax by N5.4 billion while a corresponding 10% decrease in the estimated cash flows will increase the loss before tax by N5.1 billion.

The table below shows the sensitivity of the expected credit loss on trade receivables to a 10% increase or decrease in each forward-looking macro variable, with all other variables held constant.

Heading		+10% N. '000	Inflation rate Held constant N. '000	-10% N. '000
Oil Price	+10%	4,617,350	3,309,570	2,001,790
	Held constant	1,307,780	-	(1,307,780)
	-10%	(2,001,790)	(3,309,570)	(4,617,350)
<b>General approach:</b>				
Oil Price	+10%	(1,429,496)	1,429,768	1,429,971
	Held constant	(1,429,733)	-	(1,429,733)
	-10%	(1,429,971)	(1,430,242)	1,430,514

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

---

### 9. Financial instruments and risk management (continued)

#### 9.3. Fair value estimation

The table below analyses financial instruments whose fair values have been disclosed by valuation method. The different levels have been defined as follows:

-Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

-Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

-Input for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The carrying amount of the following assets and liability is a reasonable approximation of their fair value:

-Trade and other receivables

-Cash and cash equivalents

-Trade and other payables

None of the Company's assets or liabilities fall within level 1 or 2.

#### a. Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in Level 1 comprise primarily Nigerian Stock Exchange (NSE) listed.

#### b. Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

#### c. Financial instrument in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Techniques, such as discounted cash flow analysis, are used to determine fair value for the financial instruments included in level 3.

# Ekco Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

### 9. Financial instruments and risk management (continued)

#### Financial instruments not measured at fair value

##### Financial instruments by category

Amounts are based on the values recognised in the statement of financial position. All financial instruments are at amortised cost. The Company's financial instruments at reporting date are disclosed below:

	31 December 31 December	
	2023	2022
	N. '000	N. '000
Trade receivables	128,336,485	116,166,589
Other receivables	157,590	1,713,072
Tariff shortfall receivables	64,275,134	11,577,107
Cash and cash equivalents	18,938,305	14,373,078
Restricted cash	7,020,015	6,722,501
<b>Total</b>	<b>218,727,529</b>	<b>150,552,347</b>

	31 December 31 December	
	2023	2022
	N. '000	N. '000
Trade payables	90,540,261	26,339,806
Other payables	6,353,983	2,985,996
Interest payables	12,089,420	12,089,421
Due to related parties	-	644,872
Borrowings	31,713,160	32,412,394
Lease liabilities	3,482,559	1,068,764
<b>Total</b>	<b>144,179,383</b>	<b>75,541,253</b>

#### 9.4. Capital risk management

The Company's capital management policy and objective is to maintain reliable and sustainable capital in order to sustain future development of the business while maintaining adequate returns for the shareholders.

Various financial ratios and internal targets are assessed and reported to the board of directors to monitor and support the key objectives set out above. These ratios and targets include:

- Earning Before Interest Tax Depreciation and Amortisation (EBITDA);
- Current asset ratio;
- Interest cover; and
- Gearing ratio

The Company's objective is to maintain these financial ratios in excess of any debt covenant restrictions and use them as a performance measurement and hurdle rate. The failure of a covenant test could render the facilities in default and repayable on demand at the option of the lender.

Capital is calculated as total equity plus net debt and it is monitored regularly by the Company's management. The gearing ratios as at the end of 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023	31 December 2022
	N. '000	N. '000
Borrowings	31,713,160	32,412,394
Cash and cash equivalents	(18,938,305)	(14,373,078)
<b>Net borrowings</b>	<b>12,774,855</b>	<b>18,039,316</b>
Equity	67,564,832	57,510,738
<b>Gearing ratio</b>	<b>16 %</b>	<b>24 %</b>

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

### 9. Financial instruments and risk management (continued)

#### 9.5. Impairment of financial assets

The following are the Company's financial assets that are subject to IFRS 9's expected credit loss model:

- Trade receivables
- Tariff shortfall receivables
- Cash and cash equivalents
- Contract assets

##### a. Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Company has a credit and risk management committee which is in charge of establishing its credit policy for its customers. Outstanding balances from sales made to customers are regularly reviewed and assessed for likelihood of collectability.

Based on the Company's business, it limits its exposure to credit risk from trade receivables by establishing a maximum payment period of two years for its customer groups. The Company considers any of its balances above two year to be credit impaired as at the reporting date.

Trade receivables are grouped into two categories, reflecting similar credit characteristics; Key Client Group (KCG) and Non Key Client Group (NKCG). The NKCG group of customers comprises electricity units to Ministry, Departments and Agencies (MDAs). Based on the Company's experience, these exhibit a different payment profile compared to its KCG group of customers.

The Company applies the simplified approach in measuring the expected credit losses (ECL) which recognises a lifetime expected loss allowance for all trade receivables. Trade receivables represent the amount of receivable from third-party customers for the supply of power. The expected credit loss rate for this receivable is determined using a provision matrix approach.

The provision matrix approach is based on the historical credit losses experienced within 5 years before 31 December 2023. The historical loss rates are adjusted to reflect forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified Brent oil price and Nigeria GDP (being the country in which it provides its services) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2023 and 31 December 2022 in accordance with IFRS 9 was determined as follows:

The expected loss rates are as follows:

<b>31 December 2023</b>	<b>Expected credit loss rate</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>
	<b>%</b>	<b>N. '000</b>	<b>N. '000</b>
Key Client Group(KCG)	46	45,491,318	21,106,694
Non Key Client Groups(NKCG)	64	82,845,167	53,912,265
		<b>128,336,485</b>	<b>75,018,959</b>

The Expected credit loss according age bracket is as follows:

<b>31 December 2023</b>	<b>Expected credit loss rate</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>
	<b>%</b>	<b>N. '000</b>	<b>N. '000</b>
0 months	11	9,355,673	(1,001,675)
1-3 months	14	8,158,362	(1,172,127)
4-6 months	17	13,198,159	(2,255,519)
7-9 months	18	6,826,386	(1,297,872)
10-12 months	20	7,745,943	(1,584,443)
13-24 months	20	19,225,942	(3,881,303)
Above 2 years	100	63,826,020	(63,826,020)
		<b>128,336,485</b>	<b>(75,018,959)</b>

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

### 9. Financial instruments and risk management (continued)

#### 31 December 2022

	Expected credit loss rate %	Gross carrying amount N. '000	Loss allowance N. '000
Key Client Group(KCG)	46	54,372,775	(24,783,436)
Non Key Client Groups(NKCG)	65	61,793,814	(39,989,129)
		<b>116,166,589</b>	<b>(64,772,565)</b>

#### 31 December 2022

	Expected credit loss rate %	Gross carrying amount N. '000	Loss allowance N. '000
0 months	9	12,517,600	(1,126,584)
1-3 months	12	6,233,007	(747,961)
4-6 months	15	11,734,809	(1,767,126)
7-9 months	16	7,887,702	(1,262,032)
10-12 months	19	7,034,264	(1,336,510)
13-24 months	19	15,094,884	(2,868,029)
Above 2 years	100	55,664,323	(55,664,323)
		<b>116,166,589</b>	<b>(64,772,565)</b>

The loss allowances for trade receivables as at 31 December reconcile to the opening loss allowances as follows:

	31 December 2023 N. '000	31 December 2022 N. '000
Balance at 1 January	64,772,565	41,751,910
Net remeasurement of loss allowance recognised in the profit or loss during the year	10,246,393	23,020,655
<b>Balance at 31 December</b>	<b>75,018,958</b>	<b>64,772,565</b>

#### b. Tariff shortfall receivables

The Company applies the IFRS 9 general model for measuring expected credit losses (ECL) which uses a three-stage approach in recognising the expected loss allowance for tariff shortfall receivables.

The reconciliation of the loss allowance for tariff shortfall receivables as at 31 December 2023 to the opening loss allowance on 01 January 2023 is as follows

#### Stage 1

	31 December 2023 N. '000	31 December 2022 N. '000
Opening loss allowance	(1,461,254)	(6,343,028)
Net remeasurement of loss allowance recognised in the profit or loss during the year	(884,176)	4,881,773
<b>Closing loss allowance</b>	<b>(2,345,430)</b>	<b>(1,461,255)</b>

There is no impairment that applies to stage 2 and stage 3.

Movement in the tariff shortfall receivables is as follows

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

### 9. Financial instruments and risk management (continued)

Gross carrying amount reconciliation	31 December	31 December
	2023	2022
	N. '000	N. '000
Gross carrying amount at the beginning	11,577,107	36,397,544
Additions during the year	62,228,000	9,562,000
Credit notes received during the year	(9,529,973)	(34,382,437)
<b>Gross carrying amount at the end</b>	<b>64,275,134</b>	<b>11,577,107</b>

The parameters used to determine impairment for tariff shortfall are shown below, for the tariff shortfall receivable, the 12-month probability of default (PD) equates the lifetime PD for stage 1 because, the maximum contractual period over which the company is exposed to credit risk arising from this receivable is less than 12 months.

Probability of default (PD)	12-month PD and life time PD for stage 1 is 5.53%
Loss given default (LGD)	12-month LGD and lifetime LGD were determined using average recovery rate for S&P which was 28.3%
Exposure at default (EAD)	The EAD is the maximum exposure of the receivable to credit risk
Probability weightings	27.3%, 49.9% and 29.5% were used for optimistic base and downturn scenario respectively
Macro economic indication	The historical inflation rate and GDP were assessed to determine probability of default.

#### c. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash balances with banks. The cash and cash equivalents are held with bank and reputable financial institution in Nigeria. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The impairment on cash and cash equivalent and restricted cash are considered immaterial for both 2023 and 2022.

### 10. Revenue

#### Revenue from contracts with customers

Revenue from Pre-paid Customers	43,317,409	26,854,546
Revenue from Post-paid Customers	137,368,078	110,589,692
	<b>180,685,487</b>	<b>137,444,238</b>

Refer to Note 4a for the basis of recognition of postpaid and prepaid revenue

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

The Company derives revenue from delivering electricity to different customer groups over a period of time across the Company's distribution network in Lagos state.

Prepaid meters (PPM)-Vending	43,317,409	26,854,546
Band A	65,117,306	45,141,481
Band B	34,080,105	30,625,198
Band C	21,009,976	13,452,832
Band D	14,712,386	14,929,986
Band E	1,280,510	3,383,222
Residential	347,430	2,493,719
Commercial customers	202,608	246,716
Industrial	-	5
Special and Street Light	617,757	316,533
	<b>180,685,487</b>	<b>137,444,238</b>

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

	2023 N. '000	2022 N. '000
<b>11. Cost of sales</b>		
Electricity Purchases	184,333,883	106,872,174
Inventories lost or written off	104,112	11,344
Employee benefits( Note 36)	5,459,801	2,461,038
Depreciation and impairment(Note 18)*	8,918,821	7,812,814
	<b>198,816,617</b>	<b>117,157,370</b>
*Depreciation and impairment relates to distribution network assets		
<b>12. Net impairment losses on financial assets</b>		
Impairment loss on trade receivables (Note 22.1)	(10,246,394)	(23,020,655)
(Loss)/write back on tariff shortfall receivables (Note 22.2)	(884,176)	4,881,773
	<b>(11,130,570)</b>	<b>(18,138,882)</b>
<b>13. Operating expenses</b>		
Publicity and advertising	756,474	762,886
Amortisation of intangible assets (Note 19)	446,478	419,457
Audit fee	70,000	61,275
Bank charges	305,651	166,650
Switching company charge	2,432,841	1,558,613
Consumables	228,318	183,933
Revenue collection	2,809,734	3,424,953
Depreciation-Property, plant and equipment (Note 18)*	430,016	379,693
Depreciation- Right of use assets (Note 20.3)	1,371,162	870,858
Donations	256,337	69,532
Employee benefits (Note 36)	4,245,236	6,428,574
Director's remuneration (Note 36.2)	558,527	1,008,286
Office expenses	598,574	456,583
Consultancy fee**	6,107,215	5,443,728
Repairs and maintenance	880	2,657
Safety materials	434,083	599,280
Network maintenance expenses***	6,683,859	6,553,411
Security services	346,276	289,458
Staff training	1,353,612	1,292,869
Rent****	942,109	977,779
Transport, travel and insurance	1,454,815	883,647
	<b>31,832,197</b>	<b>31,834,122</b>

\*Depreciation-Property plant and equipment relates to building, fixtures and fittings and motor vehicles,

\*\*Consultancy fee relate to charges for professional services rendered to the company.

\*\*\*Network maintenance expenses relates to repairs of equipments such as substations, transformers, overheadlines etc.

\*\*\*\*Rent relates to subscription and fees, water rate, rates, electricity bills, short-term vehicle lease and office rent accommodation (see note 20.3).

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

	2023 N. '000	2022 N. '000
<b>14. Other income</b>		
Tariff shortfall**	62,228,000	9,562,000
Customer granted assets*	10,151,947	7,325,258
Reconnection fees	976,399	703,539
Service connection fees	366,230	595,569
Insurance compensation	165,934	32,756
Other Non-operating income***	169,827	83,844
Contractor registration fees	9,250	3,650
Government grants (Note 29)	2,649,897	3,108,833
Net foreign exchange gain on foreign currency	9,027	(3,275)
	<b>76,726,511</b>	<b>21,412,174</b>

\*Customer granted assets are distribution network assets transferred to the Company by its customers during the year. The fair value of these assets was estimated by the Company based on observable prices of similar items purchased during the year (largely transformers and accessories).

\*\*NERC is expected to implement minor MYTO reviews biannually. However, this review has not given rise to a cost reflective tariff. As a result, the Company has not been able to pass on the full cost of energy purchased to end users leading to both tariff (due from customers to Discos) and market (due from Discos to the market) shortfalls.

In 2019, NERC issued regulatory instruments implementing minor reviews of MYTO for the years 2015 to 2019, this has subsequently been amended yearly, giving rise to tariff shortfall. These orders are issued to reflect the impact of changes in the minor review variables in determining cost-reflective tariff and market shortfalls. Based on the orders, the Company recognised a tariff shortfall of N62.2 billion (2022: N9.5 billion).

The significant increase in the tariff shortfall for the year is attributable to increase in cost of energy from GENCOs which was not reflected in the MYTO tariff charged to customers for the year.

\*\*\*Other non-operating Income related to income from the company's car park, re-imburement from ITF for staff training, and payment in lieu of exit from staff.

### 15. Finance income

Interest income on bank balances	350,858	259,031
<b>Total interest income</b>	<b>350,858</b>	<b>259,031</b>

### 16. Finance costs

Lease interest expense (Note 20.2)	488,674	346,947
Interest on loan borrowings (Note 28)	5,854,966	5,565,373
<b>Total finance costs</b>	<b>6,343,640</b>	<b>5,912,320</b>

### 17. Taxation

#### a. Income tax expense

##### Current

Corporate tax	3,094,878	995,439
Tertiary Education Tax (TET)	928,465	248,860
Nigeria Police Trust Fund levy (NPTF)*	480	-
	<b>4,023,823</b>	<b>1,244,299</b>

##### Deferred

Deferred income tax credit	(4,438,085)	(14,485,020)
	<b>(414,262)</b>	<b>(13,240,721)</b>

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



# Ekco Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

	2023 N. '000	2022 N. '000
<b>17. Taxation (continued)</b>		
<b>b. Reconciliation of the tax expense</b>		
Reconciliation between accounting Profit/(loss) and tax expense.		
Accounting Profit/(loss)	9,639,832	(13,927,251)
Tax at the applicable tax rate of 30% (2022: 30%)	2,891,950	(4,178,175)
<b>Tax effect of adjustments on taxable income</b>		
Effect of education and NPTF tax levy	928,945	248,860
Tax exempt income	-	(2,730,387)
Tax incentives	(6,200,289)	(1,990,877)
Effect of non-deductible expenses	6,403,217	9,894,878
Deferred tax credit	(4,438,085)	(14,485,020)
<b>Tax charge for the year</b>	<b>(414,262)</b>	<b>(13,240,721)</b>
The Effective income tax rate for the year was 20% (2022: (3)%)		
<b>c. Current income tax liability</b>		
Current tax payable	8,693,867	7,784,989
Corporate tax	3,094,878	995,439
Local income tax - recognised in current tax for p	928,465	248,860
STC	480	-
Payment during the year	-	(335,421)
	<b>12,717,690</b>	<b>8,693,867</b>
<b>d. Deferred tax</b>		
Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.		
Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.		
The Company has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets. The Company is expected to generate taxable income from 2023 onwards.		
Deferred tax at beginning of the year	26,261,203	11,776,183
Recognised in Profit or Loss	4,438,086	14,485,020
<b>Total net deferred tax asset</b>	<b>30,699,289</b>	<b>26,261,203</b>
<b>The balance comprises temporary differences attributable to:</b>		
At beginning of year	26,261,203	11,776,183
Property, plant and equipment	12,436,772	(16,756,804)
Right-of-use assets	47,362	(656,780)
Intangible assets	55,064	(310,621)
Inventories	11,544	-
Leases	(687,530)	-
Trade and other receivables	19,156,208	9,525,058
Retirement benefit obligation	(2,292)	11,309
Unused capital allowance	(26,579,042)	22,672,858
<b>Total deferred tax assets</b>	<b>30,699,289</b>	<b>26,261,203</b>

# Eko Electricity Distribution Plc

(Registration number 638862)  
Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

### 18. Property, plant and equipment

#### Reconciliation of property, plant and equipment

	Land		Buildings		Distribution network assets*		Furniture and fixtures		Motor vehicles		Capital work in progress		Total	
	N. '000	N. '000	N. '000	N. '000	N. '000	N. '000	N. '000	N. '000	N. '000	N. '000	N. '000	N. '000	N. '000	N. '000
<b>Cost</b>														
At 01 January 2022	228,001	585,635	159,596,468	2,435,932	1,853,871	2,540,903	167,240,810							
Additions	-	52,973	9,014,758	243,503	-	-	16,585,387							
Transfers	(18,356)	18,356	5,191,572	-	-	(5,191,572)	-							
At 31 December 2022	209,645	656,964	173,802,798	2,679,435	1,853,871	4,623,484	183,826,197							
Additions	-	1,914,721	11,418,646	388,599	397,750	9,648,161	23,767,877							
Transfers	-	-	5,878,737	-	-	(5,878,737)	-							
At 31 December 2023	209,645	2,571,685	191,100,181	3,068,034	2,251,621	8,392,908	207,594,074							
<b>Accumulated depreciation</b>														
At 01 January 2022	-	(153,324)	(110,187,349)	(1,381,921)	(1,774,882)	-	(113,497,476)							
Charge for the year	-	(13,726)	(7,812,815)	(322,094)	(43,872)	-	(8,192,507)							
At 31 December 2022	-	(167,050)	(118,000,164)	(1,704,015)	(1,818,754)	-	(121,689,983)							
Charge for the year	-	(20,906)	(8,918,821)	(341,277)	(67,833)	-	(9,348,837)							
At 31 December 2023	-	(187,956)	(126,918,985)	(2,045,292)	(1,886,587)	-	(131,038,820)							
<b>Carrying amount</b>														
At 31 December 2022	209,645	489,914	55,802,634	975,420	35,117	4,623,484	62,136,214							
At 31 December 2023	209,645	2,383,729	64,181,196	1,022,742	365,034	8,392,908	76,555,254							

No asset of the Company has been pledged as collateral for loan.

\*The depreciation for Distribution network assets are recognised as part of cost of sale in Note 11, while others form part of operating expense in Note 13.

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

### 19. Intangible assets

	2023		2022	
	Cost Accumulated N'000 amortisation N'000	Carrying value N'000	Cost Accumulated N'000 amortisation N'000	Carrying value N'000
Computer software, other	2,539,090	(1,502,626)	2,447,248	(1,056,147)

### Reconciliation of intangible assets

	Computer software N. '000	Total N. '000
<b>Cost</b>		
At 01 January 2022	2,281,976	2,281,976
Additions	165,272	165,272
At 31 December 2022	<b>2,447,248</b>	<b>2,447,248</b>
Additions	91,842	91,842
At 31 December 2023	<b>2,539,090</b>	<b>2,539,090</b>
<b>Accumulated amortisation</b>		
At 01 January 2022	(636,690)	(636,690)
Charge for the year	(419,457)	(419,457)
At 31 December 2022	<b>(1,056,147)</b>	<b>(1,056,147)</b>
Charge for the year	(446,478)	(446,478)
At 31 December 2023	<b>(1,502,625)</b>	<b>(1,502,625)</b>
<b>Carrying amount</b>		
Cost	2,447,248	2,447,248
Accumulated amortisation	(1,056,147)	(1,056,147)
At 31 December 2022	<b>1,391,101</b>	<b>1,391,101</b>
Cost	2,539,090	2,539,090
Accumulated amortisation	(1,502,626)	(1,502,626)
At 31 December 2023	<b>1,036,464</b>	<b>1,036,464</b>

Intangible assets mainly represents the cost of computer software licenses in the Company's operations.

# Ekco Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

### 20. Leases

Amounts recognised in the statement of financial position

#### 20.1 Reconciliation of right of use assets

	Buildings N. '000	Motor vehicles N. '000	Total N. '000
<b>Cost</b>			
At 01 January 2022	792,593	2,679,005	3,471,598
Additions	124,015	1,377,868	1,501,883
<b>At 31 December 2022</b>	<b>916,608</b>	<b>4,056,873</b>	<b>4,973,481</b>
Additions	29,514	3,524,288	3,553,802
Derecognition of right of use Asset	(199,991)	-	(199,991)
<b>At 31 December 2023</b>	<b>746,131</b>	<b>7,581,161</b>	<b>8,327,292</b>
<b>Depreciation and impairment</b>			
At 01 January 2022	(286,814)	(1,794,947)	(2,081,761)
Depreciation	(109,374)	(761,484)	(870,858)
<b>At 31 December 2022</b>	<b>(396,188)</b>	<b>(2,556,431)</b>	<b>(2,952,619)</b>
Depreciation	(117,770)	(1,253,392)	(1,371,162)
Depreciation on derecognised ROU	99,996	-	99,996
<b>At 31 December 2023</b>	<b>(413,962)</b>	<b>(3,809,823)</b>	<b>(4,223,785)</b>

#### Carrying amount

Cost	916,608	4,056,873	4,973,481
Accumulated depreciation and impairment	(396,188)	(2,556,431)	(2,952,619)
<b>At 31 December 2022</b>	<b>520,420</b>	<b>1,500,442</b>	<b>2,020,862</b>
Cost	746,131	7,581,161	8,327,292
Accumulated depreciation and impairment	(413,962)	(3,809,823)	(4,223,785)
<b>At 31 December 2023</b>	<b>332,169</b>	<b>3,771,338</b>	<b>4,103,507</b>

#### 20.2 Lease liabilities

	Building N. '000	Motor Vehicles N'000	Total N'000
<b>2023</b>			
At 01 January	491,271	1,724,551	2,215,822
Additions	28,333	3,524,288	3,552,621
Derecognition of lease liability	(151,381)	-	(151,381)
Interest expense	41,543	447,131	488,674
Payments made	(62,993)	(1,664,502)	(1,727,495)
<b>At 31 December</b>	<b>346,773</b>	<b>4,031,468</b>	<b>4,378,241</b>
Current lease liabilities	140,641	755,041	895,682
Non-Current lease liabilities	206,131	3,276,428	3,482,559
	<b>346,772</b>	<b>4,031,469</b>	<b>4,378,241</b>

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

### 20. Leases (continued)

<b>2022</b>	<b>Buildings</b>	<b>Motor Vehicles</b>	<b>Total</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
<b>At 01 January</b>	487,805	1,071,515	1,559,320
Additions	119,195	555,094	674,289
Interest expense	62,127	284,820	346,947
Payments made	(179,067)	(1,009,651)	(1,188,718)
Lease modification	1,211	822,773	823,984
<b>At 31 December</b>	<b>491,271</b>	<b>1,724,551</b>	<b>2,215,822</b>
Current lease liabilities	982,409	164,649	1,147,058
Non-Current lease liabilities	742,143	326,621	1,068,764
	<b>1,724,552</b>	<b>491,270</b>	<b>2,215,822</b>

### 20.3 Amounts recognised in the statement of profit or loss

<b>2023</b>	<b>Buildings</b>	<b>Motor Vehicles</b>	<b>Total</b>
	<b>N.'000</b>	<b>N.'000</b>	<b>N.'000</b>
Depreciation charge on right-of-use assets	117,770	1,253,392	1,371,162
Interest expense (included in finance cost)	41,543	447,131	488,674
Expense relating to short term leases (included in rent expenses)	-	2,686	2,686
	<b>159,313</b>	<b>1,703,209</b>	<b>1,862,522</b>

<b>2022</b>	<b>Buildings</b>	<b>Motor Vehicles</b>	<b>Total</b>
	<b>N.'000</b>	<b>N.'000</b>	<b>N.'000</b>
Depreciation charge on right-of-use assets	109,375	761,484	870,859
Interest expense (included in finance cost)	62,127	284,820	346,947
Expense relating to short term leases (included in rent expenses)	309,418	370,000	679,418
	<b>480,920</b>	<b>1,416,304</b>	<b>1,897,224</b>

### 20.4 Amounts recognised in the statement of cash flows

	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>N. '000</b>	<b>N. '000</b>
Financing activities - total cash outflow for leases	(1,727,495)	(1,188,718)
Additions to right-of-use-assets	3,553,802	1,501,883
Lease liability at inception	(3,552,621)	(674,289)
Modification to lease liabilities	-	(823,984)
<b>Net payment on acquisition of right of use assets</b>	<b>1,181</b>	<b>3,610</b>

A sum of NGN2.6 million relating to short-term leases was not included in lease liabilities as a result of the practical expedient on short-term leases (Note 13).

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

	2023 N. '000	2022 N. '000
<b>21. Inventories</b>		
Distribution stores	3,960,374	3,097,760
Stationeries	184,612	150,903
	<u>4,144,986</u>	<u>3,248,663</u>
Write down of obsolete inventory items	(34,982)	(35,596)
	<b>4,110,004</b>	<b>3,213,067</b>

Inventories recognised as expense include distribution items and stationeries used in maintenance during the year. They are included as part of network maintenance expenses under operating expenses and amounted to NGN1.4 billion (2022: NGN1.059 billion).

### 22. Trade and other receivables

Trade receivables	128,336,485	116,166,589
Less: Expected credit loss on trade receivables	(73,182,699)	(62,936,306)
Less: Impairment of fixed charge	(1,836,259)	(1,836,259)
	<u>53,317,527</u>	<u>51,394,024</u>
<b>Other receivables:</b>		
Unpaid share capital	195,000	195,000
Other receivables *	157,590	1,713,071
Advance payment to vendors **	6,752,309	5,125,116
Tariff shortfall receivables	64,275,134	11,577,107
Less: Expected credit loss on tariff shortfall receivables	(2,345,430)	(1,461,254)
	<u>69,034,603</u>	<u>17,149,040</u>
<b>Total trade and other receivables</b>	<b>122,352,130</b>	<b>68,543,064</b>
Restricted cash- current***	12,240,223	17,775,545
Restricted cash- non current****	7,020,015	6,722,501

\*Other receivables relate to monies collected from customers not yet remitted to the Company by its collection agents (Interswitch Limited, E-Tranzact, Unified Payment, Coral Pay and Crown Initiative (RCM)).

\*\* Advance payments to vendors represent amounts advanced for the acquisition of consumable spare parts and other consumables, which were yet to be delivered as at year end.

\*\*\*Restricted cash represent cash deposits held for payment of Value Added Tax

\*\*\*\*Restricted cash- Non current represent cash deposits as collateral with respect to bank guarantees issued in favour of the Nigerian Bulk Electricity Trading Company Plc (NBET) and the Operator of the Nigeria Electricity Market (ONEM). These bank guarantees were issued by a Nigerian commercial bank (Note 30). These deposits will mature at the expiration of the guarantees which are long-term in nature and have been classified as non-current in these financial statements.

#### 22.1. Movement in impairment of trade receivables

Balance at the beginning of the year	(64,772,565)	(41,751,910)
Charge for the year	(10,246,394)	(23,020,655)
<b>Balance at the end of the year</b>	<b>(75,018,959)</b>	<b>(64,772,565)</b>

#### 22.2 Movement in impairment of tariff shortfall receivables:

Balance at the beginning of the year	(1,461,254)	(6,343,028)
Charge for the year	(884,176)	4,881,773
<b>Balance at the end of the year</b>	<b>(2,345,430)</b>	<b>(1,461,255)</b>

### 23. Prepayments

Balance at the end of the year	1,022,819	1,022,819
--------------------------------	-----------	-----------

Prepayments relate to advance payment for the design, manufacture, supply and installation of SCADA/DMS system.

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

	2023 N. '000	2022 N. '000
<b>24. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	774	752
Cash at bank	18,937,531	14,372,326
	<b>18,938,305</b>	<b>14,373,078</b>

## 25. Trade and other payables

Trade payables*	90,540,261	26,339,806
Due to related parties	-	644,872
Other payables**	6,353,983	2,985,996
Accruals	6,317,892	5,711,738
Interest payables***	12,089,420	12,089,421
Pension	1,645	750
Withholding tax	2,255,991	2,969,231
Value Added Tax	39,476,261	43,767,347
	<b>157,035,453</b>	<b>94,509,161</b>

\*Trade payables relates to payables to NBET and other suppliers as at year end.

\*\*Other payables include payables to employees, security deposits from wallet partners and Nigeria Social Insurance Trust Fund (NSITF) and Industrial Training Fund (ITF) payables.

\*\*\*Interest payables relates to interest charged by NBET and ONEM on outstanding trade payable for the supply of energy.

Accruals relates to estimates of services enjoyed from vendors for which invoices are yet to be received.

## 26. Contract liabilities

### Reconciliation of contract liabilities

Balance at the beginning of the year	1,643,279	1,693,026
Recognised as revenue during the year	(1,643,279)	(1,693,026)
Additions during the year	1,373,463	1,643,279
<b>Balance at the end of the year</b>	<b>1,373,463</b>	<b>1,643,279</b>

The contract liabilities primarily relate to the advance consideration received from prepaid customers for supply of electricity which is yet to be consumed. This is derived by calculating an energy consumption factor for each customer based on energy unit purchased during the year and applying this on a prorated basis to estimate quantity of the last units of energy purchased by the customer that should be deferred.

## 27. Contract assets

Contract assets	2,436,182	1,818,426
-----------------	-----------	-----------

### Reconciliation of contract assets

Balance at the beginning of the year	1,818,426	1,502,007
Recognised as account receivables during the year	(1,818,426)	(1,502,007)
Additions during the year	2,436,182	1,818,426
<b>Balance at the end of the year</b>	<b>2,436,182</b>	<b>1,818,426</b>

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

	2023 N. '000	2022 N. '000
<b>27. Contract assets (continued)</b>		
Contract assets are derived by using a consumption factor based on billings for the year multiplied by the number of outstanding days till the period end from the last billing date.		
Contract assets are recognised to the extent that performance obligations have been performed by the Company and that revenue has been recognised in accordance with IFRS 15 Revenue, but for which the company's right to consideration is not yet unconditional. When the right to consideration becomes unconditional, the contract asset is transferred to trade receivables.		
There were no impairment allowances recognised on contract assets as it was immaterial (2022: Nil)		
<b>28. Borrowings</b>		
Balance at the beginning of the year	32,412,394	15,540,903
Additions	1,372,088	21,154,825
Interest on loan	5,626,592	5,565,373
Interest charged to TCN on NEMSF-3	1,923,713	243,230
Deferred income - government grant	(116,089)	(6,639,300)
Principal repayment	(4,824,344)	(827,361)
Interest repayment	(4,681,194)	(2,625,276)
<b>Balance at the end of the year</b>	<b>31,713,160</b>	<b>32,412,394</b>
<b>Details of borrowings:</b>		
Loans from CBN - NEMSF Intervention Fund	49,518,558	53,254,693
Deferred income - government grant	(17,805,398)	(20,842,299)
<b>Balance at the end of the year</b>	<b>31,713,160</b>	<b>32,412,394</b>
<b>Details of borrowings:</b>		
Non-current portion	26,417,682	28,030,012
Current portion	5,295,478	4,382,382
	<b>31,713,160</b>	<b>32,412,394</b>

### a. CBN - Nigerian Electricity Market Stabilization Facility (CBN - NEMSF)

The Central Bank of Nigeria commenced disbursement to market participants who had met the condition precedent to the disbursement of the CBN - Nigerian Electricity Market Stabilization Facility ("CBN - NEMSF") in 2015. The NEMSF, also known as the CBN Intervention fund is aimed at settling the outstanding payment obligations due to the market participants during the Interim Rules Period ("IRP Debts") as well as the legacy gas debt of the PHCN generation companies owed to gas suppliers ("Legacy Gas Debt") which has been transferred to the Nigerian Electricity Liability Management Company Limited ("NELMCO").

The Company received NGN5.8 billion from this fund in 2015. The loan is repayable over a 10-year period, with a 1 year moratorium on the principal repayment beginning from the date of first disbursement. Interest is payable on outstanding loan balances at an interest rate of 10%.

In 2018, an additional disbursement of NGN214 million was made by CBN to Market Operators. This disbursement was made directly to the Market Operators and the Company did not receive any cash for the disbursement.

### b. CBN - Nigerian Electricity Market Stabilization Facility 2 (CBN - NEMSF- 2)

In 2021, for the purpose of promoting sustainability of Nigerian Electricity Supply Industry (NESI) the Federal Government through the CBN issued another credit facility-Nigerian Electricity Market Stabilization Facility – 2 (CBN – NEMSF 2 ) to enable Distribution Companies (DisCos) settle their payment obligations to NBET and the Market operator as well as operational expenses and to finance critical infrastructural upgrades in line with MYTO approved CAPEX by NERC. The loan has a 10 year repayment period with 2 years moratorium. The concessionary interest rate of 5% was upheld up till February 2022, after which it will become 10% per annum



# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

	2023 N. '000	2022 N. '000
<b>28. Borrowings (continued)</b>		
c. CBN - Nigerian Electricity Market Stabilization Facility 3 (CBN – NEMSF- 3)		
<p>In May 2021, the Company entered into an agreement with the Transmission Company of Nigeria(TCN) to invest, in accordance with NERC regulations for investment in electricity networks, in critical infrastructure upgrade of the electricity networks of the TCN within the franchise area of EKEDC for the purpose of meeting the Regulatory service level obligation (SLOs) under the service band tariff. This investment is funded by a 10 years loan from CBN. This loan is payable by TCN through set-off of monthly invoice repayment due from EKEDC to TCN throughout the life of the facility. As at year end, 12.4 billion had been drawn down. A concessionary interest rate of 5% was upheld till February 2022, after which it became 9% per annum. There was also 2 years moratorium on principal repayment.</p>		
d. CBN - National Mass Metering Programme Phase Zero (NMMP – 0)		
<p>At the introduction of the service based tariff, there was increased emphasis on the need to close the metering gap in the NESI. The closing of this gap will enhance efficiency of revenue collection by DisCos and thereby facilitate meeting obligations to other upstream market participants. To deal with this, the former president of Nigeria, President Muhammadu Buhari approved the National Mass Metering Program (NMMP) implementation. The NMMP CBN loan facility was implemented and restricted to the procurement and deployment of meters and the associated infrastructure (software and hardware) to support the metering network. As at year end 2023, the Company had received N4.6 billion. The applicable interest rate for this loan is 9% and there was also 2 years moratorium on principal repayment.</p>		
<b>29. Deferred income</b>		
Deferred income balance	134,548	134,548
<b>Government grants</b>		
Balance at the beginning of the year	20,842,299	17,386,327
Additions	167,474	6,639,300
Recognised in profit or loss	(2,649,897)	(3,108,833)
Charged to TCN for NEMSF- 3	(554,478)	(74,495)
<b>Balance at the end of the year</b>	<b>17,805,398</b>	<b>20,842,299</b>
<b>Total deferred income and government grant</b>	<b>17,939,946</b>	<b>20,976,847</b>
Non-current liabilities	14,575,241	14,197,062
Current liabilities	3,364,705	6,779,785
	<b>17,939,946</b>	<b>20,976,847</b>

Deferred income relates to deposits for meters according to NERC's Credit Advance Payment for Meter Installation (CAPMI) program which commenced in July 2013. There are two components of the deposits: refundable and non-refundable. The refundable attracts a 12% flat interest rate (till the start of refunds to customers) and is refunded via a 100% reduction of customers' monthly variable charges while the non- refundable portion is used to settle installation services purchased from vendors. However, the scheme was suspended effective 01 November 2016. During the year, there was no movement as regards the deferred income - CAPMI scheme as a result of the Company not performing meter installation for customers in the CAPMI scheme during the year.

Government grant relates to the loan obtained from the Federal Government of Nigeria through the Central Bank of Nigeria ("CBN") at a rate below the prevailing market. The fair value of the grant was recognised initially on the grant date and subsequently amortised on a straight line basis over the 10 years tenure of the loan. There were no unfulfilled conditions relating to the grant as at the reporting date.

### 30. Provisions

#### a. Litigations and claims

The Company is involved in a number of litigations and claims (separate from those taken over by NELMCO). A total of forty-three (43) pending cases, forty-one (41) against the company and two(2) for the company. Maximum exposure based on the damages being claimed by the litigants amounts to N1.8 billion (2022: N606.5 million). The contingent liability for the year is determined based on probable occurrences, though unlikely to occur. Based on management assessment, a provision of NGN122 million (2022:NGN 105.6 million) has been recorded in these financial statements for cases which are assessed to succeed against the Company.

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

	2023 N. '000	2022 N. '000
<b>30. Provisions (continued)</b>		
At the beginning of the year	105,626	169,816
Movement	16,730	(64,190)
<b>Balance at the end of the year</b>	<b>122,356</b>	<b>105,626</b>

### b. Guarantees

The Company has obtained bank guarantees amounting for the sum of NGN7.78 billion (2022: NGN7.78 billion) in favour of Nigeria Bulk Electricity Trading Company Plc (NBET) and NGN3.49 billion (2022: NGN3.49 billion) in favour of Operator of Nigeria Electricity Market (ONEM). This is to guarantee payment to NBET and ONEM for 90 days power purchase and also to ONEM for provision of administrative service. A total amount of N5.92billion (2022: N5.6billion) was deposited as collateral. the amount is recognised as restricted cash (Note 22) in the statement of financial position. The directors do not expect any significant loss to arise from these guarantees.

### 31. Share capital

#### Minimum issued shares

400 million ordinary shares of No.50 each

200,000 200,000

#### Issued and fully paid

10 million ordinary shares of No.50 each

5,000 5,000

#### Unpaid share capital

390 million ordinary shares of No.50 each

195,000 195,000

#### Issued

Issued as at 31 December 2023

200,000 200,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the general meetings of the Company.

In 2019, the Company made filings with the Corporate Affairs Commission (CAC) to increase the Company's authorized share capital from NGN5 million to NGN200 million by creation of 390,000,000 ordinary shares of NGN0.50k each and issued same to the existing shareholders according to their percentage shareholding. The shares were yet to be paid for as at the reporting date.

### 32. Retained earnings

Balance at the beginning of the year	57,310,738	57,997,268
Net income/(loss) for the period	10,054,094	(686,530)
<b>Balance at the end of the year</b>	<b>67,364,832</b>	<b>57,310,738</b>

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

	2023 N. '000	2022 N. '000
<b>33. Earnings per share</b>		
<b>Basic earnings/(loss) per share</b>		
From continuing operations (Naira)	25	(2)
Basic earnings per share is calculated by dividing the earnings attributable to equity holders of the Company by the number of issued shares at the end of the reporting period.		
<b>Reconciliation of Profit/(loss) for the year to basic earnings/(loss)</b>		
Profit (loss) for the year attributable to equity holders of the parent	10,054,094	(686,530)
<b>Adjusted for:</b>		
Number of ordinary shares used as the denominator in calculating diluted earnings pershare	400,000	400,000
Diluted earnings per share (Naira)	25	(2)

In the period under review the basic and diluted earnings are the same.

### 34. Long term employment benefit

On 19 February 2019, the Company introduced a long service award scheme. Staff who attain the milestone for the specified number of years of service in the Company are rewarded with a cash award as indicated below:

Years of Service	LSA Benefit Amount (N)
5	30,000
10	50,000
15	100,000
20	130,000
25	150,000
30	200,000

### Carrying value

The movement in the present value of the employee benefit during the year is as follows:

Balance as at 1 January	121,895	88,418
Total charge recognised in profit or loss	29,065	33,477
<b>Balance as at 31 December</b>	<b>150,960</b>	<b>121,895</b>
Non-current portion	(150,960)	(120,575)
Current portion	-	(1,320)
	<b>(150,960)</b>	<b>(121,895)</b>

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

	2023 N. '000	2022 N. '000	
<b>34. Long term employment benefit (continued)</b>			
<b>Analysis of charge recognised in profit or loss</b>			
Current service cost	(18,423)	(16,586)	
Total service cost	(18,423)	(16,586)	
Interest cost	(11,704)	(11,411)	
Remeasurement	2,382	(6,800)	
Benefits (accrued)/paid	(1,320)	1,320	
<b>Total charge recognised in profit or loss</b>	<b>(29,065)</b>	<b>(33,477)</b>	
<b>Long-term employee benefit</b>			
Balance at the beginning of the year	(120,575)	(86,828)	
Current service cost	(18,423)	(16,586)	
Interest cost	(11,704)	(11,411)	
Benefit paid directly by the Company	-	1,320	
Amount reclassified to short term	-	(270)	
Actuarial gain due to assumption changes	10,837	2,159	
Actuarial gain/ (loss) due to experience adjustment	(11,095)	(8,959)	
<b>Balance at the end of the year</b>	<b>(150,960)</b>	<b>(120,575)</b>	
<b>Short-term employee benefit</b>			
Balance at the end of the year	-	(1,320)	
<b>Actuarial assumptions</b>			
The following were the principal actuarial assumptions at the reporting date (expressed in weighted averages):			
Discount rate	16.50 %	13.50 %	
The assumptions and the liability at the end of the year depicts management's estimate of the current and likely future experience of the Company.			
<b>Sensitivity analysis</b>			
Sensitivity analysis to the employee benefit obligation to 1% change in the following assumption were			
Discount rate	+1%	60,487	117,842
	-1%	66,875	126,307
Benefit increase	+1%	-	-
	-1%	-	-
Mortality	Age rated up by 1 year	63,346	121,612
	Age rated down by 1 year	63,743	122,151
<b>Maturity profile of the employee benefit obligation</b>			
Within the next 12 months	4,665	70,391	
Between 2 and 5 years	116,793	16,052	
Between 6 and 10 years	129,945	140,750	
Beyond 10 years	297,443	333,090	
	<b>548,846</b>	<b>560,283</b>	

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

	2023 N. '000	2022 N. '000
<b>35. Related parties</b>		
<b>Parent and ultimate controlling party</b>		
<p>Effective 1 November 2013, majority of the Company's shares were acquired by West Power and Gas Limited from Bureau of Public Enterprises (BPE) and Ministry of Finance Incorporated (MOFI). Consequently, the Company's parent is West Power and Gas Limited. The ultimate controlling party of the Company is WPG international Limited, a company incorporated in Mauritius. A novation agreement was signed by West Power and Gas Limited and WPG Services and became effective 3 August 2018. The agreement is for the provision of technical support services to Eko Electricity Distribution Plc.</p>		
<b>Transactions with related parties</b>		
<p>The following transactions occurred with related parties.</p>		
<b>Related party transactions</b>		
<b>Rendering of services:</b>		
WPG Services limited	6,192,000	6,192,000
Senforce Insurance Brokers Limited	-	31,597
George Etomi & Partners	227,214	162,081
	<b>6,419,214</b>	<b>6,385,678</b>

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

	2023 N. '000	2022 N. '000
<b>35. Related parties (continued)</b>		
Rendering of services are negotiated with related parties on commercial terms and conditions.		
<b>Receivable from related parties:</b>		
The receivables from related parties arise mainly from amount advanced for the design, installation and implementation of SCADA/DMS of the SCADA project are disclosed as prepayments (Note 23) in these financial statements.		
Deux Projects Limited is related to the company through a common director		
Deux Projects Limited	1,022,819	1,022,819
	<b>1,022,819</b>	<b>1,022,819</b>
<b>Payables to related parties</b>		
Rendering of services are negotiated with related parties on commercial terms and conditions. The balance payable to related party is included in trade payable in Note 25		
WPG Services limited	810,875	644,872
George Etomi & Partners	1,845	-
	<b>812,720</b>	<b>644,872</b>
<b>35.1. Key management compensation</b>		
Key management personnel of Eko Electricity Distribution Plc includes its directors, executive and non-executive. See details of compensation paid/payable to key management personnel during the years reported in Note 36.2 36.1		
<b>36. Employee benefits</b>		
<b>Employee costs</b>		
Salaries	8,852,066	8,130,819
Pension cost	825,226	723,996
Long service award	27,745	34,797
	<b>9,705,037</b>	<b>8,889,612</b>
<b>36.1. Employee costs</b>		
<b>Employee costs during the year amounted to:</b>		
Indirect employee costs	4,245,236	6,428,574
Direct employee costs (technical staff)	5,459,801	2,461,038
	<b>9,705,037</b>	<b>8,889,612</b>
<b>36.2. Key management personnel compensation</b>		
Fees as Directors	12,500	12,500
Other emoluments*	546,027	995,786
	<b>558,527</b>	<b>1,008,286</b>
<b>Key management personnel compensation is made up of:</b>		
Short-term employee benefits	558,527	1,008,286
*The other emoluments relates to holiday allowance, travel and training expenses.		
Fees and other compensation disclosed above includes amount paid to:		
Highest paid director	124,240	181,123

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

2023  
N. '000

2022  
N. '000

### 36. Employee benefits (continued)

	Number	
<b>The other directors received remuneration in the following ranges:</b>		
NGN40,000,000 - NGN50,000,000	-	-
Above NGN50,000,000	7	7
	<u>7</u>	<u>7</u>

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

West Power and Gas Limited pays the salaries of key management personnel. This is not recharged to the Company.

### 36.3. The average number of full-time persons employed by the Company during the year was as follows:

	Number	
Finance	144	150
Administrative	389	382
Operations	1,517	1,470
	<u>2,050</u>	<u>2,002</u>

### Employees of the Company other than Directors, whose duties were wholly or mainly discharged in:

	Number	
Below NGN1,000,000	25	16
NGN1,000,001 - NGN2,000,000	277	228
NGN2,000,001 - NGN3,000,000	727	764
NGN3,000,001 - NGN4,000,000	350	327
NGN4,000,001 - NGN5,000,000	216	268
Above NGN5,000,000	455	399
	<u>2,050</u>	<u>2,002</u>

### 37. Compliance with Financial Reporting Council of Nigeria Rule 2b and Rule 3 (Paragraph 4)

Details of professionals that provided assurance services to Eko Electricity Distribution Plc. during the year

FRC Number	Name of Signer	Name of Firm	FRC Number	Services Rendered
FRC/2021/004/00000 022718	Chidiebere Orji	Logic Professional Services	FRC/2020/0000001361 7	Actuary valuation services
FRC/2014/CITN/0000 0006476	Odunowo Odutayo Olatunde	Ijewere & Co.	FTC/2022/Coy/489741	Tax consultancy

The auditors did not provide any non-audit services to the Company in the year.

### 38. Contingencies

A contingent liability is a potential liability that may occur depending on the outcome of an uncertain future event not wholly within the control of the Company.

#### 38.1. Transfer of pre-takeover liabilities and receivables

As part of the privatisation process, the Company through the Bureau of Public Enterprise (BPE) signed a deed of assignment of the pre-takeover liabilities and trade receivables with Nigerian Electricity Liability Management Company (NELMCO) effective 31 October 2013. Therefore, the Company believes that it will neither realise those receivables nor settle any liability existing as at 31 October 2013 and no recognition of impairment is required

#### 38.2. Litigations

There were a number of claims against the Company arising from litigations over its normal course of operations. Based on the legal advice of its external legal counsels, the Directors have recognised N122m as financial obligations that may result from the litigations.

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

	2023 N. '000	2022 N. '000
<b>39. Loans receivable</b>		
Loans receivable relates to amounts receivable from Transmission Company of Nigeria (TCN), for rehabilitation of the TCN network, which was financed by a loan from CBN. This loan is recoverable through the monthly invoice payable to TCN. A total amount of N1.1bn was netted off against invoice received from TCN for the year.		
The monthly repayment of the loan is net-off against the amount payable to TCN for electricity supply. Loans receivable are presented at amortised cost, which is net of loss allowance, as follows:		
Loans receivable from TCN as at 1 January 2023	12,911,749	12,911,749
Interest Accrued	1,140,860	168,731
Payments made	(1,140,860)	(168,731)
Returns*	(429,840)	-
	<b>12,481,909</b>	<b>12,911,749</b>
<b>Loan receivable details</b>		
Non-current assets	12,481,909	12,911,749
Current assets	-	-
	<b>12,481,909</b>	<b>12,911,749</b>

## 40. Events after the reporting period

### a. NERC Orders

Subsequent to year end the Nigerian Electricity Regulatory Commission (NERC) issued revised tariff rates for the supply of electricity that affected significantly customers under the band A tariff. This is expected to increase the amount of revenue in the following year and reduce tariff shortfall. The expected change cannot be reasonably estimated. Also an order was issued for the commencement of refunds to customers for the value of meters purchased under the Meter Asset Provider (MAP) metering scheme.

NERC also issued an order on non compliance with capping of estimated bills for the period January to September 2023, the order mandated the company to refund to customers a total of N14.1billion for alleged overbilling of customer. A further deduction of 1.4bn representing 10% of the overbilled amount shall be deducted and applied to EKEDC's 2024 annual opex during the next tariff review. The company has written a petition and filed a case against this judgement. As at the date of this report no verdict has been given on the case. This amount has been deducted from the revenue for the year.



---

NATIONAL DISCLOSURES

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Value added statement

	2023 N. '000	2023 %	2022 N. '000	2022 %
<b>Value Added</b>				
<b>Value added by operating activities</b>				
Revenue	180,685,487		137,444,238	
Other operating income	76,726,511		21,412,174	
Finance income	350,858		259,031	
Bought - in materials and services	(223,597,395)		(139,884,624)	
	<b>34,165,461</b>	<b>100</b>	<b>19,230,819</b>	<b>100</b>
<b>Value Added</b>				
<b>To Pay Employees</b>				
Salaries, wages, medical and other benefits	4,803,763		7,436,860	
	<b>4,803,763</b>	<b>14</b>	<b>7,436,860</b>	<b>39</b>
<b>To Pay Providers of Capital</b>				
Finance costs	6,343,640		5,912,320	
	<b>6,343,640</b>	<b>19</b>	<b>5,912,320</b>	<b>31</b>
<b>To Pay Government</b>				
Income tax	4,023,823		1,244,299	
	<b>4,023,823</b>	<b>12</b>	<b>1,244,299</b>	<b>6</b>
<b>To be retained in the business for expansion and future wealth creation:</b>				
<b>Value reinvested</b>				
Depreciation, amortisation and impairments	13,378,226		19,808,890	
Deferred tax	(4,438,085)		(14,485,020)	
	<b>8,940,141</b>	<b>26</b>	<b>5,323,870</b>	<b>28</b>
<b>Value retained</b>				
Retained profit	10,054,094		(686,530)	
	<b>10,054,094</b>	<b>29</b>	<b>(686,530)</b>	<b>(4)</b>
<b>Total Value Added</b>	<b>34,165,461</b>	<b>100</b>	<b>19,230,819</b>	<b>100</b>

Value added statement is presented for the purpose of complying with the national disclosures requirements of FRCN.

# Eko Electricity Distribution Plc

(Registration number 638862)

Financial Statements for the year ended 31 December 2023

## Five year financial summary

	2023 N. '000	2022 N. '000	2021 N. '000	2020 N. '000	2019 N. '000
<b>Statement of Financial Position</b>					
<b>Assets</b>					
Non-current assets	131,896,438	111,443,630	73,997,029	67,346,375	56,709,487
Current assets	161,099,663	106,745,999	129,236,990	103,668,375	45,745,190
<b>Total assets</b>	<b>292,996,101</b>	<b>218,189,629</b>	<b>203,234,019</b>	<b>171,014,750</b>	<b>102,454,677</b>
<b>Liabilities</b>					
Non-current liabilities	44,626,442	43,416,413	25,198,764	4,488,290	5,775,257
Current liabilities	180,804,827	117,262,478	119,837,987	102,635,092	44,514,422
<b>Total liabilities</b>	<b>225,431,269</b>	<b>160,678,891</b>	<b>145,036,751</b>	<b>107,123,382</b>	<b>50,289,679</b>
<b>Equity</b>					
Share capital	200,000	200,000	200,000	200,000	200,000
Retained earnings	67,364,832	57,310,738	57,997,268	63,691,368	51,964,998
<b>Total equity</b>	<b>67,564,832</b>	<b>57,510,738</b>	<b>58,197,268</b>	<b>63,891,368</b>	<b>52,164,998</b>
<b>Total equity and liabilities</b>	<b>292,996,101</b>	<b>218,189,629</b>	<b>203,234,019</b>	<b>171,014,750</b>	<b>102,454,677</b>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>					
Revenue	180,685,487	137,444,238	131,751,137	98,807,144	80,604,365
Cost of sales	(198,816,617)	(117,157,370)	(125,258,141)	(110,288,181)	(95,350,625)
<b>Gross profit/(loss)</b>	<b>(18,131,130)</b>	<b>20,286,868</b>	<b>6,492,996</b>	<b>(11,481,037)</b>	<b>(14,746,260)</b>
Other operating income	76,726,511	21,412,174	32,991,587	58,069,057	177,573,857
Other operating expenses	(42,962,767)	(49,973,004)	(40,944,731)	(40,393,056)	(31,006,269)
<b>Operating profit/(loss)</b>	<b>15,632,614</b>	<b>(8,273,962)</b>	<b>(1,460,148)</b>	<b>6,194,964</b>	<b>131,821,328</b>
Finance income	350,858	259,031	144,847	117,669	133,540
Finance costs	(6,343,640)	(5,912,320)	(2,420,813)	(3,464,335)	(5,485,611)
<b>Profit/(Loss) before taxation</b>	<b>9,639,832</b>	<b>(13,927,251)</b>	<b>(3,736,114)</b>	<b>2,848,298</b>	<b>126,469,257</b>
Taxation	414,262	13,240,721	(1,957,986)	8,878,072	(2,724,332)
<b>Profit/(Loss) for the year</b>	<b>10,054,094</b>	<b>(686,530)</b>	<b>(5,694,100)</b>	<b>11,726,370</b>	<b>123,744,925</b>
<b>Retained (loss)/income for the year</b>	<b>10,054,094</b>	<b>(686,530)</b>	<b>(5,694,100)</b>	<b>11,726,370</b>	<b>123,744,925</b>

Five-year financial summary is presented for the purpose of complying with the national disclosures requirements of FRCN.