IKEJA ELECTRIC

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

IKEJA ELECTRIC PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

IKEJA ELECTRIC PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

CORPORATE INFORMATION

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

Registered Office
Ikeja Electric Plc
178 Obafemi Awolowo Way
Alausa, Ikeja
Lagos State, Nigeria

Registeration Number
RC 638695

Company Secretary
Olanrewaju Durojaiye
178 Obafemi Awolowo Way
Alausa, Ikeja
Lagos State, Nigeria

Bankers
Citi Bank Nigeria Limited
Ecobank Nigeria Plc
Fidelity Bank Plc
First City Monument Bank Limited
Keystone Bank Limited
Polaris Bank Limited
Sterling Bank Plc
Union Bank of Nigeria Plc
United Bank for Africa Plc
Zenith Bank Plc.

Solicitors
Udo Udoma & Belo-Osagie
10th/13th Floor St. Nicholas House CMS, Lagos Island, Lagos

Law Guild Legal Practitioners & Arbitrator
Investment House, 8th Floor, Broad Street, Lagos.

Lawlinks Legal Practitioners
23, Sunmola Street, Mende, Maryland, Lagos

Independent Auditor
KPMG
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
Lagos, Nigeria

TIN
17777279-0001

IKEJA ELECTRIC PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
FINANCIAL HIGHLIGHTS

Results	2021	2020		Change
	₦'000	₦'000		%
Revenue	170,146,043	124,978,034	▲	*36%*
Operating (loss)/profit	(22,327,626)	14,344,406	▼	*256%*
(Loss)/Profit for the year	(24,784,622)	8,783,473	▼	*382%*
Total Comprehensive Income	(17,491,475)	8,830,791	▼	*298%*
Total Equity	14,076,763	31,568,238	▼	*(55%)*
Data per ₦1.00k shares				
(Loss)/Earnings per share - Basic (Naira)	(700)	353	▼	*298%*
Net Assets per share	375	1,263	▼	*(70%)*

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 2021 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 2021 N'000	31 Dec 2020 N'000
Revenue	170,146,043	124,978,034
(Loss)/Profit before minimum tax and income tax	(26,571,538)	13,190,439
Minimum tax	(430,144)	(396,602)
(Loss)/Profit before income tax	(27,001,682)	12,793,537
Income tax credit/(expense)	2,217,060	(4,010,064)
(Loss)/Profit for the year	(24,784,622)	8,783,473
Other comprehensive income	7,270,879	69,586
Related Tax	22,268	(22,268)
Total comprehensive Profit (Loss) for the year	(17,491,475)	8,830,791

Dividend

The Directors did not recommend any dividend payment for the financial year ended 31 December 2021.

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 2021.

REPORT OF THE DIRECTORS (CONT'D)

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 ₦25,000,000 made up of 25,000,000 units of ordinary share capital of N1.00k each. The beneficiaries are as follow:

Names of shareholders	2021		2020	
	Numbers of shared held	**%**	**Numbers of shared held**	**%**
New Electricity Distribution Company Ltd - NEDC	15,000,000	60	15,000,000	60
Bureau of Public Enterprises - BPE	8,000,000	32	8,000,000	32
Ministry of Finance Incorporated	2,000,000	8	2,000,000	8
Total issued ordinary shares	**25,000,000**	**100**	**25,000,000**	**100**

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

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

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. Tope Shonubi
Technical and Operations Committee, chaired by Mr. Alex Okoh

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 24th of February, 3rd of June, 29th of October and 15th of December 2021.

REPORT OF THE DIRECTORS (CONT'D)

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	4/4
Mr. Adedeji Odunsi	3/4
Ms. Ijeoma Nwogwugwu	4/4
Mr. Alex Okoh *(Represented by Mr. Toibudeen Oduniyi)*	4/4
Mr. Sang-Woo Park	4/4
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 five times during the year under review. The meetings were held on 27th January, 4th March, 30th April, 17th Aug and 5th November 2021.

NAME	NUMBER OF MEETINGS ATTENDED
Mr. Adedeji Odunsi	5/5
Mr. Aigbe Olotu	4/5
Mr. Alex Okoh/Toibudeen Oduniyi/Mr. Aderemi Azeez	5/5
Mr. Temitope Shonubi	3/5

Finance, Investment & General-Purpose committee
The Finance, Investment & General-Purpose Committee met twice during the year under review. The meetings were held on 19th February and 16th July 2021

NAME	NUMBER OF MEETINGS ATTENDED
Mr. Temitope Shonubi	2/2
Ms. Ijeoma Nwogwugwu	2/2
Mr. Adedeji Odunsi	2/2
Mr. Alex Okoh / Toibudeen Oduniyi	2/2

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

The Company had two (2) physically challenged people in its employment as at 31 December 2021 (2020: 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.

REPORT OF THE DIRECTORS (CONT'D)

Health, Safety & Environment (HSE) (cont'd)

As a responsible organization, we took continuous lessons from our QHSE Performance in 2020 and 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 2021.

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 impacts on our families and communities.

In 2021, 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 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 organisation.

Personal & corporate social responsibilities
The Company continued its initiatives in Personal and Corporate Social Responsibilities in 2021 and engaged in several activities amongst others including:

"Safety Start 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 Ansach Nursery & Primary school in Oshodi business area.

Season to Share – This initiative was to provide support to families and communities during the yuletide period. The company donated several items to communities within its 6 business units.

Finally, the Company, through its Employee Voluntary Scheme (EVS), embarked on various cleaning and donating activities throughout the year.

The amount invested in PCSR activities (including donations) in year 2021 is over ₦20.7 million (2020: ₦56.6 million).

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 (2020: Nil).

REPORT OF THE DIRECTORS (CONT'D)

Acquisition of own shares
The Company did not purchase any of its own shares during the year.

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/002/127427
15 September 2022

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 2021, and the results of its operations, cash flows and changes in equity for the year ended 31 December 2021, in compliance with International Financial Reporting Standards ("IFRS") 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;
- maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- 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 2021 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 2021 were approved by the Board on ......15 September 2022........., 2022

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 2021

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 2021 as follows:

a) That we have reviewed the audited financial statements of the Company for the year ended 31 December 2021.

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 2021.

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 2021.

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/2021/002/00000023599
15 September 2022

Seqinah Akinwunmi
Chief Financial Officer
FRC/2018/ICAN/00000018751
15 September 2022

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, 2021 and hereby declare as follows:

1. The scope and planning of the audit for year ended 31 December, 2021 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: 15 September **2022**

Mr. Adedeji Odunsi
Chairman, Audit, Risk & Governance Committee
FRC/2014/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

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ikeja Electric PLC

Report on the Audit of the Financial Statements

Opinion

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

- the statement of financial position as at 31 December 2021;
- 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 net loss of ₦ 24.78 billion (2020: net profit of ₦ 8.78 billion) during the year ended 31 December, 2021 and, as of that date, the Company's current liabilities exceeded its current assets by ₦ 75.61 billion (2020: ₦ 71.62 billion). As stated in Note 1.2, these events or conditions, along with other matters as set forth in Note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report

KPMG

Revenue recognition	
The key audit matter	***How the matter was addressed in our audit***
Revenue recognition is a matter of significance in our audit of the financial statements due to the significant judgment involved in determining: • revenue from unmetered customers based on an estimated billing methodology; • 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. Furthermore, tariffs are regulated and include multiple guidelines issued by the regulator, Nigerian Electricity Regulatory Commission ("NERC"). The Company's process of implementing the multiple guidelines is manual and prone to error. Due to the high level of judgment involved in revenue recognition and the significance of the revenue recognised, we have considered this to be a key audit matter.	Our audit procedures in this area included the following: • 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 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. • 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 2021 and the year end. • We evaluated the various NERC guidelines issued with respect to metering and billing of customers and assessed how the Company had complied with those guidelines in formulating its billing and revenue recognition methodology by recomputing revenue based on the guidelines. • 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, 5.2 and 6 to the financial statements respectively.	

KPMG

Information Other than the Financial Statements and Audit Report thereon

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

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

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

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 October 2022
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
ICAN
0525229

IKEJA ELECTRIC PLC
ANNUAL REPORT
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 ₦'000	2020 ₦'000
Revenue	6	170,146,043	124,978,034
Cost of sales	7	(145,647,250)	(90,410,995)
Gross Profit		**24,498,793**	**34,567,039**
Other income	9	1,889,533	33,723,387
Impairment loss on trade and other receivables	31.5	(10,437,563)	(19,888,983)
Distribution and Administrative costs	8	(38,278,389)	(34,057,037)
Operating (Loss)/Profit		**(22,327,626)**	**14,344,406**
Finance income	10(a)	22,097	54,148
Finance costs	10(b)	(4,266,009)	(1,208,115)
Net finance costs		**(4,243,912)**	**(1,153,967)**
(Loss)/Profit before minimum tax and income tax		**(26,571,538)**	**13,190,439**
Minimum tax	12(a)	(430,144)	(396,902)
(Loss)/Profit before income tax		**(27,001,682)**	**12,793,537**
Income tax credit/(expense)	12(b)	2,217,060	(4,010,064)
(Loss)/Profit for the year		**(24,784,622)**	**8,783,473**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan	22(a)	671,220	69,586
Related tax	12(c)	22,268	(22,268)
Revaluation surplus on property, plant and equipment		6,599,659	-
Related tax		-	-
Other comprehensive income for the year, net of tax		**7,293,147**	**47,318**
Total comprehensive (loss)/ income for the year		**(17,491,475)**	**8,830,791**
Basic and diluted (loss)/earnings per share (Naira)	28	**(700)**	**353**

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 2021

	Note	31 Dec 2021 ₦'000	31 Dec 2020 ₦'000
ASSETS			
Non-current assets			
Property, plant and equipment	13(a)	121,902,332	117,077,109
Right-of-use assets	29(a)	276,674	414,141
Intangible assets	14	490,273	271,814
Trade and other receivables	15	6,743,354	5,166,490
Total non-current assets		**129,412,633**	**122,929,554**
Current assets			
Inventories	16	597,110	522,683
Trade and other receivables	15	37,064,037	19,727,402
Prepaid expenses	17	389,740	322,637
Cash and bank balances	18	13,516,867	12,105,775
Total current assets		**51,567,754**	**32,678,497**
TOTAL ASSETS		**180,980,387**	**155,608,051**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	25	25,000	25,000
Revaluation reserves	27(b)	89,593,294	82,993,635
Other reserve	27(a)	131,392,850	131,392,850
Accumulated deficit	26	(206,934,381)	(182,843,247)
Total Equity		**14,076,763**	**31,568,238**
Non-current liabilities			
Loans and borrowings	19	30,220,239	6,093,384
Defined benefit obligation	22	1,053,438	1,433,512
Trade and other payables	21	-	9,140,674
Deferred income	20	8,454,816	680,004
Deferred tax liabilities	12(g)	-	2,393,095
Total non-current liabilities		**39,728,493**	**19,740,669**
Current liabilities			
Current tax liabilities	12(d)	2,444,143	2,040,232
Loans and borrowings	19	3,792,017	1,906,516
Trade and other payables	21	117,988,401	98,670,730
Contract liabilities	6(c)	1,620,701	1,402,562
Provisions	23	61,605	61,605
Deferred income	20	1,268,264	217,499
Total current liabilities		**127,175,131**	**104,299,144**
TOTAL LIABILITIES		**166,903,624**	**124,039,813**
TOTAL EQUITY AND LIABILITIES		**180,980,387**	**155,608,051**

The financial statements were approved by the Board of Directors of the Company on 15 Sept 2022. They were signed on its behalf by:

Kola Adesina
Chairman
FRC/2016/CIIN/00000014687

Adedeji Odunsi
Director
FRC/2014/ICAN/00000005046

Additionally certified by:

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

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 2021

For the year ended 31 December 2020

	Note	Share Capital ₦'000	Accumulated Deficit ₦'000	Revaluation Reserves ₦'000	Other Reserves ₦'000	Total Equity ₦'000
Balance as at 1 January 2020		**25,000**	**(191,674,039)**	**82,993,635**	**131,392,850**	**22,737,447**
Profit for the year	26		8,783,473	-	-	8,783,473
Other comprehensive income	26	-	47,318	-	-	47,318
Total comprehensive loss		-	8,830,791	-	-	8,830,791
Balance as at 31 December 2020		**25,000**	**(182,843,247)**	**82,993,635**	**131,392,850**	**31,568,238**

For the year ended 31 December 2021

	Note	Share Capital ₦'000	Accumulated Deficit ₦'000	Revaluation Reserves ₦'000	Other Reserves ₦'000	Total Equity ₦'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	26		(24,784,622)	-	-	(24,784,622)
Other comprehensive income	26, 27	-	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**

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 2021

Cash flows from operating activities	Note	2021 ₦'000	2020 ₦'000
(Loss)/Profit for the year		(24,784,622)	8,783,473
Adjustments for:			
Depreciation on distribution assets	7	8,939,029	7,938,804
Depreciation on non-distribution assets	8	512,218	401,462
Depreciation of right-of-use assets	8	137,466	237,390
Amortisation of intangible assets	14	259,533	154,851
Amortisation of government intervention	9	(1,325,602)	(396,025)
Customer - granted assets	6(a)	(160,965)	(206,222)
Actuarial (gain)/loss on long service award	9,22(b)	(19,227)	16,399
Impairment loss on trade and other receivables	31.5	10,437,563	19,888,983
Finance income	10(a)	(22,097)	(54,148)
Finance costs	10(a)	4,266,009	1,208,115
Current service cost - end of service benefit	22(a)	251,820	234,277
Current service cost - long service award	22(b)	21,196	17,442
Interest cost - end of service benefit	22(a)	128,438	168,843
Interest cost - long service award	22(b)	7,151	13,031
Minimum tax expense	12(a)	430,144	396,902
Income tax expense/ (credit)	12(b)	(2,217,060)	4,010,064
Provisions	23	-	61,605
Revaluation deficit	8	65,001	-
		21,710,617	**34,091,773**
Movements in working capital			
Increase in trade and other receivables	15(b)	(27,686,734)	(33,625,455)
Increase in inventory		(74,324)	(145,569)
Increase in prepaid expenses	17(a)	(67,103)	(27,528)
Increase in trade and other payables	21(c)	9,722,587	2,843,977
Increase in contract liabilities		218,139	834,502
Total movements in working capital		**(17,887,435)**	**(30,120,073)**
Total adjustments and movements		**3,823,182**	**3,971,700**
Income tax paid	12(d)	(180,000)	(460,297)
End of service paid	22(a,b)	(98,332)	(158,216)
Net cash (used in)/generated from operating activities		**(21,239,772)**	**12,136,660**
Cash flows from investing activities			
Acquisition of property, plant and equipment	13(e)	(7,126,438)	(4,331,706)
Additions to right-of-use assets	29(b)	-	(34,675)
Additions to intangible assets	14	(477,992)	(111,090)
Advance payment for property, plant and equipment	15(b)	(1,664,328)	(1,296,824)
Interest received	10(a)	22,097	54,148
Net cash used in investing activities		**(9,246,660)**	**(5,720,147)**
Cash flows from financing activities			
Proceeds from loans and borrowings	19(e)	35,520,746	1,262,811
Principal repayment of loans and borrowings	19(e)	(2,031,595)	(1,288,958)
Interest repayment of loans and borrowings	19(e)	(1,259,033)	(762,124)
Payment on lease liabilities	19(e)	(332,593)	(154,910)
Net cash generated from/(used in) financing activities		**31,897,525**	**(943,181)**
Net increase in cash and cash equivalents		1,411,092	5,473,332
Cash and cash equivalents at 1 January		12,105,775	6,632,443
Cash and cash equivalents at 31 December	18	**13,516,867**	**12,105,775**

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

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, in 2007 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:

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

1.2 Going concern consideration

As at the reporting date, the Company's current liabilities exceeded its current assets by NGN75.61 billion (2020: NGN71.62 billion). The Company incurred a loss after tax of NGN24.78 billion (2020: profit after tax of NGN8.78 billion). In addition, the Company's total assets exceed its total liabilities by NGN14.08 billion (2020: NGN31.57 billion) and the Company recorded a negative operating cash flows of NGN21.24 billion (2020: positive operating cash flow of NGN12.14 billion). The net current liability is mainly due to historical statutory liabilities, and amounts due to related parties for which payments were delayed to support the continued operation of the business.

Despite improvements in the Nigerian Electricity Supply Industry (NESI) such as the awarding of tariff shortfalls cumulatively amounting to NGN300.76 billion as at 31 December 2021, 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 continuing losses create a material uncertainty on the Company's ability to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS

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

• The Company will continue to have operational cashflows to carry on its business. It is expected that collections from customers will be enough to pay the minimum remittance levels to the Market Operators as contained in the MYTO Minor Order released by NERC and cover operational expenses. The Company has met its minimum remittance levels throughout the year and up to the date of issue of these financial statements.

• NERC will continue to recognise tariff shortfall until cost-reflective tariffs are implemented. 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. The Federal Government will continue to pay the balance of the invoices as part of its support to the industry.

• There is currently no indication that all the statutory and related party liabilities will be called for payment within 12 months of the reporting period.

The Directors have also considered the following in assessing the Going Concern status of the Company as the mitigations to off-set the risk of going concern:

1. The regulatory pronouncement of NERC via the various MYTO Minor Reviews Orders on the determination of minimum remittance levels, service-based tariffs are aimed at improving the financial records of the Company.

2. World Bank Led Power Sector Recovery Plan (PSRP): The World Bank Group is assisting the FGN in executing a power sector recovery program. The World Bank Group support is geared towards improving the metering gap and infrastructure development in the sector. It is expected that this will be finalized very soon. Initiatives such as the PIP and CAPEX Order have been issued and implemented as part of the PSRP.

NOTES TO THE FINANCIAL STATEMENTS

During the year, NERC also released the PIP and CAPEX Order. The order is geared towards the execution of the Power Sector Recovery Program which would implement a robust tariff review process aimed at 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 customers, improving AT&C losses, quality of energy delivering, 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 and OPEX loans disbursed by CBN through the National Electricity Market Stabilization Facility. As at year end, a total of NGN1.66 billion has been disbursed from the CAPEX loan and NGN29.3 billion from the OPEX loan. NGN3.79 billion and NGN1.37 billion of OPEX and CAPEX respectively are to be disbursed subsequent to year end.

It is expected that these strategies will improve the performance of the company and revenue growth significantly and aid the implementation of the Power Sector Recovery Program.

3. 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 2021, NGN 5.82 billion has been disbursed from this intervention facility on behalf of the Company.

4. Subsequent to year end 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 NGN1.75billion to be recovered from the amount payable to the Transmissio Company of Nigeria Plc through twelve equal instalments over the period July 2022 to June 2023 and paid to Ikeja Electric.

— The Company to be credited as a regulatory adjustment in the payment waterfall wit NGN3.93 billion over the billing period July 2022 to June 2023, representing a part payment of its receivables of MDA debt by the Federal Government of Nigeria.

— The amount payable to NBET by the company to be adjusted to allow for a recovery o NGN 12.21 billion over a period of 12 months from July 2022, indicating the excess of market payments over the minimum remittance obligations.

Therefore, the amount payable to the market operators by Ikeja Electric shall be adjusted to allow for the recovery of a total sum of NGN17.89 billion 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.

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 2021 to 31 December 2021, with comparative figures for the financial year from 1 January 2020 to 31 December 2020.

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

1.5 Composition of IFRS financial statements

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

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

1.6 Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) 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
Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Company expects no significant impact on the application of this Standard.	1 January 2022

New or amended standards	Summary of the requirements and assessment of impact	Effective date Periods beginning on or after
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendment to IAS 12)	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. 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. The Company expects no significant impact on the application of this Standard.	1 January 2023

New or amended standards	Summary of the requirements and assessment of impact	Effective date Periods beginning on or after
Definition of Accounting Estimates (Amendments to IAS 8)	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. 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. The amendments also clarifies the following: • 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. The definition of accounting policies remains unchanged. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. The Company expects no significant impact on the application of this Standard.	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.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Annual Improvements to IFRS Standards 2018 - 2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7,
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

3 Basis of preparation

Basis of preparation of the financial statements

This financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), 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. The Financial Statements were authorised for issue by the Board of Directors on 15 September 2022.
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.

Category of revenue	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Postpaid revenue	The performance obligation of the Company is satisfied overtime as electricity is supplied to the customers. Billing is done on a monthly basis and payment is contractually within 30 days of billing.	Revenue is recognised over time as electricity is provided. The amount of revenue to recognise during the year (including unbilled revenue for the value of units consumed by customers in December, extracted from the December meter reading (which will be billed in January) is assessed based on the unit consumed method. The stand-alone selling price is determined based on the NERC approved tariff for the different categories of customers and rates agreed in bilateral agreements with specific customers.
Prepaid revenue	Satisfaction of performance obligation is same as postpaid revenue. Payment is received in advance of consumption of electricity	Revenue is recognised over time as electricity is provided. In case of prepaid customers, an estimate is made for unearned revenue as at year-end and this is included in the statement of financial position as contract liability. The stand-alone selling price is determined based on the NERC approved tariff for the different categories of customers and rates agreed in bilateral agreements with specific customers.

B Property, plant and equipment

1. Distribution network assets

The 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.

2. Non distribution assets

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 us derecognized.

3. Donated

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 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 35
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.

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.

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.

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

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

Termination benefits

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

F Leases

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

i. As a leasee

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.

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.

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.

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.

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.

L Operating profit

Operating profit 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 30 days past due. The Company considers a financial asset to be in default when:
– the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
– the financial asset is more than 90 days past due.

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

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

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

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

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

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

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

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

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.

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.

4 Measurement of fair values

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

The CFO regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the CFO assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, 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, the company is required to make estimates and assumptions that impact on 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*

Revenue - Collectability of amounts receivable

Revenue may only be recognised if it is believed at the time of sale that the revenue is likely to be recovered from the customer. This recoverability requirement is not considered to have been met in contracts with customers who have a poor payment history and for which the Company believes the ability to manage the related credit risk on such contracts is impaired as a result. The Company does not recognise revenue on billings made on such contracts. Where the recoverability requirement is met, revenue is recognised on an accrual basis. The risk of non-collection is reflected as an adjustment to the revenue recognised as against recognising an impairment expense using the expected credit loss (ECL) method.

Estimation of bills to unmetered customers

Bills to unmetered customers are estimated per feeder. The energy consumed by metered customers (postpaid 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.

Recognition of contract liabilities - determination of a consumption factor to estimate contract liabilities from prepaid arrangements - See Note 6(c)

5.2 *Key sources of estimation uncertainty*

Impairment of Trade Receivables

Information about assumptions and estimation uncertainties at 31 December 2021 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 33 – Recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources
- Note 31.5 - Impairment of trade receivables; measurement of ECL allowance for trade receivables;
- Notes 22 (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 in different sectors of the economy. Revenue is also earned from the transfer of network distribution assets from customers.

	2021	2020
	₦'000	**₦'000**
Sale of electricity (revenue from contracts with customer	169,985,078	124,771,812
Customer - granted assets (Note 13 (d))	160,965	206,222
	170,146,043	**124,978,034**

b.) Disaggregation of revenue from contracts with customers

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

	2021	2020
	₦'000	**₦'000**
Residential	-	32,760,947
Industrial	-	22,245,220
Commercial	-	11,761,895
Other electricity sales	1,202,975	2,830,098
Street lighting	-	7,767
Bilateral	-	4,267,160
Service Band A - Platinum	57,681,274	16,345,620
Service Band B - Diamond	34,317,501	8,284,435
Service Band C - Gold	52,041,791	17,195,348
Service Band D - Silver	24,286,598	8,742,219
Service Band E - Bronze	454,939	331,103
	169,985,078	**124,771,812**

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.

Revenue is also analysed into:

	2021	2020
	₦'000	**₦'000**
Post-paid	124,974,879	103,174,001
Prepaid	45,010,199	21,597,811
	169,985,078	**124,771,812**

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-21	31-Dec-20
	₦'000	**₦'000**
Receivables, which are included in 'trade and other receivables'	36,817,145	19,513,651
Contract liabilities	**1,620,701**	**1,402,562**

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 purchases 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 1.4 billion included in contract liabilities at 31 December 2020 has been recognised as revenue in 2021 (2020: NGN 568.06 million).

7 Cost of sales

	2021	2020
	₦'000	**₦'000**
Cost of energy purchased from the Grid - NBET and TCN	156,180,584	127,035,577
Cost of energy purchased through bilateral agreement - Comercio	-	11,724,053
Recovery of tariff shortfall (Note 7 (a))	(24,652,000)	(58,649,000)
Depreciation expense (Note 13 (b))	8,939,029	7,938,804
Employee benefit expenses - Core technical	888,929	807,541
Repairs and maintenance	4,290,708	1,554,020
Total cost of sales	**145,647,250**	**90,410,995**

a.) Tariff shortfall awarded by NERC

The tariff shortfall relates to the tariff differential for the 2021 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 licencees including a reasonable return on capital. The tariff shortfall awarded by NERC includes adjustments for previous financial years.

8 Administrative and distribution expenses

	2021	2020
	₦'000	**₦'000**
Operations and implementation expenses	9,800,599	8,682,347
Employee benefit expenses - Non technical	10,765,864	9,798,970
Contract labour	1,570,934	1,374,160
Staff welfare costs	175,929	235,926
Billing and Collection expenses	6,625,510	6,048,282
Other administrative costs	2,884,324	2,627,950
Data and Information Technology connectivity	3,369,999	2,864,753
Depreciation of non-distribution assets (Note 13 (b))	512,218	401,462
Depreciation of right-of-use assets (Note 29 (a))	137,466	237,390
Amortisation of intangible assets (Note 14)	259,533	154,851
Repairs and Maintenance	2,003,467	1,544,101
Directors' remuneration	57,020	36,320
Audit fees	50,525	50,525
Revaluation deficit	65,001	-
Total administrative and distribution expenses	**38,278,389**	**34,057,037**

9 Other income

	2021	2020
	₦'000	₦'000
Other non operating income	123,811	103,927
Reconnection fees and other operating income	420,893	293,105
Recovery of Tariff Shortfall (Note 9 (a))	-	32,930,330
Amortisation of day-1 fair value gain on loans (Note 20(a))	1,325,602	396,025
Actuarial gain on long service award (Note 22 (b))	19,227	-
	1,889,533	**33,723,387**

a.) Tariff shortfall awarded by NERC

The tariff shortfall relates to the tariff differential for the financial years before the 2019 financial year which is covered in the MYTO Minor Review Model and as described in Note 7 (a) above.

10 Net finance cost/ (income)

a.) Finance Income

	2021	2020
	₦'000	₦'000
Interest income on bank deposits	22,097	54,148
Finance income	**22,097**	**54,148**

b.) Finance Costs

	2021	2020
	₦'000	₦'000
Interest expense on CBN-NEMSF intervention loan	720,628	865,995
Interest on Group Loan	45,124	213,691
Interest expense on CBN-NMMP intervention loan	394,530	2,005
Interest expense on CBN- Opex loan	3,002,290	-
Interest expense on CBN- Capex loan	22,137	-
Interest expense on lease liabilities (Note 19(f))	81,300	117,042
Foreign exchange loss	-	9,382
Finance costs	**4,266,009**	**1,208,115**
Net finance cost	**4,243,912**	**1,153,967**

11 Profit before taxation

	2021	2020
	₦'000	₦'000
This is stated after charging:		
Auditor's remuneration (Note 8)	50,525	50,525
Depreciation of property, plant and equipment (Note 13)	9,451,247	8,340,266
Depreciation of right-of-use assets (Note 29 (a))	137,466	237,390
Amortisation of intangible assets (Note 14)	259,533	154,851
Employee benefit expenses (Note 33.2)	13,401,656	12,216,597
Impairment of trade receivables	10,437,563	19,888,983
Directors' remuneration (Note 33.1)	57,020	36,320

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 2021 is ₦426.78 million (2020: ₦396.90 million).

	2021 ₦'000	2020 ₦'000
Current year's minimum tax	430,144	396,902
	430,144	**396,902**

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% 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 2021 (2020: Nil).

Amounts recognised in profit or loss are as follows:

	2021 ₦'000	2020 ₦'000
Current tax expense		
Prior year under provision of company income tax and tertiary education tax	153,767	-
Tax impact of prior year adjustments	-	-
Nigeria Police Trust Fund levy	-	660
Tertiary education tax	-	745,582
	153,767	**746,242**
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	(2,370,827)	3,263,822
Total income tax expense	**(2,217,060)**	**4,010,064**

* See note 36

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

	2021 ₦'000	2020 ₦'000
Items that will not be reclassified to Profit or Loss:		
Remeasurements of defined benefit liability		
Amounts before tax	671,220	69,586
Reversal of previously recognised deferred tax/(Deferred tax expense)	22,268	(22,268)
Amounts, net of tax	**693,488**	**47,318**
Revaluation of property, plant and equipment		
Amounts before tax	6,599,659	-
Tax expense	-	-
Amounts, net of tax	**6,599,659**	**-**

d.) Movement in current tax liability

	31-Dec-21	31-Dec-20
	₦'000	₦'000
At 1 January	2,040,232	1,357,385
Minimum tax (Note 12 (a))	430,144	396,902
Income tax expense (Note 12 (b))	153,767	746,242
Payment during the year	(180,000)	(460,297)
At 31 December	**2,444,143**	**2,040,232**

e.) Reconciliation of effective tax rate

	2021	2020
	₦'000	₦'000
(Loss)/Profit before minimum tax and income tax	(26,571,538)	13,190,439
Tax using the Company's domestic tax rate	(8,502,892)	4,220,942
Tax effect of:		
Tax incentives	(217,386)	(401,625)
Non-deductible expenses	139,725	23,282
Effect of tertiary education tax on depreciation	189,025	166,805
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	
Other income taxes	-	660
Total income tax expense	**(2,217,060)**	**4,010,064**

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.

	2021	2020
	₦'000	₦'000
Property, plant and equipment	(20,641,315)	-
Provision for doubtful debts	22,340,858	-
Unrelieved tax losses	2,226,026	-
Defined benefit obligation	337,069	-
Leases	27,447	-
Amortisation of fair value gain	(595,740)	-
	3,694,345	**-**

IKEJA ELECTRIC PLC
ANNUAL REPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(g) Movement in deferred tax

	Net Balance at 1 January	Recognized in profit or loss	Recognized in other Comprehensive income	Recognized directly in equity	Balance at 31 December 2020 Net Balance at 31 December	Deferred tax assets	Deferred tax liabilities
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	21,276,099	513,614	-	-	21,789,713	-	21,789,713
Provision for doubtful debts	(14,050,724)	(4,950,114)	-	-	(19,000,838)	(19,000,838)	
Unrelieved tax losses	(7,764,445)	7,764,445	-	-	-	-	-
Defined benefit obligation	(387,623)	(93,369)	22,268	-	(458,724)	(458,724)	-
Leases	(11,121)	(52,751)	-	-	(63,872)	(63,872)	-
Amortisation of fair value gain	44,819	126,729	-	-	171,548	-	171,548
Provision for inventory	-	(25,018)	-	-	(25,018)	(25,018)	-
Provision for legal claims	-	(19,714)	-	-	(19,714)	(19,714)	-
Net tax (assets) / liabilities	(892,995)	3,263,822	22,268	-	2,393,095	(19,568,166)	21,961,261

	Net Balance at 1 January	Recognized in profit or loss	Recognized in other Comprehensive income	Recognized directly in equity	Balance at 31 December 2021 Net Balance at 31 December	Deferred tax assets	Deferred tax liabilities
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	21,789,713	(21,789,713)	-	-	-	-	-
Provision for doubtful debts	(19,000,838)	19,000,838	-	-	-	-	-
Unrelieved tax losses	-	-	-	-	-	-	-
Defined benefit obligation	(458,724)	480,992	(22,268)	-	-	-	-
Leases	(63,872)	63,872	-	-	-	-	-
Amortisation of fair value gain	171,548	(171,548)	-	-	-	-	-
Provision for inventory	(25,018)	25,018	-	-	-	-	-
Provision for legal claims	(19,714)	19,714	-	-	-	-	-
Net tax (assets) / liabilities	2,393,095	(2,370,827)	(22,268)	-	-	-	-

(g) The Company has no unrecognized deferred tax assets or liabilities (2020: Nil).

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
Cost						
At 1 January 2020 (Restated)*	**278,757,955**	**1,728,965**	**807,874**	**4,470,813**	**27,013**	**285,792,620**
Additions for the year	12,233,092	374,817	453	16,965	9,944	12,635,271
Transfers to intangible assets	-	-	-	-	(13,094)	(13,094)
At 31 December 2020	**290,991,047**	**2,103,782**	**808,327**	**4,487,778**	**23,863**	**298,414,797**
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	**163,708,845**	**2,411,409**	**914,623**	**4,597,061**	**406,180**	**172,038,118**
Accumulated depreciation						
At 1 January 2020 (Restated)*	**167,658,963**	**837,558**	**521,560**	**3,979,341**	-	**172,997,422**
Charge for the year	7,938,804	262,124	122,904	16,434	-	8,340,266
At 31 December 2020	**175,597,767**	**1,099,682**	**644,464**	**3,995,775**	**-**	**181,337,688**
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	**43,883,647**	**1,487,129**	**751,470**	**4,013,540**	**-**	**50,135,786**
Carrying amount						
At 1 January 2020	**111,098,992**	**891,407**	**286,314**	**491,472**	**27,013**	**112,795,198**
At 31 December 2020 (Restated)*	**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**

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

	2021	2020
	₦'000	₦'000
Cost of sales	8,939,029	7,938,804
Administrative expenses	512,218	401,462
	9,451,247	**8,340,266**

c.) The Company had capital commitments amounting to ₦3.59 billion (2020: ₦176.67) 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 ₦160.97 million (2020: ₦206.22 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:

	2021	2020
Total acquisition of PPE (Note 13 (a))	7,741,813	12,635,271
Assets transferred under MAP scheme (Note 21 (b))	-	(8,097,343)
Assets not paid for as at year end	(454,410)	-
Customer granted assets (Note 6)	(160,965)	(206,222)
	7,126,438	**4,331,706**

f.) No item of property, plant and equipment were pledged as security for any borrowings (2020: Nil).

g.) On 31 December 2021, the Company revalued its distribution network assets. An external valuer, Messrs. Jide Taiwo & Co. (FRC/2012/0000000000254) was involved in the revaluation.

Based on the valuation report, the Directors recorded a net surplus of NGN 6.53 billion representing an amount of NGN 14.78 billion as revaluation surplus in other comprehensive income; and NGN 65.00 billion and NGN 8.18 billion as revaluation deficit in the profit or loss and other comprehensive income respectively. Revaluation deficit recognized in the other comprehensive income relates to specific assets on which past revaluations resulted in surplus which were recognized in the other comprehensive income. The deficits were to reduce the previous revaluation surplus on the same assets, to the extent of the surplus previously recognized on the assets.

As at year end, distribution network assets are the Company's category of assets that are carried at valuation.

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

h.) **Fair value of Property, Plant and Equipment**

Asset description	Fair Value ₦'000	Fair Value Hierarchy	Valuation Technique	Significant unobservable input and relationship to fair value
Distribution network assets	97,936,400	Level 2	gross current replacement cost method and depreciated replacement cost method	N/A

i.) **Distribution network assets: historical costs**

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

	Distribution network assets ₦'000
31 December 2021	
Cost	134,953,536
Accumulated depreciation	(53,372,238)
Net book value	**81,581,298**
31 December 2020	
Cost	128,117,246
Accumulated depreciation	(50,562,000)
Net book value	**77,555,246**

14 Intangible assets

	Computer Software	Work -in-progress	Total
	₦'000	₦'000	₦'000
Cost			
Balance at 1 January 2020	491,228	-	491,228
Additions	111,090	-	111,090
Transfer from PPE	-	13,094	13,094
Balance at 31 December 2020	**602,318**	**13,094**	**615,412**
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**
Amortisation			
Balance at 1 January 2020	188,747	-	188,747
Charge for the year	154,851	-	154,851
Balance at 31 December 2020	**343,598**	**-**	**343,598**
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**
Carrying amount			
31 December 2020	**258,720**	**13,094**	**271,814**
31 December 2021	**409,098**	**81,175**	**490,273**

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

15 Trade and other receivables

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Energy customers	170,239,620	142,498,563
Other debtors	206,749	168,192
Unpaid share capital	20,000	20,000
Staff advances	20,143	25,559
Advance payment for property, plant and equipment	1,664,328	1,296,824
Other Deposit (DSRA Bank Balance) (Note 15 (a))	5,079,026	3,869,666
	177,229,866	**147,878,804**
Impairment allowance	(133,422,475)	(122,984,912)
Net trade and other receivables	**43,807,391**	**24,893,892**

Carrying amount is analysed into:

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Current	37,064,037	19,727,402
Non-current	6,743,354	5,166,490
	43,807,391	**24,893,892**

The net trade debtors disclosed above are amounts due at the end of the reporting period after allowance for those considered doubtful of recovery. There has not been a significant change in credit quality and the amounts outstanding are still considered recoverable.

a.) Other deposit represent Debt Service Reserve Account (DSRA) with a balance of NGN5.07 billion (2020: NGN3.87 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.

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

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Changes in trade and other receivables	(18,913,499)	(15,033,296)
Advance payment for property, plant and equipment	1,664,328	1,296,824
Impairment loss on trade and other receivables	(10,437,563)	(19,888,983)
	(27,686,734)	**(33,625,455)**

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

16 Inventories

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Distribution spares	597,110	522,683
	597,110	**522,683**

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 administrative expenses and amounted to NGN2.13 billion (2020: NGN1.50 billion). During the year, an allowance of N Nil was recorded to write down inventories to their net realisable value (2020: NGN78.18 million). The allowance is recorded under Repairs and maintenance in cost of sales (See Note 7).

17 Prepaid expenses

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Insurance	389,740	322,637
	389,740	**322,637**

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

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Changes in prepayments	(67,103)	(27,528)
Adjustment on initial adoption of IFRS 16	-	-
	(67,103)	**(27,528)**

18 Cash and bank balances

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Cash on hand	1,145	1,943
Bank balances	13,168,318	11,961,892
Short-term fixed deposits	347,404	141,940
Cash and cash equivalents at end of the year	**13,516,867**	**12,105,775**

Included in the cash and cash equivalents is NGN 6.39 billion (2020:NGN 3.82 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.

Information about the Company's exposure to credit and market risks, and impairment losses for cash and cash equivalents is included in Note 31.

19 Loans and borrowings

	31-Dec-21	31-Dec-20
	₦'000	₦'000
CBN-NEMSF (Note 19 (a))	4,564,736	5,659,154
CBN- NMMP (Note 19 (b))	4,758,548	985,974
CBN- OPEX (Note 19 (c))	23,444,668	-
CBN- CAPEX (Note 19 (d))	881,857	-
Sahara Group (Note 19 (e))	-	741,032
Lease liabilities	362,447	613,740
	34,012,256	**7,999,900**
Analysed into:		
Non-current	30,220,239	6,093,384
Current	3,792,017	1,906,516
	34,012,256	**7,999,900**

Information about the Company's exposure to interest rate and liquidity risks is included in Note 31.

a.) In year 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 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 NGN 244.36 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. Additional disbursement of NGN 4.56 billion was done during. This loan is measured at fair value in these financial statements.
There is a moratorium on principal repayment till December 2022.

c.) During the year, 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 with NGN 3.79 billion of this facility remained undrawn. This loan is measured at fair value in these financial statements.
There is also a moratorium on principal repayment till January 2023.

d.) During the year, 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. The 1st disbursement was done in November 2021 with NGN 118.89 billion of this facility remained undrawn. This loan is measured at fair value in these financial statements.

There is also a moratorium on principal repayment till January 2023.

e.) On 29 April 2019, the Company entered into a loan agreement with Sahara Power Group Limited under the terms of which a total facility amount of NGN1 billion for a 2-year tenor and at 18% interest per annum was made available to the Company for meeting technical upgrade expenditure requirements. The loan agreement provided for a 12-month moratorium on principal and interest which was further extended by 3 months during the year. The loan was fully repaid during the year.

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

	31-Dec-21	**31-Dec-20**
	₦'000	**₦'000**
Opening Balance	7,999,900	8,245,009
Proceeds from loans and borrowings	35,520,746	1,262,811
Interest expense on loans and borrowings	4,184,710	1,081,691
Interest expense on lease liabilities	81,300	117,042
Day-1 fair value gain and modification gain on loans	(10,151,179)	(583,245)
Principal repayment of loans and borrowings	(2,031,595)	(1,288,958)
Interest repayment of loans and borrowings	(1,259,033)	(762,124)
Initial recognition of new lease arrangements	-	82,584
Payment of lease liabilities	(332,593)	(154,910)
Closing Balance	**34,012,256**	**7,999,900**

20 Deferred income

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Day-1 fair value gain and modification gain on loans (Note 19(a))	9,723,080	897,503
	9,723,080	**897,503**

Analysed into:

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Non current	8,454,816	680,004
Current	1,268,264	217,499
	9,723,080	**897,503**

a.) Amount relates to the benefits derived by the Company from the low interest loans received from the Central Bank of Nigeria (CBN) (Notes 19 (a) to (d)). The difference between the fair value of the facilities and face value of the loans has been accounted for as government intervention. Additionally, modification gains on these loans has been accounted for as government intervention. The government intervention is amortized over the life of the loans. The amount amortised during the year is NGN 1.33 billion (2020: NGN 396.03 million). See note 9.

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

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Balance at 1 January	897,503	710,283
Additions (Note 19(f))	10,151,179	583,245
Amortization to profit or loss (Note 9)	(1,325,602)	(396,025)
	9,723,080	**897,503**

21 Trade and other payables

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Direct Trade Creditors (Energy Market)	13,676,325	9,731,425
Amount due to related parties (Energy Market) (Note 24 (g))	21,080,260	24,280,260
Amount due to other Distribution Companies	1,055,397	1,055,397
Other payables and accrued expenses	5,157,347	1,999,981
Amount due on Meter Asset Provider (MAP) programme (Note 21 (b))	9,140,674	9,140,674
Statutory liabilities (Note 21 (c))	40,713,512	35,289,709
Amount due to other related parties (Note 24 (g))	27,164,886	26,313,958
	117,988,401	**107,811,404**

Information about the Company's exposure to interest rate, foreign currency and liquidity risks is included in Note 31.

Carrying amount is analysed into:

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Current	117,988,401	98,670,730
Non-current	-	9,140,674
	117,988,401	**107,811,404**

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

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Nigerian Bulk Electricity Trading Company (NBET)	3,700,442	-
Operator of the Nigerian Electricity Market	9,975,883	9,731,425
	13,676,325	**9,731,425**

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-21	31-Dec-20
	₦'000	₦'000
Changes in trade and other payables	10,176,997	10,950,701
Assets transferred under the MAP scheme	-	(8,097,343)
Assets not paid for as at year end	(454,410)	-
Foreign exchange loss	-	(9,382)
	9,722,587	**2,843,976**

22 Defined benefit obligation

	31-Dec-21	31-Dec-20
	₦'000	₦'000
End of Service Benefit Costs (Note 22 (a))	964,728	1,335,472
Long Service Award (Note 22 (b))	88,710	98,040
	1,053,438	**1,433,512**

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, 2021 by 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, 2021 as stated below:

* Discount Rate -11.6% (2020: 8.3%)
* Salary increase rate - 4.0% (2020: 8.3%)
* Pre retirement mortality rate - A1967/70 Tables (2020: A1967/70 Tables).

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

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Balance, beginning of year	1,335,572	1,070,754
Included in profit or loss (as part of administrative expenses)		
Current service cost	251,820	234,377
Interest cost	128,438	168,843
Included in other comprehensive income		
Actuarial gain due to change in assumptions	(671,220)	(69,586)
Other		
Benefits paid	(79,882)	(68,816)
Balance at 31 December	**964,728**	**1,335,572**

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 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, 2021 as stated below:
* Discount Rate - 11.6% (2020: 6.5%)
* Salary increase rate - 4.0% (2020: 8.3%)
* Pre retirement mortality rate - A1967/70 Tables (2020: A1967/70 Tables).

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

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Balance, beginning of year	98,040	140,568
Included in profit or loss (as part of administrative expenses)		
Current service cost	21,196	17,442
Interest cost	7,151	13,031
Actuarial loss/(gain) due to change in	(19,227)	16,399
Other		
Benefits paid	(18,450)	(89,400)
Balance at 31 December	**88,710**	**98,040**

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 Service Benefit Costs	₦'000 Long Service 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

23 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-21 ₦'000	31-Dec-20 ₦'000
Balance at 1 January	-	-
Charge for the year	61,605	61,605
Balance at 31 December	**61,605**	**61,605**
Amount is analysed into:		
Amounts falling due within one year	**61,605**	**61,605**
Amounts falling due after one year	**-**	**-**

24 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 ₦1.8 billion (2020: ₦1.3 billion). Amount due to Sahara Power Group Limited as at year end was ₦104.7 million (2020: ₦124.9 million).

(c) Wade Multi Trading Limited

The Company is related to Wade Multi Trading Limited through common shareholding. Wade Multi Trading Limited is responsible for the provision of the 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 ₦8.9 billion (2020: ₦8.3 billion). Amount due to Wade Multi Trading Limited as at year end was ₦26.9 billion (2020: ₦25.3 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 ₦ NIL (2020: ₦11.7 billion. The amount due to Comercio Electricity Exchange Limited for services rendered at year end is ₦21.1 billion (2020:₦24.2 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 ₦7.3 million (2020: ₦8.2 million). The amount due to Centrum Properties Limited for services rendered at year end is ₦2.0 million (2020:₦0.6 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 (2020: ₦ Nil). The amount due to KEPCO at the end of the year was ₦ 128.11 million (2020: ₦118.73 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 was ₦206.57 million (2020: ₦60.04 million). The amount due to Asharami Energy Limited for the products supplied as at year end was ₦74.28 million (2020: ₦16.54 million).

(h) Amounts due to related companies

	31-Dec-21 ₦'000	31-Dec-20 ₦'000
Comercio Electricity Exchange Limited - Energy Market	21,080,260	24,280,260
	21,080,260	**24,280,260**
Korean Electricity Power Corporation	128,106	118,725
Centrum Properties Limited	2,038	634
Sahara Power Group Limited	104,736	865,927
Asharami Energy	74,284	16,355
Wade Multi Trading Company	26,855,722	25,312,317
	27,164,886	**26,313,958**
	48,245,146	**50,594,218**

(i) Transactions with key management personnel
Loans to key management personnel
During the year ended 31 December 2021, loans issued to key management personnel was Nil (2020: Nil) and the balance outstanding was Nil (2020: 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:

Directors	31-Dec-21 ₦'000	31-Dec-20 ₦'000
Directors' emoluments (provided for) comprise:		
Fees	22,160	27,000
Other expenses	34,860	9,320
Long-term employee benefit	-	-
	57,020	**36,320**
Amount payable at the year end	**304,499**	**291,810**

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

	31-Dec-21 Number	31-Dec-20 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.

25 Share capital

	31-Dec-21	31-Dec-20
	₦'000	₦'000
Authorised		
100,000,000 ordinary shares of N1.00k each	**100,000**	**100,000**
Issued, allotted and fully paid		
5,000,000 ordinary shares of N1.00k each	**5,000**	**5,000**
Issued, allotted and unpaid		
20,000,000 ordinary shares of N1.00k each	**20,000**	**20,000**

	31-Dec-21	31-Dec-20
In thousands of shares		
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**

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.

26 Accumulated deficit

	31-Dec-21	31-Dec-20
	₦'000	₦'000
As at 1 January	(182,843,245)	(191,674,037)
(Loss)/Profit for the year	(24,784,622)	8,783,473
	(207,627,867)	(182,890,564)
Actuarial gain on End of Service Benefit (Note 22 (a))	671,220	69,586
Related tax (Note 12(c))	22,268	(22,268)
	693,488	47,318
	(206,934,380)	**(182,843,245)**

27 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-21	31-Dec-20
	₦'000	₦'000
	131,392,850	131,392,850
	131,392,850	**131,392,850**

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-21	31-Dec-20
	₦'000	₦'000
As at 1 January	82,993,635	82,993,635
Additions during the year	6,599,659	-
	89,593,294	**82,993,635**

28 Basic and diluted (loss)/earnings per share

	2021	2020
	₦'000	₦'000
(Loss)/Profit for the purpose of basic earnings per share is based on net (loss)/profit attributable to equity holders of the Company.	**(17,491,475)**	**8,830,791**

Number of shares	2021	2020
	Number	Number
Issued ordinary shares at 1 January	**25,000,000**	**25,000,000**
Weighted-average number of ordinary shares at 31 December	**25,000,000**	**25,000,000**

	2021	2020
	₦'000	₦'000
(Loss)/Earnings per share - Basic and diluted	**(700)**	**353**

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.

29 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-21 ₦'000	Buildings 31-Dec-20 ₦'000
Balance at 1 January	414,140	534,271
Depreciation charge for the year	(137,466)	(237,390)
Additions to right-of-use assets	-	117,259
Balance at 31 December	**276,674**	**414,140**

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

	31-Dec-21 ₦'000	31-Dec-20 ₦'000
Additions to right-of-use assets	-	117,259
Initial recognition of new lease arrangements	-	(82,584)
	-	**34,675**

(c) Amounts recognised in profit or loss

	2021 ₦'000	2020 ₦'000
Interest on lease liabilities	81,300	117,042

(d) Amounts recognised in statement of cash flows

	2021 ₦'000	2020 ₦'000
Total cash outflow for leases	(332,593)	(154,910)

(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.

30 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

The gearing ratio is as follows:	31-Dec-21 ₦'000	31-Dec-20 ₦'000
Debt	166,903,624	124,039,813
Less: Cash and cash equivalents	(13,516,867)	(12,105,775)
Net debt	**153,386,757**	**111,934,038**
Equity	**14,076,763**	**31,568,238**
Net debt to equity ratio	**10.896**	**3.546**

31 Financial instruments

31.1 Significant accounting policies

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

31.2 Categories of financial instruments

The following table summarizes the Company's financial instruments:

	31-Dec-21 ₦'000	31-Dec-20 ₦'000
31.2.1 Financial assets		
Cash and cash equivalents	13,516,867	12,105,775
Trade and other receivables (Note 15)*	42,143,062	23,597,068
	55,659,929	**35,702,843**

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

31.2.2 Financial liabilities

Financial liabilities at amortised cost

Trade and other payables (Note 21)**	77,274,889	72,521,695
Loans and Borrowings (Note 19)	34,012,256	7,999,900
	111,287,145	**80,521,595**

**Amount excludes statutory deductions

31.2.3 Fair value of financial instruments

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

31.3 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:

31.4 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 2021	**$'000**
Trade and other payables	(5,516)
Net statement of financial position exposure	**(5,516)**
31 December 2020	
Trade and other payables	(320)
Net statement of financial position exposure	**(320)**

The following significant exchange rates were applied during the year

	2021		**2020**	
	Average rate	**Reporting date rate**	**Average rate**	**Reporting date rate**
US$	409.49	424.11	382.06	400.33

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 2021 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.

	Increase in profit or loss g ₦'000	Increase in profit or loss Weakening ₦'000
31 December 2021		
USD (30% movement)	701,817	(701,817)
31 December 2020		
USD (30% movement)	38,432	(38,432)

31.5 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-21 ₦'000	31-Dec-20 ₦'000
Cash and cash equivalents	13,515,722	12,103,832
Trade and other receivables*	42,143,062	23,597,068
	55,658,784	**35,700,900**

*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:

	2021	2020
	₦'000	**₦'000**
Impairment loss on trade receivables	10,437,563	19,888,983
	10,437,563	**19,888,983**

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.

Trade receivables

	31-Dec-21	31-Dec-20
	₦'000	**₦'000**
Government institutions	13,511,280	9,889,198
Maximum demand customers	31,511,961	25,359,824
Non-maximum demand customers	125,216,379	107,249,541
	170,239,620	**142,498,563**

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 2021.

31 December 2021	Weighted average loss rate	Gross carrying amount ₦'000	Loss allowance ₦'000
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	2,205,241
90 - 120 days	73%	1,762,071	1,291,532
120 - 150 days	81%	1,850,479	1,503,076
150 - 180 days	99%	1,819,169	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**

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers as at 31 December 2020.

31 December 2020	Weighted average loss rate	Gross carrying amount ₦'000	Loss allowance ₦'000
0 - 30 days	21%	4,192,851	877,206
30 - 60 days	91%	5,659,339	5,121,894
60 - 90 days	92%	2,448,209	2,248,340
90 - 120 days	91%	4,626,188	4,192,870
120 - 150 days	86%	1,575,594	1,361,319
150 - 180 days	93%	1,145,264	1,070,336
180 - 210 days	73%	615,180	446,180
210 - 240 days	35%	151,036	53,025
270 - 300 days	11%	36,493	4,096
300 - 330 days	11%	34,165	3,835
330 - 360 days	11%	48,353	5,427
Greater than 360 days	88%	121,965,891	107,600,384
		142,498,563	**122,984,912**

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

	31-Dec-21 ₦'000	31-Dec-20 ₦'000
Balance at 1 January	122,984,912	103,125,738
Net remeasurement of loss allowance	10,437,563	19,859,174
Balance at 31 December	**133,422,475**	**122,984,912**

Cash at bank

The Company held cash and cash equivalents of NGN 13.56 billion at 31 December 2021 (2020:NGN 12.11 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.

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 NGN5.08 billion (2020: NGN3.87 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.

31.6 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 6.39 billion (2020:NGN 3.82 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 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
	152,000,657	**182,111,269**	**109,800,530**	**3,569,324**	**34,985,551**	**33,755,865**

*Amount excludes statutory deductions

		Contractual cash flows				
	Carrying amount	Total	0 - 3 Months	4 - 12 Months	2-5 years	Above 5 years
Non-derivative financial liabilities						
31 December 2020						
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Trade and other payables*	107,811,404	107,811,404	98,670,730	-	9,140,674	-
Loans and borrowings	7,999,900	11,972,227	765,498	1,931,828	7,617,352	1,657,549
	115,811,304	**119,783,631**	**99,436,228**	**1,931,828**	**16,758,026**	**1,657,549**

31.7 ***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-21	**31-Dec-20**
	₦'000	**₦'000**
Fixed rate instruments		
Financial liabilities	34,012,256	7,999,900

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.

32 Information regarding directors and employees

32.1 Directors

	31-Dec-21 ₦'000	31-Dec-20 ₦'000
Directors' emoluments (provided for) comprise:		
Fees	22,160	27,000
Other expenses	34,860	9,320
	57,020	**36,320**

The directors' remuneration shown above includes:

	31-Dec-21 ₦'000	31-Dec-20 ₦'000
Chairman	6,400	6,400
Highest paid director	6,400	6,400

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

	31-Dec-21 Number	31-Dec-20 Number
Up to NGN 2,400,000	7	7

32.2 Employees

Total number of employees as at year-end:	31-Dec-21 Number	31-Dec-20 Number
Management	17	21
Senior	1,905	1,903
Junior	1,204	1,252
	3,126	**3,176**

Aggregate staff costs:

	31-Dec-21 ₦'000	31-Dec-20 ₦'000
Salaries and wages	11,654,793	10,606,511
Employer pension contributions	523,581	513,768
Medical expenses	521,901	417,369
Current service cost on end of service benefit (Note 22(a))	251,820	234,277
Current service cost on long service award (Note 22(b))	21,196	17,442
Interest cost on end of service benefit (Note 22(a))	128,438	168,843
Interest cost on long service award (Note 22(b))	7,151	13,031
Actuarial loss on long service award (Note 22(b))	-	16,399
Training costs	83,376	55,839
ITF & NSITF	142,067	156,233
Other staff costs	67,333	16,885
	13,401,656	**12,216,597**

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

	31-Dec-21 Number	31-Dec-20 Number
N500,000-N1,000,000	132	795
N1,000,000 - N1,500,000	650	307
N1,500,001 - N2,000,000	771	683
N2,000,001 - N2,500,000	303	319
N2,500,001 and above	1270	1072
	3,126	**3,176**

33 Contingent liabilities

The Company has contingent liabilities in respect of pending litigation and claims separately and jointly amounting to NGN 872.73 million (2020: NGN 250.73) 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.

34 Subsequent events

Subsequent to year end, the Nigerian Electricity Regulatory Commission issued various Minor Review Orders revising the tariff rates charged by the Company for the supply of electricity to customers and also awarded a total tariff shortfall of NGN 917 million for the 2022 financial year.

Additionally, subsequent to year end, the Federal Inland Revenue Service (FIRS) approved the Company's request to pay the outstanding company income tax, education tax and withholding tax liabilities within 24 months from March 2022.

35 Non-audit services provided by KPMG Professional Services

During the year, KPMG Professional Services provided non-audit service (workforce optimisation) amounting to NGN 29.73 million to the Company (2020: Nil).

Other National Disclosures

IKEJA ELECTRIC PLC
ANNUAL REPORT
STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2021

	31-Dec-21 ₦'000	%	31-Dec-20 ₦'000	%
Revenue	170,146,043		124,978,034	
Bought in materials and services				
- Imported	-		-	
- Local	(171,113,300)		(123,407,911)	
	(967,257)		1,570,123	
Other income	1,889,533		54,148	
Finance income	22,097		33,723,387	
Value added	**944,373**	**100**	**35,347,658**	**100**
Distributed as follows:				
To Government				
Taxation	(1,786,916)	(189)	4,406,966	12
To Employees				
Salaries, wages and allowances	13,401,656	1,419	12,216,597	35
To Providers of Finance				
Finance cost	4,266,009	452	1,208,115	3
Maintenance of assets and future expansion				
For replacement of assets, including lease assets	9,588,713	1,015	8,577,656	24
Amortisation of intangible assets	259,533	27	154,851	1
Retained in the business	(24,784,622)	(2,624)	8,783,473	25
Value added	**944,373**	**100**	**35,347,658**	**100**

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
FINANCIAL STATEMENTS
FIVE YEAR FINANCIAL SUMMARY
FOR THE YEAR ENDED 31 DECEMBER 2021

	31 Dec 2021 ₦'000	31 Dec 2020 ₦'000	31 Dec 2019 ₦'000	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Statement of financial position					
Assets					
Property, plant and equipment	121,902,332	117,077,109	112,795,198	115,557,261	125,213,553
Right-of-use Assets	276,674	414,141	534,270	-	-
Intangible assets	490,273	271,814	302,481	45,243	12,929
Deferred tax asset	-	-	892,994	-	35,568,703
Non-current trade and other receivables	6,743,354	5,166,490	2,640,040	1,686,757	1,055,022
Current assets	51,567,754	32,678,497	14,525,226	15,475,197	14,290,936
	180,980,387	**155,608,051**	**131,690,209**	**132,764,458**	**176,141,143**
Capital and Liabilities					
Non-current liabilities	39,728,493	19,740,669	9,386,003	7,488,179	41,318,939
Current liabilities	127,175,131	104,299,144	99,566,759	261,151,620	172,325,615
Share capital	25,000	25,000	25,000	25,000	25,000
Revaluation reserves	89,593,294	82,993,635	82,993,635	82,993,635	82,993,635
Accumulated reserves/(deficits)	(206,934,381)	(182,843,247)	(191,674,039)	(350,286,826)	(251,914,896)
Other reserves	131,392,850	131,392,850	131,392,850	131,392,850	131,392,850
Total Equity and Liabilities	**180,980,387**	**155,608,051**	**131,690,209**	**132,764,458**	**176,141,143**

IKEJA ELECTRIC PLC
FINANCIAL STATEMENTS
FIVE YEAR FINANCIAL SUMMARY
FOR THE YEAR ENDED 31 DECEMBER 2021

	31 Dec 2021 ₦'000	31 Dec 2020 ₦'000	31 Dec 2019 ₦'000	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Statement of profit or loss and other comprehensive income					
Revenue	170,146,043	124,978,034	100,588,240	88,832,783	68,225,362
Loss before taxation	(26,571,538)	13,190,439	158,917,380	(90,406,765)	(76,395,463)
Taxation	2,217,060	(4,010,064)	201,176	(111,563)	(85,773)
Profit/(Loss) for the year	(24,784,622)	8,783,473	158,612,788	(90,518,328)	(76,481,236)
Other comprehensive income	7,293,147	47,318	-	-	-
Total comprehensive gain/(loss)	**(17,491,475)**	**8,830,791**	**158,612,788**	**(90,518,328)**	**(76,481,236)**
Profit/(Loss) per share - Basic (Naira)	(991)	351	6,345	(3,621)	(3,059)
Net Assets/(Liabilities) per share	563	1,263	909	(5,435)	(1,500)

*See Note 36

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.