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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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CORPORATE INFORMATION

		Designation
Directors	Mr. Kola Adesina	Chairman
	Mr. Temitope Shonubi	Director
	Mr. Adedeji Odunsi	Director
	Mr. Alex Okoh	Director
	Mr. Aigbe Olotu	Director
	Mr. James Ogungbemi	Director
	Mr. Park SW (Korean)	Director
Registered Office	Ikeja Electric Plc 178 Obafemi Awolowo Way Alausa, Ikeja Lagos State, Nigeria	
Registration Number	RC 638695	
Company Secretary	Ejiro Gray 178 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	Udo Udoma & Belo-Osagie 10th/13th Floor St. Nicholas House CMS, Lagos Island, Lagos Law Guild Legal Practitioners & Arbitrator Investment House, 8th Floor, Broad Street, Lagos. 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 2018

Financial highlights

Results	31 Dec 2018	31 Dec 2017	Change
	₦'000	₦'000	%
Revenue	89,200,967	68,568,676	▲ 30%
Operating Loss	(66,561,558)	(59,649,841)	▼ (12%)
Loss for the year	(90,150,144)	(76,481,236)	▼ (18%)
Total Comprehensive Loss	(90,150,144)	(76,481,236)	▼ (18%)
Total Equity	(135,811,625)	(37,503,411)	▼ (262%)
Data per ₦1.00k shares			
Loss per share - Basic (Naira)	(3,606)	(3,059)	▼ (18%)
Net (liabilities) per share	(5,432)	(1,500)	▼ (262%)

REPORT OF THE DIRECTORS

The Directors are pleased to present to members, their report and the audited Financial Statements of Ikeja Electric Plc ("the Company") for the year ended 31 December 2018 with the independent audit opinion.

Legal form and principal activity

Ikeja Electric Plc ("the Company"), was incorporated on November 8, 2005 as a Limited Company to take over as a going concern, the electricity distribution activities and related business of the Power Holding Company of Nigeria ("PHCN") within the franchise area of its network which comprised of six (6) business units namely Ikeja, Oshodi, Shomolu, Ikorodu, Akowonjo and Abule-Egba business units respectively.

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

Operating results

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

	31 Dec 2018 N'000	31 Dec 2017 N'000
Revenue	89,200,967	68,568,676
Loss before taxation	(90,038,581)	(76,395,463)
Taxation	(111,563)	(85,773)
Loss for the year	(90,150,144)	(76,481,236)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(90,150,144)</u>	<u>(76,481,236)</u>

Dividend

The Directors did not recommend any dividend payment for the financial year ended 31 December, 2018.

Property, plant and equipment

Information relating to changes in property, plant and equipment is disclosed in Note 11 to the financial statements.

Directors' interest in contracts

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

Board matters

There was a change in Directors as Mr. Tonye Cole resigned from the Board in August 2018 and Mr. Aigbe Olotu was appointed in September 2018. Also Mr. Ignatius Ayewoh was appointed as an alternative Director to Mr. Alex Okoh, the vice Chairman. Finally, in December 2018, Mr. Tope Shonubi stepped aside after 5 years of providing leadership and direction to the Board and Mr. Kola Adesina became the Chairman of the Board.

REPORT OF THE DIRECTORS (CONT'D)

Directors and their interests

For the purpose of section 275 of the Companies and Allied Matters Act (CAMA), CAP C20, LFN 2004, the Directors have no direct interest in the shares of the Company. However, the following Director is representing the interest of Bureau of Public Enterprises (BPE) on the Board:

Number of ordinary shares held

Director	Direct Holding 31 Dec. 2018	Indirect Holding Through Bureau of Public Enterprise (BPE) 31 Dec. 2018	Direct Holding 31 Dec. 2017	Indirect Holding Through Bureau of Public Enterprise (BPE) 31 Dec. 2017
Mr. Alex Okoh	Nil	8,000,000	Nil	8,000,000

Shareholding structure

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

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

Directors

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

	Designation
Mr. Kola Adesina	Chairman
Mr. Temitope Shonubi	Director
Mr. Adediji Odunsi	Director
Mr. Tonye Cole (Resigned on 30th August 2018)	Director
Mr. Alex Okoh	Director
Mr. Aigbe Olotu (Appointed in 17th September 2018)	Director
Mr. James Ogungbemi	Director
Mr. Park SW (Appointed June 2018)	Director

Corporate governance

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

Audit, Risk & Governance Committee, chaired by Mr. Temitope Shonubi;
Finance, Investment & General Purpose Committee, chaired by Mr. Alex Okoh
Technical and Operations Committee, chaired by Mr. Kola Adesina

REPORT OF THE DIRECTORS (CONT'D)**Corporate governance (cont'd)**

Since the inaugural board meeting of the Company under the new dispensation in November 2013, the board has held several meetings. In the year under review, the company held four number of meetings and there was a minimum attendance of 85 percent of the Board at each meeting.

Directors' attendance at board meetings

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

NAME	NUMBER OF MEETINGS ATTENDED
Mr. Temitope Shonubi	4/4
Mr. Kola Adesina	3/4
Mr. Adediji Odunsi	3/4
Mr. James Ogungbemi	4/4
Mr. Tonye Cole (Resigned on 30th August 2018)	1/2
Mr. Alex Okoh (Represented by Mr. Ignatius Ayewoh)	4/4
Mr. Sang-Woo Park (Appointed June 2018)	1/3
Mr. Algbé Olotu (Appointed 17th September 2018)	2/2

Board meetings were held on 16th February, 25th June, 17th September and 3rd December 2018.

Board committees

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

Audit, risk & governance committee

The Audit, Risk & Governance Committee met twice during the year under review for meetings. The meetings were held on 10th May 2018 and 2nd November 2018.

NAME	NUMBER OF MEETINGS ATTENDED
Mr. Adediji Odunsi	2/2
Mr. Tonye Cole (Resigned on 30th August 2018)	1/1
Mr. Alex Okoh	1/2

Finance, investment & general purpose committee

The Finance, Investment & General Purpose Committee met once during the year under review for meetings. The meeting was held on 8th February 2018.

NAME	NUMBER OF MEETINGS ATTENDED
Mr. Kola Adesina	1/1
Mr. Temitope Shonubi	0/1
Mr. Adediji Odunsi	0/1
Mr. Tonye Cole (Resigned on 30th August 2018)	1/1

Technical and operations committee

The Technical and Operations Committee met only once during the year under review for meetings. The meeting was held on 14th June 2018.

NAME	NUMBER OF MEETINGS ATTENDED
Mr. Kola Adesina	1/1
Mr. Adediji Odunsi	1/1
Engr. Ogungbemi	1/1
Mr. Sang-Woo Park	0/1

REPORT OF THE DIRECTORS (CONT'D)**Employment of physically challenged persons**

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

The Company had two (2) physically challenged people in its employment as at 31 December 2018 (2017: two (2)).

Health, Safety & Environment (HSE)

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

In 2018, the Company introduced Target Zero – Go Home Safely strategy companywide. In addition, innovative incident prevention strategies like Safety Sweep and Go Green Initiatives were also implemented. The Company also leveraged on our technological strength to introduce the i-Safe mobile "App" which enables real time reporting of unsafe network conditions and subsequent prompt resolution.

Our belief in the area of human capacity development, led to implementation of i-Empower, a Masterclass QHSE Academy developed to empower passionate and dedicated staff who are interested in playing Safety Ambassadorial supports for Ikeja Electric where graduates were awarded QHSE competence certificates endorsed by Lagos State Safety Commission, World Safety Organization (WSO – Nigeria) and Institution of Occupational Safety and Health (IOSH – Nigeria Informal Network).

Finally, Ikeja Electric transited from its Quality Management Systems from ISO 9001:2008 to the latest standard, ISO 9001:2015 and commenced the implementation of ISO 14001:2015 and ISO 45001:2018 as Integrated Management System in line with Good International Industry practices (GIIP).

Employees' involvement and training

Ikeja Electric Plc places considerable value on the involvement of its employees in major policy matters and keeps them informed on matters affecting them as employees and on various factors affecting the performance of the company.

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

Personal & corporate social responsibilities

The Company continued its initiatives in Personal and Corporate Social Responsibilities into year 2018 and engaged in several activities amongst others including:

Youth Empowerment Project – where catering and food service vocational trainings were provided to 40 youths across our operational communities. The project was designed to empower youths with entrepreneurial skill and create platforms for them to achieve their desired aspirations.

REPORT OF THE DIRECTORS

Personal & corporate social responsibilities (cont'd)

World Malaria Day – The Company donated over 3,000 mosquito nets to women, children and the elderly across its network, to increase awareness on how to tackle the tropical disease that is easily the biggest killer in Nigeria and many African countries.

Commemoration Children's Day 2018 – The Company distributed educational materials and items such bags, note books, pens and also providing them with safety tips against electrical hazards to pupils of G.R.A. Nursery and Primary School, Ogudu, Lagos State.

International Charity Day 2018 – The Company donated essential items including clothes and food to the Lagos State Rehabilitation and Training Centre, Ikorodu, to commemorate this year's International Day of Charity and further corroborate our commitment to giving back to the society.

Free Medical Outreach – The Company, organized another medical outreach in Partnership with XT Monitor and a US-based medical mission group to educate and enlighten communities within the its network. The scope of the outreach was primary health care which involved maternal and child health, prevention and management of non-communicable diseases with special attention to Diabetes and Hypertension. Other cases of non-emergent conditions were also covered too.

Finally, the Company, through its Employee Voluntary Scheme (EVS), also embarked on a market clean-up exercise in one of its host communities (Alade Market, Shomolu) to sweep the market, unclog drainages and remove dumped refuse along the street among other activities.

The amount invested in PCSR activities (including donations) in year 2018 is over ₦17.1 million (2017: ₦19.3 million).

In accordance with section 38(2) of the Companies and Allied Matters Act of Nigeria, Cap C20, Laws of the Federation of Nigeria, 2004, the company did not make any donations or gifts to any political party, political association or for any political purpose in the course of the year (2017: Nil).

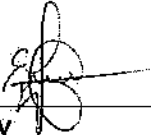
Acquisition of own shares

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

Auditors

In accordance with section 355 (2) of the Company's and Allied Matters act (CAMA), Cap C20, LFN 2004, the Independent Auditors, Deloitte & Touche, have indicated their willingness to continue in office as Auditors of the Company. A resolution will be proposed at the Annual General Meeting (AGM) to authorise the Directors to determine their remuneration.

BY ORDER OF THE BOARD


Ejiro Gray
Company Secretary/Legal Adviser
FRC/2014/NBA/00000005929

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 2018, and the results of its operations, cash flows and changes in equity for the year ended 31 December 2018, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

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

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

The Directors are responsible for:

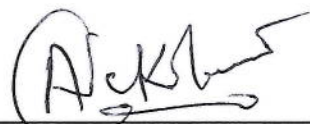
- designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of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

Going concern:

The Directors of Ikeja Electric Plc, having evaluated the considerations as disclosed in Note 1.2, believe that the use of the going concern is appropriate for the preparation of the 2018 financial statements. The Directors are positive that the Company will achieve adequate resources to continue its operations into the foreseeable future with proposed reforms in the sector.

The financial statements of the Company for the year ended 31 December 2018 were approved by the Board on 9 July, 2019

On behalf of the Directors of the Company


Temitope Shonubi
Director
FRC/2018/IODN/00000018969
Kola Adesina
Chairman
FRC/2016/CIIN/00000014687

REPORT OF THE AUDIT, RISK & GOVERNANCE COMMITTEE**To the members of Ikeja Electric Plc**

In compliance with section 359(6) of the Companies and Allied Matters Act (CAMA), Cap C20 LFN 2004 (as amended), we the members of the Audit, Risk & Governance Committee of Ikeja Electric Plc, have reviewed the Audited Report for the year ended 31 December, 2018 and hereby declare as follows:

1. The scope and planning of the audit for year ended 31 December, 2018 were adequate in our opinion;
2. The accounting and financial reporting policies of the Company conformed to legal requirements and agreed ethical practices;
3. The Internal Control and Internal Audit were operated effectively through robust internal control framework;
4. The External Auditor's findings as stated in the management letter received satisfactory response from executive management;
5. The External Auditors confirmed receiving full co-operation from the Company's management and that their scope of work was not restricted in any way.

Dated:.....9 July....., 2019

Mr. Temitope Shonubi
Chairman, Audit, Risk & Governance Committee
FRC/2018/IODN/00000018969

MEMBERS OF THE COMMITTEE

Mr. Temitope Shonubi	- Chairman
Mr. Adedeji Odunsi	- Member
Mr. Alex Okoh	- Member
Mr. Park SW (Appointed 25th June, 2018)	- Member
Mr. Tonye Cole (Resigned 30th August, 2018)	

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 2018, 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 2018 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 N246.80billion (2017: N158.03billion), operating loss of N90.2 billion (2017: N76.5 billion) and as at date, the Company's accumulated deficits amount to N350.2billion (2017: N251.91 billion). Additionally, the Company's inability to fully settle the NESI (Nigeria Electricity Supply Industry) market obligations and other related entities.

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 the Nigeria Electricity Regulatory Commission.

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 Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current year. The matter was 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 the matter. In addition to the matter described in the Material Uncertainty Related to Going Concern section above, we have determined the matter described below to be the key audit matter to be communicated in our report on the financial statements.

Key Audit Matter	How the matter was addressed in the audit
Trade Receivables Impairment Using the Expected Credit Loss Model (First time adoption of IFRS 9)	
<p>Ikeja Electric Plc implemented IFRS 9 "Financial Instruments" for the first time on 1 January 2018. IFRS 9 requires the company to recognise impairment using the Expected Credit Loss (ECL) model. This is disclosed in Note 12 of the financial statements.</p> <p>Using the simplified approach of the expected credit loss model, the Company analysed historical data by risk groups which includes Non-Maximum Demand (NMD), Maximum Demand (MD) customers and Ministries Departments and Agencies (MDAs) and data was obtained for 2017 and 2018 to determine the historical loss rate respectively.</p>	<p>In addressing this matter, we adopted a substantive approach to the audit of impairment of trade receivables. The procedures adopted involved:</p> <ol style="list-style-type: none"> 1. Updating our understanding of the procedures put in place by the management to identify impaired trade receivables. 2. Reviewing and challenging the judgments and decisions made by management in estimating the expected credit loss to identify whether indicators of possible management bias exist. Also checking to ensure that the criteria for the application of the simplified impairment approach had clearly been made by the entity. 3. In conjunction with our specialist, we did re-computation to test the application of the model, by developing an independent model (a model for which we understand and have assessed its mathematical integrity) to estimate the expected credit loss using management's data. In developing our model, we performed the following procedures: <ul style="list-style-type: none"> • Determining the appropriate groupings of receivables based on the shared credit risk characteristics and determined the period over which observed historical loss rates were appropriate. • Determining the historical loss rates for the receivables, which was divided into past-due categories by identifying the total credit sales made and the total credit losses suffered on those sales. • Considering forward looking macro-economic factors and adjusting the historical loss rates to reflect relevant future economic conditions. • Calculating the expected credit losses by multiplying the current gross receivable balance by the loss rate. • Comparing our results with Management's estimate in order to assess whether there was any indication of error or management bias 4. Performing a comparison of the effect and impact of IAS 39 with the new IFRS 9 on the day 1 adjustments in order to assess the impact in the retained earnings based on the retrospective application of the standard as required by IFRS 9. <p>Based on the procedures performed we considered the method and assumptions made by management reasonable.</p>

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report and Audit Committee's Report, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with 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 matter communicated with the audit committee and/or the Directors, we determine the matter that was of most significance in the audit of the financial statements of the current year and is therefore the key audit matter. We describe the matter 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 and Touche
Chartered Accountants
Lagos, Nigeria
9 July 2019



IKEJA ELECTRIC PLC
Financial statements
For the year ended 31 December 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME


	Notes	31 Dec 2018 N'000	31 Dec 2017 N'000
Revenue	5	89,200,967	68,568,676
Operating costs:	6	(117,915,482)	(94,532,391)
Gross loss		(28,714,515)	(25,963,715)
Other income	8	910,131	681,210
Distribution and Administrative costs	7	(38,757,174)	(34,367,336)
Result from operating activities		(66,561,558)	(59,649,841)
Finance income	9(a)	60,202	12,378
Finance costs	9(b)	(23,537,225)	(16,758,000)
Net finance cost		(23,477,023)	(16,745,622)
Loss before taxation	9b	(90,038,581)	(76,395,463)
Taxation	10	(111,563)	(85,773)
Loss for the year		(90,150,144)	(76,481,236)
Other comprehensive income			
Total comprehensive loss for the year		(90,150,144)	(76,481,236)
Loss per share - Basic & diluted - Naira	20	(3,606)	(3,059)

The explanatory notes on pages 9 to 46 form an integral part of the financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Notes	31 Dec 2018 N'000	31 Dec 2017 N'000
ASSETS			
Non-current assets			
Property, plant and equipment	11(a)	115,557,261	125,213,553
Intangible asset	11(b)	45,243	12,929
Deferred tax asset	10	35,568,703	35,568,703
Other Deposit (DSRA)	14.1	1,686,757	1,055,022
Total non-current assets		152,857,964	161,850,207
Current assets			
Inventories	13	323,966	217,732
Trade and other receivables	12	8,054,361	10,706,932
Cash and bank balances	14	6,741,267	3,133,574
Prepaid expenses		355,602	232,698
Total current assets		15,475,196	14,290,936
TOTAL ASSETS		168,333,160	176,141,143
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	25,000	25,000
Revaluation reserve		82,993,635	82,993,635
Accumulated deficits		(350,223,110)	(251,914,896)
Other reserve		131,392,850	131,392,850
Total Equity		(135,811,625)	(37,503,411)
Non-current liabilities			
Loans and borrowings	15	6,301,078	5,750,236
Deferred tax liabilities	10	35,568,703	35,568,703
Total non-current liabilities		41,869,781	41,318,939
Current liabilities			
Trade and other payables	16	260,110,219	171,016,126
Loans and borrowings	15	1,685,517	550,842
Current tax liabilities	10.3	479,268	758,647
Total current liabilities		262,275,004	172,325,615
TOTAL LIABILITIES		304,144,785	213,644,554
TOTAL EQUITY AND LIABILITIES		168,333,160	176,141,143

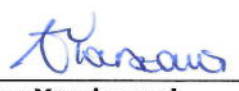
The financial statements were approved by the Board of Directors of the Company on 9 July, 2019.
They were signed on its behalf by:


Adedeji Odunsi
Director
FRC/2014/ICAN/00000005046


Kola Adesina
Chairman
FRC/2016/CIIN/00000014687

Additionally certified by:


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


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

The explanatory notes on pages 9 to 46 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

	Share Capital #'000	Accumulated Deficit #'000	PPE Revaluation Reserves #'000	Other Reserves #'000	Total Equity #'000
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)
Balance as at 1st January 2018	25,000	(251,914,896)	82,993,635	131,392,850	(37,503,411)
Impact of adopting IFRS 9 (Financial Instruments) at transition date	-	(8,158,070)	-	-	(8,158,070)
Balance as at 1st January 2018 (revised)	25,000	(260,072,966)	82,993,635	131,392,850	(45,661,481)
Loss for the year - 2018	-	(90,150,144)	-	-	(90,150,144)
Balance as at 31 December 2018	25,000	(350,223,110)	82,993,635	131,392,850	(135,811,625)

The explanatory notes on pages 9 to 46 form an integral part of the financial statements.

IKEJA ELECTRIC PLC*Financial statements**For the year ended 31 December 2018***STATEMENT OF CASH FLOWS**

Cash flow from operating activities	Notes	31 Dec 2018 N'000	31 Dec 2017 N'000
Loss for the year		(90,150,144)	(76,481,236)
Adjustments for:			
Depreciation on distribution assets	11(a)	13,701,542	13,458,479
Depreciation on non-distribution assets	11(a)	371,802	332,670
Amortisation of intangible assets	11(b)	15,722	15,156
Customer - granted assets	11(a)	(368,184)	(343,314)
Allowance for doubtful debts	12.1	10,851,282	13,025,015
Finance income	9(a)	(60,202)	(12,378)
Finance costs	9(b)	23,537,225	16,758,000
Minimum tax	10	111,563	85,773
		48,160,750	43,319,401
Movements in working capital			
Increase in trade and other receivables		(16,356,781)	(14,544,654)
(Increase)/Decrease in inventory		(106,234)	14,890
(Increase)/Decrease in prepaid assets		(122,904)	4,214
Increase in trade and other payables		89,094,093	68,472,942
Total movements in working capital		72,508,174	53,947,392
Total adjustments and movements		120,668,924	97,266,793
Income tax paid	10.3	(390,942)	(679,106)
Net cash generated from operating activities		30,127,838	20,106,451
Cash flow from investing activities			
Additions to property, plant and equipment	11(a)	(4,048,868)	(3,903,713)
Additions to intangible assets	11(b)	(48,036)	(13,917)
Interest received	9(a)	60,202	12,378
Net cash used in investing activities		(4,036,702)	(3,905,252)
Cash flow from financing activities			
Loans and borrowings disbursement during the year	15	2,514,908	1,062,641
Principal and interest payment	15	(1,592,916)	(1,085,927)
Interest	15	763,525	574,128
		1,685,517	550,842
Other Deposit (DSRA)		(631,735)	(1,055,022)
Finance cost	9(b)	(23,537,225)	(16,758,000)
Net cash from financing activities		(22,483,443)	(17,262,180)
Net increase/(decrease) in cash and cash equivalents		3,607,693	(1,060,981)
Cash and cash equivalents at 1 January		3,133,574	4,194,555
Cash and cash equivalents at 31 December	14	6,741,267	3,133,574

The explanatory notes on pages 9 to 46 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1.0 The Company

Ikeja Electric Plc ("the Company"), was incorporated on November 8, 2005 as a Limited Liability Company to take over as a going concern, the electricity distribution activities and related business of the Power Holding Company of Nigeria ("PHCN") within the franchise area of its network which comprised of six (6) business units namely Ikeja, Oshodi, Shomolu, Ikorodu, Akowonjo and Abule-Egba business units respectively.

The Company 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) with Korean Electric Power Company (KEPCO) as its technical partner, in 2007 as part of the privatization of the electric power sector. The sale was authorized by the Bureau of Public Enterprises (BPE). Effective from 1 November 2013 (referred to as the handover date), the Federal Government of Nigeria (FGN) handed over the Company and other unbundled assets to their new owners.

1.1 Shareholding structure

The shareholding structure of the Company is as follows:

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

1.2 Going concern consideration

As at the reporting date, the Company's current liabilities exceed current assets by N246.80billion (2017: N158.03billion) and the Company incurred operating loss of N90.15 billion (2017: N76.5 billion). However, the company recorded a positive operating cash flows of N30.13 billion (2017: N20.1 billion). These events or conditions indicate that there could be material uncertainties which exist that may cast significant doubt on the Company 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 the Regulator 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. These inadequacies have not allowed the Company to recover all its costs through price increases despite increases in the cost of power received.

NOTES TO THE FINANCIAL STATEMENTS

1.2 Going concern consideration (cont'd)

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

- The Company will continue to have operational cash flows to carry on its business by continuing with the current practice of ensuring that 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.
- 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:

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 a 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 2018, the disbursement from this intervention facility made on behalf of the Company is ₦2.51 billion (2017: ₦1.06 billion) making a total of ₦9.56 billion 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.

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

5. 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.

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 2018 financial statements. The Company remains committed to its loss reduction strategies, network strengthening and expansion plan. This can also be seen in the amount expended on capex in 2018 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 its network assets and all other related services within its franchise network.

1.4 Financial period, Functional and Presentation currency

These financial statements cover the financial year from 1 January 2018 to 31 December 2018, with comparative figures for the financial year from 1 January 2017 to 31 December 2017.

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

1.5 Composition of IFRS financial statements

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

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

Additional information provided by management includes:

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

1.6 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting standards as issued by the International Accounting Standards Board (IASB) as adopted by the Financial Reporting Council of Nigeria (FRC) and in conformity with the Companies and Allied Matters Act, CAP C 20, LFN 2004 and the Financial Reporting Council Act, 2011.

NOTES TO THE FINANCIAL STATEMENTS**2.0 Adoption of new and revised IFRS standards****2.1 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 is permitted, however, 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 Company is currently assessing the full impact of these IFRSs and IFRIC Interpretations, but none of these pronouncements is expected to result in any material adjustments to the financial statements.

Pronouncement	Nature of change	Required to be implemented for years beginning on or after;
IFRS 16: <i>Leases</i>	IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both Lessees and Lessors. It will supersede the following lease Standard and interpretation upon its effective date: - IAS 17 Leases -IFRIC 4 Determining whether an Arrangement contains a lease -SIC-15 Operating leases- Incentives and -SIC-27 Evaluating the substance of transactions involving the legal form of a lease.	1 January 2019 Early Adoption Permitted. The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.
IFRS 17: <i>Insurance Contracts</i>	The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 <i>Insurance Contracts</i> . The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach. The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.	1 January 2021, with early application permitted. The Directors of the Company do not anticipate that the application of the Standard in the future will have an impact on the Company's financial statements.
Amendments to IFRS 9: <i>Prepayment Features with Negative Compensation</i>	The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.	1 January 2019, with earlier application permitted. The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

Pronouncement	Nature of change	Required to be implemented for years beginning on or after;
Amendments to IAS 28: <i>Long-term Interests in Associates and Joint Ventures</i>	The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).	1 January 2019. The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.
Annual Improvements to IFRS Standards 2015–2017 Cycle: <i>Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs</i>	The <i>Annual Improvements</i> include amendments to four Standards. <i>IAS 12 - Income Taxes:</i> The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. <i>IAS 23 - Borrowing Costs</i> The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. <i>IFRS 3 - Business Combinations</i> The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation. <i>IFRS 11 - Joint Arrangements</i> The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.	1 January 2019 and generally require prospective application. Earlier application is permitted. The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

Pronouncement	Nature of change	Required to be implemented for years beginning on or after;
Amendments to IAS 19 <i>Employee Benefits: Plan Amendment, Curtailment or Settlement</i>	<p>The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.</p> <p>The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended.</p>	<p>1 January 2019, but they can be applied earlier if an entity elects to do so.</p> <p>The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.</p>
IFRIC 23: <i>Uncertainty over Income Tax Treatments</i>	<p>IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:</p> <ul style="list-style-type: none"> • determine whether uncertain tax positions are assessed separately or as a group; and • assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: <ul style="list-style-type: none"> – If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. – If no, the entity should reflect the effect of uncertainty in determining its accounting tax position. 	<p>1 January 2019.</p> <p>The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.</p>

NOTES TO THE FINANCIAL STATEMENTS**2.2 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 effective for an accounting period that begins on or after 1 January 2018.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in accumulated losses.

The effect of adopting IFRS 9 as at 1 January 2018 was, as follows:

	Adjustments	1-Jan-18
Assets		N'000
Trade receivables	(a)	8,158,070
Total asset		8,158,070
Liabilities		
Deferred tax liabilities		2,610,582
Total liability		2,610,582
Total adjustment on equity:		
Accumulated losses	(a)	8,158,070
Other reserve		-
		8,158,070

The nature of these adjustments are described below:

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Company. The Company continued measuring at fair value all financial assets previously held at fair value under IAS 39.

NOTES TO THE FINANCIAL STATEMENTS**2.2 Accounting standards and interpretations issued that became effective during the year (2018) (cont'd)****(b) Impairment**

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

- (1) Debt investments measured subsequently at amortised cost or at FVTOCI;
- (2) Lease receivables;
- (3) Trade receivables and contract assets; and
- (4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Upon adoption of IFRS 9 the Company recognised additional impairment of N8.1billion on the Company's Trade receivables and Debt instruments at fair value through accumulated losses, which resulted in increase in accumulated losses of N8.1billion as at 1 January 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	For impairment under IAS 39 as at 31 December 2017	Remeasurement	ECL under IFRS 9 as at 1 January 2018
	N'000	N'000	N'000
Loans and receivables under IAS 39/Financial assets at amortised cost under IFRS 9 and contract assets	66,738,765	8,158,070	74,896,835

NOTES TO THE FINANCIAL STATEMENTS**2.2 Accounting standards and interpretations issued that became effective during the year (2018) (cont'd)****(c) Classification and measurement of financial liabilities**

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer. Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

(d) General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Company's risk management activities have also been introduced. The Company does not current hedge, since it presently has no complex transaction that exposes it to significant market risk based on its marketing of petroleum products locally.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 January 2018.

The cumulative effect of initially applying IFRS 15 (if any after assessment) is recognised at the date of initial application as an adjustment to the opening balance of accumulated losses. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', nonetheless the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position.

Impact of IFRS 15 - Revenue from Contracts with Customers

The Company has performed a detailed assessment of IFRS 15, consequently, based on the assessment performed by management, IFRS 15 has no impact on the Company's revenue recognition.

NOTES TO THE FINANCIAL STATEMENTS

2.2 Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The Company has adopted the amendments to IFRS 2 for the first time in the current year. The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
 - (a) the original liability is derecognised;
 - (b) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
 - (c) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The Company has performed a detailed assessment of this standard, consequently, based on the assessment performed by management, it has no impact on the Company because it has no share based payment.

3.0 BASIS OF PREPARATION AND MEASUREMENT

Basis of preparation and measurement of the accounts

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), International Financial Reporting Standards Interpretations Committee ("IFRSIC") Interpretations (collectively referred to as IFRS), and in manner required by the Companies and Allied Matters Act. (CAMA) Cap C20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria (FRC) Act, 2011. The Financial Statements were authorised for issue by the Board of Directors.

Details of the Company's accounting policies are included in Note 3.

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 property plant and equipment.

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

NOTES TO THE FINANCIAL STATEMENTS

3.0 BASIS OF PREPARATION (cont'd)

Basis of preparation of the accounts

A. Revenue recognition

The Company is in the business of distribution of electricity. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Therefore, revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured. Revenue is measured at fair value of the consideration received/receivable, excluding Value Added Tax (VAT). Revenue from the sale of electricity to post-paid and prepaid customers is the value of the volume of energy units supplied 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 contract liability. The Company does not recognise an asset or liability, as the case may be, on account of under recovery or over recovery except where it is obligated to provide future services at a loss in which case a provision is recognized.

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 was derecognized.

3. Donated Assets

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

NOTES TO THE FINANCIAL STATEMENTS**3.0 BASIS OF PREPARATION****Basis of preparation of the accounts****B. Property, plant and equipment (cont'd)****3. 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	10 to 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.

D. Derecognition of Property Plant & Equipment

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

NOTES TO THE FINANCIAL STATEMENTS

3.0 BASIS OF PREPARATION

Basis of preparation of the accounts

D. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Company classifies its financial assets in the following category: loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition

Trade receivables

Trade receivables are amounts due from Post-paid customers from energy consumed and other services in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

3.0 BASIS OF PREPARATION

Basis of preparation of the accounts

D. Financial instruments (cont'd)

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.

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.

Financial assets carried at amortised cost

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 are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans and borrowings

NOTES TO THE FINANCIAL STATEMENTS

3.0 BASIS OF PREPARATION

Basis of preparation of the accounts

D. Financial instruments (cont'd)

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 incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. 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 the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings

Derecognition

A financial liability is derecognised when the obligation under the liability 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3.0 BASIS OF PREPARATION

Basis of preparation of the accounts

D. Financial instruments (cont'd)

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 (except where stated otherwise) 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.

F. Retirement benefit costs

The Company maintains a Defined Contribution Pension Scheme in accordance with the Pension Reform Act, 2014 as amended. 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.)

Termination benefits

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

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.

NOTES TO THE FINANCIAL STATEMENTS

3.0 BASIS OF PREPARATION

Basis of preparation of the accounts

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 and other consumables, the majority of which is consumed by our projects in provision of their services within one financial year. Cost comprises; direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3.0 BASIS OF PREPARATION

Basis of preparation of the accounts

K. Foreign currencies

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

L. Taxation

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.

1. Current 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. Minimum tax

The Company is subject to the Companies Income Tax Act (CITA). Total amount of tax payable under CITA is determined based on the higher of two components namely: Company Income Tax (based on taxable income for the year); and Minimum tax determined based on the sum of:

- i. the highest of; 0.25% of revenue of N500,000, 0.5% of gross profit, 0.25% of paid up share capital and 0.5% of net assets
- ii. 0.125% of revenue in excess of N500,000.

Taxes based on taxable profit for the year are treated as income tax in line with IAS 12; whereas Minimum tax which is based on the calculation above is outside the scope of IAS 12 and therefore, not presented as part of income tax expenses on the profit or loss."

3. 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

Basis of preparation of the accounts

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**4.0 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)****4.1 Revenue**

Revenue primarily represents the sale value of electricity and other related energy services supplied to customers during the year and excludes Value Added Tax ("VAT"). The Company generally recognizes revenue upon delivery of goods to customers or upon completion of services rendered. Delivery is deemed complete when the risks and rewards associated with ownership have been transferred to the buyer as contractually agreed i.e. the electricity has been consumed by the customers, compensation has been contractually established and collection of the resulting receivable is probable. Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of electricity to post-paid customers is the value of the volume of units supplied during the year including an estimate of the value of volume of units supplied to these customers between the date of their last meter reading (which coincides with the last invoice date) and the year-end.

In case of prepaid meter customers, an estimate is made for unearned revenue at year-end and this is included in the statement of financial position as contract liability.

In line with the applicable tariff frame work, prices charged by the Company for electricity distribution are regulated. However, the Company is allowed to recover excess costs incurred through future price increases charged on future deliveries. Similarly, where current regulated rates are determined to be excessive, the Company may be subject to a rate reduction in the future against future deliveries. The Company does not recognize 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 recognised. Revenue from rendering of services is recognised when such services are rendered.

The Company received transfer of certain items of PPE from its customers during the year. The Company assesses whether the transferred items meet the definition of an asset, and if these assets meets the definition of an asset in line with IFRS 16 Property, Plants and Equipment, the transferred assets are recognised as PPE in the financial statements. The assets are measured at fair value at initial recognition, and a corresponding amount is recognised as revenue when the company has no future performance obligations. This is in line with IFRS 15 - Revenue contracts with customers."

NOTES TO THE FINANCIAL STATEMENTS

4.0 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Key sources of estimation uncertainty

4.2 Impairment of Trade Receivables

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company always recognises twelve-month ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date where appropriate.

i. Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, consideration is given to both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations. Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) the financial instrument has a low risk of default;
- (2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there are no past due amounts. The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE FINANCIAL STATEMENTS**4.0 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)****4.2 Impairment of Trade Receivables (cont'd)****(ii) Definition of default**

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors.

(iii) Credit-impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event (see (ii) above);
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due unless there is adequate security.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date. The Company measures the loss allowance at an amount equal to twelve-month ECL at the current reporting date. An impairment gain or loss is recognised in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised immediately in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS**4.0 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)****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.

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.

NOTES TO THE FINANCIAL STATEMENTS

4.0 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)**4.8 Measurement of fair values**

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

The CFO regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, issued to measure fair values, then the CFO assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Board of Directors.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred."

5	Revenue	31-Dec-18 N'000	31-Dec-17 N'000
	Residential	41,678,601	30,852,505
	Industrial	27,209,170	19,073,843
	Commercial	17,204,956	16,183,104
	Other electricity sales	2,728,036	2,108,941
	Street lighting	12,020	6,969
	Customer - granted assets (Note 11a)	368,184	343,314
		89,200,967	68,568,676

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-18 N'000	31-Dec-17 N'000
	Cost of energy purchased from the Grid - NBET and TCN	88,209,898	66,666,853
	Cost of energy purchased through bilateral agreement - Comercio	14,302,144	13,362,804
	Depreciation expense (Note 11a)	13,717,747	13,458,479
	Salaries and wages - Core technical	666,606	573,655
	Repairs and maintenance	1,019,087	470,600
	Total operating costs	117,915,482	94,532,391

NOTES TO THE FINANCIAL STATEMENTS

7	Administrative and distribution expenses	31-Dec-18	31-Dec-17
		N'000	N'000
	Allowance for trade receivables (Note 12.1)	10,851,282	13,025,015
	Operations and implementation expenses	7,489,626	5,700,172
	Salaries and wages - Non technical	6,472,306	5,694,839
	Billing and Collection expenses	4,722,445	3,115,083
	Other administrative costs	3,135,865	2,236,344
	Other staff costs	2,227,971	1,457,284
	Data and Information Technology connectivity	2,730,054	2,222,981
	Depreciation (Note 11a)	355,597	332,670
	Amortisation (Note 11b)	15,722	15,156
	Repairs and Maintenance	691,306	502,792
	Audit fees	65,000	65,000
	Total administrative and distribution expenses	38,757,174	34,367,336
8	Other income		
	Other non-operating income	3,358	114,366
	Reconnection fees and other operating income	906,773	566,844
		910,131	681,210
9a	Finance income and finance costs		
	Net finance cost		
	(a) Interest Income on bank deposits	60,202	12,378
	(b) 1. Interest expense on CBN-NEMSF intervention loan (Note 15)	763,525	574,128
	2. Accrued interest on NBET outstanding payable balance	22,773,700	16,183,872
	Finance costs	23,537,225	16,758,000
	Net finance cost	23,477,023	16,745,622
9b	Loss before taxation		
	This is stated after charging:		
	Auditor's remuneration	65,000	65,000
	Depreciation (Distribution assets)	13,717,747	13,458,479
	Depreciation (Non distribution assets)	355,597	332,670
	Other income	910,131	681,210
10	Taxation		
10.1	Income tax expenses recognised in profit or loss		
	Income tax expense comprises current tax (CIT and ET) and deferred tax.		
10.2	Current tax		
	Minimum tax	111,563	85,773
	Education tax	-	-
	Current tax expenses for the current year	111,563	85,773
	Deferred tax	-	-
	Total income tax expenses recognised in profit and loss in the current year for continuing operations	111,563	85,773
	Deferred tax charge recognised in other comprehensive income	-	-

Minimum tax

The Company has applied the provisions of the Companies Income Tax Act that mandates a minimum tax assessment, where a qualifying tax payer does not have taxable profit which would generate an eventual tax liability when assessed to tax. The Company's assessment based on the minimum tax legislation for the year ended 31 December, 2018 is N111.6 million (2017: N85.8 million).

NOTES TO THE FINANCIAL STATEMENTS

10.2 Current tax (cont'd)

Company Income tax

The Company is subjected to tax under the Companies Income Tax Act CAP C21 LFN 2004, as amended to date. Company Income tax is calculated at 30% (2017: 30%) of the estimated taxable profit for the year. Companies Income Tax was not charged during the year as the Company did not have taxable profit for the year ended 31 December, 2018 (2017: Nil)."

Also, Tertiary Education Tax of 2% (2017: 2%) is based on the Tertiary Education Trust Fund Act 2011, and was not charged during the year as the Company did not have assessable profit for the year ended 31 December, 2018 (2017: Nil).

	31-Dec-18 N' 000	31-Dec-17 N' 000
10.3 Current tax		
At 1 January	758,647	1,351,980
Tax charged for the year (Note 10.2)	111,563	85,773
Payment during the year	(390,942)	(679,106)
At 31 December	<u>479,268</u>	<u>758,647</u>

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-18 N' 000	31-Dec-17 N' 000
10.4 Deferred tax Liability		
At 1 January	(35,568,703)	(35,568,703)
Recognised in income statement	-	-
At 31 December	<u>(35,568,703)</u>	<u>(35,568,703)</u>

	31-Dec-18 N' 000	31-Dec-17 N' 000
10.5 Deferred tax Assets		
At 1 January	35,568,703	35,568,703
Recognised in income statement	-	-
At 31 December	<u>35,568,703</u>	<u>35,568,703</u>

The Company has an estimated deferred tax asset of N108.56 billion (2017: N81.1 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.

Deferred tax liabilities / (assets)

The company has only recognise deferred tax asset in the financials to the extent of the deferred tax liability. This is due to the fact that it is uncertain when the company will generate sufficient future taxable profits.

10.6 Reconciliation of effective tax rate

Corporation tax is calculated based on minimum tax and same basis for prior year. The charge for taxation on these financial statements is based on the provisions of the Companies Income Tax Act Cap C21 LFN 2004.

NOTES TO THE FINANCIAL STATEMENTS

11.a Property, plant and equipment

	DISTRIBUTION ASSETS		NON DISTRIBUTION ASSETS			
	Plant and machinery #'000	Equipment, Furniture & fittings #'000	Motor vehicles #'000	Buildings #'000	Capital work-in-progress #'000	Total #'000
Cost or valuation						
At 1 January 2017	267,305,263	500,481	357,281	3,982,095	49,381	272,194,501
Additions for the year	3,796,549	293,487	48,940	61,832	46,219	4,247,027
Reclassification	-	-	-	60,776	(60,776)	-
At 1 January 2018	271,101,812	793,968	406,221	4,104,703	34,824	276,441,528
Additions for the year	3,616,964	474,803	136,330	135,423	53,532	4,417,052
Reclassification	242	2,304	-	26,608	(29,154)	-
At 31 December 2018	274,719,018	1,271,075	542,551	4,266,734	59,202	280,858,580
Accumulated depreciation						
At 1 January 2017	133,257,534	209,386	267,859	3,702,047	-	137,436,826
Charge for the year	13,458,479	127,956	98,940	105,774	-	13,791,149
Reclassification	-	(183)	-	183	-	-
At 1 January 2018	146,716,013	337,159	366,799	3,808,004	-	151,227,975
Charge for the year	13,701,542	217,490	45,687	108,625	-	14,073,344
At 31 December 2018	160,417,555	554,649	412,486	3,916,629	-	165,301,319
Carrying amount						
At 31 December 2017	124,385,799	456,809	39,422	296,699	34,824	125,213,553
At 31 December 2018	114,301,463	716,426	130,065	350,105	59,202	115,557,261

None of the assets were used as security.

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 aggregate technical, commercial and collection loss ratio (2017 Impairment provision: Nil). 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 ₦368.18 million (2017: ₦343.31 million) by the directors based on prices of similar items purchased during the year. This has been recognised as revenue (Note 5) in line with IFRIC 18, Transfers of Assets from Customers.

11.b Intangible asset

	Computer Software Total
	₦'000
Cost or valuation	
At 1 January 2017	33,871
Additions	13,917
31 December 2017	47,788
Additions	48,036
31 December 2018	95,824
Amortisation	
At 1 January 2017	19,703
Charge for the year	15,156
31 December 2017	34,859
Charge for the year	15,722
31 December 2018	50,581
Carrying amount	
31 December 2017	12,929
31 December 2018	45,243

The amortisation of computer software is calculated and included as part of "Administrative expenses" in Note 7 to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

12 Trade and other receivables	31-Dec-18 N'000	31-Dec-17 N'000
Energy customers	93,601,757	77,368,897
Receivables from other Distribution Company	-	41,717
Other debtors	166,638	3,989
Unpaid share capital	20,000	20,000
Staff advances	14,083	11,094
	93,802,478	77,445,697
Total Expected Credit Loss based on IFRS 9 assessment (Note 12.1)	(85,748,117)	(66,738,765)
Net trade and other receivables	8,054,361	10,706,932

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-18 N'000	31-Dec-17 N'000
Past due not impaired		
1-30 days	7,534,195	7,904,934
31 - 90 days	333,528	1,491,775
90 + days	186,638	1,310,223
	8,054,361	10,706,932

12.1 Movement in allowance for doubtful debt	31-Dec-18	31-Dec-17
Balance at 1 January	66,738,765	53,713,750
Net impact of the adoption of IFRS 9-financial instrument	8,158,070	-
Expected credit loss	10,851,282	13,025,015
Balance at 31 December	85,748,117	66,738,765

"Ikeja Electric Plc implemented IFRS 9 Financial Instruments for the first time on 1 January 2018. IFRS 9 includes revised guidance on the classification and measurement of financial instruments with the use of an expected credit loss model for assessing impairment on financial assets and new hedge accounting requirements. The Company, using the simplified approach of the Expected Credit Loss model, analysed historical data on trade receivables (Billings to and Collection from customers) by risk groups.

The classification of the risk groups include:

- Maximum Demand Customers (270days was defined as the loss point)
- Non-Maximum Demand (NMD) Customers (180days was defined as loss point)
- Ministries, Departments and Agencies (MDA) (360days was defined as the loss point)

Relevant data for the transition year (2017) and the reporting year (2018) were gathered and analysed to determine the historical loss rate. Other major forward looking indices such as Inflation rate, exchange rate etc. were also considered in determining the expected credit loss.

NOTES TO THE FINANCIAL STATEMENTS

12.2 Ageing of doubtful debts	31-Dec-18 N'000	31-Dec-17 N'000
0 - 30 days	340,762	22,588
30 - 60 days	1,425,101	137,238
61 - 90 days	1,229,138	622,910
Above 90 days	82,753,116	65,956,029
	<u>85,748,117</u>	<u>66,738,765</u>

13 Inventories		
Distribution stores	313,073	206,555
General stores	10,893	11,176
	<u>323,966</u>	<u>217,732</u>

14 Cash and bank balances		
Cash on hand	2,686	983
Bank balances	6,738,581	3,132,591
Cash and cash equivalents at end of the year	<u>6,741,267</u>	<u>3,133,574</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-18 N'000	31-Dec-17 N'000
14.1 Other Long Other Deposit (DSRA Bank Balance)	<u>1,686,757</u>	<u>1,055,022</u>

Other deposit represent deposit in Debt Service Reserve Account (DSRA) with a balance of N1.69 billion (2017: N1.055 billion) in a commercial bank held as collateral with respect to bank guarantee in favour of the Nigerian Bulk Electricity Trading Company Plc (NBET). These deposits will mature at the expiration of the guarantees which are more than twelve months.

15 Loans and borrowings	31-Dec-18 N'000	31-Dec-17 N'000
CBN-NEMSF Intervention fund		
CBN-NEMSF	<u>7,986,595</u>	<u>6,301,078</u>
Analyzed into:		
Non-current	6,301,078	5,750,236
Current	1,685,517	550,842
	<u>7,986,595</u>	<u>6,301,078</u>

NOTES TO THE FINANCIAL STATEMENTS

15 Loans and borrowings (cont'd)

"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.

The balance of ₦7.99 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-18 ₦'000	31-Dec-17 ₦'000
At 1 January	6,301,078	5,750,236
Amount disbursed during the year by CBN	2,514,908	1,062,641
Interest on outstanding balance	763,525	574,128
Repayment by Ikeja Electric Plc	<u>(1,592,916)</u>	<u>(1,085,927)</u>
	<u>7,986,595</u>	<u>6,301,078</u>

16 Trade and other payables	31-Dec-18 ₦'000	31-Dec-17 ₦'000
Trade and other payables comprise:		
Direct Trade Creditors (Energy Market)	158,045,436	109,270,423
Amount due to related parties (Energy Market - Note 16.1)	17,139,272	11,987,128
Amount due to other Distribution Companies	1,055,397	1,097,115
Other payables and accrued expenses	67,738,359	37,682,622
Contract liability - Collections from prepaid customers	376,650	382,864
Amount due to other related parties (Note 16.1)	<u>15,755,105</u>	<u>10,595,974</u>
	<u>260,110,219</u>	<u>171,016,126</u>

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 ₦ nil (2017: ₦11.52 million). No amount was due to Sahara Group Limited as at year end. (2017: ₦ Nil).

NOTES TO THE FINANCIAL STATEMENTS

16.1 Related parties disclosures

(b) Sahara Power Group Limited

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

Total cost incurred during the year with respect to services rendered by Sahara Power Group Limited during the year was ₦1.17 billion (2017: ₦733.6 million). Amount due to Sahara Power Group Limited as at year end was ₦263.5 million (2017: ₦ Nil).

(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 ₦5.19 billion (2017: ₦4.14 billion). Amount due to Wade Multi Trading Limited as at year end was ₦15.33 billion (2017: ₦10.38 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 ₦14.3 billion (2017: ₦13.36 billion). The amount due to Comercio Electricity Exchange Limited for services rendered at year end is ₦17.14 billion (2017: ₦11.99 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 ₦13.95 million (2017: ₦18.03 million). The amount due to Centrum Properties Limited for services rendered at year end is ₦0.41 million (2017: ₦1.32 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 and transformer oil supplied by Rak Unity Petroleum Plc during the year was ₦38.97 million (2017: ₦18.03 million). The amount due to Rak Unity Petroleum Plc for the products supplied at year end was ₦14.73 million (2017: ₦1.78 million).

NOTES TO THE FINANCIAL STATEMENTS

16.1 Related parties disclosures

(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 ₦ nil million (2017: ₦550.5 million). The amount due to Korean Electricity Power Corporation at the end of the year was ₦145.4 million (2017: ₦216 million).

	31-Dec-18	31-Dec-17
Amounts due to related companies	₦'000	₦'000
Comercio Electricity Exchange Limited - Energy Market	17,139,272	11,987,128
Korean Electricity Power Corporation	145,441	215,999
Centrum Properties Limited	406	1,317
Sahara Power Group Limited	263,541	-
Rak Unity Petroleum Plc	14,728	1,780
Wade Multi Trading Company	15,330,989	10,376,878
	32,894,377	22,583,102

(h) Transactions with key management personnel

Loans to key management personnel

During the year ended 31 December, 2018, loans issued to key management personnel was Nil (2017: Nil) and the balance outstanding was Nil (2017: 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-18	31-Dec-17
	₦'000	₦'000
The gearing ratio is as follows:		
Debt	7,986,595	6,301,078
Less: Cash and cash equivalents	(6,741,267)	(3,133,574)
Net debt	1,245,328	3,167,504
Equity	(135,811,625)	(37,503,411)
Net debt to equity ratio	(0.009)	(0.084)

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-18	31-Dec-17
	₦'000	₦'000
18.2.1 Financial assets (including receivables)		
Cash and cash equivalents	6,741,267	3,133,574
Trade and other receivables	8,054,361	10,706,932
	<u>14,795,628</u>	<u>13,840,506</u>
18.2.2 Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables (Note 16.1)	<u>260,127,171</u>	<u>171,016,126</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.

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.

NOTES TO THE FINANCIAL STATEMENTS

18.5 Credit risk management (cont'd)

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

	31-Dec-18	31-Dec-17
	N'000	N'000
Cash and cash equivalents	6,741,267	3,133,574
Trade and other receivables	8,054,361	10,706,932
	<u>14,795,628</u>	<u>13,840,506</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 institutions.

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

	31-Dec-18	31-Dec-17
	N'000	N'000
30 days	17,390,753	32,773,809
60 days	9,079,176	3,474,695
90 days	6,865,642	3,842,474
> 90 days	226,791,600	130,925,148
	<u>260,127,171</u>	<u>171,016,126</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.

NOTES TO THE FINANCIAL STATEMENTS

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 devaluation 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.

	31-Dec-18 ₦'000	31-Dec-17 ₦'000
19 Share capital		
Authorised		
100,000,000 ordinary shares of N1.00k each (2017:		
100,000,000 ordinary shares of N1.00k each).	<u>100,000</u>	<u>100,000</u>
Issued and called up		
25,000,000 ordinary shares of N1.00k each	<u>25,000</u>	<u>25,000</u>
Shareholders	Unit	Unit
New Electricity Distribution Company Ltd - NEDC	15,000,000	15,000,000
Bureau of Public Enterprises - BPE	8,000,000	8,000,000
Ministry of Finance Incorporated	<u>2,000,000</u>	<u>2,000,000</u>
	<u>25,000,000</u>	<u>25,000,000</u>
Percentage (%) Distribution	%	%
New Electricity Distribution Company Ltd - NEDC	60	60
Bureau of Public Enterprises - BPE	32	32
Ministry of Finance Incorporated	<u>8</u>	<u>8</u>
	<u>100</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS

20	Loss per share	31-Dec-18 N'000	31-Dec-17 N'000
	Loss per share		
	Loss for the purpose of basic and diluted earnings per share is based on net profit or loss attributable to equity holders of the Company.	<u>(90,150,144)</u>	<u>(76,481,236)</u>
	Number of shares	31-Dec-18 Number	31-Dec-17 Number
	Number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>25,000,000</u>	<u>25,000,000</u>
		31-Dec-18 N'000	31-Dec-17 N'000
	Loss per share – Basic and diluted	<u>(3,606)</u>	<u>(3,059)</u>
21	Information regarding directors and employees		
21.1	Directors	31-Dec-18 N'000	31-Dec-17 N'000
	Directors' emoluments (provided for) comprise:		
	Fees	32,960	32,100
	Other expenses	35,229	35,762
		<u>68,189</u>	<u>67,862</u>
	The emoluments of the chairman of the board (excluding pension contributions)	<u>6,000</u>	<u>5,800</u>
	The table below shows the numbers of directors of the company whose remuneration excluding pension contributions fell within the bands stated		
		31-Dec-18 Number	31-Dec-17 Number
	N0 – N5,000,000	5	5
	Above N5,000,000	<u>2</u>	<u>2</u>
	The Directors have no interests in contracts executed by the Company during the year ended 31 December 2018		
21.2	Employees		
	Total number of employees as at year-end:	31-Dec-18 Number	31-Dec-17 Number
	Management	20	20
	Senior	1,760	1,253
	Junior	1,335	1,498
		<u>3,115</u>	<u>2,771</u>
	Aggregate staff costs:	31-Dec-18 N'000	31-Dec-17 N'000
	Salaries and wages	7,138,912	6,268,494
	Pension contributions	429,619	378,095
	Medical expenses	332,001	257,063
	Other staff costs	1,938,277	822,126
		<u>9,838,809</u>	<u>7,725,778</u>

NOTES TO THE FINANCIAL STATEMENTS**21.2 Employees (cont'd)**

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

	31-Dec-18 Number	31-Dec-17 Number
N500,000-N1,000,000	1,026	881
N1,000,000 – N1,500,000	211	261
N1,500,001 - N2,000,000	697	526
N2,000,001 - N2,500,000	261	214
N2,500,001 and above	920	889
	3,115	2,771

22 Contingent liabilities

The Company has contingent liabilities in respect of pending litigation and claims separately and jointly amounting to N23.3billion 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 N505 million. The Directors, on the advice of the Company's 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 (2017: Nil)

24 Subsequent Events

- (a) **Bank guarantee** - Nigeria Bulk Electricity Trading Company Plc (NBET) and Operator of Nigeria Electricity Market (ONEM). In June 2019, the Company obtained bank guarantees amounting to ₦14.3 billion in favour of NBET and ONEM as requested under the vesting contract and market participation agreement. This is to guarantee power purchase under vesting contracts with NBET and payment of administrative services by ONEM. The directors do not expect any significant loss to arise from these guarantees.
- (b) **Loan arrangement** - On 29th April, 2019, the Company entered into a loan arrangement with the Group to augment its working capital and to cater for major capital projects within the network. The loan amounted to ₦1 billion at a competitive commercial rate of 18% and it is repayable over 24 months and it is unsecured.
- (c) 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 2018, or on the net results for the year which have not been adequately provided for or disclosed in these financial statements.

STATEMENT OF VALUE ADDED

	31-Dec-18		31-Dec-17	
	₦'000	%	₦'000	%
Revenue	89,200,967		68,568,676	
Bought in materials and services	<u>(131,790,170)</u>		<u>(106,674,055)</u>	
Value consumed	<u>(42,589,203)</u>	<u>(100)</u>	<u>(38,105,380)</u>	<u>(100)</u>
<i>Distributed as follows:</i>				
To Government				
Taxation	111,563	-	85,773	-
To Employees				
Salaries, wages and allowances	9,838,809	23	7,725,778	20
To Providers of Finance				
Finance cost	23,537,225	55	16,758,000	44
Maintenance of assets and future expansion				
For replacement of assets	14,073,344	33	13,806,305	36
Loss for the year	<u>(90,150,144)</u>	<u>(211)</u>	<u>(76,481,236)</u>	<u>(200)</u>
Value consumed	<u>(42,589,203)</u>	<u>(100)</u>	<u>(38,105,380)</u>	<u>(100)</u>

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.

FIVE YEAR FINANCIAL SUMMARY

	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
	N'000	N'000	N'000	N'000	N'000
Statement of financial position					
Assets					
Property, plant and equipment	115,557,261	125,213,553	134,757,675	83,212,906	90,826,220
Intangible assets	45,243	12,929	14,168	19,097	-
Deferred tax asset	35,568,703	35,568,703	35,568,703	10,632,031	10,632,031
Other Deposits (DSRA)	1,686,757	1,055,022	-	-	-
Current assets	15,475,196	14,290,936	13,851,381	15,074,415	8,521,518
	168,333,160	176,141,143	184,191,927	108,938,449	109,979,769
Capital and Liabilities					
Non-current liabilities	41,869,781	41,318,939	40,832,043	10,632,031	10,632,031
Current liabilities	262,275,004	172,325,615	104,382,059	51,892,851	24,322,999
Share capital	25,000	25,000	25,000	10,000	5,000
Revaluation reserves	82,993,635	82,993,635	82,993,635	24,808,073	24,808,073
Accumulated reserves/(deficits)	(350,223,110)	(251,914,896)	(175,433,660)	(109,797,356)	(81,181,184)
Other reserves	131,392,850	131,392,850	131,392,850	131,392,850	131,392,850
	168,333,160	176,141,143	184,191,927	108,938,449	109,979,769
Statement of profit or loss and other comprehensive income					
Revenue	89,200,967	68,568,676	64,497,695	62,636,720	54,436,806
Loss before taxation	(90,038,581)	(76,395,463)	(90,296,156)	(28,310,747)	(22,297,174)
Taxation	(111,563)	(85,773)	24,659,852	(305,425)	10,187,466
Loss for the year	(90,150,144)	(76,481,236)	(65,636,304)	(28,616,172)	(12,109,708)
Other comprehensive income	-	-	58,185,562	-	24,808,073
	(90,150,144)	(76,481,236)	(7,450,742)	(28,616,172)	12,698,365
Loss per share - Basic (Naira)	(3,606)	(3,059)	(2,625)	(2,861)	(1,211)
Net (liabilities)/assets per share	(5,433)	(1,500)	1,559	4,641	7,503

Notes

Loss per share is based on the loss for the year and it is computed on the basis of the weighted average 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.