



ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

IKEJA ELECTRIC PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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**IKEJA ELECTRIC PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

CORPORATE INFORMATION

		Designation
Directors	Mr. Kola Adesina Mr. Temitope Shonubi Mr. Adedeji Odunsi Mr. Gbeleyi Ayodeji Mr. Aigbe Olotu Ms. Ijeoma Nwogwugwu Mr. Park SW (Korean)	Chairman Director Director Director Director Director Director
Registered office	Ikeja Electric Plc 178 Obafemi Awolowo Way Alausa, Ikeja Lagos State, Nigeria	
Registration number	RC 638695	
Company secretary	Olanrewaju Durojaiye 178 Obafemi Awolowo Way Alausa, Ikeja Lagos State, Nigeria	
Bankers	Citi Bank Nigeria Limited Ecobank Nigeria Plc Fidelity Bank Plc First City Monument Bank Limited Keystone Bank Limited Polaris Bank Limited Sterling Bank Plc Union Bank of Nigeria Plc United Bank for Africa Plc Zenith Bank Plc.	
Solicitors	Udo Udoma & Belo-Osagie 10th/13th Floor St. Nicholas House CMS, Lagos Island, Lagos Law Guild Legal Practitioners & Arbitrator Investment House, 8th Floor, Broad Street, Lagos. Lawlinks Legal Practitioners 23, Sunmola Street, Mende, Maryland, Lagos	
Independent auditor	KPMG KPMG Tower Bishop Aboyade Cole Street Victoria Island Lagos, Nigeria	
TIN	17777279-0001	

IKEJA ELECTRIC PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
FINANCIAL HIGHLIGHTS

Results	2023	2022
	₦'000	₦'000
Revenue	<u>207,341,439</u>	<u>170,418,051</u>
Operating (loss)/profit	<u>(13,878,237)</u>	<u>40,876,579</u>
(Loss)/profit for the year	<u>(4,103,869)</u>	<u>33,967,491</u>
Total Comprehensive Income	<u>53,342,185</u>	<u>34,050,019</u>
Total Equity	<u>101,468,967</u>	<u>48,126,782</u>
Data per ₦1.00k shares		
(Loss)/earnings per share - Basic (Naira)	<u>(164)</u>	<u>1,359</u>
Net assets per share	<u>4,058.76</u>	<u>1,925.07</u>

REPORT OF THE DIRECTORS

The Directors are pleased to present to members, their report, and the audited Financial Statement of Ikeja Electric PLC ("the Company") for the year ended 31 December 2023 with the independent audit opinion.

Legal form and principal activity

Ikeja Electric PLC ("the Company"), was incorporated on November 8, 2005, as a Limited 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 franchise area of its network which comprised of six (6) business units namely Ikeja, Oshodi, Shomolu, Ikorodu, Akowonjo and Abule- Egba business units respectively.

The principal activity of the Company is the distribution of electricity to its customers and consumers across its franchise network.

Operating results

The summary of the operating results of the Company is as follows:

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Revenue	207,341,439	170,418,051
(Loss)/Profit before minimum tax and income tax	(24,227,035)	34,826,046
Minimum tax	(1,040,843)	(856,813)
(Loss)/Profit before income tax	(25,267,878)	33,969,234
Income tax credit/(expense)	21,164,009	(1,741)
(Loss)/Profit for the year	(4,103,869)	33,967,492
Other comprehensive income, net of tax	57,446,054	82,528
Total comprehensive income for the year	53,342,185	34,050,019

Dividend

The Directors did not recommend any dividend payment for the financial year ended 31 December 2023 (2022: Nil).

Property, plant and equipment

Information relating to changes in property, plant and equipment (PPE) is disclosed in Note 13 to the financial statements.

Directors' interest in contracts

None of the Directors has notified the Company for the purpose of section 277 of the Company's and Allied Matters Act (CAMA), of their direct or indirect interest in contracts or proposed contract with the Company during the year.

Board matters

There was no change in the board composition during 2023.

Directors and their interests

For the purpose of section 275 of the Companies and Allied Matters Act (CAMA) 2020, the Directors have no direct interest in the shares of the Company.

Shareholding structure

The issued share capital of the Company is N25,000,000 made up of 25,000,000 units of ordinary share capital of N1.00k each. The beneficiaries are as follow:

Names of shareholders	2023		2022	
	Numbers of shared held	%	Numbers of shared held	%
New Electricity Distribution Company Ltd - NEDC	15,000,000	60	15,000,000	60
Bureau of Public Enterprises - BPE	8,000,000	32	8,000,000	32
Ministry of Finance Incorporated	2,000,000	8	2,000,000	8
Total issued ordinary shares	25,000,000	100	25,000,000	100

Directors

The Directors of the Company who held office during the year under review are as follow:

Name	Designation
Mr. Kola Adesina	Chairman
Mr. Temitope Shonubi	Director
Mr. Adedeji Odunsi	Director
Mr. Alex Okoh	Director
Mr. Aigbe Olotu	Director
Mr. Sang-Woo Park	Director
Ms. Ijeoma Nwogwugwu	Director

Subsequent to year end, Mr. Alex Okoh resigned from the Board effective 8th January 2024 and Mr. Ayodeji Gbeleyi replaced him effective 27th June 2024 as the Bureau of Public Enterprises (BPE) representative on the Board”.

Corporate governance

The Board carried out its functions in line with legal requirements and in accordance with best practice. The Board recognises the importance of high standard corporate governance and is committed to same. The Board has implemented, and operates in accordance with, a set of corporate governance requirements which are fundamental to the Company's continued growth and success. As at the date of this report, the Company has in place, the following Board Committees which assisted the Board:

Audit, Risk & Governance Committee, chaired by Mr. Ade Odunsi
Finance, Investment & General-Purpose Committee, chaired by Mr. Temitope Shonubi
Technical and Operations Committee, chaired by Mr. Alex Okoh

REPORT OF THE DIRECTORS (CONT'D)

Since the inaugural board meeting of the Company under the new dispensation in November 2013, the board has held several meetings. In the year under review, the Company held four (4) board meetings held on 2nd March, 15th May, 25th September and 15th of December 2023.

Directors' attendance at Board meetings

The Board held four (4) Board meetings during the year and below is the record of attendance of the directors at the meeting:

<u>NAME</u>	<u>NUMBER OF MEETINGS ATTENDED</u>
Mr Kola Adesina (Chairman)	4/4
Mr Temitope Shonubi	4/4
Mr Adedeji Odunsi	4/4
Ms Ijeoma Nwogwugwu	4/4
Mr Alex Okoh/Mr Toibudeen Oduniyi	4/4
Mr Aigbe Olotu	4/4

Board committees

The Board Committees and their members also held meetings during the year as follows:

Audit, risk & governance committee

The Audit, Risk & Governance Committee met five times during the year under review. The meetings were held on 6th February, 2nd May, 1st August, 22nd September, 24th November, 2023.

<u>NAME</u>	<u>NUMBER OF MEETINGS ATTENDED</u>
Mr Adedeji Odunsi (Chairman)	5/5
Mr Temitope Shonubi	5/5
Mr Toibudeen Oduniyi (for Mr Alex Okoh)	5/5
Mr Aigbe Olotu	5/5

Technical & Operations Committee

The Technical & Operations Committee met two times during the year under review. The meetings were held on 10th February and 8th August, 2023.

<u>NAME</u>	<u>NUMBER OF MEETINGS ATTENDED</u>
Mr Toibudeen Oduniyi (Chairman)	2/2
Mr Temitope Shonubi	2/2
Mr Adedeji Odunsi	2/2

REPORT OF THE DIRECTORS (CONT'D)

Finance, Investment & General-Purpose committee

The Finance, Investment & General-Purpose Committee met two times during the year under review. The meetings were held on 16th February and 8th August 2023.

<u>NAME</u>	<u>NUMBER OF MEETINGS ATTENDED</u>
Mr Temitope Shonubi (Chairman)	2/2
Mr Adedeji Odunsi	2/2
Ms Ijeoma Nwogwugwu	2/2
Mr Alex Okoh/Mr Toibudeen Oduniyi	2/2

Employment of physically challenged persons

It is the policy of the Company that there should be no discrimination in considering applications for employment including those from physically challenged persons if academically qualified and medically fit. All employees whether physically challenged or not are given equal opportunities to develop their expertise and knowledge and qualify for promotion in furtherance of their career.

The Company had three (3) physically challenged people in its employment as at 31 December 2023 (2022: three (3)).

Health, Safety & Environment (HSE)

Ikeja Electric is committed to an Environmental Health & Safety system that promotes a safe environment for all employees, customers, consumers, contractors and network assets under its network. The Company has created and maintained a proactive safety culture with the belief that all injuries and occupational hazards are foreseeable and preventable. Hence, the health and safety practices have continued to remain paramount to the organisation.

As a responsible organization, we took continuous lessons from our QHSE Performance in 2020 and continued to implement innovative solutions through the "Work Safely OR Go Home" Strategy so that all staff take responsibility of their individual safety and that of the collective interest of Ikeja Electric in 2023.

This strategy demonstrates our commitment through a thorough implementation of our organizational, technical and operational controls aimed at achieving zero harm to our interested parties and is premised on four elements; zero injuries to our people, contractors and visitor; zero tolerance of unsafe behaviour and acts, zero compromise on safety and zero impact on our families and communities.

In 2023, we have continued the Technical Safety Village Meeting which convenes all Technical Staff and Leadership Team companywide and acts as a platform for sharing lessons learnt from accidents and as a forum for workers' consultation and participation on issues bordering on Occupational Health, Safety and Environment.

REPORT OF THE DIRECTORS (CONT'D)

Employees' involvement and training

Ikeja Electric PLC 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.

Management, professional and technical expertise are the Company's major assets and the Company gives adequate attention to the investment in developing these skills. The Company has best in-class in-house training facilities. Training is carried-out at various levels of employees through both in-house training and external training, where necessary. This has created opportunities for career development within the organization.

Personal & Corporate Social Responsibilities

The Company continued its initiatives in Personal and Corporate Social Responsibilities in 2023 and engaged in several activities amongst others including:

Valentine's Day 2023 - To kickstart the year's CSR calendar, the Employee Volunteering scheme in company of its patron, the CEO, paid a visit of the Down Syndrome Foundation home/ school located in Fagba to spend the day with the students. During this visit, a donation of food Items, housekeeping and toiletries were made to the 87-person capacity home. Also, preliminary engagement was had to discuss more ways on partnership opportunities including a visit by students to aid their integration into society and business environment.

"Safety Starts with Me" Campaign - To sensitize children aged 4-12 about electricity and its dangers, the "Give Back" Team visited Ilasamaja Primary School under the Oshodi Business Unit network where pupils of the school were sensitized about electricity and the possible hazards that can occur from carelessness around electricity and electrical appliances. This was conducted through fun interactive classroom sessions and painting exercise. This opportunity was also leveraged to introduce these pupils to environmental sustainability concepts like recycling, material re-purposing tree planting etc. Adeniyi Jones Primary School and Test House Primary School, Gbagada were also visited during the course of the year for the same initiative.

World Malaria Day - Ikeja Electric joined in the global fight against Malaria on Saturday 25th April, World Malaria Day, this year as it is the tradition through its PCSR outreach hinged on the three (3) broad pillars of Health, Education, and Empowerment as each concerns the SDG goals. The activities were carried out in 3 different communities (Adiyan, Ibeshe and Mile12) in its Abule-Egba Ikorodu and Shomolu Business units respectively.

Children's Day Outreach - To celebrate Children's Day, Ikeja Electric conducted an outreach which took place on the 26th of May at the Adeniyi Jones primary school under its Ikeja Business Unit. Education being a major Pillar of IE PCSR activities, members of the GBA team and Ikeja Business unit Management team visited the school and made donation of educational materials and refreshment was made available to 200 pupils in the school.

REPORT OF THE DIRECTORS (CONT'D)

Ipaja Police Travel Lodge - Ikeja Electric, Nigeria's leading electricity distribution company, and Sahara Foundation, the corporate citizenship vehicle for Sahara Power Group, collaborated to donate a travel lodge facility to the Nigerian Police Force for temporary accommodation for newly posted officers yet to find a permanent accommodation. The Lodge was constructed on the premises of the Divisional Police HQ, Ipaja and the formal launch/ribbon cutting ceremony happened on the 31st of May 2023.

World Environment Day - In collaboration with the Sahara Foundation, we planned and executed the World Environment Day outreach which took place on 5th June in Aswani Market, Isolo. Members of the "Give Back" team took turns to sensitize the market community about plastic pollution and the benefits of recycling. The event also presented the opportunity to unveil the Foundation's recycling Hub located at the Isolo Local Government compound.

International Charity Day - As part of the activities to mark International Charity Day celebrated on 5th September, a day set aside to assuage the plight of underserved in the community. This year the IE volunteering group visited the So-Said Charity Home for the vulnerable located in Ago Palace Way, Okota, Oshodi where the group spent time with the group and made donations to the home on behalf of the company.

International Volunteers Day/Season To Share - To celebrate the International Volunteers Day, held on 5th December annually, the GBA team leveraged on the opportunity to visit 3 charity homes across the business operation namely: Bales of Mercy, Winiseph care home and St. Monica orphanage to carry out Ikeja Electric's end of year charity outreach tagged Season to share which is characterized by charitable donations of foodstuff household items.

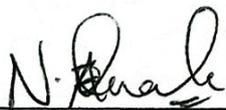
The total spent on the above initiatives amounted to NGN18million. In accordance with section 38(2) of the Companies and Allied Matters Act of Nigeria, Cap C20, Laws of the Federation of Nigeria, 2020, the Company did not make any donations or gifts to any political party, political association or for any political purpose in the course of the year (2022: Nil).

Acquisition of own shares

The Company did not purchase any of its own shares during the year (2022: Nil).

Auditors

Messrs. KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditors to the Company. In accordance with Section 401 (2) of the Companies and Allied Matters Act (CAMA), 2020, the auditors will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

BY ORDER OF THE BOARD

Olanrewaju Durojaiye
FRC/2022/PRO/ICSAN/002/1274
18 November 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS

The Directors of Ikeja Electric Plc ("the Company") are responsible for the preparation of the financial statements that give a true and fair view of the financial position of the Company as at 31 December 2023, and the results of its operations, cash flows and changes in equity for the year ended 31 December 2023, in compliance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Companies and Allied Matters Act of Nigeria, 2020 and the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

In preparing the financial statements, the Directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when in compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company and Company's financial position and financial performance; and
- making an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS Standards;
- maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS Standards;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

Going concern:

The Directors of Ikeja Electric Plc, having evaluated the considerations as disclosed in Note 1.2, believe that the use of the going concern is appropriate for the preparation of the 2023 financial statements. The Directors are positive that the Company will achieve adequate resources to continue operations into the foreseeable future with proposed reforms in the sector.

The financial statements of the Company for the year ended 31 December 2023 were approved by the Board on ~~.....18.....November.....~~, 2024

On behalf of the Directors of the Company



Kola Adesina
Chairman
FRC/2016/CIIN/00000014687

18 , November 2024



Adedeji Odunsi
Director
FRC/2013/ICAN/00000005046

18 , November 2024

**STATEMENT OF CORPORATE RESPONSIBILITY
FOR THE PREPARATION OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 December 2023**

Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Managing Director/CEO and Chief financial Officer, hereby certify the financial statements of Ikeja Electric for the year ended 31 December 2023 as follows:

- a) That we have reviewed the audited financial statements of the Company for the year ended 31 December 2023.
- b) That the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading, in the light of the circumstances under which such statement was made.
- c) That the audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for, the year ended 31 December 2023.
- d) That we are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Company is made known to the officer by other officers of the companies, during the year end 31 December 2023.
- 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 there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective action with regard to significant deficiencies and material weaknesses.
- g) That we have disclosed the following information to the Company's Auditors and Audit Committee:
- (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 control.



Folake Soetan
Chief Executive Officer (CEO)
FRC/2022/002/00000023599



Seqinah Akinwunmi
Chief Financial Officer
FRC/2018/ICAN/00000018751

REPORT OF THE AUDIT, RISK & GOVERNANCE COMMITTEE

To the members of Ikeja Electric Plc

In compliance with section 404(1) of the Companies and Allied Matters Act (CAMA 2020), we the members of the Audit, Risk & Governance Committee of Ikeja Electric Plc, have reviewed the Audited Report for the year ended 31 December, 2023 and hereby declare as follows:

1. The scope and planning of the audit for year ended 31 December, 2023 were adequate in our opinion;
2. The accounting and financial reporting policies of the Company conformed to legal requirements and agreed ethical practices;
3. The Internal Control and Internal Audit were operated effectively through robust internal control framework;
4. The External Auditor's findings as stated in the management letter received satisfactory response from executive management;
5. The External Auditors confirmed receiving full co-operation from the Company's management and that their scope of work was not restricted in any way.

Dated:18 November..... **2024**



Mr. Adedeji Odunsi
Chairman, Audit, Risk & Governance Committee
FRC/2013/ICAN/00000005046

MEMBERS OF THE COMMITTEE

Mr. Adedeji Odunsi	- Chairman
Mr. Aigbe Olotu	- Member
Mr. Alex Okoh	- Member
Mr. Temitope Shonubi	- Member



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ikeja Electric Plc

Report on the Audit of the Financial Statements

Opinion

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

- the statement of financial position as at 31 December 2023;
- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows for the year then ended; and
- the notes, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1.2 of the financial statements, which indicates that the Company incurred a loss after tax of NGN4.10 billion during the year ended 31 December 2023 and, as of that date, the Company's current liabilities exceeded its current assets by NGN50.29 billion. As stated in Note 1.2, these events or conditions, along with other matters as set forth in Note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

Revenue Recognition	
The key audit matter	How the matter was addressed in the audit
<p>Revenue recognition is a matter of significance in our audit of the financial statements due to the following significant judgements:</p> <ul style="list-style-type: none"> • revenue from unmetered customers is based on an estimated billing methodology; • estimation of unbilled revenue for postpaid energy sales to customers between the date of their last bill and the year end date; and • deferred revenue from prepaid energy sales as at year end which require estimation of electricity units consumed by customers up to the year-end date with reference to electricity unit purchases and other assumptions <p>Furthermore, tariffs are regulated and the multi year tariff order (MYTO) is issued twice in a year to update for changes in macroeconomic conditions, that is MYTO released in July relates to transactions between January to June and that in December relates to transactions from July to December. The Company's process of implementing the changes is manual and prone to error.</p> <p>Due to the high level of judgement involved in revenue recognition and the significance of the revenue recognised, we have considered this to be a key audit matter</p>	<p>Our audit procedures in this area included the following:</p> <ul style="list-style-type: none"> • We obtained an understanding of the Company's customer billing and meter reading processes and evaluated the design and implementation of the relevant controls in relation to revenue estimation and billing systems. • For revenue recognised in respect of unmetered customers, we evaluated the reasonableness of the assumptions underlying the Company's estimated billing methodology by recomputing energy billed to test that the total energy billed is not higher than total energy received. We also re-computed the estimate made for unbilled revenue at year end. • With respect to the estimation of unbilled revenue from postpaid energy sales, we obtained an understanding of the Company's billing cycle for the post paid customers and re-computed estimated unbilled revenue as at year end to account for the days between the period of the billing cycle for December 2023 and the year end. • With respect to the estimation of deferred revenue from prepaid energy sales, we obtained an understanding of the customers' consumption pattern and evaluated the reasonableness of the assumptions underlying the deferred revenue methodology by recomputing the percentage and amount deferred. • We evaluated the multi year tariff order issued with respect to metering and billing of customers and assessed how the Company had complied with the orders in formulating its billing and revenue recognition methodology by recomputing revenue based on the order. • We evaluated the adequacy of the financial statements disclosures including disclosures of key assumptions and judgements.

The Company's accounting policy on revenue recognition and related disclosures are shown in Notes 3(A), 5.1 and 6 to the financial statements respectively.

Information Other than the Financial Statements and Audit Report thereon

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

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



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

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria (Amendment) Act, 2023, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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



Okere Onyinye, ACA
FRC 2012/ICAN/00000000421
For: KPMG Professional Services
Chartered Accountants
16 January, 2025
Lagos, Nigeria



IKEJA ELECTRIC PLC
ANNUAL REPORT
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 ₦'000	2022 ₦'000
Revenue	6	207,341,439	170,418,051
Cost of sales	7	(174,730,255)	(135,008,085)
Gross Profit		32,611,184	35,409,966
Other income	9	2,575,427	3,157,186
Impairment gain on trade and other receivables	32.5	6,646,553	46,614,233
Distribution and administrative costs	8	(55,711,401)	(44,304,806)
Operating (loss)/profit		(13,878,237)	40,876,579
Finance income	10(a)	108,235	301,718
Finance costs	10(b)	(10,457,033)	(6,352,252)
Net finance costs		(10,348,798)	(6,050,534)
(Loss)/profit before minimum tax and income tax		(24,227,035)	34,826,045
Minimum tax	12(a)	(1,040,843)	(856,813)
(Loss)/profit before income tax		(25,267,878)	33,969,232
Income tax credit/(expense)	12(b)	21,164,009	(1,741)
(Loss)/profit for the year		(4,103,869)	33,967,491
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurement of defined benefit plan	23(b)	(102,164)	82,528
Related tax	12(c)	33,714	-
Revaluation surplus on property, plant and equipment	28(b)	82,163,577	-
Related tax	12(c)	(24,649,073)	-
Other comprehensive income for the year, net of tax		57,446,054	82,528
Total comprehensive income for the year		53,342,185	34,050,019
Basic and diluted earnings/(loss) per share (Naira)	29	(164)	1,359

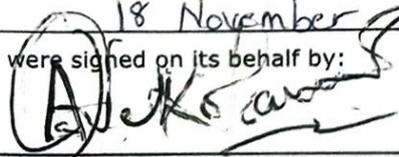
The accompanying notes form an integral part of the financial statements.

IKEJA ELECTRIC PLC
ANNUAL REPORT
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	31 Dec 2023 N'000	31 Dec 2022 N'000
ASSETS			
Non-current assets			
Property, plant and equipment	13(a)	212,722,270	126,314,541
Right-of-use assets	30(a)	215,009	285,718
Intangible assets	14	1,732,688	2,974,709
Trade and other receivables.	15	9,139,390	7,659,044
Total non-current assets		223,809,357	137,234,012
Current assets			
Inventories	16	922,587	476,221
Trade and other receivables	15	108,417,358	100,831,273
Prepaid expenses	17	826,799	371,582
Cash and bank balances	18	23,011,068	14,196,726
Total current assets		133,177,812	115,875,802
TOTAL ASSETS		356,987,169	253,109,814
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	26	25,000	25,000
Revaluation reserves	28(b)	147,107,798	89,593,294
Other reserve	28(a)	131,392,850	131,392,850
Accumulated deficit	27	(177,056,681)	(172,884,362)
Total Equity		101,468,967	48,126,782
Non-current liabilities			
Loans and borrowings	20	28,788,620	34,591,742
Defined benefit obligation	23	828,086	747,494
Trade and other payables	22	28,218,689	-
Deferred income	21	10,764,681	11,077,137
Deferred tax liabilities	12(f)	3,451,350	-
Total non-current liabilities		72,051,426	46,416,373
Current liabilities			
Current tax liabilities	12(d)	4,343,541	3,302,697
Loans and borrowings	20	10,412,789	4,068,883
Trade and other payables	22	160,495,582	146,169,813
Contract liabilities	6(c)	6,122,956	2,227,873
Deferred income	21	1,866,506	2,706,998
Provisions	24	225,402	90,395
Total current liabilities		183,466,776	158,566,659
TOTAL LIABILITIES		255,518,202	204,983,032
TOTAL EQUITY AND LIABILITIES		356,987,169	253,109,814

The financial statements were approved and authorised for issue by the Directors on 18 November 2024.

They were signed on its behalf by:


Kola Adesina
Chairman
 FRC/2016/CIIN/00000014687

Additionally certified by:


Folake Soetan
Chief Executive Officer (CEO)
 FRC/2021/002/00000023599


Adedeji Odunsi
Director
 FRC/2013/ICAN/00000005046


Seqinah Akinwunmi
Chief Financial Officer
 FRC/2018/ICAN/00000018751

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

IKEJA ELECTRIC PLC
ANNUAL REPORT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share Capital	Accumulated Deficit	Revaluation Reserves	Other Reserves	Total Equity
Note	N'000	N'000	N'000	N'000	N'000
Balance as at 1 January 2022	25,000	(206,934,381)	89,593,294	131,392,850	14,076,763
Profit for the year	27	33,967,491	-	-	33,967,491
Other comprehensive income	27, 28	82,528	-	-	82,528
Total comprehensive profit	-	34,050,019	-	-	34,050,019
Balance as at 31 December 2022	25,000	(172,884,362)	89,593,294	131,392,850	48,126,782

	Share Capital	Accumulated Deficit	Revaluation Reserves	Other Reserves	Total Equity
Note	N'000	N'000	N'000	N'000	N'000
Balance as at 1 January 2023	25,000	(172,884,362)	89,593,294	131,392,850	48,126,782
Loss for the year	27	(4,103,869)	-	-	(4,103,869)
Other comprehensive income	27, 28	(68,450)	57,514,504	-	57,446,054
Total comprehensive loss	-	(4,172,319)	57,514,504	-	53,342,185
Balance as at 31 December 2023	25,000	(177,056,681)	147,107,798	131,392,850	101,468,967

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

IKEJA ELECTRIC PLC
ANNUAL REPORT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

Cash flows from operating activities	Note	2023 ₦'000	2022 ₦'000
(Loss)/profit for the year		(4,103,869)	33,967,491
Adjustments for:			
Depreciation on distribution assets	7	11,075,514	9,699,311
Depreciation on non-distribution assets	8	449,141	519,929
Depreciation of right-of-use assets	8	99,735	104,513
Amortisation of intangible assets	14	1,242,022	657,129
Amortisation of day one gain	9	(1,856,426)	(2,300,019)
Modification gain on loans and borrowings	9	-	(257,001)
Customer - granted assets	6(a)	(1,033,146)	(832,790)
(Reversal)/impairment loss on trade and other receivables	32.5	(6,646,553)	(46,614,233)
Finance income	10(a)	(108,235)	(301,718)
Finance costs	10(a)	10,457,033	6,352,252
Current service cost - end of service benefit	23(a)	88,907	148,664
Current service cost - long service award	23(b)	16,427	17,396
Past Service cost- end of service benefit	23(a)	-	(287,953)
Interest cost - end of service benefit	23(a)	90,775	94,365
Interest cost - long service award	23(b)	16,258	11,648
Actuarial gain on long service award	23(b)	(3,946)	(8,288)
Minimum tax expense	12(a)	1,040,843	856,813
Income tax (credit)/expense	12(b)	(21,164,009)	1,741
Regulatory Net Off	7	-	(1,748,000)
Tariff shortfall	7	(83,647,000)	(16,794,241)
Provisions	24	135,007	28,790
Overbilling refund	6(b)	13,072,790	-
Gain on disposal	13(e)	(5,994)	-
		(76,680,857)	(50,651,692)
Movements in working capital			
Increase in trade and other receivables	15(b)	(13,681,603)	(17,855,305)
(Increase)/Decrease in inventory	16	(446,366)	120,889
(Increase)/Decrease in prepaid expenses	17(a)	(455,217)	18,158
Increase in trade and other payables	22(c)	115,157,210	38,356,171
Increase in contract liabilities		629,192	607,172
Total movements in working capital		101,203,216	21,247,085
Total adjustments and movements		24,522,359	(29,404,607)
End of service paid	23(a,b)	(233,939)	(199,246)
Payment on interest on leases	20(g)	(45,705)	(88,161)
Net cash generated from operating activities		20,138,846	4,275,477
Cash flows from investing activities			
Acquisition of property, plant and equipment	13(e)	(4,199,774)	(4,149,340)
Additions to right-of-use assets	30(b)	(8,933)	(36,206)
Additions to intangible assets	14	-	(3,141,564)
Proceeds from disposed assets	13(e)	5,994	-
Advance payment for property, plant and equipment	15(b)	(1,489,491)	(1,303,244)
Interest received	10(a)	108,235	87,447
Net cash used in investing activities		(5,583,969)	(8,542,907)
Cash flows from financing activities			
Increase in share capital			
Proceeds from loans and borrowings	20(g)	5,039,184	9,399,064
Principal repayment of loans and borrowings	20(g)	(5,029,692)	(1,798,441)
Interest repayment of loans and borrowings	20(g)	(5,665,203)	(2,611,618)
Payment on lease liabilities	20(g)	(84,824)	(41,716)
Net cash (used in)/generated from financing activities		(5,740,535)	4,947,289
Net increase in cash and cash equivalents		8,814,342	679,859
Cash and cash equivalents at 1 January		14,196,726	13,516,867
Cash and cash equivalents at 31 December	18	23,011,068	14,196,726

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

IKEJA ELECTRIC PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023
NOTES TO THE FINANCIAL STATEMENTS

1.0 The Company

Ikeja Electric Plc ("the Company"), was incorporated on November 8, 2005 as a Limited 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 franchise area of its network which comprised of six (6) business units namely Ikeja, Oshodi, Shomolu, Ikorodu, Akowonjo and Abule-Egba business units respectively. The Company is domiciled in Nigeria and has its registered office address at 178 Obafemi Awolowo Way, Alausa, Ikeja, Lagos.

The Company was in the distribution sector of the PHCN which was a state-owned Electric Power Company. However, it was sold to the consortium of New Electricity Distribution Company Limited (NEDC), with Korean Electric Power Corporation (KEPCO) as its technical partner, as part of the privatization of the electric power sector. The sale was authorized by the Bureau of Public Enterprises (BPE). Effective from 1 November 2013 (referred to as the handover date), the Federal Government of Nigeria (FGN) handed over the Company and other unbundled assets to their new owners.

1.1 Shareholding structure

The shareholding structure of the Company is as follows:

	<u>N'000</u>	%
<i>New Electricity Distribution Company Ltd - NEDC</i>		
15,000,000 ordinary shares of N1.00k each	15,000	60
 <i>Bureau of Public Enterprises - BPE</i>		
8,000,000 ordinary shares of N1.00k each	8,000	32
 <i>Ministry of Finance Incorporated</i>		
2,000,000 ordinary shares of N1.00k each	2,000	8
 <i>Total issued ordinary shares</i>	25,000	100

1.2 Going concern consideration

The Company reported a loss after tax of NGN4.14 billion (2022: Profit after tax of NGN33.97 billion). As at that date, the Company's current liabilities exceeded its current assets by NGN50.29 billion (2022: NGN42.69 billion). The net current liability is principally due to deferred income, contract liability, amounts due on MAP and direct trade creditor amounting to NGN53.33billion (2022: NGN55.73billion), and amounts due to the energy market, third parties and related parties amounting to NGN61.57billion (2022: NGN55.73billion) for which payments were delayed to support the continued operation of the business

Despite improvements in the Nigerian Electricity Supply Industry (NESI) such as the awarding of tariff shortfalls which was introduced in 2019, cumulatively amounting to NGN401.2billion as at 31 December 2023, revision of the Muti Year Tariff Order (MYTO) to higher tariff rates, meter asset schemes such as the National Mass Metering Project (NMMP), Capital expenditure (CAPEX) and Operating expenditure (OPEX) intervention loans from the Central Bank of Nigeria (CBN), the Company still has a back-log of unsettled historical liabilities due to the market operators. These liabilities as well as lack of a cost-reflective tariff create a material uncertainty on the Company's ability to continue as a going concern.

IKEJA ELECTRIC PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023
NOTES TO THE FINANCIAL STATEMENTS

1.2 Going concern consideration (cont'd)

The Directors however prepared the financial statements on a going concern basis on the following considerations:

- NERC had approved tariff shortfalls via regulatory orders for four (4) consecutive years (including current year amounting to NGN83.65 billion (Note 7)) since the current tariff structure are not cost-reflective. The historical antecedents suggest that the pattern will continue until tariffs become cost-reflective. However, this is sustainable to the extent that the FGN can continue to fund the shortfall. This in turn is expected to free up cashflows for settlement of the legacy statutory liabilities and related party liabilities.
- The tariff shortfalls are awarded by NERC and subsequently netted off the company's payables to the market operators. Based on the minimum remittance level order as determined for each Distribution company in the Multiyear tariff order (MYTO) for December 2023, it is expected that the Market Operators invoice will be partially settled up to 63.25% and no immediate demand will be made on the balance of the invoice.
- The regulator, NERC, subsequent to year end approved that customers on Band A pay a cost-reflective tariff effective April 2024. This move is to ensure that the customers enjoying a minimum daily average of 20hours power availability pay for such. The said tariff is being adjusted on monthly basis to reflect both the current macro and micro economic indices in the economy and especially as it affects the power sector (Note 35).
- The Company will continue to have operational cashflows to carry on its business. It is expected that collections from customers will be enough to pay the minimum remittance levels to the Market Operators as contained in the MYTO Minor Order released by NERC and cover operational expenses. The Company has met its minimum remittance levels throughout the year 2023 and up to the date of issue of these financial statements. The company during the year also had its highest collection so far and an all-time low in its Technical Commercial and Collection (ATC&C), showing significant operational improvements.
- Ikeja Electric will continue to pursue its receivables through metering, customer negotiation and engagements. Ikeja Electric in a bid to ensure all customers are metered has contributed approximately the sum of NGN 3.67billion to the MAF Scheme. The Meter Acquisition Fund (MAF) was set up to provide long-term financing to support the plans to close the current metering gap across the country. The fund is centrally managed and provide security for the long-term financing. Recoverability of trade receivable is crucial to an improved operating cashflow, this the company is pursuing as it can be demonstrated in the metering programmes where over 150,000 meters have been deployed in the last 12 months. The company has been mandated to install a minimum of 65,000 meters on a yearly basis for 5 years in order to improve billing accuracy which will also have a positive impact on the company's collection and therefore cashflow.

On the basis of the above, the directors have concluded that they have reasonable expectation that the Company will be able to realize its assets and settle its liabilities in the ordinary course of business. Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern.

IKEJA ELECTRIC PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023
NOTES TO THE FINANCIAL STATEMENTS

1.3 Principal activities

The Company is primarily involved in the distribution of electricity. This includes activities such as billing, metering and maintenance of its network assets and all other related services within its franchise network.

1.4 Financial period, Functional and Presentation currency

These financial statements cover the financial year from 1 January 2023 to 31 December 2023, with comparative figures for the financial year from 1 January 2022 to 31 December 2022.

This set of financial statements are presented in Nigerian Naira ("NGN"), which is the Company's functional currency. All amounts stated in NGN have been rounded to the nearest thousands, unless otherwise stated.

1.5 Composition of IFRS financial statements

The financial statements are drawn up in Nigerian Naira (₦), the functional currency of Ikeja Electric Plc, in accordance with IFRS accounting presentation. The financial statements comprise:

- (i) Statement of profit or loss and other comprehensive income
- (ii) Statement of financial position
- (iii) Statement of changes in equity
- (iv) Statement of cash flows
- (v) Notes to the financial statements

1.6 Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act (CAMA) 2020 and the Financial Reporting Council of Nigeria (Amendment) Act, 2023. The financial statements were authorised for issue by the Board of Directors on 2024.

2 Accounting standards and interpretations issued but not yet effective

A number of new Standards, Amendments to Standards, and Interpretations are effective for annual periods beginning after 1 January 2023 and have not been applied in preparing these financial statements. Those Standards, Amendments to Standards and Interpretations which may be relevant to the Company are set out below.

The Company do not plan to adopt these standards early. The standards will be adopted in the period that they become mandatory unless otherwise indicated:

IKEJA ELECTRIC PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023
NOTES TO THE FINANCIAL STATEMENTS

2 Accounting standards and interpretations issued but not yet effective (cont'd)

New or amended standards	Summary of the requirements and assessment of impact	Effective date Periods beginning on or after
IFRS 16: Leases (Amendments)	<p>Amendments to IFRS 16 Leases requires a seller-lessee impacts how a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendment also requires the seller-lessee to include variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.</p> <p>The amendments confirm the following.</p> <ul style="list-style-type: none"> • On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. 	1 January 2024

IKEJA ELECTRIC PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023
NOTES TO THE FINANCIAL STATEMENTS

2 Accounting standards and interpretations issued but not yet effective (cont'd)

New or amended standards	Summary of the requirements and assessment of impact	Effective date Periods beginning on or after
IFRS 16: Leases (Amendments)	<ul style="list-style-type: none"> • After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains. <p>A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.</p> <p>Under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16. This means that it will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments.</p>	1 January 2024

IKEJA ELECTRIC PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023
NOTES TO THE FINANCIAL STATEMENTS

2 Accounting standards and interpretations issued but not yet effective (cont'd)

New or amended standards	Summary of the requirements and	Effective date Periods beginning on or after
Amendments to IAS 1 (Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current Liabilities)	<p>Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.</p> <p>The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged. In addition a company will classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. Such right may be subject to a company complying with conditions (covenants) specified in a loan arrangement.</p>	1 January 2024

3 Material accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

In addition, the Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material ' rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in Note 3 in certain instances (See Note3(T) for further information).

IKEJA ELECTRIC PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023
NOTES TO THE FINANCIAL STATEMENTS

A Revenue recognition

The company is in the business of distribution of electricity. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The performance obligation of the Company is satisfied overtime as electricity is supplied to the customers. Therefore, revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured. Revenue is measured at fair value of the consideration received/receivable, excluding Value Added Tax (VAT). Revenue from the sale of electricity to post-paid and prepaid customers is the value of the volume of energy units supplied and consumed by the customers or upon completion of services rendered in line with the applicable tariff framework. Prices charged by the Company for electricity distribution are regulated through Multi Year Tariff Order (MYTO). Revenue from the sales of electricity to post-paid customers is the value of the volume of units supplied during the year. In the case of prepaid customers, revenue is recognised based on the estimation of energy consumed as at year end, while unutilized energy is regarded as unearned revenue and it is included in the financial statement as contract liability. The Company does not recognise an asset or liability, as the case may be, on account of under recovery or over recovery except where it is obligated to provide future services at a loss in which case a provision is recognized.

Category of revenue	satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Post-paid revenue	The performance obligation of the Company is satisfied overtime as electricity is supplied to the customers. Billing is done on a monthly basis and payment is contractually within 30 days of billing.	Revenue is recognised over time as electricity is provided. The amount of revenue to recognise during the year (including unbilled revenue for the value of units consumed by customers in December, extracted from the December meter reading (which will be billed in January) is assessed based on the unit consumed method. The stand-alone selling price is determined based on the NERC approved tariff for the different categories of customers and rates agreed in bilateral agreements with specific customers.

IKEJA ELECTRIC PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023
NOTES TO THE FINANCIAL STATEMENTS

A Revenue recognition (cont'd)

Category of revenue	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Prepaid revenue	Satisfaction of performance obligation is same as post-paid revenue. Payment is received in advance of consumption of electricity	Revenue is recognised over time as electricity is provided. In case of prepaid customers, 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 and rates agreed in bilateral agreements with specific customers.

B Property, plant and equipment

1. Distribution network assets

The cost of an item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. Spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment if they are expected to be used for more than one period, otherwise, such items are classified as inventories.

The Company's distribution network assets are stated at fair value using the revaluation model less accumulated depreciation and accumulated impairment losses and is generally depreciated over the estimated useful life of the assets. Operating assets includes the core assets which the Company uses in carrying out its normal course of business; distributing power to high network and other customers. They include the overhead lines and cables, underground cables, plant and Machinery (transformers, feeder pillars), meters, towers and substation buildings.

Revaluations are performed by independent professional valuers with sufficient regularity to ensure that the carrying amount is not materially different from the fair value. Generally this is carried out once in five years unless required earlier to meet any external covenant to ensure that the carrying amount of these assets does not differ materially from that which would be determined using the fair values at the end of the reporting period.

Any increase in value, on revaluation, is recognized in other comprehensive income and presented in the revaluation reserve in equity unless it offsets a previous decrease in value recognized in profit or loss in respect of the same asset. A decrease in value is recognized in profit or loss to the extent it exceeds an increase previously recognized in other comprehensive income in respect of the same asset. The revaluation surplus within the revaluation reserve is realised upon disposal of a revalued asset.

IKEJA ELECTRIC PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023
NOTES TO THE FINANCIAL STATEMENTS

1. Distribution network assets (cont'd)

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

2. Non distribution assets

The cost of an item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. Spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment if they are expected to be used for more than one period, otherwise, such items are classified as inventories. The Company's non distribution assets except for land and building are measured at cost, less accumulated depreciation and any accumulated impairment losses. Depreciation is on a straight line method over the estimated useful lives of the assets. Non-operating assets includes land, administrative office building, furniture and fittings, motor vehicles, etc. Land is not depreciated.

In line with IAS 16, subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of the replaced component is derecognized.

2i. Revaluation of land and building

During the year, the Company changed its accounting policy for the land and building class of property, plant, and equipment from the cost model to the revaluation model. The Company believes that the revaluation model provides more relevant and reliable information by reflecting the fair value of the land and building class of PPE. This is an initial application and the Company has applied the new accounting policy prospectively from 1 January 2023, in line with the requirements of IAS 16 Property, plant and equipment and the comparative information presented for 2022 is not restated.

Revaluations are performed by independent professional valuers with sufficient regularity to ensure that the carrying amount is not materially different from the fair value. Generally this is carried out once in five years based on changes in the business environment and as deemed appropriate by management unless required earlier to meet any external covenant to ensure that the carrying amount of these assets does not differ materially from that which would be determined using the fair values at the end of the reporting period.

Any increase in value, on revaluation, is recognized in other comprehensive income and presented in the revaluation reserve in equity unless it offsets a previous decrease in value recognized in profit or loss in respect of the same asset. A decrease in value is recognized in profit or loss to the extent it exceeds an increase previously recognized in other comprehensive income in respect of the same asset. The revaluation surplus within the revaluation reserve is realised upon disposal of a revalued asset.

3. Donated Assets

The company receives donations/transfers of certain items of Property, Plant and Equipment (PPE) from customers. The company assesses whether the donated/transferred item meets the definition of an asset and if so, recognises such asset as PPE. At initial recognition, the asset is measured at fair value and a corresponding amount is recognised as revenue when the company has no future obligations, otherwise as deferred income.

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4. Depreciation

The company begins depreciating an item of property, plant and equipment when it is available for use and continues depreciating it until it is derecognised, even if during that period the item is idle.

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

Asset Class	Useful life (yrs.)
Distribution assets	
Plant and machinery	5 to 17
Work-in-Progress	Nil

Non distribution assets

Buildings	10 to 50
Land	N/A
Equipment, furniture & fittings	5
Motor Vehicles	4
Computer Software	3

5. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

6. Derecognition of Property, Plant & Equipment

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

C Financial instruments

i. Recognition and initial measurement

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

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

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ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or 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.

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

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

Financial assets – Business model assessment

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

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

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Financial assets – Business model assessment (cont'd)

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

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

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

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

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Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment 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 derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities

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

iv. Offsetting

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short term deposits with an original maturity of three months or less, but exclude any restricted cash which is not available for use by the Company and therefore is not considered highly liquid. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

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D Finance income and expense

Finance expense comprises interest expense on interest bearing liabilities. Finance income comprises interest earned on cash and cash equivalents, short-term investments and financial instruments through profit or loss.

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

E Employee benefit obligations

Defined contribution plan

The Company maintains a Defined Contribution Pension Scheme in accordance with the Pension Reform Act, 2014. The contribution by the employer and employee is 10% and 8% each of the employees' monthly basic salary, transport, and housing allowances respectively. Contribution by the employer to defined contribution retirement benefit plans are recognised as an expense in the income statement.

Short-term employee benefits

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

Medical Insurance Scheme

The Company subscribes to a medical insurance plan on behalf of its employees, paying a gross premium to a health management organization based on the level of the employee. This premium is treated as a prepayment and charged to staff costs on a monthly basis.

End of Service benefits

End of Service benefits is a lump sum payment for qualifying employees who have spent a minimum of 5 years at the time of departure.

The calculation of end of service benefits is performed annually by a qualified actuary using the projected unit credit method. Currently, this plan is not funded.

Remeasurements of the end of service benefits, which comprise actuarial gains and losses are recognized immediately in OCI.

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

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Other long term employee benefits

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

Termination benefits

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

F Leases

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

i. As a lessee

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

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

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

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

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

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i. As a lessee (cont'd)

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

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

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

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

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

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.

G Inventories

Inventories are stated at the lower of cost and net realizable value. Inventories represent spare parts and other consumables, the majority of which is consumed by our projects in provision of their services within one financial year. Cost comprises; direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Cost is determined by the First In, First Out (FIFO) method.

Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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H Provisions and contingent liabilities

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in statement of profit or loss and other comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost in statement of profit or loss and other comprehensive income.

Contingent liabilities

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

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

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

I Foreign currencies

The functional currency of the Company is the Nigerian Naira ("NGN"), which represents the currency of the primary economic environment in which the Company operates. Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Assets and liabilities denominated in foreign currencies at the statement of financial position date are reported at the foreign exchange rate prevailing at that date. Any gains or losses arising from changes in exchange rates subsequent to the date of transaction are included as an exchange gain or loss in the statement of profit or loss and other comprehensive income. Foreign exchange gains and losses are recognized on net basis. Foreign currency differences are generally recognized in profit or loss and presented within finance cost and income.

J Taxation

Income tax expense comprises current and deferred 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

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1. Current tax

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

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income tax, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:

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

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

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

2. Minimum tax

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

Minimum tax is determined as 0.5% of turnover. Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognised in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as minimum tax.

Following the issue of the Finance Act 2020, the Federal government granted palliatives to taxpayers by introducing a 50% reduction in minimum tax rate from 0.5% of gross turnover less franked investment income to 0.25%. The reduced minimum tax rate is however applicable for the Years of Assessment (YOA) due from 1 January 2020 to 31 December 2021.

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

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3. Deferred tax

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

Deferred tax is not recognised for:

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

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

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

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

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

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

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

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

K 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.

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Subsequent expenditure

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

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 lives for current and comparative periods are as follows:

Software 3 years

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

Derecognition

An intangible asset shall be derecognised:

- (a) on disposal; or
- (b) when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is derecognised (unless IFRS 16 requires otherwise on a sale and leaseback.) Gains are not classified as revenue.

L Operating profit/(loss)

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

M Impairment

i. Non-derivative financial assets

Financial instruments and contract assets

The Company recognises loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortised cost; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition).

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

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Financial instruments and contract assets (cont'd)

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 120 days past invoice date. The Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 120 days past invoice date.

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

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i. 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.

N Share capital - Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

O Government intervention (IAS 20)

Government interventions are initially recognized as deferred income at fair value if there are grants that compensate the Company for expenses incurred are recognized in profit or loss as a reduction from the related expense on a systematic basis in the periods in which the expenses are recognized.

P 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.

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 (see Note 4).

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.

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P Fair value measurement (cont'd)

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.

Q Cost of sales

Cost of sales are comprised primarily of cost of energy purchased from the Nigerian Bulk Electricity Trading Company (NBET) and Operator of the Nigerian Electricity Market, purchase of off grid power, depreciation of plant and machinery, repair and maintenance expenses.

Cost of sales is recognised on an accrual basis.

R Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term out of money borrowed specifically to finance a project, the income generated from the temporary investment of amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

S Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Where there are shares that could potentially affect the numbers of share, those shares are considered in calculating the diluted earning per share.

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T Changes in material accounting policies

(a) Revaluation of land and building

During the year, the Company changed its accounting policy for the land and building class of property, plant, and equipment (PPE) from the cost model to the revaluation model. The Company believes that the revaluation model provides more relevant and reliable information by reflecting the fair value of the land and building class of PPE. This is an initial application and the Company has applied the new accounting policy prospectively from 1 January 2023, in line with the requirements of IAS 16 Property, plant and equipment and the comparative information presented for 2022 is not restated. (see note 3(B)2i).

(b) Material accounting policy information

The Company has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies.

The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3-Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

4 Measurement of fair values

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

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

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4 Measurement of fair values (cont'd)

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

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

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy to be followed could materially affect the reported amounts of revenues, expenses, assets and liabilities of the company should it later be determined that a different choice would be more appropriate. In addition, in preparing the accounts in conformity with IFRS standards, the company is required to make estimates and assumptions that impact the reported amounts of revenues, expenses, assets, and liabilities of the company. Actual results may differ from these estimates. These are discussed in more details below. These critical accounting judgments and key sources of estimation uncertainty should be read in conjunction with the full statement of Accounting Policies at Note 3.

5.1 Critical accounting judgement

Estimation of bills to unmetered customers

Bills to unmetered customers are estimated per feeder. The energy consumed by metered customers (post-paid and prepaid) on a feeder represents the accounted quantum of energy, while the difference between the total energy supplied to the feeder less technical losses and the accounted energy represents the unaccounted energy which is billed to unmetered customers in the proportion of their load wattage. The load wattage represents the estimated monthly minimum consumption of an unmetered customer. This is then used to multiply the grid factor which is the proportion of the unaccounted energy distributed to the feeder to the cumulative load wattage of all unmetered customers on the feeder.

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5.2 Key sources of estimation

Impairment of Trade Receivables

Information about assumptions and estimation uncertainties at 31 December 2023 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 6(c) - Recognition of contract liabilities - determination of a consumption factor to estimate contract liabilities from prepaid arrangements
- Note 34 – Recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources
- Note 32.5 - Impairment of trade receivables; measurement of ECL allowance for trade receivables;
- Notes 23 (a) and (b): Measurement of employee benefit obligations: key actuarial

6 Revenue

a.) Revenue streams

The Company generates revenue primarily from the sale of electricity to customers within its geographical area of coverage in Nigeria. Revenue is also earned from the transfer of network distribution assets from customers.

	2023	2022
	₦'000	₦'000
Sale of electricity (revenue from contracts with customers)	206,308,293	169,585,261
Customer - granted asset (Note 13 (d))	1,033,146	832,790
	207,341,439	170,418,051

b.) Disaggregation of revenue from contracts with customers

On 1 September 2020, the Company adopted the new end-user electricity tariff 'Multi Year Tarif Order (MYTO) 2020' which introduced tariffs based on 5 service bands with stipulated minimum daily average hours of energy supply as follows:

Service Band A: Comprising customers receiving a minimum of twenty(20) hours of electricity

Service Band B: Comprising customers receiving a minimum of sixteen(16) hours of electricity

Service Band C: Comprising customers receiving a minimum of twelve (12) hours of electricity

Service Band D: Comprising customers receiving a minimum of eight (8) hours of electricity

Service Band E: Comprising customers receiving a minimum of four (4) hours of electricity
 Bronze

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Revenue from sale of electricity was earned from various classes of customers thus:

	2023	2022
	₦'000	₦'000
Other electricity sales	90,049	497,313
Service Band A - Platinum	76,874,794	58,255,017
Service Band B - Diamond	46,537,346	30,875,385
Service Band C - Gold	56,812,122	48,664,294
Service Band D - Silver	20,147,518	22,055,534
Service Band E - Bronze	5,846,465	9,237,718
	<u>206,308,294</u>	<u>169,585,261</u>

Revenue is also analysed into:

	2023	2022
	₦'000	₦'000
Post-paid	117,097,152	117,066,757
Prepaid	89,211,142	52,518,504
	<u>206,308,294</u>	<u>169,585,261</u>

Revenue recorded represents the total value of energy distributed to customers for the year, in line with the multi year tariff order (MYTO) structure.

Subsequent to year end, the Nigerian Electricity Regulatory Commission (NERC) performance review for the period January to September 2023 indicated that the Company failed to comply with the monthly caps on estimated bills approved by the Commission. This led to an over billing of customers amounting to NGN 14.05billion of which NGN13.07billion (being over billing amount net value added tax (VAT)) has been deducted from revenue in refunds to customers (2022:Nil). A corresponding entry was made to reduce receivables of the affected customers (see Note 15(c)) and increase the Company's contract liabilities for customers with no sufficient receivables to recoup the refunds (see Note 6(c)).

c.) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Receivables, which are included in 'trade and other receivables'	106,855,239	98,682,311
Contract liabilities	6,122,956	2,227,873

The contract liabilities primarily relate to the advance consideration received from customers for supply of electricity, for which revenue is recognised over time. This is derived by calculating an energy consumption factor for each customer based on energy unit purchased during the year and using this on a Prorated basis to estimate quantity of the last units of energy purchased by the customer that should be deferred. The amount of NGN2.23 billion included in contract liabilities at 31 December 2022 has been recognised as revenue in 2023 (2022: NGN2.23 billion).

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7 Cost of sales

	2023	2022
	₦'000	₦'000
Cost of energy purchased from the Grid - NBET	215,319,764	117,669,109
Cost of energy purchased administration - Market Operators	27,041,175	22,296,978
Cost of energy purchased through Recovery of tariff shortfall (Note 7 (a))	-	546,341
Regulatory Net off (Note 7(b))	(83,647,000)	(16,794,241)
Depreciation expense (Note 13 (b))	-	(1,748,000)
Employee benefit expenses - Core technical	11,075,514	9,699,311
Repairs and maintenance	283,287	897,819
	4,657,515	2,440,768
Total cost of sales	<u>174,730,255</u>	<u>135,008,085</u>

a.) Tariff shortfall awarded by NERC

The tariff shortfall relates to the tariff differential for the 2023 financial year as computed in the MYTO Minor Review Model, which is based on Orders issued by NERC to address the provision of cost reflective tariffs in ensuring that prices charged by the distribution companies are fair to customers and sufficient in allowing the distribution companies operate efficiently to recover the full cost of operating their respective licences including a reasonable return on capital. In line with the orders, the awarded tariff shortfalls are netted off the Company's payables to NBET.

b.) Regulatory Net off

The Net-off relates to receivable from the Transmission Company of Nigeria (TCN) for non compliance with the Economic Merit Dispatch Order for January to December 2023. In line with NERC's order, the amount is to be recovered from the amount payable to TCN through 12 equal instalments over January 2023 to June 2023. As at year end, NGN1.96billion have been set off.

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8 Administrative and distribution expenses

	2023	2022
	₦'000	₦'000
Operations and implementation expenses	20,190,638	12,935,924
Employee benefit expenses - Non technical	12,477,141	12,182,253
Contract labour	1,645,554	1,651,336
Staff welfare costs	121,894	145,307
Billing and Collection expenses	8,922,345	6,937,821
Other administrative costs	3,126,395	1,642,029
Management Advisory services (Note 25(b))	539,403	748,865
Data and Information Technology connectivity	2,481,133	3,411,865
Depreciation of non-distribution assets (Note 13 (b))	449,141	519,929
Depreciation of right-of-use assets (Note 30 (a))	99,735	104,513
Amortisation of intangible assets (Note 14)	1,242,022	657,129
Repairs and Maintenance	2,408,964	2,007,274
Directors' remuneration	35,840	66,450
Audit fees	75,800	50,525
Printing, stationery and consumables	544,725	631,999
Transport and travel expenses	424,445	210,427
Bank charges	41,852	34,434
Advertisement and public relations	9,926	23,187
Rentals Expense	446,900	224,160
Training expenses	47,780	77,644
Insurance	379,768	265,895
Total administrative and distribution expenses	55,711,401	44,304,806

9 Other income

	2023	2022
	₦'000	₦'000
Other non operating income	282,518	142,072
Reconnection fees and other operating income	436,483	458,094
Amortisation of day-1 fair value gain on loans (Note 21(a))	1,856,426	2,300,019
Modification Gain on loans	-	257,001
	2,575,427	3,157,186

10 Net finance costs

a.) Finance Income

	2023	2022
	₦'000	₦'000
Interest income on bank deposits	108,235	87,447
Foreign exchange gain	-	214,271
Finance income	108,235	301,718

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b.) Finance Costs

	2023	2022
	₦'000	₦'000
Interest expense on CBN-NEMSF intervention loan	376,473	566,728
Interest on Group Loan intervention loan	836,890	227,032
Interest expense on CBN- Opex loan	677,672	683,322
Interest expense on CBN- Capex loan	4,482,483	4,319,097
Total interest on loans	<u>850,579</u>	<u>467,912</u>
Interest expense on lease liabilities	7,224,097	6,264,091
Foreign exchange loss	45,705	88,161
	3,187,231	-
Finance costs	<u>10,457,033</u>	<u>6,352,252</u>
Net finance cost	<u>10,348,797</u>	<u>6,050,534</u>

11 (Loss)/profit before taxation

	2023	2022
	₦'000	₦'000
This is stated after charging/(crediting):		
Auditor's remuneration (Note 8)	75,800	50,525
Depreciation of property, plant and equipment (Note 13)	11,524,656	10,219,239
Depreciation of right-of-use assets (Note 30 (a))	99,735	104,513
Amortisation of intangible assets (Note 14)	1,242,022	657,129
Employee benefit expenses (Note 33.2) *	14,527,875	14,876,715
Impairment of trade receiva (Note 32.5)	(6,646,553)	(46,614,233)
Foreign exchange (loss)/gain (note 10)	3,187,231	(214,271)
Directors' remuneration (Note 33.1)	<u>37,985</u>	<u>66,450</u>

* Included in the employee benefit are staff welfare cost amounting to NGN121.89million (2022: NGN145.31million) and contract labour cost amounting to NGN1.64bilion (2022: NGN1.65billion). (Note 8)

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12 Taxation

a.) Minimum tax

The Company has applied the provisions of the Companies Income Tax Act that mandates a minimum tax assessment, where a tax payer does not have taxable profit which would generate an eventual tax liability when assessed to tax. The Company's assessment based on the minimum tax legislation for the year ended 31 December 2023 is ₦1,036million (2022: ₦856.81 million).

	2023	2022
	₦'000	₦'000
Current year's minimum tax	1,040,843	856,813
	1,040,843	856,813

b.) Income tax expense - amounts recognised in profit or loss

The Company is subject to tax under the Companies Income Tax (CIT) Act as amended to date. Income tax charge for the year represents Tertiary education tax (TET) at 3% of assessable profit and Nigeria Police Trust Fund levy which is computed as 0.005% of net profit as the Company did not have taxable profit for the year ended 31 December 2023 (2022: Nil).

Amounts recognised in profit or loss are as follows:

	2023	2022
	₦'000	₦'000
Current tax expense		
Prior year under provision of company income tax and tertiary education tax	-	-
Nigeria Police Trust Fund levy	-	1,741
Tertiary education tax	-	-
Charge for the year	-	1,741
Deferred tax credit		
Origination and reversal of temporary differences	(21,164,009)	-
Tax (credit)/expense on continuing operations	(21,164,009)	1,741

* Due to the loss position of the company for the year, there were no TET and NPF levy computed

c.) Income tax expense - amounts recognised in other comprehensive income

	2023	2022
	₦'000	₦'000
Items that will not be reclassified to Profit or Loss:		
<i>Remeasurements of defined benefit liability</i>		
Amounts before tax (Note 23(a))	(102,164)	82,528
Reversal of previously recognised deferred tax/(Deferred tax expense)	33,714	-
Amounts, net of tax	(68,450)	82,528
<i>Revaluation of property, plant and equipment</i>		
Amounts before tax (Note 28(b))	82,163,577	-
Tax expense	(24,649,073)	-
Amounts, net of tax	57,514,504	-

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d.) Movement in current tax liability

	31-Dec-23	31-Dec-22
	₦'000	₦'000
At 1 January	3,302,698	2,444,143
Write off of tax liabilities		
Minimum tax (Note 12 (a))	1,040,843	856,813
Income tax expense (Note 12 (b))	-	1,741
Payment during the year	-	-
At 31 December	4,343,541	3,302,698

e.) Reconciliation of effective tax rate

	2023	2022
	₦'000	₦'000
Profit/(Loss) before minimum tax and income tax	(24,227,035)	34,826,045
Tax using the Company's domestic tax rate	(7,994,922)	11,318,465
Tax effect of:		
Tax incentives	-	(514,374)
Non-deductible expenses	849,148	611,527
Changes in estimate related to prior years	(437,435)	-
Recognition of previously unrecognised deferred tax asset	(13,580,800)	-
Change in unrecognised Deferred tax asset	-	(11,415,618)
Other income taxes	-	1,741
Total income tax (credit)/expense	(21,164,009)	1,741

f.) Deferred tax assets and liabilities

Deferred tax assets and liabilities that have been recognised based on availability of future taxable profits can be attributed to the following:

	2023	2022
	₦'000	₦'000
Property, plant and equipment	(38,129,277)	(17,206,773)
Provision for doubtful debts	26,453,358	28,212,679
Unrelieved tax losses	6,856,788	2,354,333
Defined benefit obligation	273,269	269,757
Leases	39,052	(8,936)
Gain on foreign exchange	981,077	(69,638)
Provision for legal cases	74,383	29,378
	(3,451,350)	13,580,800

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13 Property, plant and equipment

a.) Reconciliation of carrying amount

	Plant and machinery	Equipment, Furniture & fittings	Motor vehicles	Buildings	Land	Capital work-in- progress	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
At 1 January 2022	163,708,845	2,411,409	914,623	4,597,061	-	406,180	172,038,118
Additions for the year	14,004,242	293,312	64,623	172,292	-	96,979	14,631,448
At 31 December 2022	<u>177,713,087</u>	<u>2,704,721</u>	<u>979,246</u>	<u>4,769,353</u>	-	<u>503,159</u>	<u>186,669,566</u>
At 1 January 2023	177,713,087	2,704,721	979,246	4,769,353	-	503,159	186,669,566
Additions for the year	15,385,697	73,413	171,604	-	-	135,545	15,766,260
Reclassification/Transfer	(11,010,165)	-	-	(4,596,295)	885,306	(348,135)	(15,069,289)
Disposal	-	-	(123,559)	-	-	-	(123,559)
Revaluation surplus	64,217,353	-	-	2,934,476	15,011,748	-	82,163,577
At 31 December 2023	<u>246,305,972</u>	<u>2,778,134</u>	<u>1,027,291</u>	<u>3,107,534</u>	<u>15,897,054</u>	<u>290,569</u>	<u>269,406,555</u>
Accumulated depreciation							
At 1 January 2022	43,883,647	1,487,129	751,470	4,013,540	-	-	50,135,786
Charge for the year	9,699,311	395,711	103,968	20,249	-	-	10,219,239
At 31 December 2022	<u>53,582,958</u>	<u>1,882,840</u>	<u>855,438</u>	<u>4,033,789</u>	-	-	<u>60,355,025</u>
At 1 January 2023	53,582,958	1,882,840	855,438	4,033,789	-	-	60,355,025
Reclassification (Revaluation)	(11,010,165)	-	-	(4,061,672)	-	-	(15,071,836)
Diposal	-	-	(123,559)	-	-	-	(123,559)
Charge for the year	11,075,514	333,647	87,611	27,883	-	-	11,524,656
At 31 December 2023	<u>53,648,307</u>	<u>2,216,488</u>	<u>819,490</u>	-	-	-	<u>56,684,286</u>
At 31 December 2022	<u>124,130,129</u>	<u>821,881</u>	<u>123,808</u>	<u>735,564</u>	-	<u>503,159</u>	<u>126,314,541</u>
At 31 December 2023	<u>192,657,664</u>	<u>561,646</u>	<u>207,801</u>	<u>3,107,534</u>	<u>15,897,054</u>	<u>290,569</u>	<u>212,722,270</u>

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13 Property, plant and equipment (cont'd)

b.) The depreciation charge for the year is allocated as follows:

	2023	2022
	₦'000	₦'000
Cost of sales	11,075,514	9,699,311
Administrative expenses	449,141	519,929
	11,524,655	10,219,240

c.) The Company had capital commitments amounting to ₦5.98 billion (2022: ₦9.21 billion) as at year end.

d.) **Customer - granted assets**

Included in the plant & machinery are distribution network assets granted to the Company by its customers. The fair value of these assets was estimated at ₦1.03billion (2022: ₦832.79million) by the directors based on prices of similar items purchased during the year. This has been recognised as revenue (Note 6) in line with IFRIC 18, Transfers of Assets from Customers.

e.) Reconciliation of additions to property, plant and equipment in statement of cashflows:

Total acquisition of PPE (Note 13 (a))	15,766,260	14,631,448
Assets transferred under MAP scheme (Note 22 (b))	(10,433,287)	(10,087,543)
Assets not paid for in prior year now paid	16,185	454,410
Assets not paid for as at year end	(116,238)	(16,185)
Customer granted assets (Note 6)	(1,033,146)	(832,790)
	4,199,774	4,149,340

Disposed Assets Analysis

Cost of Assets	123,559	-
Accumulated Depreciation	(123,559)	-
NBV	-	-
Proceeds from sale	5,994	-

f.) No item of property, plant and equipment were pledged as security for any borrowings (2022: Nil).

g.) The Company revalued its distribution network assets. Valuation was carried out by ESV Peter Adechime (FRC/2015/Niesv/00000011462) for Messrs. Jide Taiwo & Co (FRCN/2012/0000000000254).

Independent valuations of the Company's distribution network assets are performed by external valuers to determine the fair values. The distribution network assets are revalued every five years in line with the accounting policy. The fair value measurement for distribution network assets was performed using significant other observable inputs (Level 2). Level 2 is defined as 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).

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13 Property, plant and equipment (cont'd)

The external valuations of the distribution network assets was performed using a gross current replacement cost approach. This refers to the total cost as at the date of valuation, of constructing an equivalent facility of equal utility to the existing one. This involves establishing the current cost of acquiring the assets together with ancillary costs of transportation and installation (e.g. material, labour including accommodation cum profit and attendance) including freight, insurance custom duty (IDR) and clearing where imported. In the absence of Market evidence for the sale of similar items, the approach used is the assessment of depreciated replacement cost. This approach measures the Fair Value by estimating the "Gross Current Replacement Cost" of the facilities and then determines the deductions which should be made to reflect the age, condition, and situation of the asset during its past and proposed future economic working life.

h During the year, the Company changed its accounting policy for the land and building class of property, plant, and equipment from the cost model to the revaluation model. The valuation was carried out by Mr. Ismail Olugbenga Oladipupo (FRC/2012/PRO/NIESV/004/00000000245) for Messrs. Ismail & Partners. Independent valuations of the Company's land and building are performed by external valuers to determine the fair values going forward every five years in line with the Company's accounting policy. The external valuations of land have been performed using recent sales of comparable lands in the neighborhood to arrive at the fair market value while the external valuation for building have been performed using Depreciated Replacement Cost (DRC) method owing to the fact that properties of such nature especially the injection substations rarely exchange hands in the open market hence, cost method of valuation is the most appropriate approach to arrive at the market values.

As at 31 December 2023, the revaluation to fair value resulted in an increase in the carrying amount of land and building by NGN15,011,748,000 and NGN2,934,476,000 respectively. The revaluation gain was recognised in other comprehensive income and transferred to revaluation surplus within equity.

i Capital Work in progress (CWIP)

Capital Work in progress (CWIP) comprises:

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Ongoing works with respect to substations	290,569	503,159
	<u>290,569</u>	<u>503,159</u>

j Historical Cost of Plant and machinery

If plant and machinery was stated on the historical cost basis, the carrying amounts as at 31 December 2023 would be as follows:

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Cost	205,330,496	189,442,559
Accumulated depreciation	(62,391,792)	(52,692,481)
Net book value	<u>142,938,704</u>	<u>136,750,078</u>

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14 Intangible assets

	Computer Software	Work -in- progress	Total
	₦'000	₦'000	₦'000
Balance at 1 January 2022	1,012,229	81,175	1,093,404
Additions	3,141,564	-	3,141,564
Balance at 31 December 2022	4,153,793	81,175	4,234,968
Balance at 1 January 2023	4,234,969	-	4,234,969
Balance at 31 December 2023	4,234,969	-	4,234,969
Amortisation			
Balance at 1 January 2022	603,131	-	603,131
Charge for the year	657,129	-	657,129
Balance at 31 December 2022	1,260,260	-	1,260,260
Balance at 1 January 2023	1,260,260	-	1,260,260
Charge for the year	1,242,022	-	1,242,022
Balance at 31 December 2023	2,502,282	-	2,502,282
Carrying amount			
31 December 2022	2,893,533	81,175	2,974,709
31 December 2023	1,732,688	-	1,732,688

The amortisation of computer software is included as a part of "Administrative expenses" in Note 8 to these financial statements.

a.) There were no capitalized borrowing costs related to the acquisition of intangibles assets during the year (2022: Nil).

b.) There are no restrictions on the Company's title to its intangible assets and all intangible assets items are non-current.

c.) There are no impairment losses for the year (2022: Nil).

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15 Trade and other receivables

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Energy customers*	187,016,928	185,490,553
Other debtors	174,829	276,049
Unpaid share capital	20,000	20,000
Staff advances	68,102	48,366
Advance payment for property, plant and equipment	1,489,491	1,303,244
Other Deposit (DSRA Bank Balance) (Note 15 (a))	7,649,899	6,355,800
Feeder Account Balance*	1,299,189	1,804,547
	197,718,438	195,298,559
Impairment allowance	(80,161,689)	(86,808,242)
Net trade and other receivables	117,556,749	108,490,317

Carrying amount is analysed into:

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Current	108,417,358	100,831,273
Non-current	9,139,390	7,659,044
	117,556,749	108,490,317

a.) Other deposit represent Debt Service Reserve Account (DSRA) with a balance of NGN7.65 billion (2022: NGN6.36 billion) in a commercial bank held as guarantee in favour of the Nigerian Bulk Electricity Trading Company Plc (NBET) and the Transmission Company of Nigeria (TCN). These deposits will mature at the expiration of the guarantees which are long-term in nature. The tenure of the guarantee is indefinite.

b.) Feeder account warehouses bank balances in the collections account, which was not available for use as at the reporting date in line with the accounts management restrictions imposed by the Central Bank of Nigeria (CBN) as part of the requirements for the CBN-NEMSF facility towards repayment of the facility. Balances in this account can only be transferred into the principal account and cannot be used for no other purpose.

c.) The balance presented in Energy customers represents net receivables from customers after deducting ₦10.79 billion (2022: Nil) relating to energy refunds arising as a result of overbilling of customers during the year (Note 6(b)).

d.) Reconciliation of changes in trade and other receivables to the statement of cash flows

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Changes in trade and other receivables	(9,066,432)	(64,682,926)
Advance payment for property, plant and equipment	1,489,491	1,303,244
Impairment gain on trade and other receivables	6,646,553	46,614,233
Customers refund	(10,787,359)	
Net off of MDA receivables	(1,963,856)	(1,089,856)
	(13,681,603)	(17,855,305)

Information about the Company's exposure to credit and market risks, and impairment losses for trade receivables is included in Note 32.5.

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16 Inventories

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Distribution spares	922,587	476,221
	<u>922,587</u>	<u>476,221</u>

Inventories recognised as expense include distribution spares and other consumables used in maintenance during the year. They are included as part of maintenance expenses under cost of sales and amounted to NGN0.92billion (2022: NGN0.48billion). During the year, no allowance was recorded to write down inventories to their net realisable value.

b.) Reconciliation of changes in inventories to the statement of cash flows

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Opening balance	476,221	597,110
Closing balance	<u>(922,587)</u>	<u>(476,221)</u>
	<u>(446,366)</u>	<u>120,889</u>

17 Prepaid expenses

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Other Prepaid services	138,251	62,935
Prepaid software	473,920	-
Prepaid Insurance	159,567	260,294
Prepaid rent	<u>55,061</u>	<u>48,353</u>
	<u>826,799</u>	<u>371,582</u>

a.) Reconciliation of changes in prepaid expenses to the statement of cash flows

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Changes in prepayments	<u>(455,217)</u>	<u>18,158</u>
	<u>(455,217)</u>	<u>18,158</u>

18 Cash and bank balances

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Cash on hand	13	1,140
Bank balances	22,789,739	13,987,055
Short-term fixed deposits	<u>221,316</u>	<u>208,531</u>
Cash and cash equivalents at end of the year	<u>23,011,068</u>	<u>14,196,726</u>

Included in the cash and cash equivalents is NGN 4.13 billion (2022:NGN 4.38 billion), warehoused in the company's principal collection account. Withdrawals are restricted on this account till the 4th of each month where a one time sweep of balances can be done into the company's funding account after settlement of liabilities relating to the CBN-NEMSF Loan. This is in line with the requirements of the central bank of Nigeria for granting the Facility to the company.

Information about the Company's exposure to credit and market risks, and impairment losses for cash and cash equivalents is included in Note 32.

19 Non-audit services provided by KPMG Professional Services

During the year, KPMG Professional Services did not provide non-audit service.

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20 Loans and borrowings

	31-Dec-23	31-Dec-22
	₦'000	₦'000
CBN-NEMSF	1,851,959	3,326,286
CBN- NMMP	4,659,896	5,033,021
CBN- OPEX	21,983,319	23,369,816
CBN- CAPEX	5,808,599	3,917,611
Sahara Group	4,564,284	2,615,809
Lease liabilities	<u>333,352</u>	<u>398,082</u>
	<u>39,201,409</u>	<u>38,660,625</u>
Analysed into:		
Non-current	28,788,620	34,591,742
Current	<u>10,412,789</u>	<u>4,068,883</u>
	<u>39,201,409</u>	<u>38,660,625</u>

Information about the Company's exposure to interest rate and liquidity risks is included in Note 32.

a.) In 2016, the Nigerian Electricity Supply Industry ("NESI"), the Central Bank of Nigeria ("CBN"), the Federal Ministry of Petroleum Resources, the Federal Ministry of Power and the Nigerian Electricity Regulatory Commission ("NERC"), activated the Central Bank Nigeria-Nigerian Electricity Market Stabilization Facility ("CBN-NEMSF") contract under the Disco Disbursement Agreement.

The stabilization fund was partly to resolve the sector "NESI" liquidity issues. As such, intervention was determined for all market participants based on MYTO. The total amount of the facility awarded was NGN 11.55 billion, as at year end, total drawdown amounted to NGN9.97 billion (2022: NGN9.97 billion). No additions were made as at year end.

The Central Bank Nigeria-Nigerian Electricity Market Stabilization Facility ("CBN-NEMSF") is secured on disco's collections from the sale of energy as first line charge. Interest rate charged on the facility is at 5% per annum. The reduction of interest rate to 5% was extended till February 2022, reverting to 9% thereafter. This extension resulted in a modification gain of NGN257.36 million which was recorded as deferred revenue and subsequently amortised to profit or loss.

b.) The Central Bank of Nigeria-National Mass Metering Programme ("CBN-NMMP") loan is the mass metering programme that involve the supply of Prepaid meters to the customers at no cost to them. The programme is to replace the previous Meter Asset Procurement (MAP) program where customers pay for their meters. Under this arrangement, disbursement for procurement of the meters is made directly to the meter vendors by the CBN on behalf of the Company with a 1st line charge on the Company's cash collections as security for repayment. The 1st disbursement was done in December 2020 with an interest rate of 5% per annum. This loan is measured at fair value in these financial statements. There is a moratorium on principal repayment till December 2022. The total amount of the facility awarded was NGN 6.33 billion, as at year end, total drawdown amounted to NGN5.98 billion (2022: NGN5.98 billion).

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20 Loans and borrowings (cont'd)

c.) The CBN issued a operating expenditures (OPEX) loan to the Company. This CBN-OPEX loan is a financing arrangement put in place by CBN to enable the distribution companies meet their minimum remittances to the market and to fund the Company's ramp up plan of its operating expenses. This is a 10 year facility with a below market interest rate of 5% per annum up till 28 February 2023 and 9% thereafter. The 1st disbursement was done in February 2021. This loan is measured at fair value in these financial statements. There is also a moratorium on principal repayment till January 2023. The total amount of the facility awarded was NGN33.09 billion, as at year end, the facility had been completely drawn (2022: NGN33.09 billion).

d.) The CBN issued an capital expenditures (CAPEX) loan to the Company. This CBN-CAPEX loan is a financing arrangement put in place by CBN to enable the distribution companies fund their capital projects. This is a 10 year facility with an interest rate of 5% per annum up till 28 February 2023 and 9% thereafter. This loan is measured at fair value in these financial statements.

There is also a moratorium on principal repayment till January 2023. The total amount of the facility awarded was NGN121.93 billion, as at year end, total drawdown amounted to NGN7.66 billion (2022: NGN4.7 billion).

e.) On 1 May 2022, the Company entered into a loan agreement with Sahara Power Group Limited under the terms of which a total facility amount of NGN2.9billion for a 12-month tenor and at 18% interest per annum was made available to the Company for meeting technical upgrade expenditure requirements. The loan is disbursed in tranches and in accordance with the working capital requirements of the company. At year end, total drawdown on this facility amounted to NGN2.9 billion (2022: NGN 2.4billion). An additional loan agreement of NGN 3billion was entered into in April 2023 for a 24-month tenor and at 18% interest per annum out of which NGN 1.6billion has been drawdown.

f.) Loan contractual movement
at 31 December 2023

Lender	Tenor	Amount of Facility	Total drawdown	Amount available for drawdown	Payment Made on interest and principal
	Month	₦'000	₦'000	₦'000	₦'000
CBN-OPEX Loan	120	33,089,000	(33,089,000)	-	8,596,240
CBN-CAPEX Loan	120	121,925,300	(7,655,577)	114,269,723	1,517,076
CBN-NMMP Loan	120	6,325,335	(5,977,303)	348,032	1,659,049
CBN-NEMSF Loan	110	11,554,932	(9,967,959)	-	11,707,678
Sahara Power Group Limited	24	5,900,000	(4,500,000)	1,400,000	718,521
		178,794,567	(61,189,839)	116,017,755	24,198,564

at 31 December 2022

Lender	Tenor	Amount of Facility	Total drawdown	Amount available for drawdown	Payment Made on interest and principal
	Month	₦'000	₦'000	₦'000	₦'000
CBN-OPEX Loan	120	33,089,000	(33,089,000)	-	2,669,050
CBN-CAPEX Loan	120	121,925,300	(4,705,892)	117,219,408	255,590
CBN-NMMP Loan	120	6,325,335	(5,977,303)	348,032	582,726
CBN-NEMSF Loan	110	11,554,932	(9,967,959)	1,586,973	9,969,024
Sahara Power Group Limited	20	2,900,000	(2,410,500)	489,500	-
		175,794,567	(56,150,655)	119,643,912	13,476,390

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20 Loans and borrowings (cont'd)

g.) Reconciliation of movement of liabilities to cash flows arising from financing activities		
	31-Dec-23	31-Dec-22
	₦'000	₦'000
Opening Balance	38,660,625	34,012,256
<i>Changes from financing cash flows</i>		
Proceeds from loans and borrowings	5,039,184	9,399,064
Principal repayment of loans and borrowings	(5,029,692)	(1,798,441)
Payment of lease liabilities	(84,824)	(41,716)
<i>Changes in fair value</i>		
Day-1 fair value gain and modification gain on loans	(703,479)	(6,361,074)
<i>Other changes</i>		
Additions to lease liability	20,093	77,352
Interest repayment of loans and borrowings	(5,665,203)	(2,611,618)
Interest expense on loans and borrowings	6,964,705	6,241,803
interest repayment of leases	(45,705)	(88,161)
Interest expense on lease liabilities (Note 10(b), Note 30(c))	45,705	88,161
Gain on Modification	-	(257,001)
Closing Balance	39,201,409	38,660,625
Reconciliation of proceeds from loans and borrowings to cashflows		
Proceeds from loans and borrowings	5,039,184	9,399,064
Advance payment for property, plant and equipment	(1,489,491)	(1,303,244)
Assets not paid for as at year end	(116,238)	(454,410)
Intangible assets not paid for as at year end	-	(3,141,564)
	3,433,455	4,499,846
21 Deferred income		
.	31-Dec-23	31-Dec-22
	₦'000	₦'000
Day-1 fair value gain	12,631,187	13,784,135
	12,631,187	13,784,135
Analysed into:		
	31-Dec-23	31-Dec-22
	₦'000	₦'000
Non current	10,764,681	11,077,137
Current	1,866,506	2,706,998
	12,631,187	13,784,135

a.) Amount relates to the benefits derived by the Company from the low interest loans received from the Central Bank of Nigeria (CBN) (Notes 20(a) to (d)). The difference between the fair value of the facilities and face value of the loans has been accounted for as government intervention. Additionally, modification gains on these loans has been accounted for as government intervention. The government intervention is amortized over the life of the loans. The amount amortised during the year is NGN 1.856 billion (2022: NGN 2.3 billion). See note 9.

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21 Deferred income (cont'd)

The movement in deferred income during the year was as follows:

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Balance at 1 January	13,784,135	9,723,080
Additions (Note 20(g))	703,478	6,361,074
Amortization to profit or loss (Note 9)	(1,856,426)	(2,300,019)
	<u>12,631,187</u>	<u>13,784,135</u>

22 Trade and other payables

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Direct Trade Creditors	34,905,630	26,077,803
Amount due to related parties(Energy Market)(Note 25(i))	20,626,600	21,626,600
Amount due to other Distribution Companies	1,055,397	1,055,403
Other payables and accrued expenses	27,830,180	7,899,256
Amount due on Meter Asset Provider (MAP) programme (Note :	10,433,287	10,087,543
Amount due to other related parties (Note 25(i))	39,894,110	33,045,147
Statutory liabilities	53,969,067	46,378,061
	<u>188,714,271</u>	<u>146,169,813</u>

Information about the Company's exposure to interest rate, foreign currency and liquidity risks is Carrying amount is analysed into:

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Current	160,495,582	146,169,813
Non-current	28,218,689	-
	<u>188,714,271</u>	<u>146,169,813</u>

a.) Direct trade creditors (Energy Market) is analysed into:

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Nigerian Bulk Electricity Trading Company (NBET)	23,225,509	6,433,496
Operator of the Nigerian	11,680,121	19,644,307
	<u>34,905,630</u>	<u>26,077,803</u>

b.) Under the Meter Asset Provider (MAP) scheme, the Company's customers are provided with meters by approved vendors with the cost of the meters to be repaid by the Company through billing deductions to the customer over a period no longer than 10 years. The repayment of the liability has commenced based on the regulator's order.

c.) Reconciliation of changes in trade and other payables to the statement of cash flows:

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Changes in trade and other payables	42,544,458	28,181,412
Assets transferred under the MAP scheme	(10,433,287)	(10,087,543)
Assets not paid for as at year end	(116,238)	(16,185)
Assets not paid for in prior year now paid	16,258	454,410
WHT on interest expense	(62,339)	(22,291)
Net off of MDA Payable	1,963,856	2,837,856
Penalty on late interest payment	(195,728)	
VAT on overbilling	980,461	
Tariff shortfall	83,647,000	16,794,241
Foreign exchange (loss)/gain	(3,187,231)	214,271
	<u>115,157,210</u>	<u>38,356,171</u>

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23 Defined benefit obligation

	31-Dec-23	31-Dec-22
	₦'000	₦'000
End of Service Benefit Costs (Note 23 (a))	701,283	649,430
Long Service Award (Note 23 (b))	126,803	98,064
	828,086	747,494

a.) End of Service Benefit Costs

The Company operates an end of service benefits plan for qualifying employees of the company. The most recent actuarial valuation of the benefit was carried out on 31st December, 2023 by Wayne van Jaarsveld (FRC Number: FRC/2021/002/00000024507) for Alexander Forbes Consulting Actuaries Nigeria (FRC Number: FRC/2012/0000000000504).

The scheme is unfunded and is administered by the Company's Human Resources (HR) department. The defined benefit plan exposes the Company to actuarial risks such as longevity risk, interest rate risk and market (investment) risk.

The economic assumptions used in this valuation are based on market information as at 31st December, 2023 as stated below:

- * Discount Rate -14.4% (2022: 14.4%)
- * Salary increase rate - 4.0% (2022: 4.0%)

The movement in the end of service benefit costs during the year was as follows:

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Balance, beginning of year	649,430	964,728
Included in profit or lo		
Current service cost	88,907	148,664
Interest cost	90,775	94,365
Past service cost	-	(287,953)
Included in other comprehensive income		
Actuarial loss/ (gain)	106,110	(82,528)
Other		
Benefits paid	(233,939)	(187,846)
	701,283	649,430

Balance at 31 December

b.) Long Service Awards

This scheme entitles employees who have worked for 5 years and above to a monetary reward. The independent actuarial valuation was performed by Wayne van Jaarsveld (FRC Number: FRC/2021/002/00000024507) for Alexander Forbes Consulting Actuaries Nigeria (FRC Number: FRC/2012/0000000000504) using the projected unit credit method. This scheme is not funded.

The economic assumptions used in this valuation are based on market information as at 31st December, 2023 as stated below:

- * Discount Rate - 14.45% (2022: 14.2%)
- * Salary increase rate - 4.0% (2022:4.0%)
- * Pre retirement mortality rate - A1967/70 Tables (2022: A1967/70 Tables)

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23 Defined benefit obligation (cont'd)

The movement in the long service awards during the year was as follows:

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Balance, beginning of year	98,065	88,710
Included in profit or loss (as part of administrative expenses)		
Current service cost	16,427	17,396
Interest cost	16,258	11,647
Actuarial gain due to	(3,946)	(8,288)
Other		
Benefits paid	-	(11,400)
Balance at 31 December	126,804	98,065
Net Actuarial loss/ (gain) due to change in assumptions	102,164	(82,528)

c.) Sensitivity analysis

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

	₦'000	₦'000	₦'000
	End of Service Benefit Costs	End of Service Benefit Costs	Long Service Awards
31 December 2023			
Discount rate (+1% movement)	(79,416)	(27,563)	(2,381)
Discount rate (-1% movement)	(21,596)	30,257	2,527
Mortality rate (+1% year)	(54,134)	(2,281)	2,372
Mortality rate (-1% year)	(49,785)	2,068	(2,276)
Salary increase rate (+1% movement)	(18,481)	33,372	2,481
Salary increase rate (-1% movement)	(82,553)	(30,700)	(2,363)

24 Provisions

Provisions represent legal provisions recorded based on the advice of the Company's legal advisers with respect to legal claims made against the Company. The movement in the account is

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Balance at 1 January	90,395	61,605
Charge for the year	135,007	28,790
Balance at 31 December	225,402	90,395
Amount is analysed into:		
Amounts falling due within one year	225,402	90,395
Amounts falling due after one year	-	-

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25 Related parties disclosures

(a) Parent and ultimate controlling party

Under the privatization scheme, Sahara Group-, through a special purpose vehicle, New Electricity Distribution Company Limited (NEDC), acquired a 60% stake in Ikeja Electricity Distribution Company PLC (IKEDC), from Bureau of Public Enterprises - BPE and Ministry of Finance Incorporated MOFI on November 01, 2013. Consequently, the Company's parent is New Electricity Distribution Company Limited - NEDC while its ultimate parent Company is Sahara Group.

(b) Sahara Power Group Limited

The Company has a Business partner / Management support services Agreement with its related company, Sahara Power Group Limited. Under the agreement, Sahara Power Group Limited provides support services including but not limited to human resources management, information technology support, corporate affairs, legal, business development and general management services to the Company. Sahara Power Group Limited receives a fee of 5% of the reimbursable amount (actual cost) for the services stated above.

Total cost incurred during the year with respect to services rendered by Sahara Power Group Limited during the year was ₦1.08 billion (2022: ₦1.53 billion), within the administrative and distribution expense is management advisory services amounting to NGN539.40million (2022: NGN748.87million). Amount due to Sahara Power Group Limited as at year end was ₦1.45billion (2022: ₦1.13billion). During the year, the company had an additional loan agreement of ₦3billion for a 24-month tenor and at 18% interest per annum At year end, total drawdown on all loan facilities amounted to NGN4.5billion (2022: NGN2.4 billion) and total interest on the loan was ₦417.35 million (2022 ₦205.31 million)

(c) Wade Multi Trading Limited

The Company is related to Wade Multi Trading Limited through common shareholding. Wade Multi Trading Limited is responsible for the provision of the following services to the company during the year: utility management support service, revenue management support, information technology, revenue aggregate and reconciliation and provision and support for billing and Customer Relationship Management (CRM) application.

Total cost incurred during the year with respect to services rendered by Wade Multi Trading Limited during the year was ₦40.7billion (2022: ₦8.06billion), amount is recorded in administrative expense. Amount due to Wade Multi Trading Limited as at year end was ₦31.23billion (2022: ₦28.99 billion).

(d) Comercio Electricity Exchange Limited

The Company is related to Comercio Electricity Exchange Limited through common shareholding. Comercio Electricity Exchange Limited is the administrator and collection agent of Egbin Power Plc in respect of 100MW excess power contract with the Company.

Total cost incurred during the year with respect to services rendered by Comercio Electricity Exchange Limited during the year was ₦314.79million, amount recorded in cost of sales relating to reconciliation of prior year invoice is NIL (2022: 546.34million). The amount due to Comercio Electricity Exchange Limited for services rendered is ₦21.07billion (2022: ₦21.63 billion).

(e) Centrum Properties Limited

The Company is related to Centrum Properties Limited through common shareholding. Centrum Properties Limited is responsible for the provisioning of renovation and construction services to the Company.

Total cost incurred during the year with respect to services rendered by Centrum Properties Limited during the year was NIL (2022: ₦7.06million), amount is recorded in administrative expense. The amount due to Centrum Properties Limited for services rendered at year end was ₦4.7million (2022: ₦Nil).

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(f) Korean Electricity Power Corporation (KEPCO)

Korean Electricity Power Corporation is an indirect shareholder through New Electricity Distribution Company, the holder of 60% of the Company. KEPCO provides operational support services and was involved in the supervision of the implementation of technical audit, asset mapping, consumer indexing and enumeration for Ikeja Electric Plc.

Total charge to profit or loss on transactions with Korean Electricity Power Corporation during the year was ₦ Nil (2022: ₦ Nil). The amount due to KEPCO at the end of the year was ₦ 128.11million (2022: ₦128.11 million).

(g) Asharami Energy

The Company is related to Asharami Energy Limited through common shareholding. Asharami Energy Limited is responsible for the supply of petroleum products to the Company.

Total cost incurred during the year with respect to petroleum products supplied by Asharami Energy Limited during the year ₦218.08 million (2022: ₦183.95 million), amount is recorded in administrative expense. The amount due to Asharami Energy Limited for the products supplied as at year end was ₦34.43million (2022: ₦49.71million).

(h) KEPCO Energy Resource Nigeria Limited

The Company is related to Korean Electricity Power Corporation through common shareholding. KEPCO energy resource Nigeria Limited is responsible for the provision and maintenance of the entity's Information technology system and collections agents .

Total cost incurred during the year with respect to services provided ₦18.95billion (2022: ₦2.75billion). Amount is recorded in administrative expense

(i) Amounts due to related companies

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Comercio Electricity	20,626,600	21,626,600
	20,626,600	21,626,600
Korean Electricity Power Corporation	128,106	128,106
KEPCO Energy Resource Nigeria Limited	6,609,395	2,745,959
Centrum Properties Limited	4,717	-
Sahara Power Group Limited	1,449,005	1,133,936
Asharami Energy	34,431	49,705
Comercio Electricity Exchange Limited	438,888	-
Wade Multi Trading Company	31,229,568	28,987,441
	39,894,110	33,045,147
	60,520,710	54,671,747

(j) Transactions with key management personnel
Key management personnel compensation

Key management personnel of the Company include the Directors. The details of compensation provided to Directors during the year is as shown below:

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Directors		
Directors' emoluments (provided for) comprise:		
Fees	35,840	31,590
Other expenses	2,145	34,860
	37,985	66,450
Amount payable at the year end	334,787	334,787

The number of Directors including the Chairman whose emoluments were within the bands stated below were:

	31-Dec-23	31-Dec-22
	Number	Number
Up to NGN 2,400,000	7	7

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Key management personnel transactions

A number of key management personnel, or their related parties hold positions in other companies that result in them having control or significant influence over these companies. A number of these companies transacted with the Company during the year. The aggregate value of transactions and outstanding balances related to these companies are as disclosed in Notes a-h above.

26 Share capital

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Issued, allotted and fully paid		
5,000,000 ordinary shares of N1.00k each	5,000	5,000
Issued, allotted and unpaid		
20,000,000 ordinary shares of N1.00k each	20,000	20,000
	31-Dec-23	31-Dec-22
<i>In thousands of shares</i>		
In issue as at 1 January	25,000	25,000
Issued during the year	-	-
In issue as at 31 December	25,000	25,000
Shareholders	Unit	Unit
New Electricity Distribution Company Ltd - NEDC	15,000,000	15,000,000
Bureau of Public Enterprises - BPE	8,000,000	8,000,000
Ministry of Finance Incorporated	2,000,000	2,000,000
	25,000,000	25,000,000
Percentage (%) Distribution	%	%
New Electricity Distribution Company Ltd - NEDC	60	60
Bureau of Public Enterprises - BPE	32	32
Ministry of Finance Incorporated	8	8
	100	100

All shares rank equally with regard to the Company's residual assets. 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.

27 Accumulated deficit

	31-Dec-23	31-Dec-22
	₦'000	₦'000
As at 1 January	(172,884,362)	(206,934,381)
(Loss)/profit for the year	(4,103,869)	33,967,491
	(176,988,231)	(172,966,890)
Actuarial gain on End of Service Benefit (Note 23 (b))	(102,164)	82,528
Related tax (Note 12(c))	33,714	-
	(68,450)	82,528
	(177,056,681)	(172,884,362)

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28 Reserves

a) Other reserves

Other reserves represents non-core net liabilities written off to Nigerian Electricity Liability Management Company (NELMCO) in line with the Purchase Agreement.

31-Dec-23	31-Dec-22
₦'000	₦'000
131,392,850	131,392,850
<u>131,392,850</u>	<u>131,392,850</u>

b) Revaluation reserves

The property, plant and equipment revaluation reserves is used to record surplus arising from the revaluation of property, plant and equipment. The reserve is transferred to retained earnings upon disposal of the related item of property, plant and equipment.

	31-Dec-23	31-Dec-22
	₦'000	₦'000
As at 1 January	89,593,294	89,593,294
Additions during the year	82,163,577	-
Related tax (Note 12(c))	(24,649,073)	-
	57,514,504	-
	<u>147,107,798</u>	<u>89,593,294</u>

29 Basic and diluted earnings/(loss) per share

	2023	2022
	₦'000	₦'000
(Loss)/profit for the purpose of basic earnings per share is based on net (loss)/profit attributable to equity holders of the Company.	<u>(4,103,869)</u>	<u>33,967,491</u>
Number of shares	2023	2022
	Number	Number
Issued ordinary shares at 1 January	<u>25,000,000</u>	<u>25,000,000</u>
Weighted-average number of ordinary shares at 31 December	<u>25,000,000</u>	<u>25,000,000</u>
	2023	2022
	₦'000	₦'000
(Loss)/earnings per share - Basic and diluted	<u>(164)</u>	<u>1,359</u>

30 Leases

Leases as lessee

The Company leases a number of buildings. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after expiration. Lease payments are renegotiated when necessary to reflect market rentals.

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Leases as lessee (cont'd)

Information about leases for which the Company is a lessee is presented below.

(a) Right-of-use assets

Right-of-use assets related to leased properties are presented on the statement of financial position in these financial statements. The movement in the account is as follows:

	Buildings 31-Dec-23 ₦'000	Buildings 31-Dec-22 ₦'000
Balance at 1 January	285,718	276,674
Depreciation charge for the year	(99,735)	(104,513)
Additions to right-of-use assets	29,026	113,557
Balance at 31 December	215,009	285,718

(b) Reconciliation of additions to right-of-use assets in statement of cashflows:

	31-Dec-23 ₦'000	31-Dec-22 ₦'000
Additions to right-of-use assets-cash	29,026	113,557
Initial recognition of new lease arrangements	(20,093)	(77,351)
	8,933	36,206

(c) Amounts recognised in profit or loss

	2023 ₦'000	2022 ₦'000
Interest on lease liabilities (Note 10(b), 20(g))	45,705	88,161

(d) Amounts recognised in statement of cash flows

	2023 ₦'000	2022 ₦'000
Total cash outflow for leases	(130,529)	(129,877)

(e) Extension options

Some property leases contain extension options exercisable by the Company up to one year before the end of the noncancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors.

The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options.

The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Staff advances

The Company advances funds to employees for operational activities. To mitigate credit risk, the Company monitors the progress of such activities which have been funded. Employees are held responsible and accountable for the advance until the requisition for advance is settled. Any unretired/outstanding advance is systematically deducted from monthly salaries of the employees until fully recovered.

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Debt Service Reserve Account (DSRA)

The Company has Debt Service Reserve Account (DSRA) with a balance of NGN7.65 billion (2022: NGN6.36 billion) in a commercial bank held as guarantee in favour of the Nigerian Bulk Electricity Trading Company Plc (NBET) and the Transmission Company of Nigeria (TCN). The Company considers that the DSRA has low credit risk based on the external credit ratings of the counterparty.

31 Capital management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from prior year.

The Company monitors capital using a ratio of 'net debt' to 'equity'. Net debt is calculated as total liabilities (as shown in the statement of financial position) less cash and cash equivalents.

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

Gearing ratio

	31-Dec-23	31-Dec-22
	₦'000	₦'000
The gearing ratio is as follows:		
Debt	255,518,202	204,983,032
Less: Cash and cash equivalents	<u>(23,011,068)</u>	<u>(14,196,726)</u>
Net debt	<u>232,507,134</u>	<u>190,786,306</u>
Equity	<u>131,392,850</u>	<u>48,126,782</u>
Net debt to equity ratio	<u>1.770</u>	<u>3.964</u>

32 Financial instruments

32 Accounting classification and fair values

The following table shows the carrying amounts of financial assets and financial liabilities and categorisation of the company's financial instruments.

32 Categories of financial instruments

The following table summarizes the Company's financial instruments:

	31-Dec-23	31-Dec-22
	₦'000	₦'000
1.2.1 Financial assets not measured at fair value		
Cash and cash equivalents	23,011,068	14,195,586
Trade and other receivables (Note 15)*	<u>114,768,069</u>	<u>105,382,526</u>
	<u>137,779,137</u>	<u>119,578,112</u>
*Amount excludes advance payment for property, plant and equipment.		
1.2.2 Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables (Note 22)**	134,745,204	99,791,752
Loans and Borrowings (Note 20)	<u>39,201,409</u>	<u>38,660,625</u>
	<u>173,946,613</u>	<u>138,452,377</u>

**Amount excludes statutory deductions

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32.3 Financial risk management objectives

The Company monitors and manages financial risks relating to its operations through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include foreign exchange risk, credit risk, liquidity risk and cash flow interest rate risk.

Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Company's activities. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

32.4 Foreign exchange risk

Foreign currency 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 undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters to ensure minimal impact. The Company monitors the movement in the currency rates on an ongoing basis.

Exposure to currency risk

The Company's transactional exposure based on notional amounts is as follows:

Financial liabilities

31 December 2023

	31-Dec-23	31-Dec-22
	\$'000	\$'000
Trade and other payables	7,938	5,808
Net statement of financial position exposure	7,938	5,808

	2023		2022	
	Average rate	Reporting date rate	Average rate	Reporting date rate
US\$	649.6	951.79	426.88	461.1

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

Sensitivity analysis

A strengthening (weakening) of the Naira, as indicated below against the USD at 31st December, 2023 would have increased profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period and has no impact on equity. The analysis assumes that all other variables, in particular interest rates, remain constant

	<u>Increase in profit or loss</u>	<u>Increase in profit or loss</u>
	<u>Strengthening</u>	<u>Weakening</u>
	<u>₦'000</u>	<u>₦'000</u>
31 December 2023		
USD (30% movement)	(2,266,592.71)	2,266,593
31 December 2022		
USD (30% movement)	(803,421)	803,421

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32.5 Credit risk management

The company is exposed to both settlement risk defined as the risk of a counterparty failing to pay for energy and/or services which have been delivered. Credit risk is mitigated by active engagement and reconciliation of energy supplied to the customers and promotion of compliance with the MYTO agreement. Credit risk is an activity managed by the Directors with all relevant stakeholders to ensure reduced impact on provisioning policy. The allowance for doubtful debts is analysed at each reporting date and this is estimated by management taking into account future cash flows, prior experience, ageing analysis and an assessment of the current economic climate within which the company operates. The maximum exposure to credit risk in respect of trade receivables is the carrying value of the trade receivables at the reporting date. The carrying value of trade receivables is stated net of the allowance for recoverability provision.

The carrying amount of financial assets represents the Company's maximum exposure, which as at the reporting date, was as follows:

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Cash and cash equivalents	23,011,068	14,196,726
Trade and other receivables*	<u>114,768,069</u>	<u>105,382,527</u>
	<u>137,779,137</u>	<u>119,579,253</u>

*Excludes advance payment for property, plant and equipment

Collateral held as security and other credit enhancements

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

	2023	2022
	₦'000	₦'000
Impairment loss on trade receivables	<u>(6,646,553)</u>	<u>(46,614,233)</u>
	<u>(6,646,553)</u>	<u>(46,614,233)</u>

Trade and other receivables

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

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

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

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32.5 Credit Risk management (cont'd)

Trade receivables

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Maximum demand customers	18,992,637	23,325,710
Unmetered Maximum demand customers	2,771,334	2,817,801
Government Institutions	11,398,825	14,076,766
PPM	34,053,371	28,344,506
Metered Non Maximum demand customers- High	84,329	90,311
Metered Non Maximum demand customers- Medium	413,449	396,300
Metered Non Maximum demand customers- Low	370,217	320,926
Unmetered Non Maximum demand customers- High	14,883,617	14,725,947
Unmetered Non Maximum demand customers- Medium	36,795,306	41,718,892
Unmetered Non Maximum demand customers- Low	67,253,843	58,799,394
TCN Regulatory net off	-	874,000
	<u>187,016,928</u>	<u>185,490,553</u>

Expected credit loss assessment for customers

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

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

31 December 2023	Weighted average loss rate	Gross carrying amount	Loss allowance
0 - 30 days	29%	14,522,476	4,147,434
30 - 60 days	58%	7,755,146	4,465,054
60 - 90 days	63%	7,341,242	4,603,092
90 - 120 days	127%	3,613,179	4,594,674
120 - 150 days	112%	4,363,443	4,907,614
150 - 180 days	116%	5,180,809	6,029,068
180 - 210 days	129%	4,451,181	5,747,588
210 - 240 days	76%	7,955,761	6,014,718
240 - 270 days	140%	4,465,638	6,235,524
270 - 300 days	124%	3,980,344	4,949,660
300 - 330 days	132%	3,447,652	4,533,677
330 - 360 days	167%	1,987,722	3,315,283
Greater than 360 days	17%	117,952,335	20,587,394
Prepaid meter arrears		-	30,909
		<u>187,016,928</u>	<u>80,161,689</u>

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32.5 Credit Risk management (cont'd)

31 December 2022	Weighted average loss rate	Gross carrying amount	Loss allowance
0 - 30 days	9%	78,757,390	6,837,800
30 - 60 days	55%	5,486,951	3,041,307
60 - 90 days	58%	4,716,989	2,750,190
90 - 120 days	61%	3,532,211	2,170,480
120 - 150 days	63%	4,526,753	2,847,784
150 - 180 days	66%	4,044,276	2,649,356
180 - 210 days	68%	3,572,269	2,446,839
210 - 240 days	70%	4,223,032	2,976,030
240 - 270 days	73%	4,647,449	3,395,270
270 - 300 days	74%	5,561,435	4,142,671
300 - 330 days	58%	30,464,477	17,596,644
330 - 360 days	100%	5,165,699	5,162,249
Greater than 360 days	100%	4,580,388	4,580,388
Prepaid meter arrears	100%	26,211,234	26,211,234
		<u>185,490,553</u>	<u>86,808,242</u>

Movements in the allowance for impairment in respect of trade receivables and contract assets

	31-Dec-23 ₦'000	31-Dec-22 ₦'000
Balance at 1 January	86,808,242	133,422,475
Net remeasurement of loss allowance	<u>(6,646,553)</u>	<u>(46,614,233)</u>
Balance at 31 December	<u>80,161,689</u>	<u>86,808,242</u>

Reconciliation to contract balances Note 6c

	31-Dec-23 ₦'000	31-Dec-22 ₦'000
Trade receivables from customers	187,016,928	185,490,553
Impairment allowance	<u>(80,161,689)</u>	<u>(86,808,242)</u>
	<u>106,855,239</u>	<u>98,682,311</u>

Cash at bank

The Company held cash and cash equivalents of NGN23.01 billion at 31 December 2023 (2022: NGN14.2billion). The cash and cash equivalents are held with bank and reputable financial institutions in Nigeria.

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

32.5.1 Fair value of financial instruments

In the opinion of the Directors, the carrying amounts of financial instruments as stated above approximate their fair values.

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32.6 Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Management's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. As part of this strategy, included in the cash and cash equivalents is NGN 8.47 billion (2021:NGN 6.39 billion), which was not available for use as the reporting date in line with the accounts management restrictions imposed by the Central Bank of Nigeria (CBN) as part of the requirements for the CBN-NEMSF facility towards repayment of the facility. Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built a liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company maintains adequate liquid reserves, by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivity run for different scenarios including, but not limited to, changes in Energy Tariff and changes in distribution class and status of customers. The Company also continues to intensify efforts to collect its trade receivables.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The amounts are based on undiscounted cashflows and the earliest date on which the Company can be required to pay.

	Carrying amount	Contractual cash flows				
		Total	0 - 3 Months	4 - 12 Months	2-5 years	Above 5 years
Non-derivative financial liabilities						
31 December 2023						
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Trade and other payables	188,714,271	188,714,271	179,573,597	-	9,140,674	-
Loans and borrowings	39,201,409	64,153,486	6,200,500	8,388,732	33,235,817	16,328,437
	227,915,680	252,867,757	185,774,098	8,388,732	42,376,490	16,328,437

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32.6 Liquidity risk management (cont'd)

		Contractual cash flows				
		Total	0 - 3 Months	4 - 12 Months	2-5 years	Above 5 years
Carrying amount						
Non-derivative financial liabilities						
31 December 2022						
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Trade and other payables	146,169,813	146,169,813	137,029,139	-	9,140,674	-
Loans and borrowings	38,660,625	61,706,825	1,513,701	4,478,348	40,436,649	15,278,127
	<u>184,830,438</u>	<u>207,876,638</u>	<u>138,542,840</u>	<u>4,478,348</u>	<u>49,577,323</u>	<u>15,278,127</u>

*Amount excludes statutory deductions

32.7 Interest Rate Risk

In managing interest rate risk, the Company aims to reduce the impact of short-term fluctuations in earnings. At the moment, the Company manages this risk by ensuring that all its borrowings are at fixed rates. At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	31-Dec-23 ₦'000	31-Dec-22 ₦'000
Fixed rate instruments		
Financial liabilities	39,201,409	38,660,625
Financial assets	221,316	208,531

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the end of the reporting period would not affect profit or loss.

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33 Information regarding directors and employees

33.1 Directors	31-Dec-23	31-Dec-22
	₦'000	₦'000
Directors' emoluments (provided for) comprise:		
Fees	35,840	31,590
Other expenses	2,145	34,860
	37,985	66,450

The directors' remuneration shown above includes:

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Chairman	6,400	6,400
Highest paid director	6,400	6,400

The number of Directors including the Chairman whose emoluments were within the bands stated below were:

	31-Dec-23	31-Dec-22
	Number	Number
Up to NGN 2,400,000	7	7

33.2 Employees

Total number of employees as at year-end:

	31-Dec-23	31-Dec-22
	Number	Number
Management	17	17
Senior personnels	1,802	1,885
Junior personnels	1,102	1,184
	2,921	3,086

Aggregate staff costs:

	31-Dec-23	31-Dec-22
	₦'000	₦'000
Salaries and wages	12,760,428	13,080,072
Employer pension contributions	614,174	589,899
Medical expenses	534,406	573,391
Current service cost on end of service benefit (Note 23(a))	88,907	148,664
Current service cost on long service award (Note 23(b))	16,427	17,396
Interest cost on end of service benefit (Note 23(a))	90,775	94,365
Interest cost on long service award (Note 23(b))	16,258	11,647
Actuarial gain on long service award (Note 23(b))	(3,946)	(8,288)
Training costs	5,116	77,644
ITF & NSITF	189,708	197,219
Other staff costs	215,622	94,706
	14,527,875	14,876,715

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

	31-Dec-23	31-Dec-22
	Number	Number
N500,000 - N1,000,000	74	132
N1,000,000 - N1,500,000	170	650
N1,500,001 - N2,000,000	766	771
N2,000,001 - N2,500,000	658	283
N2,500,001 and above	1,253	1,250
	2,921	3,086

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34 Contingent liabilities

The Company has contingent liabilities in respect of pending litigation and claims separately and jointly amounting to NGN 520.50million (2022: NGN 520.58million) as at the date of approval of these financial statements in the normal course of business. The Directors, on the advice of the solicitors are confident that the Company will suffer no material loss as the suits are likely to be decided in their favour. Consequently, no provisions have been made in these financial statements in respect of litigations disclosed as contingent liability.

a) Transmission Company of Nigeria loan

In 2022, as part of the company's efforts to improve the quality of service to its electricity customers and to meet its obligations under the Service-Based Tariff regime, the company identified the need to invest in and improve critical transmission-distribution interface infrastructure within its franchise area, to unlock unutilized generation capacity, enhance electricity transmission which will consequently increase the quantum of electricity delivered to its electricity consumers. The company obtained approval to invest in the acquisition and development of critical transmission assets which ultimately belong to the Transmission Company of Nigeria (TCN). The total value of projects to be invested in amounted to NGN10.6 billion, the facility was granted to the company by NESI Stabilization Strategy Ltd (The lender). In order to secure the repayment of the Facility, the Nigerian Electricity Regulatory Commission (NERC) provided the Lender, Regulatory Assurance by way of same line deduction from the gross monthly collections of the company with CBN-NEMSF. Total amount disbursed as at year end amounted to NGN10.41billion. The balance is updated.

35 Subsequent events

- Cost-reflective Tariff (Band A): The regulator, NERC, in the current approved that customers on Band A pay a cost-reflective tariff effective April 2024. This move is to ensure that the customers enjoying a minimum daily average of 20hours power availability pay for such. The said tariff is being adjusted on monthly basis to reflect both the current macro and micro economic indices in the economy and especially as it affects the power sector.
- Multi-Year Tariff Order Reset: The Regulator released the MYTO 2024 (Supplementary) effective April 2024, which seeks to reflect the changes in the pass-through indices outside the control of licensees including inflation rates, NGN/USD exchange rate, available generation capacity and gas price for the determination of cost-reflective tariffs (CRT).
- Order on Operationalisation of "Tranche A" of Metre Acquisition Fund: The Order seeks to provide; a transparent and functional framework for the operationalisation of the first tranche of metering under MAF scheme, eligibility conditions for access to first tranche of funding under MAF, and the terms of payment, monitoring and evaluation and other conditions for manufacturers and MAPs participating under the scheme.

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35 Subsequent events (cont'd)

- Order on the Transition to Bilateral Trading in the Nigerian Electricity Supply Industry ("NESI): The order seeks to allow for direct contractual agreements between electricity generators (GenCos) and distributors (DisCos), bypassing the traditional market structure dominated by the Nigerian Bulk Electricity Trading (NBET) company. This move is intended to promote competition, improve efficiency, and attract private investment in the sector. The order is part of broader efforts to reform the NESI, ensuring a more reliable and sustainable electricity supply across Nigeria.

- Presidential Meter Initiative: The initiative as directed by the Minister of Power, Adebayo Adedunjo aim to procure and install a minimum of 2 million meters on a yearly basis over the next five years. Customers who get prepaid meters through this initiative will have up to ten (10) years to repay the cost.

This initiative is yet to be transformed to an order by the regulators and the communication is yet to be sent to the Company. The Company awaits an order to be issued in this regards as it is the industry practice before an initiative can be implemented.

Other National Disclosures

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STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2023

	31-Dec-23	%	31-Dec-22	%
	₦'000		₦'000	
Revenue	207,341,439		170,418,051	
Bought in materials and services				
- Imported	-		-	
- Local	(192,296,947)		(140,808,552)	
	<u>15,044,491</u>		<u>29,609,500</u>	
Other income	2,575,427		3,157,186	
Finance income	108,235		301,718	
Value added	<u>17,728,154</u>	<u>100</u>	<u>33,068,404</u>	<u>100</u>
<i>Distributed as follows:</i>				
To Government				
Taxation	(20,123,166)	(114)	858,555	3
To Employees				
Salaries, wages and allowances	14,527,875	82	14,876,715	45
To Providers of Finance				
Finance cost	10,457,033	59	6,352,252	19
Maintenance of assets and future expansion				
For replacement of assets, including lease assets	11,624,390	66	10,323,753	31
Amortisation of intangible assets	1,242,022	7	657,129	2
Value added	<u>17,728,154</u>	<u>100</u>	<u>33,068,404</u>	<u>100</u>

Value added represents the change in the Company's wealth through its operations and those of its employees. This statement shows the allocation of that wealth among employees, the government and the portion consumed for the future creation of wealth.

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	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019
	₦'000	₦'000	₦'000	₦'000	₦'000
Statement of financial position					
Assets					
Property, plant and equipment	212,722,270	126,314,541	121,902,332	117,077,109	112,795,198
Right-of-use Assets	215,009	285,718	276,674	414,141	534,270
Intangible assets	1,732,688	2,974,709	490,273	271,814	302,481
Deferred tax asset	-	-	-	-	892,994
Non-current trade and other receivables	9,139,390	7,659,044	6,743,354	5,166,490	2,640,040
Current assets	133,177,812	115,875,802	51,567,754	32,678,497	14,525,226
	356,987,169	253,109,814	180,980,387	155,608,051	131,690,209
Capital and Liabilities					
Non-current liabilities	72,051,426	46,416,373	39,728,493	19,740,669	9,386,003
Current liabilities	183,466,776	158,566,659	127,175,131	104,299,144	99,566,760
Share capital	25,000	25,000	25,000	25,000	25,000
Revaluation reserves	147,107,798	89,593,294	89,593,294	82,993,635	82,993,635
Accumulated deficits	(177,056,681)	(172,884,362)	(206,934,381)	(182,843,247)	(191,674,039)
Other reserves	131,392,850	131,392,850	131,392,850	131,392,850	131,392,850
	356,987,169	253,109,814	180,980,387	155,608,051	131,690,209
Total Equity and Liabilities					

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Statement of profit or loss and other comprehensive income

	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019
Revenue	207,341,439	170,418,051	170,146,043	124,978,034	100,588,240
(Loss)/Profit before minimum tax	(24,227,035)	34,826,045	(26,571,538)	13,190,439	158,917,380
Minimum tax	(1,040,843.38)	(856,813.33)	(430,144.00)	(396,602.00)	(505,768.33)
Taxation	21,164,009	(1,741)	2,217,060	(4,010,064)	201,176
(Loss)/Profit for the year	(4,103,869)	33,967,491	(24,784,622)	8,783,473	158,612,788
Other comprehensive income	57,446,054	82,528	7,293,147	47,318	-
Total comprehensive gain/(loss)	53,342,185	34,050,019	(17,491,475)	8,830,791	158,612,788
(Loss)/profit per share - Basic (Naira)	(164)	1,359	(991)	351	6,345
Net Assets/(Liabilities) per share	4,059	1,925	563	1,263	909

Notes

Profit/(Loss) per share is based on the profit / (loss) for the year and it is computed on the basis of the number of ordinary shares in issue as at the end of the respective statement of financial position date.

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