



ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

IKEJA ELECTRIC PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

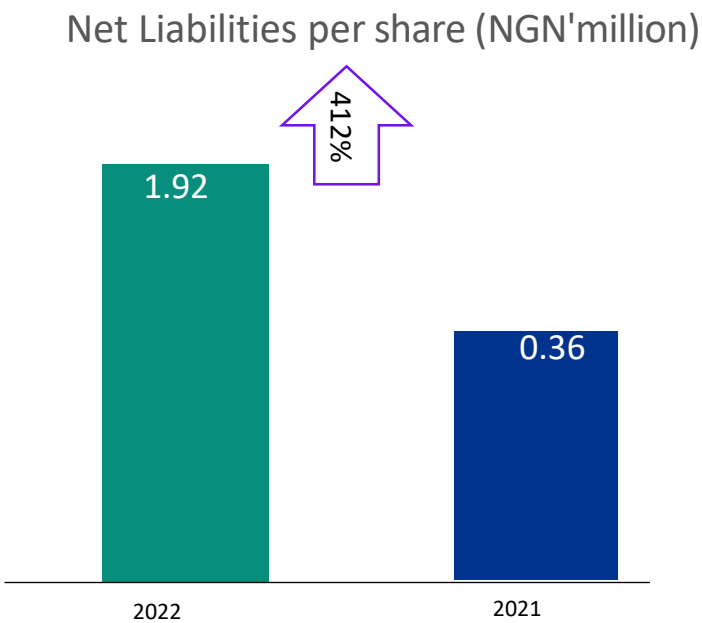
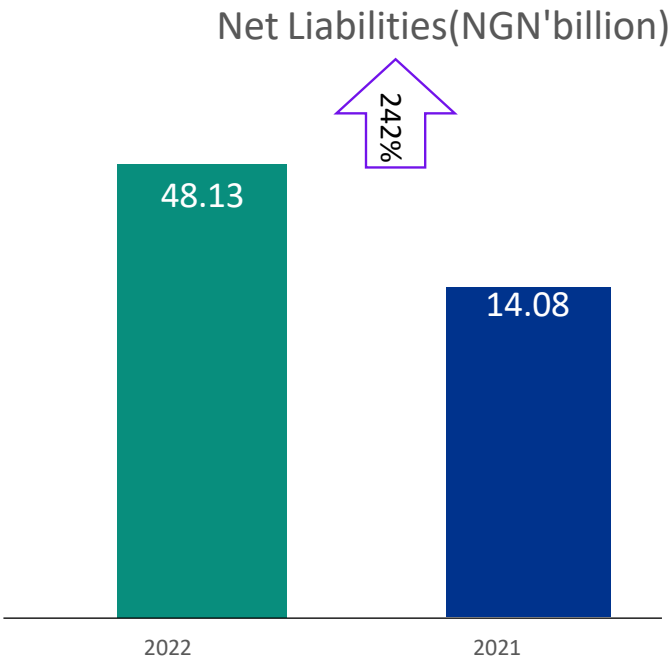
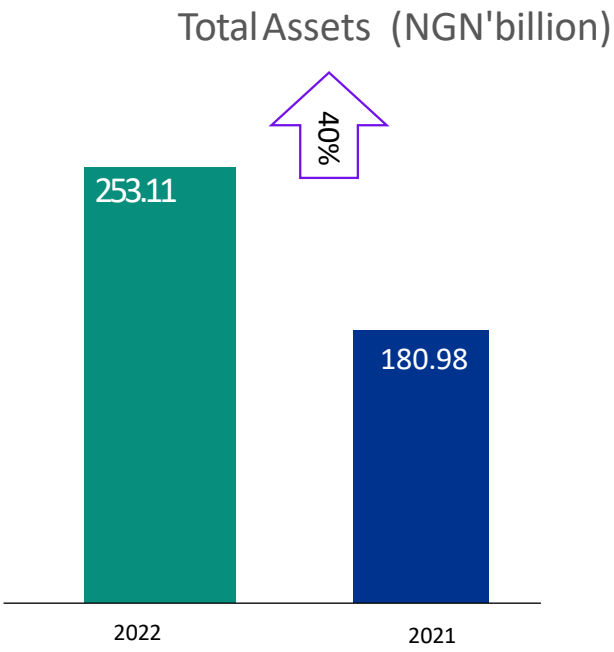
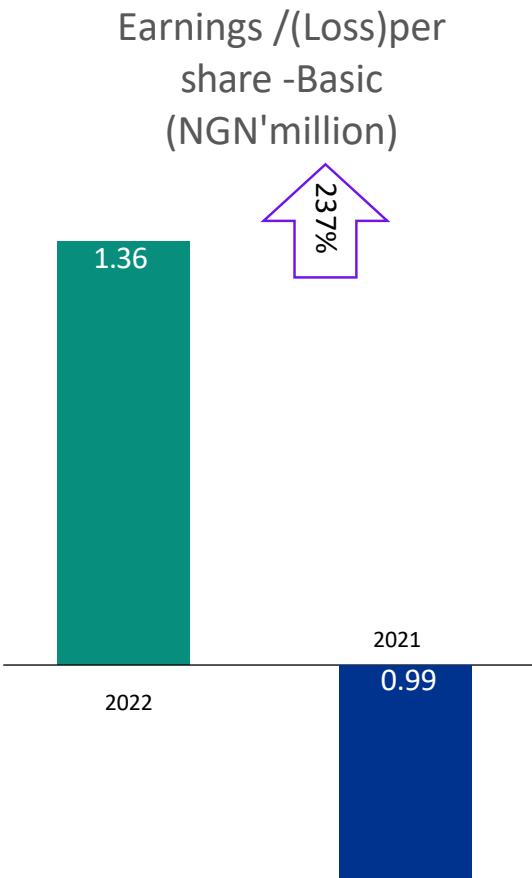
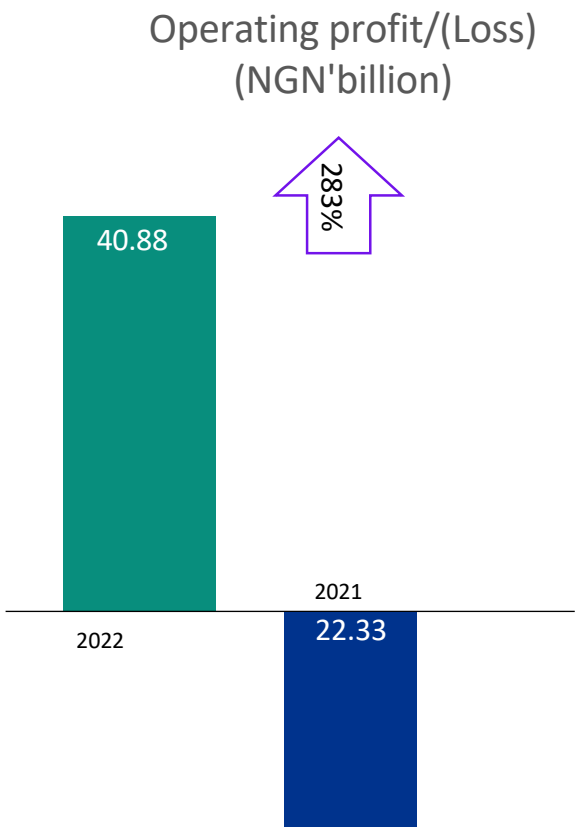
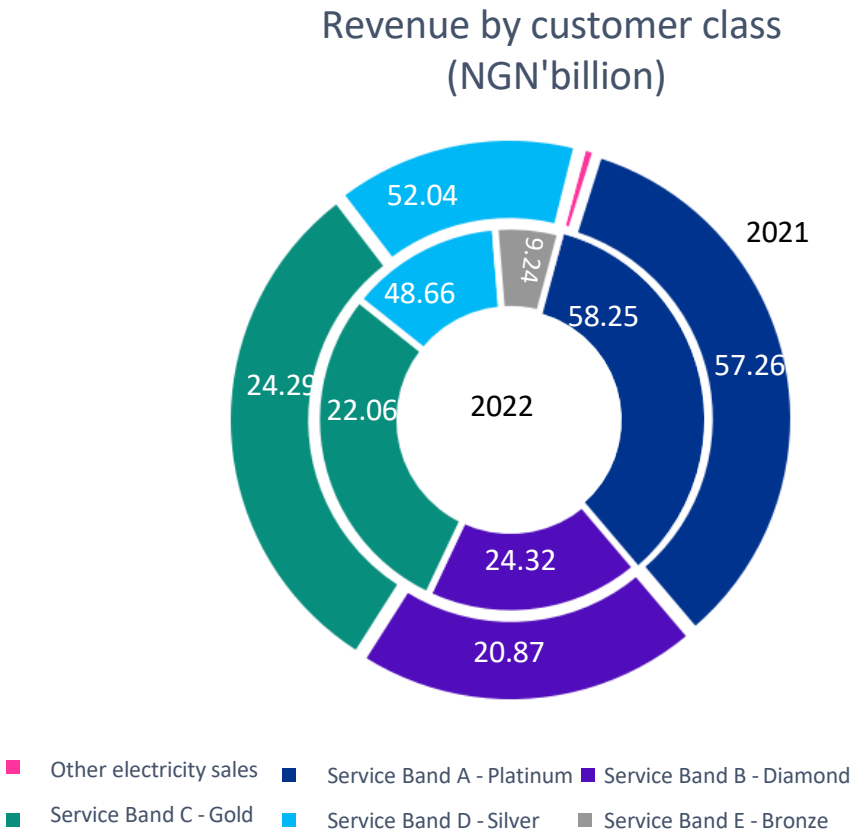
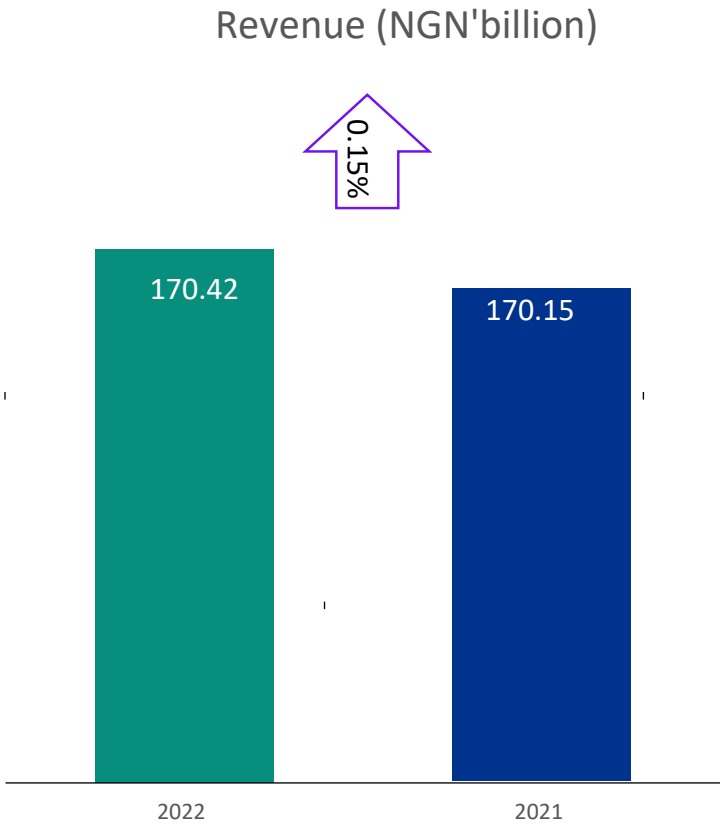
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IKEJA ELECTRIC PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

CORPORATE INFORMATION

Directors	Mr. Kola Adesina Mr. Temitope Shonubi Mr. Adedeji Odunsi Mr. Alex Okoh Mr. Aigbe Olotu Ms. Ijeoma Nwogwugwu Mr. Park SW (Korean)	Designation 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	

Financial Highlights



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 2022 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-22	31-Dec-21
	₦'000	₦'000
Revenue	170,418,051	170,146,043
Profit/(Loss) before minimum tax and income tax	34,826,046	(26,571,538)
Minimum tax	(856,813)	(430,144)
Profit /(Loss) before income tax	33,969,234	(27,001,682)
Income tax (expense)/credit	(1,741)	2,217,060
Profit/ (Loss) for the year	33,967,492	(24,784,622)
Other comprehensive income	82,528	671,220
Related Tax	-	22,268
Total comprehensive Profit/(Loss) for the year	34,050,020	(17,491,475)

Dividend

The Directors did not recommend any dividend payment for the financial year ended 31 December 2022.(2021:Nil)

Property, plant and equipment

Information relating to changes in property, plant and equipment 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 2022.

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	2022		2021	
	Numbers of shares held	%	Numbers of shares 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. Adededeji Odunsi	Director
Mr. Alex Okoh	Director
Mr. Aigbe Olotu	Director
Mr. Sang-Woo Park	Director
MS. Ijeoma Nwogwugwu	Director

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 9th of March, 23rd of June, 15th of September and 20th of December 2022

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:

NAME	NUMBER OF MEETINGS ATTENDED
Mr. Kola Adesina	4/4
Mr. Temitope Shonubi	3/4
Mr. Adedeji Odunsi	4/4
Ms. Ijeoma Nwogwugwu	4/4
Mr. Alex Okoh (<i>Represented by Mr. Toibudeen Oduniyi</i>)	4/4
Mr. Sang-Woo Park	3/4
Mr. Aigbe Olotu	4/4

Board committees

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

Audit, risk & governance committee

The Audit, Risk & Governance Committee met four times during the year under review. The meetings were held on 4th January, 16th June, 7th September, 18th November 2022.

NAME	NUMBER OF MEETINGS ATTENDED
Mr. Adedeji Odunsi	4/4
Mr. Aigbe Olotu	4/4
Mr. Alex Okoh/Toibudeen Oduniyi/Mr. Aderemi Azeez	4/4
Mr. Temitope Shonubi	4/4

Finance, Investment & General-Purpose committee

The Finance, Investment & General-Purpose Committee met three times during the year under review. The meetings were held on 22nd February, 18th August and 23rd December 2022.

REPORT OF THE DIRECTORS (CONT'D)

NAME	NUMBER OF MEETINGS ATTENDED
Mr. Temitope Shonubi	3/3
Ms. Ijeoma Nwogwugwu	3/3
Mr. Adedeji Odunsi	3/3
Mr. Alex Okoh / Toibudeen Oduniyi	3/3

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 2022 (2021: two (2)).

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 the implemented 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 **2022**.

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 2022, 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.

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

REPORT OF THE DIRECTORS (CONT'D)

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 2022 and engaged in several activities amongst others including:

"Safety Starts with Me" Campaign - This campaign is aimed at sensitizing children about electricity safety while also showing them the dangers of electrical hazards. This was done in an interactive teaching style using familiar household appliances and emphasizing on practical safety measures around them. The campaign commenced with a visit to Ebenezer African Church Primary school in Egbe road, Abule Egba business area.

Community Safety Ambassadors - This initiative was to serve as influencers between IE and the community in terms of safety related issues. Also assisting in escalation of unsafe network with their communities

Finally, the Company, initiated **IE Safety Emergency Number**. This is a means for reporting emergency situations such as fallen and sagged cables, bent and fallen poles, wire sparks, electricity-related incidents and so on

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 (2021: Nil).

Acquisition of own shares

The Company did not purchase any of its own shares during the year.(2021: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
25 September 2023

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 2022, and the results of its operations, cash flows and changes in equity for the year ended 31 December 2022, 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 Act, 2011.

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 2022 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 2022 were approved by the Board on 25 September, 2023

On behalf of the Directors of the Company



Kola Adesina

Chairman

FRC/2016/CIIN/00000014687



Adedeji Odunsi

Director

FRC/2013/ICAN/00000005046

**STATEMENT OF CORPORATE RESPONSIBILITY
FOR THE PREPARATION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 December 2022**

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 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 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 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 2022.
- 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
25 September 2023



Seqinah Akinwunmi
Chief Financial Officer
FRC/2018/ICAN/00000018751
25 September 2023

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, 2022 and hereby declare as follows:

1. The scope and planning of the audit for year ended 31 December, 2022 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: 25 September 2023



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



KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

Telephone 234 (1) 271 8955
234 (1) 271 8599
Internet home.kpmg/ng

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 2022;
- 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 significant 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 2022, and of its financial performance and its cash flows for the year then ended in accordance 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 (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 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 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 profit after tax of NGN33.97 billion during the year ended 31 December 2022 and, as of that date, the Company's current liabilities exceeded its current assets by NGN42.69 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.

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Registered in Nigeria No BN 986925

Partners:

Adegoke A. Oyelami	Bolanle S. Afolabi	Kabir O. Okunola	Olufemi A. Babem	Tolulope A. Odukale
Adetola P. Adeyemi	Boluwalaj D. Apanpa	Lawrence C. Amadi	Olumide O. Olayinka	Uzochukwu N. Obienu
Adeyemi K. Ajayi	Chibuzor N. Anyanachi	Martins I. Aroge	Olusegun A. Sowande	Uzodinma G. Nwankwo
Ajibola O. Olomola	Chineme B. Nwigbo	Mohammed M. Adama	Olutoyin I. Ogunlowo	Victor U. Onyenkpa
Akinwale O. Alao	Dunni D. Okagbemi	Nneka C. Eluma	Oluwatemi O. Awotoye	
Akinyemi J. Ashade	Elijah O. Oladunmoye	Ogunlayo I. Ogunbenro	Oluwatoyin A. Gbagi	
Ayobami L. Salami	Goodluck C. Obi	Olabinpe S. Afolabi	Omolara O. Ogun	
Ayodele A. Soyinka	Ibitomi M. Adepoju	Oladiji I. Saladeen	Oseme J. Obalajo	
Ayodele H. Othihiwa	Ijeoma T. Emezie-Ezigo	Olanike I. James	Temitope A. Onitiri	



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 2022 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.

Impairment of trade receivables	
The key audit matter	How the matter was addressed in the audit

<p>Impairment of receivable is a matter of significance in our audit of the financial statements due to a writeback of impairment during the year amounting to NGN46.16 billion.</p> <p>The impairment model was revised through the reclassification of the customers portfolio to a risk-based approach where collections are assessed from the new customer bucket. In addition, the application of the monthly billings and collections data was changed from 'last in first out' to 'first in first out' for the purpose of the ECL computation. Due to the size and significant judgement required in determining the key assumptions to be used in the ECL computation, we 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 evaluated the ECL modelling techniques and methodology used by the Company in comparison to the requirements of the relevant accounting standards. • With the assistance of our employed KPMG Financial Risk Management specialist, we performed a recomputation of the impairment allowance and compared the outcome to the amount recognized by the Company, in order to evaluate the adequacy of the impairment allowance recorded by the Company. • We challenged key assumptions applied in the impairment of financial assets by comparing the assumptions to our expectations based on knowledge of the Company, industry, relevant market parameters and other externally derived data. • We assessed the categorization of the Company's receivables for the purpose of ensuring that outstanding receivables are correctly classified based on their credit risk characteristics and their identified settlement patterns. • We evaluated completeness of the disclosures made by management in the financial statements.
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The Company's accounting policy on impairment of receivables and related disclosures are shown in Notes 3(M), 15 and 32.5 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, Director's report, Statement of Director's Responsibility, Statement of Corporate Responsibilities, Report of the Audit, Risk and Governance Committee and Other National Disclosure 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 Standards and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011.

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 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 Audit 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.

Ayodele A. Soyinka, FCA
FRC 2012/ICAN/00000000405
For: KPMG Professional Services
Chartered Accountants
12 December, 2023
Lagos, Nigeria



IKEJA ELECTRIC PLC
ANNUAL REPORT
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

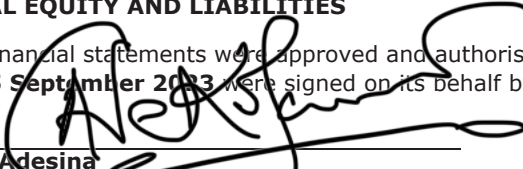
	Note	2022 ₦'000	2021 ₦'000
Revenue	6	170,418,051	170,146,043
Cost of sales	7	(135,008,085)	(145,647,250)
Gross Profit		35,409,966	24,498,793
Other income	9	3,157,186	1,889,533
Impairment gain/(loss) on trade and other receivables	32.5	46,614,233	(10,437,563)
Distribution and Administrative costs	8	(44,304,806)	(38,278,389)
Operating Profit/(Loss)		40,876,579	(22,327,626)
Finance income	10(a)	301,718	22,097
Finance costs	10(b)	(6,352,252)	(4,266,009)
Net finance costs		(6,050,534)	(4,243,912)
Profit/(Loss) before minimum tax and income tax		34,826,045	(26,571,538)
Minimum tax	12(a)	(856,813)	(430,144)
Profit/(Loss) before income tax		33,969,232	(27,001,682)
Income tax (expense)/credit	12(b)	(1,741)	2,217,060
Profit/(Loss) for the year		33,967,491	(24,784,622)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurement of defined benefit plan	23(a)	82,528	671,220
Related tax	12(c)	-	22,268
Revaluation surplus on property, plant and equipment		-	6,599,659
Other comprehensive income for the year, net of tax		82,528	7,293,147
Total comprehensive income/(loss) for the year		34,050,019	(17,491,475)
Basic and diluted earnings/(loss) per share (Naira)	29	1,359	(991)

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 2022


	Note	31 Dec 2022 N'000	31 Dec 2021 N'000
ASSETS			
Non-current assets			
Property, plant and equipment	13(a)	126,314,541	121,902,332
Right-of-use assets	30(a)	285,718	276,674
Intangible assets	14	2,974,709	490,273
Trade and other receivables.	15	7,659,044	6,743,354
Total non-current assets		137,234,012	129,412,633
Current assets			
Inventories	16	476,221	597,110
Trade and other receivables	15	100,831,273	37,064,037
Other Deposit (Feeder Accounts)	19	-	-
Prepaid expenses	17	371,582	389,740
Cash and bank balances	18	14,196,726	13,516,867
Total current assets		115,875,802	51,567,754
TOTAL ASSETS		253,109,814	180,980,387
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	26	25,000	25,000
Revaluation reserves	28(b)	89,593,294	89,593,294
Other reserve	28(a)	131,392,850	131,392,850
Accumulated deficit	27	(172,884,362)	(206,934,381)
Total Equity		48,126,782	14,076,763
Non-current liabilities			
Loans and borrowings	20	34,591,742	30,220,239
Defined benefit obligation	22	747,494	1,053,438
Deferred income	21	11,077,137	8,454,816
Total non-current liabilities		46,416,373	39,728,493
Current liabilities			
Current tax liabilities	12(d)	3,302,697	2,444,143
Loans and borrowings	20	4,068,883	3,792,017
Trade and other payables	22	146,169,813	117,988,401
Contract liabilities	6(c)	2,227,873	1,620,701
Provisions	24	90,395	61,605
Deferred income	21	2,706,998	1,268,264
Total current liabilities		158,566,659	127,175,131
TOTAL LIABILITIES		204,983,032	166,903,624
TOTAL EQUITY AND LIABILITIES		253,109,814	180,980,387

The financial statements were approved and authorised for issue by the Board of Directors of company on **25 September 2023** 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 2022

For the year ended 31 December 2021

	Share Capital	Accumulated Deficit	Revaluation Reserves	Other Reserves	Total Equity	
Note	₦'000	₦'000	₦'000	₦'000	₦'000	
Balance as at 1 January 2021	25,000	(182,843,247)	82,993,635	131,392,850	-	31,568,238
Loss for the year	27	(24,784,622)	-	-	-	(24,784,622)
Other comprehensive income	27, 28	693,488	6,599,659	-	-	7,293,147
Total comprehensive loss		(24,091,134)	6,599,659	-	-	(17,491,475)
Balance as at 31 December 2021	25,000	(206,934,381)	89,593,294	131,392,850	-	14,076,763

For the year ended 31 December 2022

	Share Capital	Accumulated Deficit	Revaluation Reserves	Other Reserves		Total Equity
Note	₦'000	₦'000	₦'000	₦'000		₦'000
Balance as at 1 January 2022	25,000	(206,934,381)	89,593,294	131,392,850	-	14,076,763
Loss for the year	27	33,967,491	-	-		33,967,491
Other comprehensive income	27, 28	- 82,528	-			82,528
Total comprehensive loss		- 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

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 2022

Cash flows from operating activities	Note	2022 ₦'000	2021 ₦'000
Profit/(Loss) for the year		33,967,491	(24,784,622)
Adjustments for:			
Depreciation on distribution assets	7	9,699,311	8,939,029
Depreciation on non-distribution assets	8	519,929	512,218
Depreciation of right-of-use assets	8	104,513	137,466
Amortisation of intangible assets	14	657,129	259,533
Amortisation of day one gain	9	(2,300,019)	(1,325,602)
Modification gain on loans and borrowings	9	(257,001)	-
Customer - granted assets	6(a)	(832,790)	(160,965)
Actuarial (gain)/loss on long service award	9,23(b)	-	(19,227)
(Reversal)/Impairment loss on trade and other receivables	32.5	(46,614,233)	10,437,563
Finance income	10(a)	(301,718)	(22,097)
Finance costs	10(a)	6,352,252	4,266,009
Current service cost - end of service benefit	23(a)	148,664	251,820
Current service cost - long service award	23(b)	17,396	21,196
Past Service cost- end of service benefit	23(a)	(287,953)	-
Interest cost - end of service benefit	23(a)	94,365	128,438
Interest cost - long service award	23(b)	11,648	7,151
Actuarial gain on long service award	23(b)	(8,288)	-
Minimum tax expense	12(a)	856,813	430,144
Income tax expense/ (credit)	12(b)	1,741	(2,217,060)
Regulatory Net Off	7	(1,748,000)	-
Tariff shortfall	7	(16,794,241)	(24,652,000)
Provisions	24	28,790	-
Revaluation deficit	8	-	65,001
		(50,651,692)	(2,941,383)
Movements in working capital			
Increase in trade and other receivables	15(b)	(17,855,305)	(27,686,734)
Decrease/(Increase) in inventory		120,889	(74,324)
Decrease/(Increase) in prepaid expenses	17(a)	18,158	(67,103)
Increase in trade and other payables	22(c)	38,356,171	34,374,587
Increase in contract liabilities		607,172	218,139
Total movements in working capital		21,247,085	6,764,565
Total adjustments and movements		(29,404,607)	3,823,182
Income tax paid	12(d)	-	(180,000)
End of service paid	23(a,b)	(199,246)	(98,332)
Payment on interest on leases	20(g)	(88,161)	(81,300)
Net cash generated/(used in) from operating activities		4,275,477	(21,321,071)
Cash flows from investing activities			
Acquisition of property, plant and equipment	13(e)	(4,149,340)	(7,126,438)
Additions to right-of-use assets	30(b)	(36,206)	-
Additions to intangible assets	14	(3,141,564)	(477,992)
Advance payment for property, plant and equipment	15(b)	(1,303,244)	(1,664,328)
Interest received	10(a)	87,447	22,097
Net cash used in investing activities		(8,542,907)	(9,246,661)
Cash flows from financing activities			
Proceeds from loans and borrowings	20(g)	9,399,064	35,520,746
Principal repayment of loans and borrowings	20(g)	(1,798,441)	(2,031,595)
Interest repayment of loans and borrowings	20(g)	(2,611,618)	(1,259,033)
Payment on lease liabilities	20(g)	(41,716)	(251,293)
Net cash generated from/(used in) financing activities		4,947,289	31,978,825
Net increase in cash and cash equivalents		679,859	1,411,092
Cash and cash equivalents at 1 January		13,516,867	12,105,775
Cash and cash equivalents at 31 December	18	14,196,726	13,516,867

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

IKEJA ELECTRIC PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022
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>	<u>%</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>	<u>25,000</u>	<u>100</u>

1.2 Going concern consideration

As at the reporting date, the Company's current liabilities exceeded its current assets by NGN42.69 billion (2021: NGN75.61 billion). The Company incurred a profit after tax of NGN33.97 billion (2021: loss after tax of NGN24.78 billion). In addition, the Company's total assets exceeds its total liabilities by NGN48.13 billion (2021: NGN14.08 billion) and the Company recorded a positive operating cash flows of NGN4.28 billion (2021: negative operating cash flow of NGN21.32 billion). The net current liability is principally due to statutory liabilities amounting to NGN46.38billion as at year end (2021: NGN40.71billion), and amounts due to the energy market, third parties and related parties amounting to NGN48.76billion as at year end (2021: NGN35.81 billion) for which payments were delayed due to anticipated tariff shortfall from Federal Government in order to ensure continued operation of the business.

Despite improvements in the Nigerian Electricity Supply Industry (NESI) such as the awarding of tariff shortfalls cumulatively amounting to NGN317.55 billion as at 31 December 2022, revision of the MYTO to higher tariff rates, meter asset schemes such as the National Mass Metering Project (NMMP), CAPEX and OPEX intervention loans from the Central Bank of Nigeria (CBN), the Company still has a back-log of unsettled historical liabilities due to historical losses incurred by the Company. 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 2022
NOTES TO THE FINANCIAL STATEMENTS

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

- The Company has met its minimum remittance levels as set by NERC with respect to payments due to NBET and the Market Operator throughout the year and up to the date of issue of these financial statements.
- NERC has approved tariff shortfalls for 3 consecutive years due to the fact that tariffs are not cost reflective via regulatory orders. The historical antecedents suggests that the pattern will continue until tariffs become cost reflective but is only sustainable to the extent that the federal government is able to continue to fund the shortfall. During the year tariff shortfall amounting to NGN16.7billion was awarded. This in turn will free up cashflows to settle the legacy statutory and related party liabilities.
- The Market Operators will not demand for full payment for their invoices from Distribution companies as the minimum remittance level for each Disco has been determined. Tariff shortfalls are awarded by NERC and are to be netted off the company's payables to the market operators.
- The regulatory pronouncement of NERC via the various MYTO Minor Reviews Orders on the determination of minimum remittance levels and service based tariffs are aimed at improving the financial records of the Company.
- In 2021, NERC released PIP and CAPEX Orders geared towards improving the performance of the power sector over a period of five years. The performance improvement plan aims to achieve service improvement targets directed at increasing the number of customers, improving AT&C losses, quality of energy delivered, duration of supply and reducing the frequency and duration of interruptions through implementation of the following strategies;
 - Investments in distribution network expansion.
 - Regularization of service delivery in non-manageable areas with high/medium commercial losses.
 - Implementation of a Revenue Protection Project supported by Advanced Metering Infrastructure to systematically record and monitor consumption of large and medium customers.
 - Incorporation of a Supervisory Control and Data Acquisition System (SCADA) to operate and control high voltage and medium voltage infrastructure.
 - Regularization of customers not registered as customers located in manageable areas.
 - Installation of appropriate meters for all the ministries, department and agencies at federal, state and local levels.

The order also approved capital expenditure spanning 5 years (2021-2025) to enable implementation of the strategies listed above. The projects are partly funded through the CAPEX loan and OPEX loans disbursed by CBN through the National Electricity Market Stabilization Facility. As at year end, a total of NGN4.7 billion has been disbursed from the NGN121.92 billion available for drawdown on the CAPEX loan while the NGN33.09 billion available on the OPEX loan has been disbursed fully as at year end.

These strategies have continued to improve the performance of the company and revenue growth and aid the implementation of the Power Sector Recovery Program.

IKEJA ELECTRIC PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS

- CBN has been intervening in the power sector by providing long term intervention facility to support the industry and in 2020, CBN commenced the disbursement of the meter acquisition loan for the free metering programme. It is expected that this will enable the company to reduce its metering gap significantly and thereby, earn higher revenues. As at 31 December 2022, NGN 5.94 billion has been disbursed from this intervention facility on behalf of the Company.
- During the year on 1 July 2022, in response to the sustainability plan submitted by the Company, NERC released an Order on Regulatory Net-Offs 2022 awarding the following to the Company;
 - A sum of NGN1.75 billion to be recovered from the amount payable to the Transmission Company of Nigeria Plc through twelve equal instalments over the period July 2022 to June 2023 and paid to Ikeja Electric.
 - The Company has been credited by the Federal Government of Nigeria with NGN3.93 billion, over the billing period July 2022 to June 2023, as a regulatory adjustment in the payment waterfall, representing part payment of its MDA's receivables.

Therefore, the amount payable to the market operators by Ikeja Electric shall be adjusted to allow for the recovery of a total sum of NGN5.88billion over a period of 12 months from July 2022. This will in turn free up cash flows for the company to carry out operational activities.

As at year end, NGN3.92 billion have been set off with the remaining balance of NGN1.96 billion to be set off in subsequent year.

- 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 20-month tenor and at 18% interest per annum was made available to the Company for meeting technical upgrade expenditure requirements. As at year end, NGN2.41 billion has been disbursed and N489million is to be disbursed subsequent to year end.

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.

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 2022 to 31 December 2022, with comparative figures for the financial year from 1 January 2021 to 31 December 2021.

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.

IKEJA ELECTRIC PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS

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 Statement of Compliance

The financial statements have been prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) as adopted by the Financial Reporting Council of Nigeria (FRC) and in conformity with the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council Act, 2011.

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 2022 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:

New or amended standards	Summary of the requirements and assessment of impact	Effective date Periods beginning on or after
Amendments to IAS 8 - Definition of Accounting Estimates	<p>This amendment provides clarifications to companies on how to distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.</p> <p>The amendment introduces a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.</p> <p>The amendments also clarifies the following:</p> <ul style="list-style-type: none"> • an entity develops an accounting estimate to achieve the objective set out by an accounting policy. • developing an accounting estimate includes both selecting a measurement technique (estimation or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. • a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. • a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods 	1 January 2023

IKEJA ELECTRIC PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS

New or amended standards	Summary of the requirements and assessment of impact	Effective date Periods beginning on or after
<p>Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendment to IAS 12)</p>	<p>The amendment clarifies that the initial recognition exemption does not apply to transactions that give rise to equal and offsetting temporary differences such as leases and decommissioning obligations. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition arising from these transactions.</p> <p>The standard is effective for annual periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If an entity previously accounted for deferred tax on these transactions using the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.</p> <p>The Company expects no significant impact on the application of this Standard.</p>	<p>1 January 2023</p>
<p>Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure Initiative: Accounting Policies</p>	<p>The amendments were issued to assist companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:</p> <ul style="list-style-type: none"> • requiring companies to disclose their material accounting policies rather than their significant accounting policies; • clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and • clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements; The amendments are consistent with the refined definition of material: <p>"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".</p> <p>The amendments are effective from 1 January 2023</p>	<p>1 January 2023</p>

IKEJA ELECTRIC PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS

New or amended standards	Summary of the requirements and assessment of impact	Effective date Periods beginning on or after
Amendment to IAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	<p>The amendment clarifies that the initial recognition exemption does not apply to transactions that give rise to equal and offsetting temporary differences such as leases and decommissioning obligations. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition arising from these transactions.</p> <p>For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If an entity previously accounted for deferred tax on these transactions using the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.</p> <p>The standard is effective for annual periods beginning on or after 1 January 2023.</p>	1 January 2023

Other standards

The following new and amended standards are not expected to have a significant impact on the Company's financial statements.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

3 Basis of preparation
Basis of preparation of the financial statements

This financial statements have been prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards), International Financial Reporting Standards Interpretations Committee ("IFRSIC") Interpretations (collectively referred to as IFRS), and in manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria (FRC) Act, 2011.

Details of the Company's accounting policies are included below:

The financial statements have been prepared in a historical cost basis except for plant and machinery class within property, plant and equipment which has been recognized on a revaluation model basis.

The financial statements have been prepared in accordance with the following accounting policies approved by the Board of Directors of the Company.

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.

IKEJA ELECTRIC PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022
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Category of revenue	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Post-paid revenue	The performance obligation of the Company is satisfied overtime as electricity is supplied to the customers. Billing is done on a monthly basis and payment is contractually within 30 days of billing.	Revenue is recognised over time as electricity is provided. The amount of revenue to 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
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

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.

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.

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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 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.

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.

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
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;
- 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.

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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.

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.

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.

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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.

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.

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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.

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.

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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 comprehensive income.

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.

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.

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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.

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.

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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.

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 is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. They are then recognized in profit or loss as an other income on a systematic basis over the useful life of the associated asset.

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.

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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.

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 earnings per share.

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.

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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:

- 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 uncertainty
Impairment of Trade Receivables

Information about assumptions and estimation uncertainties at 31 December 2022 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; key assumptions in determining the loss rate.
- Notes 23 (a) and (b): Measurement of employee benefit obligations: key actuarial assumptions

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.

	2022 ₦'000	2021 ₦'000
Sale of electricity (revenue from contracts with customers)	169,585,261	169,985,078
Customer - granted assets (Note 13 (d))	832,790	160,965
	<u>170,418,051</u>	<u>170,146,043</u>

b.) Disaggregation of revenue from contracts with customers

On 1 September 2020, the Company adopted the new end-user electricity tariff '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

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

	2022 ₦'000	2021 ₦'000
Other electricity sales	497,313	1,202,975
Service Band A - Platinum	58,255,017	57,681,274
Service Band B - Diamond	30,875,385	34,317,501
Service Band C - Gold	48,664,294	52,041,791
Service Band D - Silver	22,055,534	24,286,598
Service Band E - Bronze	9,237,718	454,939
	<u>169,585,261</u>	<u>169,985,078</u>

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Revenue is also analysed into:

	2022 ₦'000	2021 ₦'000
Post-paid	117,066,757	124,974,879
Prepaid	52,518,504	45,010,199
	<u>169,585,261</u>	<u>169,985,078</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.

c.) Contract balances

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

	31-Dec-22 ₦'000	31-Dec-21 ₦'000
Receivables, which are included in 'trade and other receivables'	98,682,311	36,817,145
Contract liabilities	<u>2,227,873</u>	<u>1,620,701</u>

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 NGN 1.62 billion included in contract liabilities at 31 December 2021 has been recognised as revenue in 2022 (2021: NGN 1.40 billion).

7 Cost of sales

	2022 ₦'000	2021 ₦'000
Cost of energy purchased from the Grid - NBET	117,669,109	122,327,402
Cost of energy purchased administration- Market Operators	22,296,978	33,853,182
Cost of energy purchased through bilateral agreement - Comercio (Note 25(d))	546,341	-
Recovery of tariff shortfall (Note 7 (a))	(16,794,241)	(24,652,000)
Regulatory Net off (Note 7(b))	(1,748,000)	-
Depreciation expense (Note 13 (b))	9,699,311	8,939,029
Employee benefit expenses - Core technical	897,819	888,929
Repairs and maintenance	2,440,768	4,290,708
Total cost of sales	<u>135,008,085</u>	<u>145,647,250</u>

a.) Tariff shortfall awarded by NERC

The tariff shortfall relates to the tariff differential for the 2022 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.

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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 2020. In line with NERC's order, the amount is to be recovered from the amount payable to TCN through 12 equal instalments over July 2022 to June 2023. As at year end, NGN3.92 billion have been set off with the remaining balance of NGN1.96 billion to be set off in subsequent year

8 Administrative and distribution expenses

	2022 ₦'000	2021 ₦'000
Operations and Implementation cost	12,935,924	9,800,599
Employee benefit expenses - Non technical	12,182,253	10,765,864
Contract labour	1,651,336	1,570,934
Staff welfare costs	145,307	175,929
Billing and Collection expenses	6,937,821	6,625,510
Other administrative costs	1,642,029	995,342
Management Advisory services (Note 25(b))	748,865	867,746
Data and Information Technology connectivity	3,411,865	3,369,999
Depreciation of non-distribution assets (Note 13 (b))	519,929	512,218
Depreciation of right-of-use assets (Note 30 (a))	104,513	137,466
Amortisation of intangible assets (Note 14)	657,129	259,533
Repairs and Maintenance	2,007,274	2,003,467
Directors' remuneration	66,450	57,020
Audit fees	50,525	50,525
Revaluation deficit	-	65,001
Printing, stationery and consumables	631,999	403,489
Transport and travel expenses	210,427	175,099
Bank charges	34,434	61,003
Entertainment, advertisement and public relations	23,187	38,837
Training expenses	77,644	83,376
Insurance expense	265,895	259,432
Total administrative and distribution expenses	44,304,806	38,278,389

9 Other income

	2022 ₦'000	2021 ₦'000
Other non operating income	142,072	123,811
Reconnection fees and other operating income	458,094	420,893
Amortisation of day-1 fair value gain on loans (Note 21(a))	2,300,019	1,325,602
Modification Gain on loans	257,001	-
Actuarial gain on long service award (Note 23 (b))	-	19,227
	3,157,186	1,889,533

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10 Net finance cost / (income)
a.) Finance Income

	2022	2021
	₦'000	₦'000
Interest income on bank deposits	87,447	22,097
Foreign exchange gain	214,271	-
Finance income	301,718	22,097

b.) Finance Costs

	2022	2021
	₦'000	₦'000
Interest expense on CBN-NEMSF intervention loan	566,728	720,628
Interest on Group Loan	227,032	45,124
Interest expense on CBN-NMMP intervention loan	683,322	394,530
Interest expense on CBN- Opex loan	4,319,097	3,002,290
Interest expense on CBN- Capex loan	467,912	22,137
Total interest on loans (Note 20(g))	6,264,091	4,184,709
Interest expense on lease liabilities (Note 20(g),30(g))	88,161	81,300
Finance costs	6,352,252	4,266,009
Net finance cost	6,050,534	4,243,912

11 Profit/loss before taxation

	2022	2021
	₦'000	₦'000
This is stated after charging/(crediting):		
Auditor's remuneration (Note 8)	50,525	50,525
Depreciation of property, plant and equipment (Note 13)	10,219,239	9,451,247
Depreciation of right-of-use assets (Note 30 (a))	104,513	137,466
Amortisation of intangible assets (Note 14)	657,129	259,533
Employee benefit expenses (Note 33.2) *	14,876,715	13,401,656
(Gain)/loss on Impairment of trade receivables (Note 32.5)	(46,614,233)	10,437,563
Foreign exchange gain (note 10(a))	(214,271)	-
Directors' remuneration (Note 33.1)	66,450	57,020

* Included in the employee benefit are staff welfare cost amounting to NGN145.31million (2021: NGN175.93billion) and contract labour cost amounting to NGN1.65billion (2021: NGN1.57billion). (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 2022 is ₦856.81 million (2021: ₦430.14 million).

	2022 ₦'000	2021 ₦'000
Current year's minimum tax	856,813	430,144
	856,813	430,144

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 2.5% 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 2022 (2021: Nil).

Amounts recognised in profit or loss are as follows:

	2022 ₦'000	2021 ₦'000
Current tax expense		
Prior year under provision of company income tax and tertiary education tax	-	153,767
Nigeria Police Trust Fund levy	1,741	-
	1,741	153,767
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	-	(2,370,827)
Total income tax expense	1,741	(2,217,060)

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

	2022 ₦'000	2021 ₦'000
Items that will not be reclassified to Profit or Loss:		
<i>Remeasurements of defined benefit liability</i>		
Amounts before tax	82,528	671,220
Reversal of previously recognised deferred tax/(Deferred tax expense)	-	22,268
Amounts, net of tax	82,528	693,488
<i>Revaluation of property, plant and equipment</i>		
Amounts before tax	-	6,599,659
Amounts, net of tax	-	6,599,659

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d.) Movement in current tax liability

	31-Dec-22	31-Dec-21
	₦'000	₦'000
At 1 January	2,444,143	2,040,232
Minimum tax (Note 12 (a))	856,813	430,144
Income tax expense (Note 12 (b))	1,741	153,767
Payment during the year	-	(180,000)
At 31 December	3,302,697	2,444,143

e.) Reconciliation of effective tax rate

	2022	2021
	₦'000	₦'000
Profit/(Loss) before minimum tax and income tax	34,826,045	(26,571,538)
Tax using the Company's domestic tax rate	11,318,465	(8,502,892)
Tax effect of:		
Tax incentives	(514,374)	(217,386)
Non-deductible expenses	611,527	139,725
Effect of tertiary education tax on depreciation	-	189,025
Current year losses for which no deferred tax is recognised	-	8,391,528
Derecognition of previously recognised deductible temporary differences	-	(2,370,827)
Prior year under provision of company income tax and tertiary education tax	-	153,767
Change in unrecognised Deferred tax asset	(11,415,618)	-
Other income taxes	1,741	-
Total income tax expense	1,741	(2,217,060)

f.) Unrecognised deferred tax assets and liabilities

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

	2022	2021
	₦'000	₦'000
Property, plant and equipment	(17,206,773)	(20,982,192)
Provision for doubtful debts	28,212,679	43,362,304
Unrelieved tax losses	2,354,333	2,226,041
Defined benefit obligation	269,757	342,367
Leases	(8,936)	27,876
Gain on foreign exchange	(69,638)	-
Provision for legal cases	29,378	20,022
	13,580,800	24,996,418

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13 Property, plant and equipment

a.) Reconciliation of carrying amount

	DISTRIBUTION ASSETS		NON DISTRIBUTION ASSETS			
	Plant and machinery	Equipment, Furniture & fittings	Motor vehicles	Buildings	Capital work- in-progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
At 1 January 2021	290,991,047	2,103,782	808,327	4,487,778	23,863	298,414,797
Additions for the year	6,836,290	307,627	106,296	109,283	382,317	7,741,813
Revaluation surplus	14,783,354	-	-	-	-	14,783,354
Revaluation deficit	(8,248,697)	-	-	-	-	(8,248,697)
Net-off of accumulated depreciation	(140,653,149)	-	-	-	-	(140,653,149)
At 31 December 2021	<u>163,708,845</u>	<u>2,411,409</u>	<u>914,623</u>	<u>4,597,061</u>	<u>406,180</u>	<u>172,038,118</u>
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>
Accumulated depreciation						
At 1 January 2021	175,597,767	1,099,682	644,464	3,995,775	-	181,337,688
Charge for the year	8,939,029	387,447	107,006	17,765	-	9,451,247
Net-off of accumulated depreciation	(140,653,149)	-	-	-	-	(140,653,149)
At 31 December 2021	<u>43,883,647</u>	<u>1,487,129</u>	<u>751,470</u>	<u>4,013,540</u>	<u>-</u>	<u>50,135,786</u>
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>-</u>	<u>60,355,025</u>
At 1 January 2021	115,393,280	1,004,100	163,863	492,003	23,863	117,077,109
At 31 December 2021	119,825,198	924,280	163,153	583,521	406,180	121,902,332
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>

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

	2022	2021
	₦'000	₦'000
Cost of sales	9,699,311	8,939,029
Administrative expenses	519,929	512,218
	<u>10,219,240</u>	<u>9,451,247</u>

- c.) The Company had capital commitments amounting to ₦9.21 billion (2021: ₦3.59 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 ₦832.79 million (2020: ₦160.22 million) by the directors based on prices of similar items purchased during the year. This has been recognised as revenue (Note 5) 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))	14,631,448	7,741,813
Assets transferred under MAP scheme (Note 22 (b))	(10,087,543)	-
Assets not paid for in prior year now paid	454,410	-
Assets not paid for as at year end	(16,185)	(454,410)
Customer granted assets (Note 6)	(832,790)	(160,965)
	<u>4,149,340</u>	<u>7,126,438</u>

- f.) No item of property, plant and equipment were pledged as security for any borrowings (2021: Nil).

- g.) On 31 December 2021, the Company revalued its distribution network assets. Valuation was carried out by Mr. Peter Adesanya (FRC/2015/NIESV/00000011462) for Messrs. Jide Taiwo & Co. (FRC/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).

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.

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h Capital Work in progress (CWIP)

Capital Work in progress (CWIP) comprises:

	31-Dec-22	31-Dec-21
	₦'000	₦'000
Ongoing works with respect to substations	503,159	406,180
	503,159	406,180

i Historical Cost of Plant and machinery

If plant and machinery was stated on the historical cost basis, the carrying amounts as at 31 December 2022 would be as follows:

	31-Dec-22	31-Dec-21
	₦'000	₦'000
Cost	189,442,559	175,438,317
Accumulated depreciation	(52,692,481)	(43,953,895)
Net book value	136,750,078	131,484,422

14 Intangible assets

	Computer Software	Work -in-progress	Total
	₦'000	₦'000	₦'000
Cost			
Balance at 1 January 2021	602,318	13,094	615,412
Additions	396,817	81,175	477,992
Transfers	13,094	(13,094)	-
Balance at 31 December 2021	1,012,229	81,175	1,093,404
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
Amortisation			
Balance at 1 January 2021	343,598	-	343,598
Charge for the year	259,533	-	259,533
Balance at 31 December 2021	603,131	-	603,131
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
Carrying amount			
31 December 2021	409,098	81,175	490,273
31 December 2022	2,893,533	81,175	2,974,709

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

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15 Trade and other receivables

	31-Dec-22	31-Dec-21
	₦'000	₦'000
Energy customers	185,490,553	170,239,620
Other debtors	276,049	206,749
Unpaid share capital	20,000	20,000
Staff advances	48,366	20,143
Advance payment for property, plant and equipment	1,303,244	1,664,328
Other Deposit (DSRA Bank Balance) (Note 15 (a))	6,355,800	5,079,026
Feeder Account Balance*	1,804,547	-
	195,298,559	177,229,866
Impairment allowance (Note 32.5)	(86,808,242)	(133,422,475)
Net trade and other receivables	108,490,317	43,807,391
Carrying amount is analysed into:		
	31-Dec-22	31-Dec-21
	₦'000	₦'000
Current	100,831,273	37,064,037
Non-current	7,659,044	6,743,354
	108,490,317	43,807,391

a.) Other deposit represent Debt Service Reserve Account (DSRA) with a balance of NGN6.36 billion (2021: NGN5.08 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.) 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.) Reconciliation of changes in trade and other receivables to the statement of cash flows

	31-Dec-22	31-Dec-21
	₦'000	₦'000
Changes in trade and other receivables	(64,682,926)	(18,913,499)
Advance payment for property, plant and equipment	1,303,244	1,664,328
Impairment loss on trade and other receivables	46,614,233	(10,437,563)
Net off of MDA receivables	(1,089,856)	-
	(17,855,305)	(27,686,734)

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-22	31-Dec-21
	₦'000	₦'000
Distribution spares	476,221	597,110
	476,221	597,110

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 NGN1.13 billion (2021: NGN2.00 billion).

During the year, no allowance was recorded to write down inventories to their net realisable value (2021: Nil).

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

	31-Dec-22	31-Dec-21
	₦'000	₦'000
Opening balance	597,110	522,683
Closing balance	(476,221)	(597,110)
	120,889	(74,427)

17 Prepaid expenses

	31-Dec-22	31-Dec-21
	₦'000	₦'000
Other Prepaid services	10,493	2,729
Insurance	258,294	260,964
Prepaid rent	102,795	126,047
	371,582	389,740

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

	31-Dec-22	31-Dec-21
	₦'000	₦'000
Changes in prepayments	18,158	(67,103)
	18,158	(67,103)

18 Cash and bank balances

	31-Dec-22	31-Dec-21
	₦'000	₦'000
Cash on hand	1,140	1,145
Bank balances	13,987,055	13,168,318
Short-term fixed deposits	208,531	347,404
Cash and cash equivalents at end of the year	14,196,726	13,516,867

Included in the cash and cash equivalents is NGN 4.38 billion (2021:NGN 6.39 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 (2021: (workforce optimisation) amounting to NGN 29.73 million)

20 Loans and borrowings

	31-Dec-22	31-Dec-21
	₦'000	₦'000
CBN-NEMSF (Note 20 (a))	3,326,286	4,564,736
CBN- NMMP (Note 20 (b))	5,033,021	4,758,548
CBN- OPEX (Note 20 (c))	23,369,816	23,444,668
CBN- CAPEX (Note 20 (d))	3,917,611	881,857
Sahara Power Group Limited (Note 20 (e))	2,615,809	-
Lease liabilities	398,082	362,447
	38,660,625	34,012,256

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Analysed into:

Non-current	34,591,742	30,220,239
Current	4,068,883	3,792,017
	38,660,625	34,012,256

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 (2021: 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 CBN-NNMP 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 (2021: NGN1.26 billion).

c.) The CBN issued an 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 (2021: NGN29.30 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 NGN4.7 billion (2021: NGN3.03 billion).

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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 20-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 amounted to NGN2.4 billion (2021: Nil).

f.) Loan contractual movement
at 31 December 2022

Lender	Tenor	Amount of Facility	Total drawdown	Amount available for drawdown	Payment Made on interest and principal
	Months	₦'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 Limi	20	2,900,000	(2,410,500)	489,500	-
		175,794,567	(56,150,655)	119,643,912	13,476,390

at 31 December 2021

Lender	Tenor	Amount of Facility	Total drawdown	Amount available for drawdown	Payment Made on interest and principal
	Months	₦'000	₦'000	₦'000	₦'000
CBN-OPEX Loan	120	33,089,000	(29,300,693)	3,788,307	740,977
CBN-CAPEX Loan	120	121,925,300	(1,664,328)	120,260,972	1,072
CBN-NMMP Loan	120	6,325,335	(5,818,611)	506,724	192,774
CBN-NEMSF Loan	110	11,554,932	(9,967,959)	1,586,973	8,159,295
		172,894,567	(46,751,591)	126,142,976	9,094,118

g.) Reconciliation of movement of liabilities to cash flows arising from financing activities

	31-Dec-22	31-Dec-21
	₦'000	₦'000
Opening Balance	34,012,256	7,999,900
<i>Changes from financing cash flows</i>		
Proceeds from loans and borrowings	9,399,064	35,520,746
Principal repayment of loans and borrowings	(1,798,441)	(2,031,595)
Payment of lease liabilities	(41,716)	(251,293)
<i>Changes in fair value</i>		
Day-1 fair value gain and modification gain on loans	(6,361,074)	(10,151,179)
<i>Other changes</i>		
Additions to lease liability	77,352	-
Interest repayment of loans and borrowings	(2,611,618)	(1,259,033)
Interest expense on loans and borrowings	6,241,803	4,184,710
interest repayment of leases	(88,161)	(81,300)
Interest expense on lease liabilities (Note 10(b), Note 30(c))	88,161	81,300
Gain on Modification	(257,001)	-
Closing Balance	38,660,625	34,012,256

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21 Deferred income

	31-Dec-22	31-Dec-21
	₦'000	₦'000
Day-1 fair value gain and modification gain on loans	13,784,135	9,723,080
	13,784,135	9,723,080
Analysed into:		
	31-Dec-22	31-Dec-21
	₦'000	₦'000
Non current	11,077,137	8,454,816
Current	2,706,998	1,268,264
	13,784,135	9,723,080

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 NGN2.3 billion (2021: NGN 1.3 billion). See note 9.

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

	31-Dec-22	31-Dec-21
	₦'000	₦'000
Balance at 1 January	9,723,080	897,503
Additions (Note 20(g))	6,361,074	10,151,179
Amortization to profit or loss (Note 9)	(2,300,019)	(1,325,602)
	13,784,135	9,723,080

22 Trade and other payables

	31-Dec-22	31-Dec-21
	₦'000	₦'000
Direct Trade Creditors (Energy Market)	26,077,803	13,676,325
Amount due to related parties (Energy Market) (Note 25 (i))	21,626,600	21,080,260
Amount due to other Distribution Companies	1,055,403	1,055,397
Other payables and accrued expenses	7,899,256	5,157,347
Amount due on Meter Asset Provider (MAP) programme (Note 22(b))	10,087,543	9,140,674
Amount due to other related parties (Note 25(i))	33,045,147	27,164,886
Statutory liabilities	46,378,061	40,713,512
	146,169,813	117,988,401

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

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Carrying amount is analysed into:

	31-Dec-22	31-Dec-21
	₦'000	₦'000
Current	146,169,813	117,988,401
Non-current	-	-
	<u>146,169,813</u>	<u>117,988,401</u>

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

	31-Dec-22	31-Dec-21
	₦'000	₦'000
Nigerian Bulk Electricity Trading Company (NBET)	6,433,496	3,700,442
Operator of the Nigerian Electricity Market (ONEM)	19,644,307	9,975,883
	<u>26,077,803</u>	<u>13,676,325</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 3 years. The repayment of the liability is yet to commence. However, repayment of the liability depends on the pronouncements of the regulator and therefore, the liability is payable on demand. Accordingly, the carrying amount has been classified as current.

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

	31-Dec-22	31-Dec-21
	₦'000	₦'000
Changes in trade and other payables	28,181,412	10,176,997
Assets transferred under the MAP scheme	(10,087,543)	-
Assets not paid for as at year end	(16,185)	(454,410)
Assets not paid for in prior year now paid	454,410	-
WHT on interest expense	(22,291)	-
Net off of MDA Payable	2,837,856	-
Tariff shortfall	16,794,241	24,652,000
Foreign exchange gain	214,271	-
	<u>38,356,171</u>	<u>34,374,587</u>

23 Defined benefit obligation

	31-Dec-22	31-Dec-21
	₦'000	₦'000
End of Service Benefit Costs (Note 23 (a))	649,430	964,728
Long Service Award (Note 23 (b))	98,064	88,710
	<u>747,494</u>	<u>1,053,438</u>

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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, 2022 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, 2022 as stated below:

- * Discount Rate -14.4% (2021: 11.9%)
- * Salary increase rate - 4.0% (2021: 4.0%)
- * Pre retirement mortality rate - A1967/70 Tables (2021: A1967/70 Tables)

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

	31-Dec-22 ₦'000	31-Dec-21 ₦'000
Balance, beginning of year	964,728	1,335,572
Included in profit or loss (as part of administrative expenses)		
Current service cost	148,664	251,820
Interest cost	94,365	128,438
Past service cost	(287,953)	-
Included in other comprehensive income		
Actuarial gain due to change in assumptions	(82,528)	(671,220)
Other		
Benefits paid	(187,846)	(79,882)
Balance at 31 December	649,430	964,728

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, 2022 as stated below:

- * Discount Rate - 14.2% (2021: 11.6%)
- * Salary increase rate - 4.0% (2021: 4.0%)
- * Pre retirement mortality rate - A1967/70 Tables (2021: A1967/70 Tables)

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

	31-Dec-22	31-Dec-21
	₦'000	₦'000
Balance, beginning of year	88,710	98,040
Included in profit or loss (as part of administrative expenses)		
Current service cost	17,396	21,196
Interest cost	11,647	7,151
Actuarial loss/(gain) due to change in assumptions	(8,288)	(19,227)
Other		
Benefits paid	(11,400)	(18,450)
Balance at 31 December	98,065	88,710

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
	End of Service	Long Service
	Benefit Costs	Awards
31 December 2022		
Discount rate (+1% movement)	(27,563)	(2,381)
Discount rate (-1% movement)	30,257	2,527
Mortality rate (+1% year)	(2,281)	2,372
Mortality rate (-1% year)	2,068	(2,276)
Salary increase rate (+1% movement)	33,372	2,481
Salary increase rate (-1% movement)	(30,700)	(2,363)
	₦'000	₦'000
	End of Service	Long Service
	Benefit Costs	Awards
31 December 2021		
Discount rate (+1% movement)	270,804	38,642
Discount rate (-1% movement)	480,727	46,735
Mortality rate (+1% year)	370,406	46,428
Mortality rate (-1% year)	366,761	38,838
Salary increase rate (+1% movement)	480,120	46,601
Salary increase rate (-1% movement)	269,537	38,705

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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 as follows:

	31-Dec-22	31-Dec-21
	₦'000	₦'000
Balance at 1 January	61,605	-
Charge for the year	28,790	61,605
Balance at 31 December	90,395	61,605
Amount is analysed into:		
Amounts falling due within one year	90,395	61,605
Amounts falling due after one year	-	-

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 ₦1.53 billion (2021: ₦1.8 billion), within the administrative and distribution expense is management advisory services amounting to NGN748.87million (2021: NGN867.75 million). Amount due to Sahara Power Group Limited as at year end was ₦1.13 billion (2021: ₦104.7 million). During the year, the company obtained a loan amounting to ₦2.9billion for a 20-month tenor and at 18% interest per annum. At year end, total drawdown amounted to NGN2.4 billion (2021: Nil) and total interest on the loan was ₦205.31million (2021: Nil).

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(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 below 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 ₦8.06 billion (2021: ₦8.9 billion), amount is recorded in administrative expense. Amount due to Wade Multi Trading Limited as at year end was ₦28.99 billion (2021: ₦26.9 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 ₦199.53 million, amount recorded in cost of sales relating to reconciliation of prior year invoice is ₦546.34million (2021: ₦Nil). The amount due to Comercio Electricity Exchange Limited for services rendered is ₦21.63 billion (2021: ₦21.1 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 ₦7.06 million (2021: ₦7.3 million), amount is recorded in administrative expense. The amount due to Centrum Properties Limited for services rendered at year end was ₦Nil (2021: ₦2.04 million).

(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 (2021: ₦ Nil). The amount due to KEPCO at the end of the year was ₦ 128.11 million (2021: ₦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 ₦183.95 million (2021: ₦206.57 million), amount is recorded in administrative expense. The amount due to Asharami Energy Limited for the products supplied as at year end was ₦49.71 million (2021: ₦74.28 million).

(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 ₦2.75 Billion (2021: Nil). Amount is recorded in administrative expense

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(i) Amounts due to related companies

	31-Dec-22	31-Dec-21
	₦'000	₦'000
Comercio Electricity Exchange Limited - Energy Market	21,626,600	21,080,260
	21,626,600	21,080,260
Korean Electricity Power Corporation	128,106	128,106
KEPCO Energy Resource Nigeria Limited	2,745,959	0
Centrum Properties Limited	-	2,038
Sahara Power Group Limited	1,133,936	104,736
Asharami Energy	49,705	74,284
Wade Multi Trading Company	28,987,441	26,855,722
	33,045,147	27,164,886
	54,671,747	48,245,146

(j) Transactions with key management personnel

Loans to key management personnel

During the year ended 31 December 2022, loans issued to key management personnel was Nil (2021: Nil) and the balance outstanding was Nil (2021: Nil).

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-22	31-Dec-21
	₦'000	₦'000
Directors		
Directors' emoluments (provided for) comprise:		
Fees	31,590	22,160
Other expenses	34,860	34,860
Long-term employee benefit	-	-
	66,450	57,020
Amount payable at the year end	334,787	304,499

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

	31-Dec-22	31-Dec-21
	Number	Number
Up to NGN 2,400,000	7	7

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.

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26 Share capital

	31-Dec-22	31-Dec-21
	₦'000	₦'000
<i>Issued, allotted and fully paid</i>		
5,000,000 ordinary shares of N1.00k each	5,000	5,000
<i>Issued, allotted and unpaid</i>		
20,000,000 ordinary shares of N1.00k each	20,000	20,000
	31-Dec-22	31-Dec-21
<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-22	31-Dec-21
	₦'000	₦'000
As at 1 January	(206,934,381)	(182,843,247)
Profit/(Loss) for the year	33,967,491	(24,784,622)
	(172,966,890)	(207,627,869)
Actuarial gain on End of Service Benefit (Note 24 (a))	82,528	671,220
Related tax (Note 12(c))	-	22,268
	82,528	693,488
	(172,884,362)	(206,934,381)

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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-22	31-Dec-21
₦'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-22	31-Dec-21
	₦'000	₦'000
As at 1 January	89,593,294	82,993,635
Additions during the year	-	6,599,659
	<u>89,593,294</u>	<u>89,593,294</u>

29 Basic and diluted earnings/(loss) per share

	2022	2021
	₦'000	₦'000
Profit/(loss) for the purpose of basic earnings per share is based on net profit/(loss) attributable to equity holders of the Company.	<u>33,967,491</u>	<u>(24,784,622)</u>
Number of shares		
	2022	2021
	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>
	2022	2021
	₦'000	₦'000
Earnings/(Loss) per share - Basic and diluted	<u>1,359</u>	<u>(991)</u>

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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.

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-22 ₦'000	Buildings 31-Dec-21 ₦'000
Balance at 1 January	276,674	414,140
Depreciation charge for the year	(104,513)	(137,466)
Additions to right-of-use assets	113,557	-
Balance at 31 December	285,718	276,674

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

	31-Dec-22 ₦'000	31-Dec-21 ₦'000
Additions to right-of-use assets	113,557	-
Initial recognition of new lease arrangements	(77,351)	-
	36,206	-

(c) Amounts recognised in profit or loss

	2022 ₦'000	2021 ₦'000
Interest on lease liabilities (Note 10(b), 20(f))	88,161	81,300

(d) Amounts recognised in statement of cash flows

	2022 ₦'000	2021 ₦'000
Total cash outflow for leases	(129,877)	(332,593)

(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.

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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.

Debt Service Reserve Account (DSRA)

The Company has Debt Service Reserve Account (DSRA) with a balance of NGN6.36 billion (2021: NGN5.08 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-22	31-Dec-21
	₦'000	₦'000
The gearing ratio is as follows:		
Debt	204,983,032	166,903,624
Less: Cash and cash equivalents	(14,196,726)	(13,516,867)
Net debt	190,786,306	153,386,757
Equity	48,126,782	14,076,763
Net debt to equity ratio	3.964	10.896

32 Financial instruments

32.1 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.

32.2 Categories of financial instruments

The following table summarizes the Company's financial instruments:

	31-Dec-22	31-Dec-21
	₦'000	₦'000
32.2.1 Financial assets not measured at fair value		
Cash and cash equivalents	14,195,586	13,516,867
Trade and other receivables (Note 15)*	105,382,527	42,143,062
	119,578,113	55,659,929

*Amount excludes advance payment for property, plant and equipment.

32.2.2 Financial liabilities
Financial liabilities at amortised cost

Trade and other payables (Note 22)**	99,791,751	77,274,889
Loans and Borrowings (Note 20)	38,660,625	34,012,256
	138,452,376	111,287,145

**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 2022

Trade and other payables	\$'000 5,808
Net statement of financial position exposure	<u><u>5,808</u></u>

31 December 2021

Trade and other payables	(5,516)
Net statement of financial position exposure	<u><u>(5,516)</u></u>

The following significant exchange rates were applied during the year

	2022		2021	
	Average rate	Reporting date rate	Average rate	Reporting date rate
US\$	426.88	461.1	409.49	424.11

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 31 December 2022 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 Strengthening N'000</u>	<u>Increase in profit or loss Weakening N'000</u>
31 December 2022		
USD (30% movement)	<u><u>(803,421)</u></u>	<u><u>803,421</u></u>
31 December 2021		
USD (30% movement)	<u><u>701,817</u></u>	<u><u>(701,817)</u></u>

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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 credit risk on liquid funds and non-derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and related companies.

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

	31-Dec-22	31-Dec-21
	₦'000	₦'000
Cash and cash equivalents	14,196,726	13,515,722
Trade and other receivables*	105,382,527	42,143,062
	<u>119,579,253</u>	<u>55,658,784</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:

	2022	2021
	₦'000	₦'000
Impairment loss on trade receivables	(46,614,233)	10,437,563
	<u>(46,614,233)</u>	<u>10,437,563</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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Credit Risk cont'd

Trade receivables

	31-Dec-22	31-Dec-21
	₦'000	₦'000
Maximum demand customers	23,325,710	21,863,213
Unmetered Maximum demand customers	2,817,801	3,234,964
Government Institutions	14,076,766	13,397,818
PPM	28,344,506	30,695,074
Metered Non Maximum demand customers- High	90,311	87,551
Metered Non Maximum demand customers- Medium	396,300	385,951
Metered Non Maximum demand customers- Low	320,926	325,835
Unmetered Non Maximum demand customers- High	14,725,947	11,050,208
Unmetered Non Maximum demand customers- Medium	41,718,892	30,976,293
Unmetered Non Maximum demand customers- Low	58,799,394	58,222,713
TCN Regulatory net off	874,000	
	185,490,553	170,239,620

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.

	Weighted average loss rate	Gross carrying amount	Loss allowance
31 December 2022			
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
		185,490,553	86,808,242

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Credit risk Cont'd

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers as at 31 December 2021.

31 December 2021	Weighted average loss rate	Gross carrying amount	Loss allowance
0 - 30 days	2%	2,325,225	55,875
30 - 60 days	93%	1,614,625	1,505,138
60 - 90 days	90%	2,460,032	2,205,243
90 - 120 days	73%	1,762,071	1,291,532
120 - 150 days	81%	1,850,479	1,503,076
150 - 180 days	99%	1,819,170	1,796,419
180 - 210 days	75%	116,903,212	88,224,618
210 - 240 days	75%	1,254,291	942,380
240 - 270 days	66%	1,590,276	1,043,298
270 - 300 days	100%	25,728,695	25,601,760
300 - 330 days	11%	436,490	48,996
330 - 360 days	11%	521,048	58,487
Greater than 360 days	76%	11,974,006	9,145,653
		170,239,620	133,422,475

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

	31-Dec-22 ₦'000	31-Dec-21 ₦'000
Balance at 1 January	133,422,475	122,984,912
Net remeasurement of loss allowance	(46,614,233)	10,437,563
Balance at 31 December	86,808,242	133,422,475

Reconciliation to contract balances Note 6c

	31-Dec-22 ₦'000	31-Dec-21 ₦'000
Trade receivables from customers	185,490,553	170,239,620
Impairment allowance	(86,808,242)	(133,422,475)
	98,682,311	36,817,145

Cash at bank

The Company held cash and cash equivalents of NGN 14.20 billion at 31 December 2022 (2021:NGN 13.56 billion). 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.

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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.

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.

		Contractual cash flows				
	Carrying amount	Total	0 - 3 Months	4 - 12 Months	2-5 years	Above 5 years
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
	184,830,438	207,876,638	138,542,840	4,478,348	49,577,323	15,278,127

*Amount excludes statutory deductions

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		Contractual cash flows				
	Carrying amount	Total	0 - 3 Months	4 - 12 Months	2-5 years	Above 5 years
Non-derivative financial liabilities						
31 December 2021						
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Trade and other payables*	117,988,401	117,988,401	108,847,727	-	9,140,674	-
Loans and borrowings	34,012,256	64,122,868	952,803	3,569,324	25,844,877	33,755,865
	<u>152,000,657</u>	<u>182,111,269</u>	<u>109,800,530</u>	<u>3,569,324</u>	<u>34,985,551</u>	<u>33,755,865</u>

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-22	31-Dec-21
	₦'000	₦'000
Fixed rate instruments		
Financial liabilities	<u>38,660,625</u>	<u>34,012,256</u>
Financial assets	<u>208,531</u>	<u>347,404</u>

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

	31-Dec-22	31-Dec-21
	₦'000	₦'000
33.1 Directors		
Directors' emoluments (provided for) comprise:		
Fees	31,590	22,160
Other expenses	34,860	34,860
	66,450	57,020

The directors' remuneration shown above includes:

	31-Dec-22	31-Dec-21
	₦'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 state

	31-Dec-22	31-Dec-21
	Number	Number
Up to NGN 2,400,000	7	7

33.2 Employees

Total number of employees as at year-end:

	31-Dec-22	31-Dec-21
	Number	Number
Management	17	17
Senior	1,885	1,905
Junior	1,184	1,204
	3,086	3,126

Aggregate staff costs:

	31-Dec-22	31-Dec-21
	₦'000	₦'000
Salaries and wages	13,080,072	11,654,793
Employer pension contributions	589,899	523,581
Medical expenses	573,391	521,901
Current service cost on end of service benefit (Note 23(a))	148,664	251,820
Current service cost on long service award (Note 23(b))	17,396	21,196
Interest cost on end of service benefit (Note 23(a))	94,365	128,438
Interest cost on long service award (Note 23(b))	11,647	7,151
Actuarial gain on long service award (Note 23(b))	(8,288)	-
Training costs	77,644	83,376
ITF & NSITF	197,219	142,067
Other staff costs	94,706	67,333
	14,876,715	13,401,656

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

	31-Dec-22	31-Dec-21
	Number	Number
N500,000-N1,000,000	132	132
N1,000,000 - N1,500,000	650	650
N1,500,001 - N2,000,000	771	771
N2,000,001 - N2,500,000	283	303
N2,500,001 and above	1250	1270
	3,086	3,126

34 Contingent liabilities

The Company has contingent liabilities in respect of pending litigation and claims separately and jointly amounting to NGN 520.58million (2021: NGN 872.73million) 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

During the year, 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 NGN3.79billion. The balance is updated

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35 Subsequent events

Subsequent to year end, the Nigerian Electricity Regulatory Commission (NERC) issued an order on the reimbursement of meter costs for meter procured under the meter asset provider and national mass metering regulation 2021 (The regulation) on 20th March 2023. The order became effective on the 1st of April 2023 and may be ammended or revoked by the NERC. The commissions orders are detailed below:

- a. The cost of a prepaid meter paid by a customer under MAP shall be amortised over 120 equal instalments and reimbursed through energy credits computed based on the prevailing tariff at the time of vending.
- B. Where a customer does not vend in a given month or months, the DisCo shall, at the point of the next vending, refund the accumulated energy credits due to the customer for the period not vended.
- c. Where a post-paid customer purchases a meter under the MAP framework, the reimbursement by the DisCo shall be in the form of a rebate on customers' monthly invoice to reflect the fixed monthly reimbursement computed on the cost of the meter spread over a period of 120 months.
- d. All DisCos shall ensure that the refund of the cost of a MAP meter appears as a distinct line item on the vending receipt of prepaid customers and monthly bill of the post-paid customers. The line item should clearly indicate the energy cost, corresponding energy value being refunded and the outstanding balance of the cost of the meter.
- e. All DisCos shall file monthly reports with the Commission containing a breakdown of the total monetary value of refund to customers through energy credit in accordance with the Commission's prescribed template.
- f. All meters installed under the MAP framework shall be included in the RAB of the DisCos by the Commission at the next major or extraordinary tariff review.

Additionally, subsequent to year end according to memo obtained from NBET the NERC revised the Minimum remittance order for May to August 2023 to 47.28% from the previous 95%.

Other National Disclosures

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	31-Dec-22	%	31-Dec-21	%
	₦'000		₦'000	
Revenue	170,418,051		170,146,043	
Bought in materials and services				
- Imported	-		-	
- Local	(140,808,552)		(171,113,300)	
	29,609,500		(967,257)	
Other income	3,157,186		1,889,533	
Finance income	301,718		22,097	
Value added	33,068,404	100	944,373	100

Distributed as follows:

To Government

Taxation	858,555	3	(1,786,916)	(189)
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To Employees

Salaries, wages and allowances	14,876,715	45	13,401,656	1,419
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To Providers of Finance

Finance cost	6,352,252	19	4,266,009	452
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Maintenance of assets and future expansion

For replacement of assets, including				
lease assets	10,323,753	31	9,588,713	1,015
Amortisation of intangible assets	657,129	2	259,533	27
Retained in the business	-	-	(24,784,622)	(2,624)

Value added	33,068,404	100	944,373	100
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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.

IKEJA ELECTRIC PLC
ANNUAL REPORT
FIVE YEAR FINANCIAL SUMMARY
FOR THE YEAR ENDED 31 DECEMBER 2022

	31 Dec 2022 ₦'000	31 Dec 2021 ₦'000	31 Dec 2020 ₦'000	31 Dec 2019 ₦'000	31 Dec 2018 ₦'000
Statement of financial position					
Assets					
Property, plant and equipment	126,314,541	121,902,332	117,077,109	112,795,198	115,557,261
Right-of-use Assets	285,718	276,674	414,141	534,270	-
Intangible assets	2,974,709	490,273	271,814	302,481	45,243
Deferred tax asset	-	-	-	892,994	-
Non-current trade and other receivables	7,659,044	6,743,354	5,166,490	2,640,040	1,686,757
Current assets	115,875,802	51,567,754	32,678,497	14,525,226	15,475,197
	253,109,814	180,980,387	155,608,051	131,690,209	132,764,458
Capital and Liabilities					
Non-current liabilities	46,416,373	39,728,493	19,740,669	9,386,003	7,488,179
Current liabilities	158,566,659	127,175,131	104,299,144	99,566,760	261,151,620
Share capital	25,000	25,000	25,000	25,000	25,000
Revaluation reserves	89,593,294	89,593,294	82,993,635	82,993,635	82,993,635
Accumulated reserves/(deficits)	(172,884,362)	(206,934,381)	(182,843,247)	(191,674,039)	(350,286,826)
Other reserves	131,392,850	131,392,850	131,392,850	131,392,850	131,392,850
Total Equity and Liabilities	253,109,814	180,980,387	155,608,051	131,690,209	132,764,458
Statement of profit or loss and other comprehensive income					
Revenue	170,418,051	170,146,043	124,978,034	100,588,240	88,832,783
Loss before taxation	34,826,045	(26,571,538)	13,190,439	158,917,380	(90,406,765)
Taxation	(1,741)	2,217,060	(4,010,064)	201,176	(111,563)
Profit/(Loss) for the year	33,967,491	(24,784,622)	8,783,473	158,612,788	(90,518,328)
Other comprehensive income	82,528	7,293,147	47,318	-	-
Total comprehensive gain/(loss)	34,050,019	(17,491,475)	8,830,791	158,612,788	(90,518,328)
Profit/(Loss) per share - Basic (Naira)	1,359	(991)	351	6,345	(3,621)
Net Assets/(Liabilities) per share	1,925	563	1,263	909	(5,435)

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.