Enugu Electricity Distribution Plc
Annual Report
For the Year Ended 31 December 2022

Contents

Corporate Information

Company Registration No.	RC 638654	
Tax Identification Number	17843873-0001	
Corporate office	62, Okpara Avenue, Enugu	
Board of Directors	Sir Emeka Offor	Chairman
	Engr. Praveen Chorghade (Indian)	Managing Director
	Dr Stephen Dike	Director
	Senator Ken Nnamani (GCON)	Director
	Prince Adetokunbo Kayode(SAN)	Director (Resigned 22 August 2022)
	Mr. Kester Enwereonu	Director
	Mr. Alex Okoh	Director
	Mr. Chike Apelle	Director (Appointed 31 January 2023)
Auditor	Ernst & Young 10th and 13th Floors UBA House, 57 Marina Lagos, Nigeria.	
Principal bankers	Ecobank Plc Plot 270 B1, Ozumba Mbadiwe Avenue Victoria Island Lagos State.	
	First Bank of Nigeria Ltd Samuel Asabia House 35, Marina Lagos State.	
	United Bank for Africa Plc UBA House 57, Marina Lagos State.	
	Fidelity Bank Plc 2, Kofo Abayomi Street Victoria Island Lagos State.	
	Zenith Bank Plc Zenith Heights Plot 84/87, Ajose Adeogun Street P.O. Box 75315, Victoria Island, Lagos State.	
Company secretary	Mr. Anthony Chidolue Achebe 62, Okpara Avenue Enugu.	

Results at a Glance

	31 December 2022 ₦'000	31 December 2021 ₦'000	Increase/ (decrease) %
Revenue	106,257,843	106,317,328	(0)
Loss before taxation from continuing operations	(22,890,047)	(39,848,242)	(43)
(Loss)/profit from discontinuing operations	(20,853,923)	344,409	(6,155)
Minimum tax	(531,681)	(293,081)	81
Loss for the year	(44,275,651)	(39,796,915)	11
Share capital	5,000	5,000	-
Shareholders' fund	(121,843,090)	(66,686,982)	83
Basic loss per share (₦)	(4,428)	(3,980)	11
Number of Employees	1,871	1,955	(4)

Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 31 December 2022, to the members of Enugu Electricity Distribution Plc. ("the Company"). This report discloses the financial performance and state of affairs of the Company.

Incorporation and address

Enugu Electricity Distribution Plc. was incorporated in Nigeria under the Companies and Allied Matters Act, 2020, as a Public Limited Company on 8 November 2005. The Company is domiciled in Nigeria.

Business transition

In 1999, the Federal Government of Nigeria set up the Electric Power Sector Implementation Committee (EPIC) to undertake a comprehensive study of the electricity power industry. The EPIC created Power Holding Company of Nigeria (PHCN), a company registered under the Companies and Allied Matters Act, to assume the assets, liabilities and employees of the former Federal Government parastatal- National Electric Power Authority ("NEPA") that was in charge of electricity generation, transmission and distribution in Nigeria. PHCN was set up to achieve greater operational autonomy. The shares of PHCN were wholly owned by the Federal Government of Nigeria.

In 2005, PHCN was unbundled to form 6 electricity generation, 1 electricity transmission and 11 electricity distribution companies with the intent of sale of shares in these companies to private investors. Enugu Electricity Distribution Plc is one of the electricity distribution companies. The Federal Government also set up a special purpose agency, Nigeria Electricity Liability Management Company Ltd (NELMCO), to take over some assets and liabilities of these companies in order to sell the shares of the companies.

On 1 November 2013, Interstate Electrics Limited took over the management of EEDC after successful purchase of 60% of the shares of the company from the Federal Government. All electricity companies are regulated by the Nigerian Electricity Regulatory Commission (NERC), a Federal Government parastatal that ensures efficiency, stability and reliability in the supply of electricity in Nigeria. On 1 November 2013, NERC set up interim rules to regulate the electricity sector. These rules were a bridge to the Transitional Electricity Market ("TEM"). Transitional Electricity Market establishes a framework to govern trading arrangements during the interim period when Power Purchase Agreements (PPAs) between the privatised Power Holding Company of Nigeria (PHCN), successor generation companies and Nigerian Bulk Electricity Trading Plc (NBET) and Vesting Contracts between Nigerian Bulk Electricity Trading "NBET" and the privatised PHCN successor distribution companies will not be effective.

Previously, EEDC has 18 business units named districts it managed. In 2022, Aba and Ariaria districts (jointly called Aba ring-fenced area) were transferred to Geometric Power following the signing of the Asset Sale Agreement (ASA) between Geometric Power and Interstate Electric(Owners of the Enugu Electricity Distribution Company (EEDC) which resulted to 16 Districts as at the year end 2022.

Principal activities

The Company is in the business of distribution of electric power to customers in the following states in Nigeria: Abia, Anambra, Ebonyi, Enugu and Imo.

Report of the Directors- Continued

State of affairs

In the opinion of the Directors, the state of the Company's affairs is satisfactory and no events have occurred since the reporting date, which would affect the financial statements as presented.

Results

	31 December 2022 ₦'000	31 December 2021 ₦'000
Revenue	106,257,843	106,317,328
Loss before minimum/income tax	(22,890,047)	(39,848,242)
Minumum tax	(531,681)	(293,081)
Loss for the year from continuing operations	(23,421,729)	(40,141,324)
(Loss)/profit after tax from discontinued operations	(20,853,923)	344,409
Loss for the year	(44,275,651)	(39,796,915)

Impact of interest on payables in the Financial Statement

The Company in the year reported total interest charged of N22.7 billion (2021: N24.8 billion) on its payables and accumulated interest to date of N171 billion. This continued increase in interest charges was caused by the non-application of NERC Orders NERC/196/2020 and NERC/2023/22 relating to issuing of credit notes to the Company on tariff shortfalls refund approved by the regulator, by the Company's major vendor, NBET. The Company's directors have continued to engage the vendor and the regulator on clearing the excess interest accrued on the tariff shortfall refund. The Directors are of the opinion that in subsequent periods, the interest charged on outstanding payable balance to NBET will reduce after the reconciliation, thereby positively impacting on its performance.

Business performance review

Enugu Electricity Distribution Plc had the following:

	2022	2021
Total number of customers	1,231,970	1,315,388
Total energy received (thousand kilowatts)	2,636,794	2,843,560
Total cash collections (millions of naira)	70,795	69,148

Directors

The names of the directors as at the date of this report and those who held office during the year are as shown in page 3.

Directors' interest in shares

Pursuant to Section 301 and 302 of the Companies and Allied Matters Act, 2020, none of the Directors has direct or indirect interest in the shares of the company.

Directors' interests in contracts

None of the directors has notified the Company for the purpose of section 303 of the Companies and Allied Matters Act, 2020 of any disclosable interest in contracts with which the Company is involved as at 31 December 2022.

Report of the Directors- Continued

Shareholdings

As of 31 December 2022 and 31 December 2021, the shares of the Company were held as follows:

	2022		2021	
	No. of shares	Percentage	No. of shares	Percentage
Interstate Electrics Limited	6,000,000	60%	6,000,000	60%
Bureau of Public Enterprises	3,200,000	32%	3,200,000	32%
Ministry of Finance Incorporated	800,000	8%	800,000	8%
	10,000,000	**100%**	**10,000,000**	**100%**

Employment of disabled persons

The Company has a policy of fair consideration of job applications by disabled persons having regard to their abilities and aptitude. The company has six (6) physically challenged persons in its employment as at 31 December 2022 and 2021. In the event of members of staff becoming physically challenged, every effort is made to ensure that their employment with the company continues, and that appropriate training is arranged. The Company's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees.

Employee health, safety and welfare

Health and safety regulations are in force within the Company's premises and employees are aware of existing regulations. Careful attention is given to employees' health with Health Maintenance Organisations.

Fire prevention and fire-fighting equipments are installed in strategic locations within the Company's premises. Field staff are also provided with Personal Protective Equipment.

Employees' training and involvement

The directors maintain regular communication and consultation with the employees and staff representatives on matters affecting them as employees and various factors affecting the performance of the company. The company organises various in-house and local training courses and also sends staff abroad for training when the training capacity is not available locally.

Property,plant and equipment

Information relating to changes in Property, plant and equipment is provided in Note 13 to the financial statements. In the opinion of the Directors, the market value of the Property, plant and equipment is not less than the carrying value.

Format of the financial statements

The financial statements are presented with the reporting and presentation requirements of the Companies and Allied Matters Act, 2020, International Financial Reporting Standards and the Financial Reporting Council of Nigeria Act, No.6, 2011. The Directors consider that the format adopted is the most suitable for the Company.

Report of the Directors- Continued

Donations and gifts

The Company made donations amounting to ₦160.3 million during the year ended 31 December 2022 (2021: ₦11.5 million). The details of the donations during the year is as follows:

	31 December 2022 ₦'000	31 December 2021 ₦'000
Support for Depowa PTSD Project	10,000	-
Support for Anambra State Security Trust Fund	150,000	-
Support for Association of Professional Women Engineers Enugu Chapter	300	-
Support for Oduagu Foundation	-	5,318
Support for State Security Trust Fund	-	6,000
Support for ICAN Enugu & District Society	-	160
	160,300	11,478

In accordance with Section 43 of the Companies and Allied Matter Act, 2020, the Company did not make any donation or gift to any political party, political association, or for any political purpose during the year.

Dividend

The Directors do not recommend to members the payment of dividend in respect of the year ended 31 December 2022 (2021: Nil).

Events after the reporting date

As stated in Note 31, there were no subsequent events requiring adjustment of, or disclosure in the financial statements which could have had a material effect on the state of affairs of the Company as at 31 December 2022 and on the total comprehensive income for the year ended on that date which has not been adequately provided for or recognised.

Auditor

The Auditor, Ernst & Young, have expressed their willingness to continue in office as the Company's auditor in accordance with section 401 of the Companies and Allied Matters Act, 2020.

A resolution will be proposed at the Annual General meeting empowering the Director to fix their remuneration.

By order of the Board

Mr. Anthony Chidolue Achebe
Head Legal/Company Secretary
FRC/2021/02/00000024437
18 JANUARY 2024

Corporate Governance Report

Corporate Governance

The Company is committed to the principles of Corporate Governance and global best practices and therefore takes account of and complies with the principles of good corporate governance. At Enugu Electricity Distribution Plc, the Board is committed to full disclosure and transparent in providing information to all stakeholders.

Corporate Governance policies are designed to ensure the protection of the long term interest of all stakeholders, in consideration of this, the Board exercises the best of judgment in policy making, monitoring executive actions and directing the company's strategies.

Directors meet regularly and also meet regularly with stakeholders in pursuant of the objectives of the Company.

The policies of the Board are designed to maintain its distinct duty as the link between shareholders and the Company's Management led by the Chief Executive Officer (MD/CEO).

The Board of Directors is currently composed of eight directors, comprising of seven non-executive directors and the Managing Director/CEO.

Members of the Board are:

Sir Emeka Offor
Engr. Praveen Chorghade
Dr Stephen Dike
Senator Ken Nnamani (GCON)
Prince Adetokunbo Kayode(SAN)
Mr. Kester Enwereonu
Mr. Alex Okoh
Mr. Chike Apelle

We attest that our Non-Executive Directors are strong caliber individuals who contribute actively to Board deliberations and decision making.

Responsibilities at the top of the Company are well defined and the Board is not dominated by one individual. The position of the Chairman is separate from the Chief Executive Officer. The Chairman is not involved in the day-to-day operations of the Company. The Board is responsible for controlling and managing the strategic business plans of the company and constantly reviews and presents a balanced and comprehensive assessment of the company's performance and future prospects in line with the Nigeria Electricity Sector Industries purchase agreement.

The Board meets regularly, sufficient notices with clear agenda/ reports are given ahead of such meetings. All the directors have access to the Company Secretary who can only be appointed or removed by the Board and is also responsible to the Board.

Also, a Management Executive Committee meets regularly to address policy implementation and other operational issues.

The Board of Directors met seven times in the financial year ended 31 December 2022 as follows:

1. 31st January 2022
2. 11th March 2022
3. 14th July 2022
4. 31 August 2022
5. 15th September 2022
6. 7th November 2022
7. 29th December 2022

All board members were in attendance at all the meetings.

The Board functions as a full Board and through the under listed Committees which are constituted as follows:

Audit and Corporate Governance Committee

In compliance with the provisions of Section 404 of the Company and Allied Matters Act , 2020, the Company constituted an Audit and Corporate Governance Committee.

The Audit and Corporate Governance Committee consists of six directors namely:

Senator Ken Nnamani (GCON)

Engr. Praveen Chorghade (Indian

Mr. Kester Enwereonu

Mr. Alex Okoh

Mr. Chike Epelle

The Committee has the responsibility of reviewing the scope, results of the audit independence and objectivity of the Auditors.

The responsibilities of the committee are as follows:

1. review of the integrity of the data and information provided in the audited financial reports.
2. provide oversight functions with regard to both the Company's Financial Statements and its internal control.
3. receive and review the internal audit report and makes recommendation to the Board on issues raised.
4. review the procedures put in place to encourage whistle blowing.
5. review and recommend the terms of engagement and compensation of External Auditors to the Board.
6. ensure compliance with regulatory directives.

The Audit and Corporate Governance Committee met two times in the financial year ended 31 December 2022 as follows:

1. 14th July 2022
2. 7th November 2022

All members were in attendance in all the meetings.

Risk Committee

The Risk Committee consists of 6 directors namely:

Prince Adetokunbo Kayode (SAN)	Chairman
Engr. Praveen Chorghade (Indian)	Managing Director
Dr. Stephen Dike	Member
Mr. Kester Enwereonu	Member
Mr. Alex Okoh	Member
Mr. Chike Epelle	Member

The Risk Committee has the responsibility to review business and financial transactions of the company to ascertain the inherent risk and advise the Board accordingly.

The Risk committee met in the financial year ended 31 December 2022 as follows:

1. 27th January 2022
2. 1st March 2022
3. 5th April 2022
4. 22nd December 2022

All the committee members were in attendance at all the meetings.

Statement of Directors' Responsibilities in relation to the preparation of the financial statements

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

a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company and comply with the requirements of the Companies and Allied Matters Act, 2020 and the Financial Reporting Council of Nigeria Act, No 6, 2011;

b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities and

c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 .

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its loss for the year ended 31 December 2022. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of its financial statements, as well as adequate systems of internal financial control.

Going Concern: As stated in Note 30, the Directors have made an assessment of the Company's ability to continue as a going concern and conclude that it is appropriate to prepare the financial statements on a going concern basis.

The financial statements of the Company for the year ended 31 December 2022 were approved by the Directors on ...18 JANUARY.....2024.

Engr. Praveen Chorghade
Managing Director
FRC/2022/PRO/DIR/003/664140

Dr Stephen Dike
Director
FRC/2018/IODN/00000018417

Statement of Corporate Responsibility for the financial statements

Certification Pursuant to Section 405 of Companies and Allied Matters Act, 2020.

Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the undersigned, hereby certify the financial statements of Enugu Electricity Distribution Plc for the year ended 31 December 2022 as follows:

a) That we have reviewed the audited financial statements of the Company for the year ended 31 December 2022;

b) That the audited financial statements do not contain any untrue statement of material fact or omit to state a 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 2022;

d) That we are reponsible for establishing and maintaining internal controls relating to the Company during the year ended 31 December 2022.

Engr. Praveen Chorghade	Paul Okeke
Managing Director	Chief Financial Officer
FRC/2022/PRO/DIR/003/664140	FRC/2013/ICAN/00000000925

18 JANUARY 2024

Building a better working world

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Independent Auditor's Report
To the Members of Enugu Electricity Distribution Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Enugu Electricity Distribution Plc ('the Company'), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Enugu Electricity Distribution Plc as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011.

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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 30 to the financial statements which indicates that the Company recorded a loss after tax of ₦44.28 billion for the year ended 31 December 2022 (2021: ₦39.8 billion), and as at date, the Company had net current liabilities of ₦125.31 billion (2021: ₦71.4 billion) and net liabilities of ₦121.84 billion (2021: ₦66.69 billion).

These conditions, along with other matters discussed in Note 30 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore may be unable to realise its assets and settle its liabilities in the ordinary course of business. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. In addition to the matter(s) described in the Material uncertainty related to going concern section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Independent Auditor's Report
To the Members of Enugu Electricity Distribution Plc - Continued

Key Audit Matter	How the matter was addressed in the Audit
1. Huge impairment losses on Trade Receivable	**Our Audit Procedures include:**
The Company has trade receivables of ₦180.42 billion and provision for impairment of ₦147.56 billion. This provision for impairment represents 82% of the total trade receivables as at 31 December 2022. The Company's customers are classified based on their payment pattern as pre-paid or post-paid customers. There is consistent default by post-paid customers in making payment on due bills, which is due to the poor attitude and unwillingness of the customers to pay their bills as at when due. This in turn led to recognition of impairment loss of ₦9 billion in the year. We consider this as key audit matter because of the significance of the amount and involvement of high level of management judgement. Also, the forward looking, and Expected Credit Loss (ECL) model used in determining the impairment on receivables based on the requirements of IFRS 9 requires significant judgement especially in building the economic scenarios used in the ECL model. Also, significant judgement is required both for timing of recognition of impairment and the estimation of the size of the impairment. The Company utilised the Simplified Approach for determining the ECL. Under this approach, ECL was arrived at by multiplying the outstanding receivable portfolio by the loss rate (determined based on historical information) adjusted for forward looking information (forecast inflation and GDP) which takes management's view of the future of the customer into account. See Note 4.1 (bii) to the financial statements for the accounting policies and balances of allowance for expected credit losses (ECL).	• We obtained an understanding of the Company's process for estimating the expected credit loss (ECL); • We reviewed the company's revenue billing systems and performed IT revenue and receivable assurance by recalculating the percentage of the amount received to the energy billed on a monthly basis. • We checked the appropriateness of the categorisation of the trade receivables portfolio based on shared credit risk characteristics. • We recalculated the loss rate spread across the aging buckets and compared to the historical loss rate calculated by the Company's management. • For forward looking assumptions (forecast inflation and GDP) used by the Company, we held discussions with management to determine the assumptions used and corroborated the assumptions using both internal and publicly available information. • We reviewed the IFRS 9 disclosures for reasonableness.

2. Discontinued operations	Our Audit Procedures include:
In August 2022, EEDC discontinued the operations of Aba Ringed-Fenced (comprising Aba district and Ariaria district) and transferred the same to APL Electricity Company Limited (including the associated verifiable assets and liabilities). All income, expenses, assets, and liabilities relating to the Aba-ringed-fenced areas were carried on the books of EEDC until the discontinuance. Management concluded that the discontinuation of Aba-ringed fenced areas qualifies and should be presented as discontinued operations. The comparative statement of profit or loss and other comprehensive income has been re-presented to show the	• We inquired from the management and read through information in public domain to understand the nature of the transaction and understand why the operations were discontinued and the affected area of the company's operations; • We inspected the asset transfer agreements, the minutes of the board meetings and reviewed the management expert report on the discontinued operations in order to understand key terms and conditions in the

discontinued operations separately from continuing operations in line with the requirements of IFRS 5. The transactions resulted in a net loss of N20.38 billion on discontinued operations in 2022. This event is significant to our audit because the assessment of the classification as discontinued operations the transaction and its accounting is non-routine and involves a certain level of management judgement. These include, amongst others, determining the date of classification of the Aba-ringed fenced areas and the presentation of its results separately as discontinued operations. Furthermore, upon classification of the Aba-ringed fenced areas as discontinued operation, management had to measure the net assets at the lower of the carrying amount and its fair value less cost to sell. For further information regarding the discontinued operations, refer to notes 28 to the financial statements.	agreement and to assess the accounting impact. • We reviewed the revenue, cost, assets and liabilities related to the discontinued operations to ensure correct recording and to verify the proper recording of loss from the discontinued operations in line with IFRS 5; • We reviewed the entries relating to the discontinued operations in line with IFRS 5. • We verified that the result from the discontinued operations has been appropriately calculated. • We assessed the adequacy of the presentation as discontinued operations and the disclosure in line with IFRS 5 for reasonableness.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled "Enugu Electricity Distribution Plc Annual Report for the year ended 31 December 2022", which includes Results at a glance, Report of the Directors, Statement of Directors' Responsibilities in relation to the Preparation of the Financial Statements, Statement of Corporate Responsibility for the Financial Statements, Corporate Information, Corporate Governance Report and Other National Disclosures. The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011, 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.

Independent Auditor's Report
To the Members of Enugu Electricity Distribution Plc - Continued

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

•Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

•Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

•Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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Independent Auditor's Report
To the Members of Enugu Electricity Distribution Plc - Continued

Report on Other Legal and Regulatory Requirements

In accordance with the requirement of the Fifth Schedule of the Companies and Allied Matters Act, 2020, we confirm that:

i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

ii) In our opinion, proper books of account have been kept by the Company, in so far as appears from our examination of those books; and

iii) The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Adewuyi Adeyemo, FCA
FRC/2012/PRO/ICAN/004/00000000148
For: Ernst & Young
Lagos, Nigeria
6 March, 2024

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
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Statement of Profit or Loss and Other Comprehensive Income

	Notes	31 December 2022 ₦'000	31 December 2021 ₦'000
Continuing operations			
Revenue from contracts with customers	5	106,257,843	106,317,328
Cost of sales	6	(81,846,480)	(86,975,054)
Gross profit		**24,411,363**	**19,342,274**
Other income	7	3,517,062	2,651,285
Administrative expenses	8	(11,907,566)	(11,512,673)
Expected credit losses on trade and other receivables	9	(9,081,824)	(19,096,017)
Operating gain/(loss)		**6,939,035**	**(8,615,131)**
Finance income	10	62,797	42,847
Finance costs	10	(29,891,879)	(31,275,958)
Loss before minimum tax and income tax		**(22,890,047)**	**(39,848,242)**
Minimum tax	11.1	(531,681)	(293,081)
Loss before income tax		**(23,421,728)**	**(40,141,324)**
Income tax expense	11.2	-	-
Loss for the year from continuing operations		**(23,421,728)**	**(40,141,324)**
(Loss)/profit after tax from discontinued operations	28	**(20,853,923)**	**344,409**
Loss for the year		**(44,275,651)**	**(39,796,915)**
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods			
Remeasurement gain on defined benefit plan	23	65,275	170,789
Total comprehensive loss for the year net of tax		**(44,210,376)**	**(39,626,126)**
Basic loss per share (Naira)	12	(4,428)	(3,980)

The accompanying notes are integral part of these financial statements.

Statement of Financial Position as at 31 December 2022

ASSETS	Notes	31 December 2022 ₦'000	31 December 2021 ₦'000
Property, plant and equipment	13	50,162,672	49,035,110
Intangible assets	14	495,923	486,646
Right-of-use-assets	15	462,346	221,996
Total non-current assets		51,120,941	49,743,752
Current assets			
Inventories	18	572,913	1,005,686
Trade and other receivables	17	43,953,364	56,342,163
Cash and cash equivalents	16	7,367,333	7,313,705
Total current assets		51,893,610	64,661,554
Total assets		103,014,551	114,405,306
EQUITY AND LIABILITIES			
Equity			
Share capital	24	5,000	5,000
Accumulated losses	25	(121,848,090)	(66,691,982)
Total equity		(121,843,090)	(66,686,982)
Non-current liabilities			
Borrowings	20	42,466,826	39,768,207
Government grants	21	4,250,397	4,674,763
Lease liabilities	22	321,702	68,419
Retirement benefit obligations	23	610,120	527,035
Total non-current liabilities		47,649,045	45,038,424
Current liabilities			
Trade and other payables	19	162,406,336	125,974,815
Current tax liabilities	11	6,178,183	5,651,285
Borrowings	20	5,380,077	2,007,675
Government grants	21	2,983,050	2,104,227
Lease liabilities	22	260,950	315,862
Total current liabilities		177,208,596	136,053,864
Total liabilities		224,857,641	181,092,288
Total equity and liabilities		103,014,551	114,405,306

The accompanying notes are integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of directors on 18 JANUARY 2024 and were signed on its behalf by:

Engr. Praveen Ghorghade
Managing Director
FRC/2022/PRO/DIR/003/664140

Dr Stephen Dike
Director
FRC/2018/IODN/00000018417

Paul Okeke
Chief Financial Officer
FRC/2013/ICAN/00000000925

Enugu Electricity Distribution Plc
Annual Report
For the Year Ended 31 December 2022

Statement of Changes in Equity

	Notes	Share capital ₦'000	Accumulated losses ₦'000	Total equity ₦'000
Balance at 1 January 2021		5,000	(27,065,857)	(27,060,857)
Loss for the year	25	-	(39,796,915)	(39,796,915)
Other comprehensive loss for the year	25	-	170,789	170,789
Total comprehensive income		-	(39,626,126)	(39,626,126)
Balance at 31 December 2021		**5,000**	**(66,691,982)**	**(66,686,982)**
Balance at 1 January 2022		5,000	(66,691,982)	(66,686,982)
Loss for the year	25	-	(44,275,651)	(44,275,651)
Other comprehensive loss for the year	25	-	65,275	65,275
Total comprehensive income		-	(44,210,376)	(44,210,376)
Transaction with owners				
Transfer of non-cash assets to equity participant	28		(10,945,732)	(10,945,732)
Balance at 31 December 2022		**5,000**	**(121,848,090)**	**(121,843,090)**

The accompanying notes are integral part of these financial statements.

Statement of Cash Flows

	Notes	31 December 2022 ₦'000	31 December 2021 ₦'000
Cash flows from operating activities			
Cash generated from/(used in) operating activities	26	1,497,194	(13,826,821)
Payments of gratuity	23	(5,087)	(24,095)
Payments of Long Service Award (LSA)	23	(1,020)	(640)
Tax paid	11	(8,466)	-
Net cash flows generated from/(used in) operating activities		**1,482,621**	**(13,851,556)**
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(3,197,290)	(5,558,259)
Purchase of intangible assets	14	(109,744)	(19,723)
Interest received	10	62,797	42,847
Net cash flows used in investing activities		**(3,244,237)**	**(5,535,135)**
Cash flows from financing activities			
Proceeds from borrowings	20	10,538,666	26,649,410
Repayment of borrowings	20	(5,030,647)	(4,051,916)
Interest paid	20	(2,970,909)	(1,853,556)
Payment for principal portion of lease liabilities	22	(723,924)	(780,305)
Net cash flows generated from financing activities		**1,813,185**	**19,963,634**
Net increase in cash and cash equivalents		51,569	576,943
Net foreign exchange difference		3,645	1,608
Cash and cash equivalents at the beginning of year		7,328,754	6,750,203
Cash and cash equivalents at the end of year	16.1	**7,383,968**	**7,328,754**

The accompanying notes are integral part of these financial statements.

1 Corporate information

Enugu Electricity Distribution Plc. was incorporated in Nigeria under the Companies and Allied Matters Act, 2020 as a Public Limited Company on 8 November 2005. The Company is domiciled in Nigeria.

Enugu Electricity Distribution Plc. ('the Company') is one of the eleven (11) electricity distribution companies in Nigeria. The Company was licensed in 2006 by the Nigeria Electricity Regulatory Commission (NERC) to distribute electricity to consumers in five states in the south-east of Nigeria: Abia, Anambra, Ebonyi, Enugu and Imo States.

The Company currently services over 1,200,000 customers and has its registered address as 62, Okpara Avenue, Enugu, Enugu State, Nigeria.

Business transition

In 1999, the Federal Government of Nigeria set up the Electric Power Sector Implementation Committee (EPIC) to undertake a comprehensive study of the electricity power industry. The EPIC created Power Holding Company of Nigeria (PHCN), a company registered under the Companies and Allied Matters Act, to assume the assets, liabilities and employees of the former Federal Government parastatal- National Electric Power Authority ("NEPA") that was in charge of electricity generation, transmission and distribution in Nigeria. PHCN was set up to achieve greater operational autonomy. The shares of PHCN were wholly owned by the Federal Government of Nigeria.

In 2005, PHCN was unbundled to form 6 electricity generation, 1 electricity transmission and 11 electricity distribution companies with the intent of sale of shares in these companies to private investors. Enugu Electricity Distribution Plc is one of the electricity distribution companies. The Federal Government also set up a special purpose agency, Nigeria Electricity Liability Management Company Ltd (NELMCO), to take over some assets and liabilities of these companies in order to sell the shares of the companies.

On 1 November 2013, Interstate Electrics Limited took over the management of Enugu Electricity Distribution Plc after successful purchase of 60% of the shares of the company from the Federal Government. All electricity companies are regulated by the Nigerian Electricity Regulatory Commission (NERC), a Federal Government parastatal that ensures efficiency, stability and reliability in the supply of electricity in Nigeria. On 1 November 2013, NERC set up interim rules to regulate the electricity sector. These rules were a bridge to the Transitional Electricity Market ("TEM"). Transitional Electricity Market establishes a framework to govern trading arrangements during the interim period when Power Purchase Agreements (PPAs) between the privatised Power Holding Company of Nigeria (PHCN), successor generation companies and Nigerian Bulk Electricity Trading Plc (NBET) and Vesting Contracts between Nigerian Bulk Electricity Trading "NBET" and the privatised PHCN successor distribution companies will not be effective.

2 Significant accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS), the requirements of the Companies and Allied Matters Act,2020 and the Financial Reporting Council of Nigeria Act,No. 6, 2011. The financial statements were authorised for issue by the Board of Directors on 18 JANUARY 2024.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The financial statements have been prepared on a historical cost basis except for trade receivables, government grant and borrowings carried at amortized cost, lease liabilities and retirement benefit obligations at discounted value. The financial statements are presented in Nigerian Naira. All values are rounded to the nearest thousand (N'000) except where otherwise indicated.

2.1.1 Going concern

The financial statements have been prepared on a going concern basis. Refer to Note 30 for further information on going concern.

2 Summary of significant accounting policies

a) Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

b) Revenue from contract with customers

The Company recognises revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those services. A valid contract is recognised as revenue after:

- The contract is approved by the parties.
- Rights and obligations are recognised.
- Collectability is probable.
- The contract has commercial substance.
- The payment terms and consideration are identifiable.

Sale and distribution of power

The Company derives its revenue from the supply of power to customers. Revenue from power supply is based on amount of energy supplied to the customers as recorded at the meters or estimated. This is computed using the MYTO template per customer class as regulated by Nigerian Electricity Regulatory Commission. Revenue from the supply of power is recognised overtime. However, the Company has elected to use the practical expedient of right of invoice to recognise revenue on the date electricity bills are sent to customers.

In the case of prepaid customers, an estimate is made for unearned revenue as at year end and this is included in the statement of financial position. The stand-alone selling price is determined based on the NERC approved tariff for the different categories of customers.

Payment of the transaction price is due immediately when the bills are sent to the customers and trade receivable is recognised thereafter.

Notes to the Financial Statements-Continued

Disaggregation of revenue from contract with customers

The Company recognises revenue overtime, however the Company applies the practical expedient of right to invoice for the ease of accounting. The Company derives revenue from different tariff codes broadly classified into residential, commercial, industrial and government.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Amount received from customers in advance of receiving the goods or services is recognised as liability in the statement of financial position described as unearned income.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

c) Current and deferred tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Also, there is an education tax which is provided at 2.5% of assessable profits of companies operating within Nigeria.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Notes to the Financial Statements-Continued

Current and deferred tax-continued

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the Statement of profit or loss, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax liabilities on a net basis.

The Company has not recognised any deferred tax asset due to the uncertainty of future taxable profits.

Minimum tax

Minimum tax is applicable under the Companies Income Tax Act (CITA) in situations where any of the following conditions are met:

i. A company experiences assessable loss.

ii. A company has no tax payable.

iii. Tax payable is below the minimum tax threshold.

In alignment with legislative changes, the Finance Act of 2019 initially set the minimum tax rate at 0.5% of a company's turnover. However, subsequent modifications were introduced by the Finance Act of 2020, which temporarily reduced the minimum tax rate to 0.25% for the consecutive years 2020 and 2021. As per the changes, tax returns for the fiscal year 2022 will revert to using a minimum tax rate of 0.5%.

The company's situation aligns with the application of the minimum tax assessment due to the presence of assessable loss and taxable loss for the fiscal year ending on 31 December 2022. It's important to note that the Finance Act of 2022 has reinstated the minimum tax rate to 0.5% for tax returns due between 1 January 2022 and 31 December 2022.

In practical terms, the calculation of minimum tax involves determining 0.5% of the gross turnover for the fiscal year. This calculation is then adjusted by subtracting franked investment income. The determination of taxation charges in the financial statements is guided by the provisions set forth in section 33. subsection (2) of the Companies Income Tax Act, CAP C21, LFN, 2020.

d) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which Enugu Electricity Distribution Plc operates ('the functional currency'). The functional currency of the Company is the Nigerian Naira (N). The presentation currency of the Company is also the Nigerian Naira (N)

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the company's functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.