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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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IKEJA ELECTRIC PLC*Financial statements**For the year ended 31 December 2017***CORPORATE INFORMATION**

		Nationality	Designation
Directors	Mr. Temitope Shonubi	Nigerian	Chairman
	Mr. Adedeji Odunsi	Nigerian	Director
	Mr. Kola Adesina	Nigerian	Director
	Mr. James Ogungbemi	Nigerian	Director
	Mr. Tonye Cole	Nigerian	Director
	Mr. Alex Okoh (Appointed 13 April 2017)	Nigerian	Director
	Mr. Yeom Gyoo-Chull (Resigned 13 April 2017)	Korean	Director
	Dr. Benjamin Dikki (Resigned 13 April 2017)	Nigerian	Director

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

Registration Number RC 638695

Company Secretary Ejiro Gray
77, Obafemi Awolowo Way
Alausa, Ikeja
Lagos State, Nigeria

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

Solicitors (1) Udo Udoma & Belo-Osagie
10th/13th Floor St. Nicholas House CMS, Lagos Island, Lagos

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

(3) Adetunji Adedeji & Company
Sahadatu Plaza. 70D Allen Avenue, Ikeja Lagos.

Independent Auditor Deloitte & Touche
Civic Towers
Plot GA 1
Ozumba Mbadiwe Avenue
Victoria Island
Lagos, Nigeria

IKEJA ELECTRIC PLC*Financial statements**For the year ended 31 December 2017***FINANCIAL HIGHLIGHTS**

Results	31 Dec 2017	31 Dec 2016	Change	
	₦'000	₦'000		%
Revenue	68,568,676	64,497,695	▲	6%
Operating Loss	(59,649,841)	(84,939,100)	▲	(30%)
Loss for the year	(76,481,236)	(65,636,304)	▼	17%
Total Comprehensive Loss	(76,481,236)	(7,450,742)	▼	926%
Total Equity	(37,503,411)	38,977,825	▼	(196%)
Data per ₦1.00k shares				
Loss per share - Basic (Naira)	(3,059)	(2,625)	▼	17%
Net (liabilities)/assets per share	(1,500)	1,559	▼	(196%)

**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 2017, and the results of its operations, cash flows and changes in equity for the year ended 31 December 2017, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria, 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:

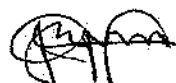
- designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of 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 2017 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 2017 were approved by the Board on 3 December, 2018

On behalf of the Directors of the Company



James Ogungbemi

Director

FRC/2013/NIM/00000004313



Ade Odunsi

Director

FRC/2013/ICAN/00000005046

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF IKEJA ELECTRIC PLC.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of **Ikeja Electric Plc ("The Company")** which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of **Ikeja Electric Plc** as at 31 December 2017 and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act Cap C20 LFN 2004 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the requirements of the Institute of Chartered Accountants of Nigeria Professional Code of Conduct and Guide for Accountants (ICAN Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). 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 to the financial statements, which indicates that the Company's current liabilities exceed current assets by N156.9 billion (2016: N90.5 billion), operating loss of N76.5 billion (2016: N65.6 billion) and as at date, the Company's accumulated deficits amount to N251.91 billion (2016: N175.43 billion). This is in part due to structural inadequacies in the pricing model of the MYTO issued by the Nigeria Electricity Regulatory Commission (NERC).

The going concern of the Company is therefore primarily dependent on the continued support of the shareholders through advances for funding of the Company's working capital. The going concern assumption is also dependent on the continued action of the Market Operators in not demanding for full payment for its invoices from Distribution companies pending the issuance of a full "Cost Reflective Tariff Order" and a "Regulatory Asset statement" or other funding solution from the government for the current tariff deficit as contemplated for the Industry by NERC.

These events or conditions, which are prevalent in the industry, 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 year. 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 above, we have determined the matters described below to be the key audit matters to be communicated in our report on the financial statements.

Key Audit Matter	How the matter was addressed in the audit
<p>Provision for doubtful debts</p> <p>The Company bills its customers at rates determined by the Multi Year tariff order (MYTO) depending on what tariff class each customer falls. Customers are broadly divided into post-paid and prepaid customers.</p> <p>The risk of non-collection of amounts billed lies with the Company's post-paid customers as not all customers billed for energy actually make payments as at when due as disclosed in Note 12. The Company therefore reviews the receivables for impairment in two ways:</p> <ol style="list-style-type: none"> 1. Specific provisioning for certain customers because of circumstances which may have arisen in the year and which denote that amounts may be irrecoverable from the customer. 2. Provisioning due to the nature of the Company's operations, receivable ageing and collection cycle. <p>The Directors have excluded Ministries, Department & Agencies (MDA's) of the Federal Government of Nigeria debts amounting to N1.89b from its provision during the year. Management posited that recoverability of this amount is not doubtful, as the government has shown commitment to settle this sovereign debt by approving a set-off of the verified MDA debts against the market liability payable to the Nigerian Bulk Electricity Trading (NBET). However, provision has also been made for Non MDA debts in line with the company's provisioning policy consistent with previous years.</p> <p>This account balance is subject to management bias due to significant amount of estimates and judgement involved.</p>	<p>We focused our test on the recoverability of the trade receivable balance. Our audit procedures included:</p> <ul style="list-style-type: none"> • Challenging management's rationale for excluding MDA's Debt from the provision made during the year. • Evaluating the model used by management in computing the provision at year end. • Validating the inputs used to calculate the provision and recalculated the provision. • Evaluating the consistency of management policy on provision with previous years. <p>We found management estimate of provision stated in note 12 to be reasonable for the year and this has been adequately disclosed in the financial statements.</p>

Key Audit Matter	How the matter was addressed in the audit
<p>Impairment of Distribution Assets</p> <p>Distribution Asset represent a significant portion of the Company's total assets as disclosed in note 11a</p> <p>As required by the applicable accounting standards, management conducts an annual impairment assessment to determine the existence of an impairment trigger and assesses the recoverability of the carrying value of the Property Plant and Equipment balance. This is performed using discounted cash flow models</p> <p>During the year, management identified an impairment trigger resulting from the poor operating performance of the company which showed a gross loss performance in 2017, largely due to the non-cost reflective tariff currently in effect.</p> <p>Management has made a number of key judgments in determining the inputs into the impairment model in line with the Multi Year tariff order (MYTO):</p> <ul style="list-style-type: none"> • Expected Unit (Gwh) of energy to be delivered to Ikeja Electric; • Average tariff to be paid by customers • Cost per unit of electricity delivered; • Forecasted technical & commercial losses. • Recovery of tariff shortfall. • The discount rates applied to the projected cash flows. <p>Accordingly, the impairment test of these asset is considered to be a key audit matter.</p> <p>The Directors have performed a detailed analysis of the net present value of cash flows that may arise up to 2027.</p>	<p>We focused our testing of the impairment assessment on the key assumptions made by management.</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Evaluating the appropriateness and the reasonableness of the model and inputs used by management and also to ascertain whether it complies with the requirements of IAS 36 Impairment of Assets. • Challenging the assumptions used by management regarding future development and fiscal matters. • Analysing the future projected cash flows used in the models to determine whether they are reasonable and consistent with the current operating environment. <p>We have reviewed the assumption of management impairment assessment and appropriateness of the financial model on which assessment was based on, noting no material exemption.</p>

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 International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004, Financial Reporting Council 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.

Auditors' Responsibilities for the Audit of 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists relating 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 Company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the audit committee and directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee and the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year 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 benefits derivable by the public from such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 LFN 2004 we expressly state that:

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


Olufemi Abegunde, FCA - FRC/2013/ICAN/000000004507

For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
06 December 2018



IKEJA ELECTRIC PLC
Financial statements
For the year ended 31 December 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	31 Dec 2017 N'000	31 Dec 2016 N'000
Revenue	5	68,568,676	64,497,695
Operating costs	6	(94,532,391)	(76,104,047)
Gross loss		(25,963,715)	(11,606,352)
Other income	8	681,210	464,615
Administrative costs	7	(34,367,336)	(39,824,643)
Impairment loss	11(a)	-	(33,972,720)
Operating loss		(59,649,841)	(84,939,100)
Finance income	9(a)	12,378	183
Finance costs	9(b)	(16,758,000)	(5,357,239)
Net finance cost		(16,745,622)	(5,357,056)
Loss before taxation		(76,395,463)	(90,296,156)
Minimum tax	10	(85,773)	24,659,852
Loss for the year		(76,481,236)	(65,636,304)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to Income statement</i>			
Gain on Revaluation	11a	-	83,122,234
Deferred tax on revaluation surplus	10	-	(24,936,672)
Total comprehensive loss for the year		(76,481,236)	(7,450,742)
Loss per share - Basic - Naira	20	(3,059.25)	(2,625.45)

The explanatory notes on pages 9 to 39 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	31 Dec 2017 ₦'000	31 Dec 2016 ₦'000
ASSETS			
Non-current assets			
Property, plant and equipment	11(a)	125,213,553	134,757,675
Intangible asset	11(b)	12,929	14,168
Deferred tax asset	10	35,568,703	35,568,703
Total non-current assets		160,795,185	170,340,546
Current assets			
Inventories	13	217,732	232,622
Trade and other receivables	12	10,706,932	9,187,291
Other current Asset	14	1,055,022	-
Cash and bank balances	14	3,133,574	4,194,555
Prepaid expenses		232,698	236,913
Total current assets		15,345,958	13,851,381
TOTAL ASSETS		176,141,143	184,191,927
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	25,000	25,000
Revaluation reserve		82,993,635	82,993,635
Accumulated deficits		(251,914,896)	(175,433,660)
Other reserve		131,392,850	131,392,850
Total Equity		(37,503,411)	38,977,825
Non-current liabilities			
Loans and borrowings	15	5,750,236	5,263,340
Deferred tax liabilities	10	35,568,703	35,568,703
Total non-current liabilities		41,318,939	40,832,043
Current liabilities			
Trade and other payables	16	171,016,126	102,543,183
Loans and borrowings	15	550,842	486,896
Current tax liabilities	10	758,647	1,351,980
Total current liabilities		172,325,615	104,382,059
TOTAL LIABILITIES		213,644,554	145,214,102
TOTAL EQUITY AND LIABILITIES		176,141,143	184,191,927

The financial statements on pages to were approved by the Board of Directors of the Company on 3 December, 2018. They were signed on its behalf by:

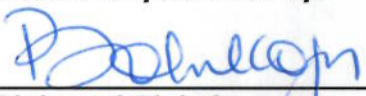


Anthony Youdeowei
Chief Executive Officer (CEO)
FRC/2015/IODN/00000008875



Ade Odunsi
Director
FRC/2014/ICAN/00000005046

Additionally certified by:



Olubunmi Olukaju
Chief Financial Officer
FRC/2017/ICAN/00000007483

The explanatory notes on pages 9 to 39 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Financial statements
For the year ended 31 December 2017

	Note	Share Capital #'000	Accumulated Deficit #'000	PPE Revaluation Reserves #'000	Other Reserves #'000	Total Equity #'000
Balance as at 1 January 2016		10,000	(109,797,356)	24,808,073	131,392,850	46,413,567
Increase in share capital		15,000	-	-	-	15,000
Property revaluation reserves		-	-	83,122,234	-	83,122,234
Deferred tax on revaluation of Fixed Assets		-	-	(24,936,672)	-	(24,936,672)
Loss for the year - 2016		-	(65,636,304)	-	-	(65,636,304)
Balance as at 1 January 2017		25,000	(175,433,660)	82,993,635	131,392,850	38,977,825
Loss for the year - 2017		-	(76,481,236)	-	-	(76,481,236)
Balance as at 31 December 2017		25,000	(251,914,896)	82,993,635	131,392,850	(37,503,411)

The explanatory notes on pages 9 to 39 form an integral part of the financial statements.

IKEJA ELECTRIC PLC
Financial statements
For the year ended 31 December 2017

STATEMENT OF CASH FLOWS

Cash flow from operating activities	Note	31 Dec 2017 #'000	31 Dec 2016 #'000
Loss for the year		(76,481,236)	(65,636,304)
Adjustments for:			
Depreciation on distribution assets	11(a)	13,458,479	8,882,829
Depreciation on non-distribution assets	11(a)	332,670	253,655
Amortisation of intangible assets	11(b)	15,156	10,155
Impairment loss	11(a)	-	33,972,720
Customer - granted assets	11(a)	(343,314)	
Allowance for doubtful debts	12.1	13,025,015	22,405,315
Finance income	9(a)	(12,378)	(183)
Finance costs	9(b)	16,758,000	5,357,239
Deferred tax	10	-	(24,936,672)
Minimum tax	10	85,773	276,820
		43,319,401	46,221,878
Movements in working capital			
Increase in trade and other receivables		(14,544,656)	(21,839,184)
Decrease/(Increase) in inventory		14,890	(113,944)
Increase in other current asset	14.1	(1,055,021)	-
Decrease/(Increase) in prepaid assets		4,214	(119,327)
Increase in trade and other payables		68,472,942	51,725,493
Total movements in working capital		52,892,370	29,653,038
Total adjustments and movements		96,211,771	75,874,916
Income tax paid	10.3	(679,106)	-
Net cash generated from operating activities		19,051,429	10,238,612
Cash flow from investing activities			
Additions to other PPE		(3,903,713)	(11,531,739)
Additions to intangible assets	11(b)	(13,917)	(5,226)
Interest received	9(a)	12,378	183
Net cash used in investing activities		(3,905,253)	(11,536,782)
Cash flow from financing activities			
NESI disbursement during the year	15	1,062,641	5,993,084
Principal and interest payment	15	(1,085,927)	(528,094)
Interest charge	15	574,128	285,246
		550,842	5,750,236
Finance cost	9(b)	(16,758,000)	(5,357,239)
Net cash from financing activities		16,207,158	392,997
Net increase/(decrease) in cash and cash equivalents		(1,060,981)	(905,173)
Cash and cash equivalents at beginning of the year		4,194,555	5,099,728
Cash and cash equivalents at end of the year	14	3,133,574	4,194,555

The explanatory notes on pages 9 to 39 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1.0 The Company

Ikeja Electric Plc ("the Company"), was one of the unbundled companies from the defunct Power Holdings Company of Nigeria (PHCN). 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 (NEDC) and Korean Electric Power Company (KEPCO) 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.

The Company has 25,000,000 units of N1.00k each per ordinary shares, with New Electricity Distribution Company Ltd holding 15,000,000 units, Bureau of Public Enterprises holding 8,000,000 units and Ministry of Finance Incorporated holding 2,000,000 units.

1.1 Shareholding structure

The shareholding structure of the Company is as follows:

	<u>N'000</u>	%
<i>New Electricity Distribution Company Ltd – NEDC</i>		
6,000,000 ordinary shares of N1.00k each	15,000	60
<i>Bureau of Public Enterprises – BPE</i>		
3,200,000 ordinary shares of N1.00k each	8,000	32
<i>Ministry of Finance Incorporated</i>		
800,000 ordinary shares of N1.00k each	2,000	8
<i>Total issued ordinary shares</i>	<u>25,000</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS

1.2 Going concern consideration

As at the reporting date, the Company's current liabilities exceed current assets by N156.9 billion (2016: N90.5 billion) and the Company incurred operating loss of N76.5 billion (2016: N65.6 billion). However, the company recorded a positive operating cash flows of N19.1 billion (2016: N10.2 billion). These events or conditions indicate that there are material uncertainties which exist that may cast significant doubt on the Company's ability to continue as a going concern.

Furthermore, the following events and conditions indicate additional material uncertainties may exist that cast significant doubt on the ability of the Company to continue as a going concern:

- The current Multi-Year Tariff Order (MYTO) pricing model prescribed by NERC for the Nigerian electricity industry is not cost effective and the implementation date of a revised cost effective tariff has not yet been determined. The current tariff is majorly responsible for the Company incurring losses historically and in the current year.
- The entity is not able to fully settle the amounts owed to the Market Operators on an ongoing basis.
- The estimated amount of financial support to be received by the Company from the Government, World Bank and Central Bank of Nigeria has not been determined.

As a consequence of the inadequacies in the pricing model prescribed by Nigerian Electricity Regulatory Commission (NERC), the Company has incurred losses in the past years as well as the current year. This inadequacies have not allowed the Company to recover all its costs through price increases despite increases in the cost of power received.

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 by continuing with the current practice of ensuring availability of minimum cash for the next operating month is first secured from the cash collected from customers before payment is made to the market operators.
- The Market Operator (NBET) will not demand for full payment for its invoices from Distribution companies pending the issuance of a full "Cost Reflective Tariff Order" and a "Regulatory Asset statement" or other funding solution from the government for the current tariff deficit as contemplated for the Industry by the Federal Government of Nigeria (FGN). To achieve this, the Federal Government of Nigeria has provided the sum of N701 billion as payment assurance intervention fund to Nigerian Bulk Electricity Trading Company (NBET) and Operators of Nigerian Electricity Market (ONEM). Under the intervention, FGN has been providing guarantee payments to augment the underpayment from the distribution companies for the energy bills. This measure has reduced the pressure from NBET calling for the full payment of its invoices. A letter of comfort was obtained by the Company from NBET, confirming that the later will temporarily refrain from calling for the payment of the total indebtedness of the Company. NBET also affirm in this letter, that it will continue to deliver electricity to the company, over the next twelve (12) months.
- The continued support of the shareholders that they will continue to support the Company's operational activities and they will not call for their money until the Company is able to fully meet its financial obligations. The company obtained letter of support from the Ultimate parent company 'Sahara Power Group' for this purpose.

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:

NOTES TO THE FINANCIAL STATEMENTS**1.2 Going concern consideration (cont'd)****a) Regulatory and Legal Conditions**

Compliance with all its statutory requirements and has ensured there are no pending legal or regulatory proceedings which can result in loss of license and other significant risk.

b) Financial Conditions

1. Ongoing discussion with the regulators and other stakeholders on recouping of investment/recovery of historical losses through tariff sculpting in MYTO, a strategy which will allow for under recovery of revenue and significant initial investments in the earlier years and full recovery in subsequent years. This prevents "tariff shock" and ensures that the tariff is always generally affordable and acceptable to power users. Meanwhile, the Federal Government through the regulator has commenced the implementation of the Uniform System of Accounting (USoA) in 2018, which will allow the Company to recognise the tariff shortfall as a regulatory asset and mitigate fully the liabilities due to the Market Operator.
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 for the plan is to the tune of US\$2.5 billion as well as an IFC investment and Multilateral Investment Guarantee Agency (MIGA) support to unlock an additional US\$2.7 billion in investment. These funds are to be utilized to fully settle any outstanding receivables after the disbursement of the intervention funds and future sector deficits from 2017 to 2021. As this funding arrangement is still undergoing the process of finalisation, the amount to be received by the Company is yet to be determined.
3. CBN has been intervening in the power sector by providing long-term intervention facility to support the industry and in 2017, the disbursement from this intervention facility made on behalf of the Company is ₦1.06b (2016: ₦5.99b). Subsequent to year end, another sum of ₦2.51b has been released, making a total of ₦9.56b disbursed so far on behalf of the Company.
4. Ongoing efforts of the management in the reduction of technical, commercial and collection loss will boost the operational cash flow/working capital management of the Company.
5. Government's commitment to ensuring prompt settlement of Debt owed to the Company by Ministries, Department and Agencies (MDAs). Subsequent to year end, FEC approved a net off of a verified amount of ₦1.27b owed by MDAs from the Company's payable to NBET.
6. **Ownership –** Due to the importance of the company to the nation's economy, the Federal Government retained 40% ownership of the company. Based on historical support and the strategic nature of operations, it is expected that the government will continue to support the Company by not demanding full payment of invoices issued by the market operators.

NOTES TO THE FINANCIAL STATEMENTS**1.2 Going concern consideration (cont'd)****c) Operating Conditions**

The Company has properly documented processes and arrangements for the structured identification and evaluation of strategic and operational objectives and risks. Key controls are also in place to manage these potential risks and identification of gaps in processes, with action plans to address these. These help to eliminate "Key man risk" in the business.

The Directors of Ikeja Electric Plc having evaluated the above, believe that the use of the going concern is appropriate for the preparation of the 2017 financial statements. The Company remain committed to its loss reduction strategies, network strengthening and expansion plan. This can also be seen in the amount expended on capex in 2017 and subsequently.

The Directors are positive that the Company will achieve adequate resources to continue operations into the foreseeable future with proposed reforms in the sector.

1.3 Principal activities

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

1.4 Financial period

These financial statements cover the financial year from 1 January 2017 to 31 December 2017, with comparative figures for the financial year from 1 January 2016 to 31 December 2016.

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

Additional information provided by management includes:

- (i) Statement of value added
- (ii) Five-year financial summary

NOTES TO THE FINANCIAL STATEMENTS

2 Adoption of new and revised International Financial Reporting Standards

2.1 Accounting standards and interpretations issued that became effective during the year 2018

In the current year, the Company considered a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatory and effective for an accounting period that begins on or after 1 January 2018.

IFRS 9 – Financial Instruments

IFRS 9 replaces IAS 39, Financial Instruments – Recognition and Measurement. The IASB developed IFRS 9 in three phases, dealing separately with the classification and measurement of financial assets, impairment and hedging. It includes requirements on the classification and measurement of financial assets and liabilities, it also includes an expected credit losses model that replaces the current incurred loss impairment model.

The standard will ensure that more assets will have to be measured at fair value with changes in fair value recognized in profit and loss as they arise, possible provision for future credit losses in the very first reporting period a loan goes on the books – even if it is highly likely that the asset will be fully collectible and a greater disclosure requirement amongst others.

The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9. Effective for annual periods beginning on or after 1 January 2018.

The application of IFRS 9 is expected to have no material impact on the Company's financial statement based on preliminary assessment taking into consideration the operations of the Company.

IFRS 15 – Revenue from contracts with customers

The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer. Effective for annual periods beginning on or after 1 January 2018.

Amendment to IFRS 15 – Revenue from contracts with customers.

The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself.

The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

Effective for annual periods beginning on or after 1 January 2018

IFRS 15 – Revenue from contracts with customers will have no impact on the Company's financial statement as revenue is already recognised in line with these provisions.

NOTES TO THE FINANCIAL STATEMENTS

2.1 Accounting standards and interpretations issued that became effective during the year 2018 (cont'd)

Pronouncement	Nature of Change	Effective date
Transfers of Investment Property (Amendments to IAS 40)	The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.	Effective for annual periods beginning on or after 1 January 2018.
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.	Effective for annual periods beginning on or after 1 January 2018.
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.	Effective for annual periods beginning on or after 1 January 2019

NOTES TO THE FINANCIAL STATEMENTS

2.1 Accounting standards and interpretations issued that became effective during the year 2018 (cont'd)

Pronouncement	Nature of Change	Effective date
IFRS 15 Revenue from Contracts with Customers	The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard	Effective for annual periods beginning on or after 1 January 2018.
IFRS 16 – Leases	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees	Effective for annual periods beginning on or after 1 January 2019

NOTES TO THE FINANCIAL STATEMENTS

2.2 Accounting standards and interpretations issued but not yet effective

The following revisions to accounting standards and pronouncements that are applicable to the Company were issued but are not yet effective. Where IFRSs and IFRIC interpretations listed below permits early adoption, the Company has elected not to apply them in the preparation of these financial statements. The Company plans to adopt the standard when it becomes effective.

The full impact of these IFRSs and IFRIC interpretations is currently being assessed by the Company, but none of these pronouncements are expected to result in any material adjustments to the financial statements

Pronouncement	Nature of Change	Effective date
Financial Instruments (Amendments to IFRS9)	Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	Applies to annual periods beginning on or after 1 January 2018.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture.	Effective date of the amendments is yet to be set by the IASB
Classification and Measurement of Share- based Payment Transactions (Amendments to IFRS 2)	The amendments clarify the accounting for the effects of vesting and non-vesting conditions in estimating the fair value of a cash-settled share-based payment. They also clarify how to account for modification of a share-based payment that changes the transaction from cash-settled to equity-settled.	Applicable to annual periods beginning on or after 1 January 2018

NOTES TO THE FINANCIAL STATEMENTS

3.0 Basis of preparation and measurement

This financial statements have been prepared in accordance with International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRSs") and International Financial Reporting Standards Interpretations Committee ("IFRSIC") Interpretations (collectively referred to as IFRS), the Companies and Allied Matters Act (CAMA) and the Financial Reporting Council of Nigeria (FRC) Act as at 31 December 2017.

The financial statements have been prepared on a historical cost basis except for the fixed assets account balance which has been recognized on a revaluation model basis. The historical cost is generally based on the fair value of the consideration given in exchange for the assets while the revaluation model refers to the replacement costs of the fixed assets.

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

A. Revenue recognition

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 to 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 deferred revenue. 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.

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 operating capacity/ 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.

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 stated at fair value using the revaluation model less accumulated depreciation and accumulated impairment losses. Depreciation is on a straight line method over the estimated useful lives of the assets. Non-operating assets includes land, administrative office building, furniture and fittings, motor vehicles, etc. Land is not depreciated.

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

NOTES TO THE FINANCIAL STATEMENTS

3.0 Basis of preparation (cont'd)

B. Property, plant and equipment (cont'd)

3. Donated Assets

The company receives donations/transfers of certain items of Property, Plant and Equipment (PPE) from customers. The company assesses whether the donated/transferred item meets the definition of an asset and if so, recognises such asset as PPE. At initial recognition, the asset is measured at fair value and a corresponding amount is recognised as other income 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.)	Basis
Distribution assets		
Distribution Network Assets	5 to 35	Estimated useful life
Non distribution assets		
Land	Nil	N/A
Buildings	50	Estimated Useful life
Office equipment	5	Estimated Useful life
Furniture and fittings	5	Estimated Useful life
Motor Vehicles	4	Estimated Useful life
Computer Software	3	Estimated Useful life
Motor Cycle	3	Estimated Useful life
Work-in-Progress	Nil	Until the asset is available for use and transferred to PPE

C. Impairment of property, plant and equipment

The carrying amounts of the Company's long-term assets are reviewed at each reporting date to determine whether there is any indication of impairment. If an indication of impairment exists, then the asset's recoverable amount is estimated. Operating assets are assessed for impairment when they are reclassified to property, plant and equipment (PP&E), and if facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount through the statement of profit or loss and other comprehensive income.

For the purpose of impairment testing, assets are grouped 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 groups of assets. The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal "FVLCD".

Value in use is determined by estimating the present value of the pre-tax future net cash flows expected to be derived from the continued use of the asset. FVLCD is based on available market information, where applicable. The Company generally estimates fair value less costs to sell using a discounted cash flow model which has a significant number of assumptions. The model uses expected cash flows from capacity of electricity distribution forecast, energy unit sales price in force and other operational cost parameters. The discount rate applied to the cash flows is also subject to management's judgment and will affect the recoverable amount calculated. The Company monitors internal and external indicators of impairment relating to its distribution and non distribution assets.

NOTES TO THE FINANCIAL STATEMENTS**3.0 Basis of preparation and measurement (cont'd)****D. Financial instruments****Financial assets****Initial recognition and measurement**

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets, as derivatives or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus (in the case of investments not at fair value through profit or loss) directly attributable transaction costs. The Company's financial assets include cash and short-term deposits, trade and other receivables and loan.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance income or finance costs (as appropriate) in statement of profit or loss. Financial assets designated upon initial recognition at fair value through profit or loss are designated at the initial recognition date and only if the criteria set out in IAS 39 are satisfied. The Company evaluates its financial assets as held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets. The reclassification to loans and receivables, available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition. Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in statement of profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in statement of profit or loss. The losses arising from impairment are recognised in statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

NOTES TO THE FINANCIAL STATEMENTS

3.0 Basis of preparation and measurement (cont'd)

D. Financial instruments (cont'd)

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.

Derecognition

A financial asset (or, where an applicable part of a financial asset or part of a group of similar financial assets) is de-recognised when:

- The right to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO THE FINANCIAL STATEMENTS**3.0 Basis of preparation and measurement (cont'd)****D. Financial instruments (cont'd)****Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in statement of profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in statement of profit or loss.

Financial liabilities**Initial recognition and measurement**

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Company's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below.

Financial liabilities at fair value through profit or loss.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss should be designated at the initial recognition date and only if the criteria set out in IAS 39 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3.0 Basis of preparation and measurement (cont'd)

D. Financial instruments (cont'd)

Interest-bearing loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised, as well as through the EIR method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are integral part of the EIR. The EIR amortisation is included in finance cost in statement of profit or loss.

Derecognition

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in statement of profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include: using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

Creditors and accruals

Creditors and accruals are the financial obligations due to third parties and are falling due within one year. The outstanding balances are not interest bearing and are stated at their nominal value.

E. Finance income and expense

Finance expense comprises interest expense on borrowings, accretion on decommissioning liabilities, evaluation of derivative financial liabilities and impairment losses recognized on financial assets. Finance income comprises interest earned on cash and cash equivalents, short-term investments and financial instruments through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS**3.0 Basis of preparation and measurement (cont'd)****F. Retirement benefit costs**

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 rewards such as wages, salaries, paid annual leave, and bonuses (if payable within twelve months of the end of the year) and non-monetary benefits (such as medical care, housing, cars, etc.)

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.

G. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

H. Operating Leases

Rental payable under operating lease are charged to income on a straight line basis over the term of the relevant lease.

I. Inventories

Inventories are stated at the lower of cost and net realizable value. Inventories represent small parts, other consumables and gas fuel, 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.

Specific identification entails assigning cost of inventories of items that are not ordinarily interchangeable, and of goods or services produced and segregated for specific projects. The method is appropriate when items of inventory are produced for specific projects or when other items of inventory held could not be substituted for those items.

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. Estimates are based on the most reliable evidence available and take into consideration fluctuations in price or cost directly relating to events occurring after the reporting period to the extent that such events confirm conditions existing at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

3.0 Basis of preparation and measurement (cont'd)

J. Provisions

General

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.

K. Foreign currencies

The functional and presentation 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.

L. Taxation

1. Companies Income Tax

Income tax expense is the aggregate of the charge to the Profit or loss and other comprehensive income in respect of current income tax, education tax and deferred tax.

Current income tax is the amount of income tax payable on the taxable profit of the year determined in accordance with the Companies Income Tax ACT, CAP C21 LFN 2004 (as amended). Education tax is assessed at 2% of the assessable profit in line with Tertiary Education Trust fund Act CAP 2011.

2. Deferred tax

In general, deferred tax is recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws enacted or substantively enacted by the reporting date and expected to apply when the deferred tax asset or liability is settled. This is determined through the liability method.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are presented as non-current assets or liabilities respectively.

NOTES TO THE FINANCIAL STATEMENTS**3.0 Basis of preparation and measurement (cont'd)****M. Intangible assets****Computer software**

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is calculated using the straight-line method over a period of rights obtained to allocate the cost of computer software. If software is integral to the functionality of related property, plant and equipment (PPE), then it is capitalised as part of the PPE. Costs that are directly associated with the development of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets and amortised as above. Costs include employee costs incurred as a result of developing software, borrowing costs if relevant and an appropriate portion of relevant overheads. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

N. Borrowing costs

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

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

All other borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred.

4.0 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.

NOTES TO THE FINANCIAL STATEMENTS**4.1 Critical accounting judgements****Revenue**

The nature of the energy industry in the Nigerian market in which the company operates is such that revenue recognition is subject to a degree of estimation and is dependent on reconciled energy volumes distributed to consumers vis a vis the energy report received from the market operator on a monthly basis.

Billed revenue comprise of variable charges which is dependent on the consumption class the recipients of energy volumes fall into and is valued based on the Multi-Year Tariff Order (MYTO) structure. This is recognised in the Statement of profit or loss and statement of financial position as Revenue and Trade Receivables respectively based on the value of capacity and energy charge the Company distributes.

Revenue from the sales of electricity to post-paid customers is the value of volume of units distributed during the year including an estimate of the volume of units distributed to these customers. In the case of prepaid meter customers, a fair estimate is made based on average consumer behaviour to determine utilised energy as at year-end for the purpose of revenue recognition, while un-unused energy is recognised as unearned revenue at year end. This is included in the statement of financial position as deferred revenue."

4.2 Key sources of estimation uncertainty**Impairment of Trade Receivables**

Trade receivables are stated net of allowance for impairment of doubtful debts and adjustments on the confirmed revenue arising from reconciled distributed energy units. The company estimates its allowance for impairment taking into account future cash flows, based on prior experience, ageing analysis and an assessment of the current economic environment within which the company operates. Such estimates involve a significant degree of judgment.

4.3 Impairment of Property, plant and equipment

Impairment of Property, plant and equipment is conducted at every reporting period in line with the provisions of IAS 36. However, in certain circumstances if there are impairment indicators, Property, plant and equipment are required to be reviewed for impairment. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of the expected future cash flows of the relevant Cash Generating Unit ("CGU"), or disposal value if higher. The discount rate applied is based on the company's weighted average cost of capital with appropriate adjustments for the risks associated with the CGU. Estimates of cash flows involve a significant degree of judgment and are consistent with management's plans and forecasts.

4.4 Contingencies

Appropriate recognition and disclosure of contingent liabilities is made regarding litigation, tax matters, and environmental issues, among others. Accounting for contingencies requires significant judgement by management regarding the estimated probabilities and ranges of exposure to potential loss. The evaluation of these contingencies is performed by specialists either externally contracted or internal personnel. The Company's assessment of its exposure to contingencies could change as new developments occur or more information becomes available. The outcome of the contingencies could vary significantly and could materially impact the Company's results and financial position. The Company has used its best judgement in applying IAS 37 'Provisions, Contingent liabilities and Contingent assets' to these matters during the year.

NOTES TO THE FINANCIAL STATEMENTS

4.5 Estimated useful economic lives of assets

Management of the Company reviews the estimated useful lives of items of property, plant and equipment at each reporting date. In assessing the useful lives of property, plant and equipment, management considers, amongst other things, the expected usage of the assets by the Company and the terms of relevant sales and purchase agreements. Any changes in estimates of the remaining useful lives of fixed assets will result in a higher or lower of depreciation expense in future periods.

4.6 Allowance for obsolete inventory

The Company reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether allowance for obsolescence should be recorded in profit or loss, the Company makes judgements as to whether there is any observable data indicating that there is any future saleability of the product and the net realizable value for such product. Accordingly, allowance for impairment, if any, is made where the net realizable value is less than cost based on best estimates by the management. Inventory items prior to acquisition of the Company of which information in respect of the prices and usage are not available were fully provided for.

4.7 Recoverability of deferred tax amounts

Judgement is required to determine whether deferred income tax assets should be recognized in the statement of financial position. Deferred income taxes, including those arising from unutilized losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods, in order to utilize deferred income tax assets. Assumptions about future taxable profits depends on management's estimate of future cash flows. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred income taxes recorded at the reporting date could be impacted.

In addition, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

5 Revenue	31-Dec-17 N'000	31-Dec-16 N'000
Residential	30,852,505	28,091,047
Industrial	19,073,843	18,076,512
Commercial	16,183,104	16,406,346
Other electricity sales	2,108,941	1,918,201
Street lighting	6,969	5,589
Customer - granted assets (Note 11a)	343,314	-
	<u>68,568,676</u>	<u>64,497,695</u>

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

6 Operating costs	31-Dec-17 N'000	31-Dec-16 N'000
Cost of Energy	80,029,657	66,165,552
Depreciation expense (Note 11)	13,458,479	8,882,829
Salaries and wages - Core technical	573,655	565,920
Repairs and maintenance	470,600	489,746
	<u>94,532,391</u>	<u>76,104,047</u>

IKEJA ELECTRIC PLC*Financial statements**For the year ended 31 December 2017***NOTES TO THE FINANCIAL STATEMENTS**

	31-Dec-17 N'000	31-Dec-16 N'000
7 Administrative and Selling expenses		
Allowance for trade receivables (Note 12.1)	13,025,015	22,405,315
Salaries and wages - Non technical	5,694,839	5,400,626
Operations and maintenance expenses	5,700,172	4,793,602
Other administrative costs	5,351,427	4,071,697
Other staff costs	1,457,284	1,089,567
Data and Information Technology connectivity	2,222,981	1,549,480
Depreciation and Amortisation (Note 11)	347,826	263,810
Repairs and Maintenance	502,792	195,546
Audit fees	65,000	55,000
	<u>34,367,336</u>	<u>39,824,643</u>
8 Other income		
Other non operating income	114,366	94,917
Reconnection fees and miscellaneous income	566,844	369,698
	<u>681,210</u>	<u>464,615</u>
9 Finance income and finance costs		
Net finance cost		
(a) Interest income on bank deposits	12,378	183
	<u>12,378</u>	<u>183</u>
Finance income		
(b) 1. Interest expense on CBN-NEMSF Intervention loan (Note 15)	(574,128)	(285,246)
2. Accrued interest on NBET outstanding payable Balance	(16,183,872)	(5,071,993)
	<u>(16,758,000)</u>	<u>(5,357,239)</u>
Finance costs	<u>(16,758,000)</u>	<u>(5,357,239)</u>
Net finance cost	<u>(16,745,622)</u>	<u>(5,357,056)</u>
9 Profit before taxation		
This is stated after charging:		
Auditor's remuneration	65,000	55,000
Depreciation and amortisation	13,806,305	9,146,639
Other income	681,210	464,615
	<u>13,806,305</u>	<u>9,146,639</u>
10 Taxation		
10.1 Income tax expenses recognised in profit or loss		
10.2 Current tax		
Minimum tax	85,773	276,820
Education tax	-	-
	<u>85,773</u>	<u>276,820</u>
Current tax expenses for the current year	<u>85,773</u>	<u>276,820</u>
Deferred tax	-	(24,936,672)
Total income tax expenses recognised in profit and loss in the current year for continuing operations	<u>85,773</u>	<u>(24,659,852)</u>
Deferred tax charge recognised in other comprehensive income	-	24,936,672

NOTES TO THE FINANCIAL STATEMENTS

10 Taxation (cont'd)

10.2 Current tax (cont'd)

Company Income tax is calculated at 30% (2016: 30%) of the estimated taxable profit for the year. The charge for taxation is based on the provisions of the Companies Income Tax Act CAP C21 LFN 2004, as amended to date.

The charge for Tertiary Education Tax of 2% (2016: 2%) is based on the Tertiary Education Trust Fund Act 2011

The tax charge for the year has not been reconciled to the results per the Company's statement of profit or loss and other comprehensive income. This is because the Company did not have taxable profits in the year and has therefore, recognized minimum tax in line with the provisions of the Companies Income Tax Act CAP C21 LFN 2004.

	31-Dec-17	31-Dec-16
	N' 000	N' 000
10.3 Current tax		
At 1 January	1,351,980	1,075,160
Tax charged for the year (Note 10.2)	85,773	276,820
Payment during the year	(679,106)	-
At 31 December	758,647	1,351,980

The charge for taxation in these financial statements is based on the provision of the Companies Income Tax (CAP C21, LFN 2004) and Tertiary Education Trust Fund Act, 2011.

	31-Dec-17	31-Dec-16
	N' 000	N' 000
10.4 Deferred tax Liability		
At 1 January	(35,568,703)	(10,632,031)
Recognised in income statement	-	(24,936,672)
At 31 December	(35,568,703)	(35,568,703)

	31-Dec-17	31-Dec-16
	N' 000	N' 000
10.5 Deferred tax Assets		
At 1 January	35,568,703	10,632,031
Recognised in income statement	-	24,936,672
At 31 December	35,568,703	35,568,703

The Company has an estimated deferred tax asset of N81.1 billion (2016: N57.94 billion) primarily relating to unutilised capital allowance and unutilised tax losses. The company only recognise deferred tax asset to the extent that this can be offset against deferred tax liability of N35.57 billion in the books.

NOTES TO THE FINANCIAL STATEMENTS

11.1.a Property, plant and equipment

	DISTRIBUTION ASSETS			NON DISTRIBUTION ASSETS			Capital work-in-progress
	Plant and machinery	Total	Equipment, Furniture & fittings	Motor vehicles	Buildings	Total	
	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
Cost or valuation							
At 1 January 2016	133,842,468	133,842,468	241,709	253,534	3,948,879	4,444,122	138,286,590
Revaluation adjustment	122,376,172	122,376,172	-	-	-	-	122,376,172
Additions for the year	11,086,623	11,086,623	258,772	103,747	33,216	395,735	11,531,739
Transfers	-	-	-	-	-	-	-
At 1 January 2017	267,305,263	267,305,263	500,481	357,281	3,982,095	4,839,857	272,194,501
Additions for the year	3,796,549	3,796,549	293,487	48,940	61,832	404,259	4,247,027
Transfers	-	-	-	-	60,776	60,776	(60,776)
Adjustment	-	-	-	-	-	-	-
At 31 December 2017	271,101,812	271,101,812	793,968	406,221	4,104,703	5,304,892	276,441,528
Accumulated depreciation and impairment							
At 1 January 2016	51,148,047	51,148,047	133,949	188,538	3,603,150	3,925,637	55,073,684
Revaluation adjustment	39,253,938	39,253,938	-	-	-	-	39,253,938
Impairment loss for the year	33,972,720	33,972,720	-	-	-	-	33,972,720
Charge for the year	8,882,829	8,882,829	75,437	79,321	98,897	253,655	9,136,484
At 1 January 2017	133,257,534	133,257,534	209,386	267,859	3,702,047	4,179,292	137,436,826
Charge for the year	13,458,479	13,458,479	127,956	98,940	105,774	332,670	13,791,149
Reclassification	-	-	(183)	-	183	-	-
At 31 December 2017	146,716,013	146,716,013	337,159	366,799	3,808,004	4,511,962	151,227,975
Carrying amount							
At 31 December 2016	134,047,729	134,047,729	291,095	89,422	280,048	660,565	134,757,675
At 31 December 2017	124,385,799	124,385,799	456,809	39,422	296,699	792,930	125,213,553

NOTES TO THE FINANCIAL STATEMENTS

11.a Property, plant and equipment (cont'd)

The Directors at the reporting date have considered possible impairment triggers in respect of the operations of the company. Based on its assessment, no additional impairment provision has resulted in the current year based on the assumptions and estimates adopted on the expected cash flows from installed capacity, weighted average cost of capital and technical loss ratio (2016 Impairment provision: N33.97 billion). The Directors believes that the estimates and assumptions made are reasonable and based on best available information for both planning and operational purposes. The Directors acknowledges that sensitivity fluctuations may exists in the future based on macro-economic indices and company specific factors due to the continuing restructuring and regulations in the power industry but expects that any fluctuation which may impact on the carrying amount of the distribution network assets will be accounted for prospectively, if any exists in the applicable reporting period.

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 N343.31 million (2016: Nil) 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.

11.b Intangible asset

	Computer Software	Total
	N'000	N'000
Cost or valuation		
At 1 January 2016	28,645	28,645
Additions	5,226	5,226
At 1 January 2017	33,871	33,871
Additions	13,917	13,917
31 December 2017	47,789	47,789
Amortisation		
At 1 January 2016	9,548	9,548
Charge for the year	10,155	10,155
At 1 January 2017	19,703	19,703
Charge for the year	15,156	15,156
31 December 2017	34,859	34,859
Carrying amount		
31 December 2016	14,168	14,168
31 December 2017	12,929	12,929

This relates to Sage X3 ERP software and other computer software. They are measured at cost less accumulated amortisation and impairment losses.

Expenditure on internally developed software is capitalised when the expenditure qualifies as development activities, otherwise it is recognised in profit or loss when incurred.

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Computer software are amortised on a straight-line basis over their estimated useful lives, from the date they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of the SAGE X3 ERP and other computer software is 3 years.

IKEJA ELECTRIC PLC*Financial statements**For the year ended 31 December 2017***NOTES TO THE FINANCIAL STATEMENTS**

	31-Dec-17	31-Dec-16
	N'000	N'000
12 Trade and other receivables		
Energy customers	77,368,897	62,824,025
Receivables from other Distribution Companies	41,717	41,717
Other debtors	3,989	11,636
Unpaid share capital	20,000	20,000
Staff loans and advances	11,094	3,663
	<u>77,445,697</u>	<u>62,901,041</u>
Allowance for doubtful debt (Note 12.1)	<u>(66,738,765)</u>	<u>(53,713,750)</u>
Net trade and other receivables	<u>10,706,932</u>	<u>9,187,291</u>

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.

The ageing of trade receivables at the end of the reporting period that were not impaired was as follows:

	31-Dec-17	31-Dec-16
	N'000	N'000
Past due not impaired		
1-30 days	7,904,934	4,827,556
31 - 90 days	1,491,775	2,328,753
90 + days	1,310,327	2,030,982
	<u>10,707,036</u>	<u>9,187,291</u>

12.1 Movement in allowance for doubtful debt

At 1 January	53,713,750	31,308,435
Movement in doubtful debts recognized during the year	13,025,015	22,405,315
At 31 December	<u>66,738,765</u>	<u>53,713,750</u>

In determining the recoverability of a trade receivable the entity considers changes in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The directors are in discussions with its customers on the recovery of these receivables. Customers make payments on accounts. Hence management makes full allowances to cover for non-current bills (>90days). The Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Company to the counterparty. The average age of these receivables is 45 days. The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

12.2 Ageing of doubtful debts	31-Dec-17	31-Dec-16
	N'000	N'000
1-30 days	22,588	73,460
31 - 60 days	137,238	278,249
90 + days	622,910	1,165,468
Above 90 days	65,956,029	52,196,573
	<u>66,738,765</u>	<u>53,713,750</u>

IKEJA ELECTRIC PLC*Financial statements**For the year ended 31 December 2017***NOTES TO THE FINANCIAL STATEMENTS**

13 Inventories	31-Dec-17 N'000	31-Dec-16 N'000
Distribution stores	206,555	203,194
General stores	11,176	27,936
Stationery	-	1,492
	<u>217,732</u>	<u>232,622</u>
14 Cash and bank balances		
Cash at hand	983	2,438
Cash in bank	<u>3,132,591</u>	<u>4,192,117</u>
Cash and cash equivalents at end of the year	<u>3,133,574</u>	<u>4,194,555</u>

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position (as shown above). The carrying amount of these assets is approximately equal to their Fair Value.

	31-Dec-17 N'000	31-Dec-16 N'000
14.1 Other Current Asset (DSRA Bank Balance)	<u>1,055,022</u>	<u>-</u>

Other current asset represent Debt Service Reserve Account (DSRA) with a balance of N1.06 billion (2016: N500 million) in a commercial bank held as guarantee against the administration energy market repayment shortfalls.

15 Loans and borrowings	31-Dec-17 N'000	31-Dec-16 N'000
CBN-NEMSF Intervention fund		
CBN-NEMSF	<u>6,301,078</u>	<u>5,750,236</u>
Analyzed into:		
Non-current	5,750,236	5,263,340
Current	<u>550,842</u>	<u>486,896</u>
	<u>6,301,078</u>	<u>5,750,236</u>

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 entire fund disbursed during the year by CBN on behalf of Ikeja Electric Plc, was directly to generation companies and gas suppliers, to settle electricity market debt.

NOTES TO THE FINANCIAL STATEMENTS

15 Loans and borrowings (cont'd)

The balance of ₦6.3 billion stated above represents the net balance of loan and borrowing after deducting the principal and interest repayment in line with the repayment arrangement.

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 10% per annum."

Movement in loans and borrowings	31-Dec-17 ₦'000	31-Dec-16 ₦'000
At 1 January	5,750,236	-
Amount disbursed during the year by CBN	1,062,641	5,993,084
Interest on outstanding balance	574,128	285,246
Repayment by Ikeja Electric Plc	(1,085,927)	(528,094)
At 31 December	6,301,078	5,750,236
16 Trade and other payables		
Trade and other payables comprise:		
Direct Trade Creditors (Energy Market)	109,270,423	71,201,443
Amount due to related parties (Energy Market - Note 16.1)	11,987,128	5,465,172
Other payables and accrued expenses	38,779,737	19,495,527
Deferred revenue - Collections from prepaid customers	382,864	239,400
Amount due to other related parties (Note 16.1)	10,595,974	6,141,641
	171,016,126	102,543,183

16.1 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.

Total cost incurred during the year with respect to reimbursement of administrative support services rendered by Sahara Group Limited was ₦11.62 million (2016: ₦3.57 million). No amount was due to Sahara Group Limited as at year end. (2016: ₦20 million)."

(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 ₦733.6 million (2016: ₦697.24 million). No amount was due to Sahara Group Limited as at year end. (2016: ₦7.9 million).

NOTES TO THE FINANCIAL STATEMENTS

16.1 Related parties disclosures

(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: Information management, information technology infrastructure, supply, installation and commissioning for AMI meters and ancillary parts, provision of advance metering infrastructure platform and billing/CRM infrastructure.

Total cost incurred during the year with respect to services rendered by Wade Multi Trading Limited during the year was ₦4.14 billion (2016: ₦2.37 billion). Amount due to Wade Multi Trading Limited as at year end was ₦10.38 billion (2016: ₦5.97 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 ₦13.36 billion (2016: ₦9.29 billion). The amount due to Comercio Electricity Exchange Limited for services rendered at year end is ₦11.99 billion (2016: ₦5.47 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 ₦18.03 million (2016: ₦23.5 million). The amount due to Centrum Properties Limited for services rendered at year end is ₦1.32 million (2016: ₦3.08 million).

(f) Rak Unity Petroleum Plc

The Company is related to Rak Unity Petroleum Plc through common shareholding. Rak Unity Petroleum Plc is responsible for the supply of petroleum products to the Company.

Total cost incurred during the year with respect to petroleum products supplied by Rak Unity Petroleum Plc during the year was ₦18.03 million (2016: ₦23.5 million). The amount due to Rak Unity Petroleum Plc for the products supplied at year end is ₦1.78 million (2016: ₦3.74 million).

(g) Korean Electricity Power Corporation

Korean Electricity Power Corporation is an indirect shareholder through New Electricity Distribution Company, the holder of 60% of the Company. KEPCO provides operational support 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 ₦550.5 million (2016: ₦747.2 million). The amount due to Korean Electricity Power Corporation at the end of the year was ₦216 million (2016: ₦122.1 million).

NOTES TO THE FINANCIAL STATEMENTS

16.1 Related parties disclosures

(g) Korean Electricity Power Corporation (cont'd)

	31-Dec-17	31-Dec-16
Amounts due to related companies	₦'000	₦'000
Comercio Electricity Exchange Limited - Energy Market	11,987,128	5,465,172
Korean Electricity Power Corporation	215,999	122,088
Centrum Properties Limited	1,317	3,081
Sahara Group Limited	-	20,000
Sahara Power Group Limited	-	7,859
Rak Unity Petroleum Plc	1,780	3,740
Wade Multi Trading Company	10,376,878	5,984,873
	<u>22,583,102</u>	<u>11,606,813</u>

(h) Transactions with key management personnel

Loans to key management personnel

During the year ended 31 December, 2017, loans issued to key management personnel was Nil (2016: Nil) and the balance outstanding was Nil (2016: Nil).

Key management personnel compensation

Other than salaries, there were no transactions between key management personnel and the Company.

17 Capital risk 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 capital structure of the Company consists of cash and cash equivalents as disclosed in Note 18, debts as shown in Note 18 and the reserves in the statement of changes in equity.

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

Gearing ratio

	31-Dec-17	31-Dec-16
The gearing ratio is as follows:	₦'000	₦'000
Debt	6,301,078	5,750,236
Less: Cash and cash equivalents	<u>(3,133,574)</u>	<u>(4,194,555)</u>
Net debt	<u>3,167,504</u>	<u>1,555,681</u>
Equity	<u>(37,503,411)</u>	<u>38,977,825</u>
Net debt to equity ratio	<u>(0.084)</u>	<u>0.040</u>

Debt is defined as all forms of borrowing excluding derivatives and financial guarantee contracts.

Equity comprises capital of the Company that is managed as capital.

NOTES TO THE FINANCIAL STATEMENTS

18 Financial instruments

18.1 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

18.2 Categories of financial instruments

The following table summarizes the Company's financial instruments:

	31-Dec-17	31-Dec-16
	₦'000	₦'000
18.2.1 Financial assets (Loans and receivables)		
Cash and cash equivalents	3,133,574	4,194,555
Trade and other receivables	10,706,932	9,187,291
	<u>13,840,506</u>	<u>13,381,846</u>
18.2.2 Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	<u>156,968,198</u>	<u>93,033,500</u>

18.2.3 Fair value of financial instruments

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

18.3 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:

18.4 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 transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters. The Company's exposure to the risk of changes in foreign exchange rates is determined not to be material.

The impact of a 1% change in the Nigerian Naira to US dollar exchange rate was material in 2016.

NOTES TO THE FINANCIAL STATEMENTS

18.5 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 analyzed 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-17	31-Dec-16
	₦'000	₦'000
Cash and cash equivalents	3,132,591	4,192,117
Trade and other receivables	10,706,932	9,187,291
	<u>13,839,523</u>	<u>13,379,408</u>

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.

18.6 Liquidity risk management

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. On this basis, the company's forecasts, taking into account reasonably possible changes as described above and further in the going concern section of the financial statements, shows that the company will be able to operate within its current debt facilities and has sufficient financial headroom based on interventions by the Federal Government as well as a non-immediate demand for payment from the Market operators.

The Company's cash reserves are held in Nigeria. All of the Company's cash and cash equivalents are currently held within reputable and well known commercial institution.

NOTES TO THE FINANCIAL STATEMENTS

18.6 Liquidity risk management (cont'd)

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.

	31-Dec-17	31-Dec-16
	N'000	N'000
30 days	32,773,809	17,446,776
60 days	3,474,695	9,665,436
90 days	3,842,474	4,055,422
> 90 days	116,877,220	61,865,866
	<u>156,968,198</u>	<u>93,033,500</u>

18.7 Energy market risk

The company is exposed to market risk associated with fluctuations in the market price of electricity within the framework of the Multi Year Tariff Order (MYTO) and confirmation by the market operator and volumetric loss risk of power distributed caused by unplanned changes in the load, volume of power received from generating companies, capacity of distribution assets and demand by customers. The risk management policies are implemented at the business level with the oversight of the Company's board, technical partner, and management teams.

18.8 Treasury risk

Treasury risk is comprised of liquidity and market risk. The company's cash management and short-term financing activity.

(i) Treasury liquidity risk

Liquidity risk, the risk that the company will have insufficient funds to meet its financial liabilities. This is mitigated through active assessment of funding requirements by the finance operation team and decision by the board. The Company adopts a mix of funding arrangements to limit its exposures but enhance operations through loans and related parties, financial institutions and when required long term debt to finance core expansion projects.

(ii) Treasury market risk

Market risk is the risk that results from changes in market rates such as foreign exchange rate, interest rates and equity prices will affect the Company's income or the value of its holding of financial instruments. The Company is exposed to foreign currency fluctuation primarily between the Naira and US Dollar due to continuing devaluation weakening of the Naira which is the functional currency. Exchange risk exposures are mitigated where possible through local purchases or denomination of capital expenses in Naira where feasible.

(iii) Interest Rate Risk

The Company's interest rate exposures is subject to the commercial fluctuations in the financial market in which the loan is being sourced. Exposures are limited by funding foreign currency purchases with foreign currency loans and local purchases with local finance. Also, the Company adequately and routinely assesses its working capital and excess funds are utilised for other long term funding obligations.

IKEJA ELECTRIC PLC
Financial statements

For the year ended 31 December 2017

NOTES TO THE FINANCIAL STATEMENTS
19 Share capital
31-Dec-17
N'000
31-Dec-16
N'000
Authorised

100,000,000 ordinary shares of N1.00k each (2016:
100,000,000 ordinary shares of N1.00k each).

100,000
10,000
Issued and fully paid

25,000,000 ordinary shares of N1.00k each

25,000
25,000
Shareholders

New Electricity Distribution Company Ltd - NEDC
Bureau of Public Enterprises - BPE
Ministry of Finance Incorporated

Unit
15,000,000
8,000,000
2,000,000

Unit
15,000,000
8,000,000
2,000,000

25,000,000
25,000,000
Percentage (%) Distribution

New Electricity Distribution Company Ltd - NEDC
Bureau of Public Enterprises - BPE
Ministry of Finance Incorporated

%
60
32
8

%
60
32
8

100
100
20 Loss per share
31-Dec-17
N'000
31-Dec-16
N'000
Loss per share

Loss for the purpose of basic earnings per share is based on
net profit or loss attributable to equity holders of the
Company.

(76,481,236)
(65,636,304)
Number of shares

Number of ordinary shares for the purpose of basic
(loss)/earnings per share

31-Dec-17
Number
31-Dec-16
Number
25,000,000
25,000,000
31-Dec-17
N'000
31-Dec-16
N'000

Loss per share - Basic

(3,059.25)
(2,625.45)
21 Information regarding directors and employees
21.1 Directors

Directors' emoluments (provided for) comprise:
Fees
Expenses

31-Dec-17
N'000
31-Dec-16
N'000

34,490

36,320

33,372

23,657

67,862
59,977

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

31-Dec-17
Number
31-Dec-16
Number

Up to NGN 150,000

7
7

The Directors have no interests in contracts executed by the Company during the year ended 31 December
2017

NOTES TO THE FINANCIAL STATEMENTS

21.2 Employees

Total number of employees as at year-end:	31-Dec-17	31-Dec-16
	Number	Number
Management	20	20
Senior	1,253	1,451
Junior	1,498	1,188
	2,771	2,659
Aggregate staff costs:	31-Dec-17	31-Dec-16
	₦'000	₦'000
Salaries and wages	6,268,494	5,966,546
Pension contributions	378,095	367,982
Medical expenses	257,063	322,538
Other staff costs	822,126	399,047
	7,725,778	7,056,113

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

	31-Dec-17	31-Dec-16
	Number	Number
N500,000-N1,000,000	881	875
N1,000,000 - N1,500,000	261	267
N1,500,001 - N2,000,000	526	394
N2,000,001 - N2,500,000	214	228
N2,500,001 and above	889	895
	2,771	2,659

22 Contingent liabilities

The Company has contingent liabilities in respect of pending litigation and claims separately and jointly amounting to N20.7 billion as at the date of approval of these financial statements in the normal course of business and contingent assets in respect of suit it instituted of N500 million. 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.

23 Financial commitments

There was no capital commitments contracted by the Company or approved by the Board which had not been provided for as at the reporting date (2016: Nil)

24 Non-audit services provided by Deloitte

During the year, Deloitte also provided whistle blowing platform management services to the Company amounting to N1.58 million (2016: Nil)

25 Subsequent Events

"There were no other significant events after the reporting date that could have a material effect on the state of affairs of the Company as at 31 December 2017, or on the net results for the year which have not been adequately provided for or disclosed in these financial statements.

IKEJA ELECTRIC PLC
Financial statements
For the year ended 31 December 2017
STATEMENT OF VALUE ADDED

	31-Dec-17		31-Dec-16	
	₦'000	%	₦'000	%
Revenue	68,568,676		64,497,695	
Bought in materials and services				
- Imported				
- Local	(106,674,055)		(108,297,188)	
Value consumed	(38,105,380)	100	(43,799,493)	100
Distributed as follows:				
To Government				
Taxation	85,773	-	276,820	(1)
To Employees				
Salaries, wages and allowances	7,725,778	(20)	7,056,113	(16)
To Providers of Finance				
Finance cost	16,758,000	(44)	5,357,239	(12)
Maintenance of assets and future expansion				
For replacement of assets	13,806,305	(36)	9,146,639	(21)
Loss for the year	(76,481,236)	200	(65,636,304)	150
Value consumed	(38,105,380)	100	(43,799,493)	100

Value consumed 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**For the year ended 31 December 2017***FIVE YEAR FINANCIAL SUMMARY**

	31 Dec 2017 N'000	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2014 N'000	31 Dec 2013 N'000
Statement of financial position					
Assets					
Property, plant and equipment	125,213,553	134,757,675	83,212,906	90,826,220	63,788,661
Intangible assets	12,929	14,168	19,097	-	-
Deferred tax asset	35,568,703	35,568,703	10,632,031	10,632,031	-
Current assets	15,345,958	13,851,381	15,074,415	8,521,518	5,067,215
	<u>176,141,143</u>	<u>184,191,927</u>	<u>108,938,449</u>	<u>109,979,769</u>	<u>68,855,876</u>
Capital and Liabilities					
Non-current liabilities	41,318,939	40,832,043	10,632,031	10,632,031	-
Current liabilities	172,325,615	104,382,059	51,892,851	24,322,999	6,529,502
Share capital	25,000	25,000	10,000	5,000	5,000
Revaluation reserves	82,993,635	82,993,635	24,808,073	24,808,073	-
Accumulated reserves/(deficits)	(251,914,896)	(175,433,660)	(109,797,356)	(81,181,184)	(69,071,476)
Other reserves	131,392,850	131,392,850	131,392,850	131,392,850	131,392,850
Total equity and Liabilities	<u>176,141,143</u>	<u>184,191,927</u>	<u>108,938,449</u>	<u>109,979,769</u>	<u>68,855,876</u>
Statement of profit or loss and other comprehensive income					
Revenue	68,568,676	64,497,695	62,636,720	54,436,806	50,685,937
Loss before taxation	(76,395,463)	(90,296,156)	(28,310,747)	(22,297,174)	(6,527,212)
Taxation	(85,773)	24,659,852	(305,425)	10,187,466	(325,170)
Loss for the year	(76,481,236)	(65,636,304)	(28,616,172)	(12,109,708)	(6,852,382)
Other comprehensive income	-	58,185,562	-	24,808,073	21,862,388
Total comprehensive loss	<u>(76,481,236)</u>	<u>(7,450,742)</u>	<u>(28,616,172)</u>	<u>12,698,365</u>	<u>15,010,006</u>
Loss per share - Basic (Naira)	(3,059.25)	(2,625.45)	(2,861.62)	(1,210.97)	(685.24)
Net (liabilities)/assets per share	(1,500.14)	1,559.11	4,641.36	7,502.47	6,232.64

Notes

Loss per share is based on the 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