Deloitte.

IKEJA ELECTRIC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Table of Contents

Corporate information

Directors		Designation
	Mr. Kola Adesina	Chairman
	Mr. Temitope Shonubi	Director
	Mr. Adedeji Odunsi	Director
	Mr. Alex Okoh	Director
	Mr. Aigbe Olotu	Director
	Ms. Ijeoma Nwogwugwu	Director
	Mr. Park SW (Korean)	Director
	Mr. James Ogungbemi (Resigned 21st March 2019)	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
Polaris Bank Limited
Sterling Bank Plc
Union Bank of Nigeria Plc
United Bank for Africa Plc
Zenith Bank Plc.

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

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

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

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

Financial highlights

Results	31 Dec 2019	31 Dec 2018		Change
	₦'000	₦'000		%
Revenue	100,588,240	89,200,967	▲	*13%*
Operating Profit / (Loss)	114,749,859	(66,561,558)	▲	*272%*
Profit / (Loss) for the year	147,622,865	(90,150,144)	▲	*264%*
Total Comprehensive Income / (Loss)	147,622,865	(90,150,144)	▲	*264%*
Total Equity	11,811,241	(135,811,624)	▲	*109%*
Data per ₦1.00k shares				
Earnings / (Loss) per share - Basic (Naira)	5,905	(3,606)	▲	*264%*
Net Assets/(Liabilities) per share	472	(5,432)	▲	*109%*

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 2019 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 2019 N'000	31 Dec 2018 N'000
Revenue	100,588,240	89,200,967
Profit / (Loss) before taxation	159,205,911	(90,038,581)
Taxation	(11,583,046)	(111,563)
Profit / (Loss) for the year	147,622,865	(90,150,144)
Other comprehensive income	-	-
Total comprehensive Profit (loss) for the year	147,622,865	(90,150,144)

Dividend
The Directors did not recommend any dividend payment for the financial year ended 31 December, 2019.

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 has notified the Company for the purpose of section 277 of the Company's and Allied Matters Act (CAMA), of their direct or indirect interest in contracts or proposed contract with the Company during the year.

Board matters
2019 saw the addition of an Independent director in line with best practices in corporate governance, in the person of Ms. Ijeoma Nwogwugwu whose appointment took effect on the 21 March 2019, while Engineer James Ogungbemi resigned from the board in March 2019.

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. 2019	Indirect Holding Through Bureau of Public Enterprise (BPE) 31 Dec. 2019	Direct Holding 31 Dec. 2018	Indirect Holding Through Bureau of Public Enterprise (BPE) 31 Dec. 2018
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. Adedeji Odunsi	Director
Mr. Alex Okoh	Director
Mr. Aigbe Olotu	Director
Mr. Sang-Woo Park	Director
Mr. James Ogungbemi (Resigned 21st March 2019)	Director
Ms. Ijeoma Nwogwugwu (Appointed 21st March 2019)	Director

Report of the Directors (cont'd)

Corporate governance (cont'd)

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

Audit, Risk & Governance Committee, chaired by Mr. Ade Odunsi
Finance, Investment & General-Purpose Committee, chaired by Mr. Tope Shonubi
Technical and Operations Committee, chaired by Mr. Alex Okoh

Since the inaugural board meeting of the Company under the new dispensation in November 2013, the board has held several meetings. In the year under review, the company held three (3) Board meetings and there was a minimum attendance of 86 percent of the Board at each meeting.

Directors' attendance at board meetings
The Board held 3 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	3/3
Mr. Kola Adesina	3/3
Mr. Adedeji Odunsi	0/3
Mr. James Ogungbemi *(Resigned 21st March 2019)*	1/1
Ms. Ijeoma Nwogwugwu *(Appointed 21st March 2019)*	2/2
Mr. Alex Okoh *(Represented by Mr. Ignatius Ayewoh)*	3/3
Mr. Sang-Woo Park	3/3
Mr. Aigbe Olotu	3/3

Board meetings were held on 21st March, 5th July and 1st November 2019.

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 thrice during the year under review for meetings. The meetings were held on 4th April, 6th September and 20th December 2019.

NAME	NUMBER OF MEETINGS ATTENDED
Mr. Adedeji Odunsi	3/3
Mr. Aigbe Olotu	3/3
Mr. Alex Okoh	1/3
Mr. Ignatius Ayewoh	2/2
Ms Ijeoma Nwogwugwu	0/1

Report of the Directors (cont'd)

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 14th January 2019.

NAME	NUMBER OF MEETINGS ATTENDED
Ms. Ijeoma Nwogwugwu	0/1
Mr. Temitope Shonubi	1/1
Mr. Adedeji Odunsi	0/1
Mr. Alex Okoh	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 31st January 2019.

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

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 2019 (2018: two (2)).

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

As a responsible organization, we learnt from our QHSE Performance in 2018 and implemented innovative solutions through the "Mission Zero – Take Ownership" Strategy so that all staff take responsibility of their individual safety and that of the collective interest of Ikeja Electric in 2019.

This Strategy demonstrates our commitment through a thorough implementation of our organizational, technical and operational controls aimed at achieving zero harm to our interested parties and is premised on four elements; Zero injuries to our people, contractors and visitor; Zero tolerance of unsafe behaviour and acts, Zero compromise on safety and Zero impacts on our families and communities.

In addition to our existing proactive measures to curb accidents, we introduced the Technical Safety Village Meeting which convenes all Technical Staff and Leadership Team companywide and acts as a platform for sharing lessons learnt from accidents and as a forum for workers' consultation and participation on issues bordering on Occupational Health, Safety and Environment.

Report of the Directors (cont'd)

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 2019 and engaged in several activities amongst others including:

Youth Empowerment Project – where IE partnered with foremost mobile phones sales/support services company, Slot Foundation, to train 40 youths on repairs of Phones, Laptops and other mobile devices for a period of 3 months. The beneficiaries are expected to have acquired competent technical and entrepreneurial skills to be able to set up a business venture

World Malaria Day – The Company donated mosquito nets to women, children and the elderly across in riverine areas in 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 2019 - The Company visited 2 orphanages within its network and donated essential materials to the children.

International Charity Day 2019 – The Company joined millions of other corporate organizations to commemorate this year's event, by donating food, clothing and other essential non-perishable items to the Wellspring Rehabilitation Centre, Isheri-Olowora and Open Arms of Mercy Orphanage, Okota, Lagos.

Back to School Initiative - As part of its personal social responsibility (PCSR), the company visited two schools within its network namely Anglican primary school Ijede and Community primary school Ijede to donate school supplies and educate the pupils on safety.

Finally, the Company, through its Employee Voluntary Scheme (EVS), also embarked on a market clean-up exercise in two markets within its network (Alhaja Abibatu Mogaji, Ogba and Savage Market, Fagba) to sweep the market, unclog drainages and remove dumped refuse along the streets among other activities.

The amount invested in PCSR activities (including donations) in year 2019 is over ₦13.9 million (2018: ₦17.1 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 (2018: Nil).

Report of the Directors (cont'd)

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

Auditors
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 2019, and the results of its operations, cash flows and changes in equity for the year ended 31 December 2019, 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 2019 financial statements. The Directors are positive that the Company will achieve adequate resources to continue operations into the foreseeable future with proposed reforms in the sector.

The financial statements of the Company for the year ended 31 December 2019 were approved by the Board on. 29 September ,2020

On behalf of the Directors of the Company

Kola Adesina	**Adedeji Odunsi**
Chairman	**Director**
FRC/2016/CIIN/00000014687	**FRC/2013/ICAN/00000005046**

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, 2019 and hereby declare as follows:

1. The scope and planning of the audit for year ended 31 December, 2019 were adequate in our opinion;

2. The accounting and financial reporting policies of the Company conformed to legal requirements and agreed ethical practice;

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: ....29 September.... 2020

Mr. Adedeji Odunsi
Chairman, Audit, Risk & Governance Committee
FRC/2014/ICAN/00000005046

MEMBERS OF THE COMMITTEE

Mr. Adedeji Odunsi	-	Chairman
Mr. Aigbe Olotu	-	Member
Mr. Alex Okoh	-	Member
Ms. Ijeoma Nwogwugwu	-	Member

Deloitte.

P.O. Box 965
Marina
Lagos
Nigeria

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

Tel: +234 (1) 904 1700
www.deloitte.com.ng

Independent Auditor's report

To the shareholders of Ikeja Electric Plc.

Report on the audit of the financial statements

Opinion
We have audited the accompanying financial statements of **Ikeja Electric Plc** ("The Company") which comprise the statement of financial position as at 31 December 2019, 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 2019 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 N84.9 billion (2018: N246.8 billion).

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 other funding intervention 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. This 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 this matter

Deloitte.

Key Audit Matter	How the matter was addressed in the audit
Recognition and Treatment of Tariff Shortfall	
In August 2019, NERC issued a regulatory instrument cited as the 2015 – 2018 Minor Review of Multi Year Tariff Order (MYTO) 2015 and Minimum Remittance Order for the year 2019. This order was issued to reflect the impact of changes in the minor review variables in the determination of cost reflective tariffs and and market shortfalls for the years 2015 to 2020. Based on this order issued by NERC, Ikeja Electric was advised to make the below adjustments to its books: • De-recognition of N184billion being tariff shortfall for the years 2015 to 2019(2019: N60billion, 2015 – 2018; N124billion) • De- recognition of accrued interest due to NBET as a result of outstanding payment on NBET invoices. (This amounted to N78billion) This area is significant to our audit due to the nature of these transactions as well as the significant amounts involved to be recorded the books of Ikeja Electric Plc for the year ended 31 December, 2019.	In addressing this matter, we adopted a substantive approach to the audit of the tariff shortfall. The procedures adopted include: 1. Obtained and reviewed the NERC order critically for thorough understanding of the requirements and conditions precedent to the recognition of the tariff shortfall in the books of Ikeja Electric Plc. 2. Compared the requirements per the NERC order to the amounts recognised in Ikeja Electric's books. 3. Carried out a thorough analysis in ascertaining the applicable accounting standards for the recognition of the tariff shortfall in the entity's financials. 4. Considered the tax implication of this tariff shortfall in the books of the entity. Based on the procedures followed, we considered the accounting entries passed by management to be reasonable and appropriate.

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.

Deloitte.

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
Deloitte and Touche
Chartered Accountants
Lagos, Nigeria
30 September **2020**

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
SG/ICAN
0353762

Statement of profit or loss and other comprehensive income

	Note	31 Dec 2019 ₦'000	31 Dec 2018 ₦'000
Revenue	5	100,588,240	89,200,967
Operating costs	6	(60,526,162)	(117,915,482)
Gross Profit/(loss)		**40,062,078**	**(28,714,515)**
Other income	8	124,542,068	910,131
Distribution and Administrative costs	7	(49,854,287)	(38,757,174)
Result from Operating activities		**114,749,859**	**(66,561,558)**
Finance income	9(a)	188,923	60,202
Finance costs	9(a)	(33,739,366)	(23,537,225)
Finance costs written off	9(b)	78,006,495	-
Net finance cost		**44,456,052**	**(23,477,023)**
Profit / (Loss) before taxation		**159,205,911**	**(90,038,581)**
Income tax	10	(11,583,046)	(111,563)
Profit / (Loss) for the year		**147,622,865**	**(90,150,144)**
Other comprehensive income			
Items that will not be reclassified subsequently to income statement			
Total comprehensive Profit / (loss) for the year		**147,622,865**	**(90,150,144)**
Earnings / (Loss) per share - Basic - Naira	20	5,905	(3,606)

The explanatory notes on pages 8 to 45 form an integral part of the financial statements.

Statement of financial position
As at 31 December 2019

	Note	31 Dec 2019 ₦'000	31 Dec 2018 ₦'000
ASSETS			
Non-current assets			
Property, plant and equipment	11(a)	111,751,867	115,557,261
Intangible asset	11(b)	302,481	45,243
Deferred tax asset	10.4	25,137,960	35,568,703
Other Deposit (DSRA)	14.1	2,640,040	1,686,757
Total non-current assets		**139,832,348**	**152,857,964**
Current assets			
Inventories	13	377,119	323,966
Trade and other receivables	12	7,220,556	8,054,361
Cash and bank balances	14	6,632,443	6,741,267
Prepaid expenses		438,137	355,603
Total current assets		**14,668,255**	**15,475,197**
TOTAL ASSETS		**154,500,603**	**168,333,161**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	25,000	25,000
Revaluation reserve		82,993,635	82,993,635
Accumulated deficits		(202,600,243)	(350,223,109)
Other reserve		131,392,850	131,392,850
Total Equity		**11,811,242**	**(135,811,624)**
Non-current liabilities			
Loans and borrowings	15	6,517,470	6,301,078
Employee Benefit Scheme	16.2	1,070,754	-
Deferred tax liabilities	10	35,568,703	35,568,703
Total non-current liabilities		**43,156,927**	**41,869,781**
Current liabilities			
Trade and other payables	16	96,385,431	260,110,219
Loans and borrowings	15	1,834,901	1,685,517
Current tax liabilities	10.3	1,312,102	479,268
Total current liabilities		99,532,434	262,275,004
TOTAL LIABILITIES		**142,689,361**	**304,144,785**
TOTAL EQUITY AND LIABILITIES		**154,500,603**	**168,333,161**

The financial statements on pages to were approved by the Board of Directors of the Company on 29 September, 2020. They were signed on its behalf by:

Kola Adesina
Chairman
FRC/2016/CIIN/00000014687

Adedeji Odunsi
Director
FRC/2014/ICAN/00000005046

Folake Soetan
***Chief Executive Officer (Ag. CEO)**

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

* The Ag. CEO was granted a waiver for the signing of the audited financial statements by the Financial Reporting Council of Nigeria.

The explanatory notes on pages 8 to 45 form an integral part of the financial statements.

Statement of changes in equity

	Note	Share Capital ₦'000	Accumulated Deficit ₦'000	PPE Revaluation Reserves ₦'000	Other Reserves ₦'000	Total Equity ₦'000
Balance as at 1 January 2018		25,000	(251,914,895)	82,993,635	131,392,850	(37,503,411)
Impact of adopting IFRS 9 financial instruments at transition date	12.1	-	(8,158,070)	-	-	(8,158,070)
Balance as at 1st January 2018 (restated)		25,000	(260,072,965)	82,993,635	131,392,850	(45,661,480)
Profit (Loss) for the year - 2018		-	(90,150,144)	-	-	(90,150,144)
Balance as at 1 January 2019		25,000	(350,223,109)	82,993,635	131,392,850	(135,811,624)
Profit (Loss) for the year - 2019			147,622,866			147,622,866
Balance as at 31 December 2019		25,000	(202,600,243)	82,993,635	131,392,850	11,811,242

The explanatory notes on pages 8 to 45 form an integral part of the financial statements.

Statement of cash flows

Cash flow from operating activities	Note	31 Dec 2019 ₦'000	31 Dec 2018 ₦'000
Profit / (Loss) for the year		147,622,865	(90,150,144)
Adjustments for:			
Depreciation on distribution assets	11(a)	7,241,408	13,701,542
Depreciation on non-distribution assets	11(a)	454,695	371,802
Amortisation of intangible assets	11(b)	138,166	15,722
Customer - granted assets	11(a)	(195,471)	(368,184)
Allowance for doubtful debts	12.1	17,377,620	10,851,283
Finance income	9(a)	(188,923)	(60,202)
Finance costs	9(b)	-	23,537,225
Taxation	10	11,583,046	111,563
		36,410,541	**48,160,751**
Movements in working capital			
Increase in trade and other receivables		(16,543,816)	(16,356,782)
Increase in inventory		(53,152)	(106,234)
Increase in prepaid assets		(82,535)	(122,904)
Increase / (Decrease) in trade and other payables		(162,654,032)	89,094,093
Total movements in working capital		**(179,333,535)**	**72,508,173**
Total adjustments and movements		**(142,922,994)**	**120,668,924**
Income tax paid	10.3	(319,469)	(390,942)
Net cash generated from operating activities		**4,380,402**	**30,127,838**
Cash flow from investing activities			
Additions to other PPE	11(a)	(3,695,238)	(4,048,868)
Additions to intangible assets	11(b)	(395,404)	(48,036)
Interest received	9(a)	188,923	60,202
Net cash used in investing activities		**(3,901,719)**	**(4,036,702)**
Cash flow from financing activities			
NESI disbursement during the year	15	1,397,326	2,514,908
Principal and interest payment	15	(1,803,219)	(1,592,916)
Interest expense	15	771,669	763,525
		365,776	1,685,517
Other Deposit (DSRA)		(953,284)	(631,735)
Finance cost	9(b)	-	(23,537,225)
Net cash from financing activities		**(587,508)**	**(22,483,443)**
Net (decrease)/increase in cash and cash equivalents		(108,825)	3,607,693
Cash and cash equivalents at 1 January		6,741,267	3,133,574
Cash and cash equivalents at 31 December	14	**6,632,443**	**6,741,267**

The explanatory notes on pages 8 to 45 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 8 November, 2005 as a Limited Company to take over as a going concern, the electricity distribution activities and related business of the Power Holding Company of Nigeria (""PHCN"") within the franchise area of its network which comprised of six (6) business units namely Ikeja, Oshodi, Shomolu, Ikorodu, Akowonjo and Abule-Egba business units respectively.

The Company was in the distribution sector of the PHCN which was a state-owned Electric Power Company. However, it was sold to the consortium of New Electricity Distribution Company Limited (NEDC), with Korean Electric Power Corporation (KEPCO) as its technical partner, in 2007 as part of the privatization of the electric power sector. The sale was authorized by the Bureau of Public Enterprises (BPE). Effective from 1 November 2013 (referred to as the handover date), the Federal Government of Nigeria (FGN) handed over the Company and other unbundled assets to their new owners."

1.1 Shareholding structure

The shareholding structure of the Company is as follows:

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

1.2 Going concern consideration

As at the reporting date, the Company's current liabilities exceed current assets by N84.9 billion (2018: N246.8 billion). However, the Company incurred profit after tax of N147.6 billion (2018: loss of N90.2 billion). In addition, the company recorded a positive operating cash flows of N4.4 billion (2018: N30.1 billion).

However, the following events and conditions indicate additional material factors that have significant impact 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. However, the Company has modelled the tariff increases into its cash flows from year 2021,when the company is expected to commence full cost reflective tariff based on the NERC order.
- The Company is not able to fully settle the amounts owed to the Market Operators on an ongoing basis.
- NERC issued a MYTO minor review order in August 2019 stating the tariff shortfall accruable to the Company up to 31 December 2018 is N124.2 billion and this has been reflected in the financial statements. The tariff shortfall of 2019 is N60.4 billion which has also been recognised in the financial statement as credit to cost of sales.

Notes to the financial statements

1.2 Going concern consideration (cont'd)

- In addition, the order stated all the interest payable on unpaid invoices by NBET and MO and attributable to tariff shortfall shall be transferred off the balance sheet of the disco and this has been reflected in the financial statements.

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

- The Company will continue to have operational cash flows to carry on its business. It is expected that collections from customers will be enough to pay the minimum remittance levels to the operators as contained in the MYTO minor order released by NERC and cover operational expenses.

- If full cost reflective revenue tariffs are not implemented on 1 January 2021, NERC will continue to recognise the tariff shortfall until cost-reflective tariff is implemented.

- The Nigerian Bulk Electricity Trading Plc (NBET) will not demand for full payment for its invoices from Distribution companies as the minimum remittance level for each Disco has been determined. The Federal Government will continue to pay the balance of the invoices and interest accrued on outstanding invoices to NBET as part of its support to the industry.

- The continued support of Sahara Group (parent company) in providing technical and financial assistance to the company in order to enable it operate as a going concern and to meet its obligations in the foreseeable future; and will not request the company to repay the amount due to the group and other related parties until a time the company is in a position to make such repayments, but at least for 12 months from the approval and signing of the financial statements

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 ensure there are no pending legal or regulatory proceedings which can result in loss of license and other significant risk.

b) **Financial Conditions**

1. **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 billon as well as an IFC investment and Multilateral Investment Guarantee Agency (MIGA) support to unlock an additional US$2.7 billion in investment. These funds are to be utilized to fully settle any outstanding receivables after the disbursement of the intervention funds and future sector deficits from 2017 to 2021. As this funding arrangement is still undergoing the process of finalization, the amount to be received by the Company is yet to be determined.

2. CBN has been intervening in the power sector by providing long-term intervention facility to support the industry and in 2017, the disbursement from this intervention facility made on behalf of the Company is ₦0.40 billion (2018: ₦2.51 billion). The total amount disbursed so far on behalf of the Company is ₦9.97 billion.

Notes to the financial statements

1.2 Going concern consideration (cont'd)

b) Financial Conditions

3. 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.

4. Government's commitment to ensuring prompt settlement of Debt owed to the Company by Ministries, Department and Agencies (MDAs).

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.

c) Operating Conditions

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

The Directors of Ikeja Electricity Plc having evaluated the above, believe that the use of the going concern is appropriate for the preparation of the 2019 financial statements. The Directors have put in place initiatives in ensuring that Ikeja Electric is able to continue as a going concern and meet its strategic objectives. Although the Directors believe that these initiatives will be successful and have prepared the financial statements on a going concern basis, however material uncertainties exist which may cast significant doubt on the company's ability to continue as a going concern, such as full transition to cost reflective tariff and the continuous support from the government in ensuring market operators do not call for full payment of invoices.

The audit opinion on our financial statement includes a "Material Uncertainty Related to Going Concern Paragraph" surrounding the company's ability to continue as a going concern. However, 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 2019 to 31 December 2019, with comparative figures for the financial year from 1 January 2018 to 31 December 2018.

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

Notes to the financial statements

1.5 Composition of IFRS financial statements

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

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

Additional information provided by management includes:

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

1.6 Statement of Compliance

(iii) 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.

2 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, the Company has elected not to apply them in the preparation of these financial statements. The Company plans to adopt the standard when it becomes effective.

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

Pronouncement	Nature of Change	Effective date
IFRS 17: Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 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 uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policy holders' options and guarantees	Effective for annual reporting periods beginning on or after 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.

Notes to the financial statements

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

Pronouncement	Nature of Change	Effective date
IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.	The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company do not anticipate that the application of these amendments will have an impact on the Company's financial statements in future periods should such transactions arise.
Amendments to IFRS 3 Definition of a business	The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.	The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Notes to the financial statements

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

Pronouncement	Nature of Change	Effective date
Amendments to References to the Conceptual Framework in IFRS Standards	Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.	The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted

2.2 Accounting standards and interpretations issued that became effective during the year 2019

In the current year, the Company considered a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatory and effective for an accounting period that begins on or after 1 January 2019.

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

Accounting standards and interpretations effective in the current year

The following new standards and amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee which may be relevant to the Company are set out below:

Effective for the financial year commencing 1 January 2019.

1. IFRS 16 Leases
2. IFRIC 23 Uncertainty over Income Tax Treatments

Notes to the financial statements

2.2 Accounting standards and interpretations issued that became effective during the year 2019 (cont'd)

IFRS 16 Leases
IFRS16 replaces IAS17 Leases, IFRIC4 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.

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (""lessee") and the supplier (""lessor"). IFRS16 eliminates the classification of leases as operating leases or finance leases as required by IAS17 and introduces a single lessee accounting model.

Applying that model, a lessee is required to recognise:

(a) assets and liabilities for all leases with a term of more than 12months, unless the underlying asset is of low value; and
(b) depreciation of lease assets separately from interest on lease liabilities in the profit or loss.

For the lessor, IFRS16 substantially carries forward the lessor accounting requirements in IAS17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company has carried out an assessment to determine the impact that the initial application of IFRS 16 could have on its business and determined there is no impact as the company does not have any lease over 12 months.

3.0 Basis of preparation

Basis of preparation and measurement of the financial statements
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 C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria (FRC) Act, 2011. The Financial Statements were authorized for issue by the Board of Directors on April 30,2020.

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

The financial statements have been prepared in a historical cost basis except for the property, plant and equipment 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 and measurement (cont'd)

A. Revenue recognition

The company is in the business of distribution of electricity. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. 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 is derecognized.

3. Donated Assets

The company receives donations/transfers of certain items of Property, Plant and Equipment (PPE) from customers. The company assesses whether the donated/transferred item meets the definition of an asset and if so, recognizes 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 and measurement (cont'd)

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 "FVLCOD".

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. FVLCOD 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 i the income statement when the asset is derecognised.

Notes to the financial statements

3.0 Basis of preparation and measurement (cont'd)

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 face 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 and measurement (cont'd)

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.

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.

Notes to the financial statements

3.0 Basis of preparation and measurement (cont'd)

D. Financial instruments (cont'd)

Financial liabilities

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

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

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

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

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

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

Notes to the financial statements

3.0 Basis of preparation and measurement (cont'd)

D. Financial instruments (cont'd)

Fair value of financial instruments

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

Creditors and accruals

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

E. Finance income and expense

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

F. Retirement benefit costs

The Company maintains a Defined Contribution Pension Scheme in accordance with the Pension Reform Act, 2014. The contribution by the employer and employee is 10% and 8% each of the employees' monthly basic salary, transport, and housing allowances respectively. Contribution by the employer to defined contribution retirement benefit plans are recognised as an expense in the income statement.

Short-term employee benefits

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

Medical Insurance Scheme

The Company subscribes to a medical insurance plan on behalf of its employees, paying a gross premium to a health management organization based on the level of the employee. This premium is treated as a prepayment and charged to staff costs on a monthly basis.

End of Service benefits

End of service benefits is a lump sum payment for qualifying employees who have spent a minimum of 5years at the time of departure. The monthly provision is determined and charged to staff costs on a monthly basis.

Notes to the financial statements

3.0 Basis of preparation and measurement (cont'd)

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 and measurement (cont'd)

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.

   The Finance Act of 2019 which became effective on 1st February, 2020 has amended the computation of minimum tax to be based on 0.5% of total revenue which include direct sales & other income.

   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 and measurement (cont'd)

M. Intangible assets

Computer software

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

N. Borrowing costs

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

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

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

4.0 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy to be followed could materially affect the reported amounts of revenues, expenses, assets and liabilities of the company should it later be determined that a different choice would be more appropriate. In addition, in preparing the accounts in conformity with IFRS, the company is required to make estimates and assumptions that impact on the reported amounts of revenues, expenses, assets, and liabilities of the company. Actual results may differ from these estimates. These are discussed in more details below. These critical accounting judgments and key sources of estimation uncertainty should be read in conjunction with the full statement of Accounting Policies at Note 3.

Notes to the financial statements

4.1 Critical accounting judgements

Revenue

"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 deferred revenue.

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."

4.2 Key sources of estimation uncertainty

Impairment of Trade Receivables

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

4.3 Impairment of Property, plant and equipment

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

Notes to the financial statements

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 salability 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

4.8 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 Chief Financial Officer regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the CFO assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the 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 Level1 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-19** **₦'000**	**31-Dec-18** **₦'000**
	Residential	44,335,398	41,678,601
	Industrial	31,460,964	27,209,170
	Commercial	19,188,509	17,204,956
	Other electricity sales	4,215,567	2,728,036
	Street lighting	13,107	12,020
	Bilateral	1,179,224	-
	Customer - granted assets (Note 11a)	195,471	368,184
		100,588,240	**89,200,967**

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.

Notes to the financial statements

6	**Operating costs**	**31-Dec-19**	**31-Dec-18**
		₦'000	**₦'000**
	Cost of energy purchased from the Grid - NBET and TCN	99,594,616	88,209,898
	Cost of energy purchased through bilateral agreement - Comercio	12,071,980	14,302,144
	Recovery of tariff shortfall - Year 2019	(60,358,104)	-
	Depreciation expense (Note 11a)	7,241,408	13,717,747
	Salaries and wages - Core technical	732,541	666,606
	Repairs and maintenance	1,243,721	1,019,087
	Total operating costs	**60,526,162**	**117,915,482**

The tariff shortfall relate to the tariff differential for 2019 as computed in the MYTO Minor Review Model In August 2019, the regulatory body NERC issued a regulatory instrument "The 2016 – 2018 Minor Review Order of MYTO 2015 and minimum remittance order for Ikeja Electric Plc. This order issued by NERC was to address the provision of cost reflective tariffs in ensuring that prices charged by DISCOs are fair to customers and sufficient in allowing the DISCOs operate efficiently to recover the full cost of their activities, including a reasonable return on capital invested in the business.

This is a form of intervention by the government in the power sector, as the Minor Review Model allows DISCOs to de-recognise the computed tariff shortfalls for 2015 – 2019 from their books. The element of recovery for the current year has been recognized as credit in cost of sales, while those for 2015—2018 have been recognized as other income in the income statement in note 8

We have evaluated the above and this transaction has been treated in line with IAS 20 – Accounting for Government Grants.

IAS 20 permits presenting grants as a deduction in related expense, hence the deduction of 2019 tariff shortfall from operating costs as shown above.

		31-Dec-19	**31-Dec-18**
7	**Administrative and distribution expenses**	**₦'000**	**₦'000**
	Allowance for trade receivables (Note 12.1)	17,377,620	10,851,282
	Operations and implementation expenses	8,152,154	7,489,626
	Salaries and wages - Non technical	7,375,872	6,472,306
	Billing and Collection expenses	4,641,575	4,722,445
	Other administrative costs	2,583,476	3,135,865
	Other staff costs	4,260,823	2,227,971
	Data and Information Technology connectivity	3,566,104	2,730,054
	Depreciation (Note 11a)	454,695	355,597
	Amortisation (Note 11b)	138,166	15,722
	Repairs and Maintenance	1,238,802	691,306
	Audit fees	65,000	65,000
	Total administrative and distribution expenses	**49,854,287**	**38,757,174**

Notes to the financial statements

8	Other income	31-Dec-19	31-Dec-18
		₦'000	₦'000
	Other non-operating income	8,885	3,358
	Reconnection fees and other operating income	367,618	906,773
	Recovery of Tariff Shortfall - 2015 - 2018	124,165,565	-
		124,542,068	**910,131**

The tariff shortfall relates to the tariff differential for the years 2015 - 2018 as contained in the MYTO Minor Review Order released in August 2019.
As in Note 6 above, this transaction has been evaluated and treated in line with IAS 20 – Accounting for Government Grants.

IAS 20 permits presenting grants related to income as part of profit or loss either separately or under a general heading such as 'Other Income'. Based on this, the tariff shortfall for 2015 – 2018 has been classified as part of other income in the 2019 financials.

		31-Dec-19	31-Dec-18
9.a	**Finance income and finance costs**	**₦'000**	**₦'000**
	Finance Income		
	(a) Interest income on bank deposits	**188,923**	**60,202**
	(b) 1. Interest expense on CBN-NEMSF intervention loan(Note 15)	771,669	763,525
	2. Accrued interest on Group loan	122,500	-
	3. Accrued interest on NBET outstanding payable balance	32,845,197	22,773,700
	Finance costs	**33,739,366**	**23,537,225**
	Accrued Interest on NBET outstanding Invoices written off	**78,006,495**	-

The Accrued interest on NBET outstanding has not been recognised in line with the MYTO MR of 2019.

The 2019 MYTO MR stated that all "All interest payable by Discos on unpaid invoices issued by NBET and MO and attributable to the tariff shortfall shall be transferred off the balance sheet of the utility". The accrued interest for other years has been written off in the financials.

		31-Dec-19	31-Dec-18
		₦' 000	₦' 000
9.b	**Profit / (Loss) before taxation**		
	This is stated after charging:		
	Auditor's remuneration	65,000	65,000
	Depreciation and amortisation	7,696,103	14,073,344
	Other income	124,542,068	910,131

Notes to the financial statements

10 Taxation

10.1 Income tax expenses recognised in profit or loss

Income tax expense comprises current tax (CIT and ET) and deferred tax.

		31-Dec-19	31-Dec-18
10.2	**Current tax**	**₦' 000**	**₦' 000**
	Minimum tax	513,729	111,563
	Additional company income tax in respect of prior years	475,595	-
	Education tax	-	-
	Additional education tax in respect of prior year filings	162,979	-
	Current tax expenses for the current year	1,152,303	111,563
	Deferred tax	10,430,743	-
	Total income tax expenses recognised in profit and loss in the current year for continuing operations	**11,583,046**	**111,563**
	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, 2019 is N513.7 million (2018: 111.6 million)."

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% (2018: 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, 2019 (2018: Nil)."

Also, Tertiary Education Tax of 2% (2018: 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, 2019 (2018:Nil).

		31-Dec-19	31-Dec-18
10.3	**Current tax**	**₦' 000**	**₦' 000**
	At 1 January	479,268	758,647
	Tax charged for the year (Note 10.2)	1,152,303	111,563
	Payment during the year	(319,469)	(390,942)
	At 31 December	**1,312,102**	**479,268**

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.

Notes to the financial statements

		31-Dec-19	31-Dec-18
10.4	**Deferred tax Liability**	**₦' 000**	**₦' 000**
	At 1 January	(35,568,703)	(35,568,703)
	Recognised in income statement	-	-
	At 31 December	**(35,568,703)**	**(35,568,703)**
10.5	**Deferred tax Assets**		
	At 1 January	35,568,703	35,568,703
	Recognised in income statement	(10,430,743)	-
	At 31 December	**25,137,960**	**35,568,703**

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	Equipment, Furniture & fittings	Motor vehicles	Buildings	Capital work-in-progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost or valuation						
At 1 January 2018	**271,101,812**	**793,968**	**406,221**	**4,104,703**	**34,824**	**276,441,528**
Additions for the year	2,995,606	474,803	136,330	135,423	53,532	4,417,052
Transfers	242	2,304	-	26,608	(29,154)	-
At 1 January 2019	**274,719,018**	**1,271,075**	**542,551**	**4,266,734**	**59,202**	**280,858,580**
Additions for the year	2,995,606	427,693	265,323	105,207	96,880	3,890,709
Transfers	-	30,197	-	98,872	(129,069)	-
At 31st December 2019	**277,714,624**	**1,728,965**	**807,874**	**4,470,813**	**27,013**	**284,749,289**
Accumulated depreciation and impairment						
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 1 January 2019	**160,417,555**	**554,649**	**412,486**	**3,916,629**	-	**165,301,319**
Charge for the year	7,241,408	282,909	109,074	62,712		7,696,103
At 31 December 2019	**167,658,963**	**837,558**	**521,560**	**3,979,341**	-	**172,997,422**
Carrying amount						
At 31 December 2018	**114,301,463**	**716,426**	**130,065**	**350,105**	**59,202**	**115,557,261**
At 31 December 2019	**110,055,661**	**891,407**	**286,314**	**491,472**	**27,013**	**111,751,867**

None of the assets were pledged as collateral for loan

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 & collection (ATC&C) loss ratio (2018 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 ₦195.5 million (2018: ₦368.2 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.

Notes to the financial statements

11.b Intangible asset

	Computer Software Total
	₦'000
Cost or valuation	
At 1 January 2018	47,788
Additions	48,036
31 December 2018	95,824
Additions	395,404
31 December 2019	491,228
Amortisation	
At 1 January 2018	34,859
Charge for the year	15,722
31 December 2018	50,581
Charge for the year	138,166
31 December 2019	188,747
Carrying amount	
31 December 2018	**45,243**
31 December 2019	**302,481**

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

12 Trade and other receivables

	31-Dec-19	31-Dec-18
	₦'000	₦'000
Energy customers	110,137,660	93,601,757
Other debtors	167,388	166,638
Unpaid share capital	20,000	20,000
Staff advances	21,246	14,083
	110,346,294	**93,802,478**
Impact of the adoption of IFRS 9 financial instruments at reporting date	(103,125,738)	(85,748,117)
Net trade and other receivables	**7,220,556**	**8,054,361**

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.

Notes to the financial statements

12 Trade and other receivables (cont'd)

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

	31-Dec-19	31-Dec-18
Past due not impaired	₦'000	₦'000
1-30 days	6,859,433	7,534,195
31 - 90 days	173,735	333,528
90 + days	187,388	186,638
	7,220,556	**8,054,361**

12.1 Movement in allowance for doubtful debt

	31-Dec-19	31-Dec-18
	₦'000	₦'000
Balance at 1 January	85,748,117	66,738,765
Net impact of the adoption of IFRS 9- financial instrument	-	8,158,070
Specific Bad debt provision	(61,286,132)	-
Expected Credit Loss for the year	17,377,620	10,851,282
Bad debt - General provision	41,839,604	85,748,117
Specific provision	61,286,132	-
Balance at 31 December	**103,125,737**	**85,748,117**

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:

a. Maximum Demand Customers
b. Non-Maximum Demand (NMD) Customers
c. Ministries, Departments and Agencies.

Relevant data for the reporting year (2019) was 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. The total bad debt provision above includes specific bad debt provision of N61.3billion. This specific provision relates to NMD customers and is arrived at after the following:

1) The debts are over 3 years
2) Most of the customers have been disconnected due to the prolonged indebtedness
3) All efforts to recover the debts have proved abortive

12.2 Ageing of doubtful debts

	31-Dec-19	31-Dec-18
	₦'000	₦'000
1-30 days	349,133	340,762
31 - 60 days	1,906,863	1,425,101
60 - 90 days	922,103	1,229,138
Above 90 days	99,947,637	82,753,116
	103,125,736	**85,748,117**

Notes to the financial statements

		31-Dec-19	31-Dec-18
13	**Inventories**	**31-Dec-19**	**31-Dec-18**
		₦'000	**₦'000**
	Distribution stores	366,408	313,073
	General stores	10,711	10,893
		377,119	**323,966**

14	**Cash and bank balances**	**31-Dec-19**	**31-Dec-18**
		₦'000	**₦'000**
	Cash on hand	2,853	2,686
	Bank balances	6,629,590	6,738,581
	Cash and cash equivalents at end of the year	**6,632,443**	**6,741,267**

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-19	**31-Dec-18**
		₦'000	**₦'000**
14.1	**Other Deposit (DSRA Bank Balance)**	**2,640,040**	**1,686,757**

Other deposit represents Debt Service Reserve Account (DSRA) with a balance of N2.64 billion (2018: N1.69 billion) in a commercial bank held as guarantee in favour of the Nigerian Bulk Electricity Trading Company Plc (NBET) and the Transmission Company of Nigeria (TCN). These deposits will mature at the expiration of the guarantees which are long-term in nature.

Notes to the financial statements

15 Loans and borrowings

	31-Dec-19 ₦'000	31-Dec-18 ₦'000
Total		
CBN-NEMSF	7,352,371	7,986,595
Sahara Group	1,000,000	-
	8,352,371	**7,986,595**
Analyzed into:		
Non-current	6,517,470	6,301,078
Current	1,834,901	1,685,517
	8,352,371	**7,986,595**

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 ₦7.35 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-19 ₦'000**	**31-Dec-18 ₦'000**
At 1 January	7,986,595	6,301,078
Amount disbursed during the year by CBN	397,326	2,514,908
Amount disbursed during the year by Sahara Group	1,000,000	-
Interest on outstanding balance	771,669	763,525
Repayment by Ikeja Electric Plc	(1,803,219)	(1,592,916)
	8,352,371	**7,986,595**

Notes to the financial statements

16 Trade and other payables

	31-Dec-19	31-Dec-18
	₦'000	₦'000
Trade and other payables comprise:		
Direct Trade Creditors (Energy Market)	27,385,907	158,045,436
Amount due to related parties (Energy Market - Note 16.3)	17,756,207	17,139,272
Amount due to other Distribution Companies	1,055,397	1,055,397
Other payables and accrued expenses	26,601,332	67,738,359
Deferred revenue - Collections from prepaid customers	568,059	376,650
Amount due to other related parties (Note 16.3)	23,018,529	15,755,105
	96,385,431	**260,110,219**

16.1 Direct Trade Creditors (Energy Market)

This relate to amounts outstanding to market participants and the analysis is as follows:

	31-Dec-19	31-Dec-18
Nigerian Bulk Electricity Trading Company	₦'000	₦'000
At 1 January	128,042,050	83,072,072
Invoiced Amount	89,942,068	74,447,735
Payments and adjustments	(39,085,133)	(29,477,757)
Application of tariff shortfall	(178,898,984)	-
Outstanding Balance	-	**128,042,050**
Nigerian Market Operators		
At 1 January	30,003,387	26,198,351
Invoiced Amount	15,300,385	13,449,526
Payments and adjustments	(12,293,178)	(9,644,490)
Application of tariff shortfall	(5,624,685)	-
Outstanding Balance	**27,385,907**	**30,003,387**

The tariff shortfall up to 2019 has been applied against the outstanding amounts owed to the market participants.

16.2 Employee Benefit Scheme

The company operate end of service benefits plan for qualifying employees of the company. Under the plan, the employees are entitled to a lump sum benefit on disengagement from the company having spent a minimum of 5 years. The most recent actuarial valuation of the benefit was carried out on 31st December, 2019 by Alexander Forbes Consulting Actuaries Nigeria.

The present value of the defined benefit obligation was measured using the Projected Unit Credit Method prescribed by IAS 19 with actuarial valuation being carried out at the end of each reporting period.

This is the first time of reflection of end of service benefit cost in the company books and the scheme is unfunded

	31-Dec-19	31-Dec-18
	₦'000	₦'000
End of Service Benefit	1,070,754	-

Notes to the financial statements

16.2 Employee Benefit Scheme (Cont'd)

The economic assumptions used in the valuation are based on a standard set of IAS 19 assumptions determining the best estimate approach agreed by the actuaries and reviewed on a regular basis to ensure they are market-related. The economic assumptions used in this valuation are based on market information as at 31 December, 2019 as stated below:

* Discount Rate - 13.3%
* Salary increase rate - 12.00%

The computation of the end of service benefit is stated below:
* 5 - 10 Years - 40%
* 11 - 15 Years - 45%
* 16 - 20 Years - 50%
* 21 - 30 Years - 55%
* 31 - 35 Years - 60%

16.3 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 1 November, 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 (2018: ₦ Nil). No amount was due to Sahara Group Limited as at year end. (2018: ₦ Nil)."

(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 ₦1.3 billion (2018: ₦1.2 billion). Amount due to Sahara Power Group Limited as at year end was ₦308.0 million (2018: ₦263.5 million).

In addition, Sahara Group provided a loan of N1B to Ikeja Electric in April 2019 to finance some of the network expansion activities. The loan is for a period of 24 months with 12 month capital moratorium.

Notes to the financial statements

16.3 Related parties disclosures (Cont'd)

(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 ₦6.3 billion (2018: ₦5.2 billion). Amount due to Wade Multi Trading Limited as at year end was ₦21.6 billion (2018: ₦15.3 billion).

(d) Comercio Electricity Exchange Limited

The Company is related to Comercio Electricity Exchange Limited through common shareholding. Comercio Electricity Exchange Limited is the administrator and collection agent of Egbin Power Plc in respect of 100MW excess power contract with the Company.

Total cost incurred during the year with respect to services rendered by Comercio Electricity Exchange Limited during the year was ₦12.1 billion (2018: ₦14.3 billion. The amount due to Comercio Electricity Exchange Limited for services rendered at year end is ₦17.8 billion (2018:₦17.1 billion).

(e) Centrum Properties Limited

The Company is related to Centrum Properties Limited through common shareholding. Centrum Properties Limited is responsible for the provisioning of renovation and construction services to the Company.

Total cost incurred during the year with respect to services rendered by Centrum Properties Limited during the year was ₦19.8 million (2018: ₦14.0 million). The amount due to Centrum Properties Limited for services rendered at year end is ₦0.2 million (2018:₦0.4 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 ₦56.9 million (2018: ₦39.0 million). The amount due to Rak Unity Petroleum Plc for the products supplied at year end was ₦2.5 million (2018:₦14.7 million).

(g) Korean Electricity Power Corporation

Korean Electricity Power Corporation is an indirect shareholder through New Electricity Distribution Company, the holder of 60% of the Company. KEPCO provides operational support and was involved in the supervision of the implementation of technical audit, asset mapping, consumer indexing and enumeration for Ikeja Electric Plc.

Total charge to profit or loss on transactions with Korean Electricity Power Corporation during the year was ₦ Nil million (2018: ₦ Nil million). The amount due to Korean Electricity Power Corporation at the end of the year was ₦118.7 million (2018: ₦145.4 million)."

Notes to the financial statements

16.3 Related parties disclosures (Cont'd)

	31-Dec-19	31-Dec-18
Amounts due to related companies	**₦'000**	**₦'000**
Due to Energy Market (Comercio Electricity Exchange Limited)	17,756,207	17,139,272
Amount due to other parties		
Korean Electricity Power Corporation	118,725	145,441
Centrum Properties Limited	161	406
Sahara Power Group Limited	1,308,015	263,541
Rak Unity Petroleum Plc	2,540	14,728
Wade Multi Trading Company	21,589,088	15,330,989
	23,018,529	**15,755,105**

(h) Transactions with key management personnel

Loans to key management personnel

During the year ended 31 December, 2019, loans issued to key management personnel was Nil (2018: Nil) and the balance outstanding was Nil (2018: 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-19	31-Dec-18
The gearing ratio is as follows:	₦'000	₦'000
Debt	8,352,371	7,986,595
Less: Cash and cash equivalents	(6,632,443)	(6,741,267)
Net debt	**1,719,928**	**1,245,328**
Equity	**11,811,241**	**(135,811,625)**
Net debt to equity ratio	**0.146**	**(0.009)**

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-19	31-Dec-18
18.2.1	**Financial assets (Loans (if any) and receivables)**	**₦'000**	**₦'000**
	Cash and cash equivalents	6,632,443	6,741,267
	Trade and other receivables	7,220,556	8,054,361
		13,852,999	**14,795,628**
18.2.2	**Financial liabilities**		
	Financial liabilities at amortised cost		
	Trade and other payables (Note 16)	**96,385,431**	**260,110,219**

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 summarized 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.

Notes to the financial statements

18.5 Credit risk management

"The company is exposed to both settlement risk defined as the risk of a counterparty failing to pay for energy and/or services which have been delivered. Credit risk is mitigated by active engagement and reconciliation of energy supplied to the customers and promotion of compliance with the MYTO agreement. Credit risk is an activity managed by the Directors with all relevant stakeholders to ensure reduced impact on provisioning policy. The allowance for doubtful debts is analyzed at each reporting date and this is estimated by management taking into account future cash flows, prior experience, ageing analysis and an assessment of the current economic climate within which the company operates. The maximum exposure to credit risk in respect of trade receivables is the carrying value of the trade receivables at the reporting date. The carrying value of trade receivables is stated net of the allowance for recoverability provision.

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

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

	31-Dec-19	31-Dec-18
	₦'000	₦'000
Cash and cash equivalents	6,632,443	6,741,267
Trade and other receivables	7,220,556	8,054,361
	13,852,999	14,795,628

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 cashflows and the earliest date on which the Company can be required to pay.

Notes to the financial statements

18.6 Liquidity risk management (Cont'd)

	31-Dec-19	31-Dec-18
	₦'000	₦'000
30 days	10,874,082	17,390,753
60 days	6,931,603	9,079,176
90 days	3,571,480	6,865,642
> 90 days	75,008,266	226,774,648
	96,385,431	**260,110,219**

18.7 Energy market risk

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

18.8 Treasury risk

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

(i) Treasury liquidity risk

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

(ii) Treasury market risk

Market risk is the risk that results from changes in market rates such as foreign exchange rate, interest rates and equity prices will affect the Company's income or the value of its holding of financial instruments. The Company is exposed to foreign currency fluctuation primarily between the Naira and US Dollar due to 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.

Notes to the financial statements

		31-Dec-19	31-Dec-18
		₦'000	₦'000
19	**Share capital**		
	Authorised		
	100,000,000 ordinary shares of N1.00k each (2018: 100,000,000 ordinary shares of N1.00k each).	100,000	100,000
	Issued and fully paid		
	25,000,000 ordinary shares of N1.00k each	25,000	25,000
	Shareholders	**Unit**	**Unit**
	New Electricity Distribution Company Ltd - NEDC	15,000,000	15,000,000
	Bureau of Public Enterprises - BPE	8,000,000	8,000,000
	Ministry of Finance Incorporated	2,000,000	2,000,000
		25,000,000	25,000,000
	Percentage (%) Distribution	%	%
	New Electricity Distribution Company Ltd - NEDC	60	60
	Bureau of Public Enterprises - BPE	32	32
	Ministry of Finance Incorporated	8	8
		100	100

		31-Dec-19	31-Dec-18
20	Earnings / (Loss) per share	₦'000	₦'000
	Earnings / (Loss) per share		
	Profit / (Loss) for the purpose of basic earnings per share is based on net profit or loss attributable to equity holders of the Company.	147,622,865	(90,150,144)
	Number of shares	31-Dec-19	31-Dec-18
		Number	Number
	Number of ordinary shares for the purpose of basic (loss)/earnings per share	25,000,000	25,000,000
		31-Dec-19	31-Dec-18
		₦'000	₦'000
	Earning / (Loss) per share - Basic	5,905	(3,606)

Notes to the financial statements

21 Information regarding directors and employees

21.1 Directors

	31-Dec-19 ₦'000	31-Dec-18 ₦'000
Directors' emoluments (provided for) comprise:		
Fees	36,320	34,490
Other expenses		33,699
	36,320	**68,189**

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

	31-Dec-19 Number	31-Dec-18 Number
Up to NGN 2,400,000	7	7

The Directors have no interests in contracts executed by the Company during the year ended 31 December 2019

21.2 Employees

Total number of employees as at year-end:	31-Dec-19 Number	31-Dec-18 Number
Management	21	20
Senior	1,836	1,760
Junior	1,306	1,335
	3,163	**3,115**

Aggregate staff costs:

	₦'000	₦'000
Salaries and wages	8,108,413	7,138,912
Pension contributions	484,340	429,619
Medical expenses	341,679	332,001
Other staff costs	3,434,804	1,938,277
	12,369,236	**9,838,809**

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-19 Number	31-Dec-18 Number
N500,000-N1,000,000	1,046	1,026
N1,000,000 - N1,500,000	214	211
N1,500,001 - N2,000,000	707	697
N2,000,001 - N2,500,000	266	261
N2,500,001 and above	930	920
	3,163	**3,115**

22 Contingent liabilities

The Company has contingent liabilities in respect of pending litigation and claims amounting to N20.9 billion as at the date of approval of these financial statements in the normal course of business and contingent assets in respect of suit it instituted of 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 commitment contracted by the Company or approved by the Board which had not been provided for as at the reporting date (2018: Nil).

24 Subsequent Events

COVID-19 Health Situation - The COVID-19 Virus was declared a Pandemic in February 2020 and this impacted economic activities worldwide. The Federal Government placed a ban on movement except for essential services and this impacted the collection activities of the company negatively as many companies are affected by the impact of COVID 19. However, the restriction on movement has been lifted and collections have now been recovered.

Based on our assessment, we have come to the conclusion that the Company's business will still continue as a going concern despite the anticipated impacts.

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 2019, 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-19 ₦'000	%	31-Dec-18 ₦'000	%
Revenue	100,588,240		89,200,967	
Bought in materials and services				
- Imported	-		-	
- Local	23,985,138		(131,790,170)	
Value consumed	**124,573,378**	**100**	**(42,589,203)**	**(100)**
Distributed as follows:				
To Government				
Taxation	1,152,303	1	111,563	-
To Employees				
Salaries, wages and allowances	12,369,236	10	9,838,809	23
To Providers of Finance				
Finance cost	(44,267,129)	(36)	23,537,225	55
Maintenance of assets and future expansion				
For replacement of assets	7,696,103	6	14,073,344	33
Profit / (Loss) for the year	147,622,865	119	(90,150,144)	(211)
Value created / (consumed)	**124,573,378**	**100**	**(42,589,203)**	**(100)**

Value consumed represents the change in the Company's wealth through its operations and those of its employees. This statement shows the allocation of that wealth among employees, the government and the portion consumed for the future creation of wealth.

Five year financial summary

	31 Dec 2019 ₦'000 (IFRS)	31 Dec 2018 ₦'000 (IFRS)	31 Dec 2017 ₦'000 (IFRS)	31 Dec 2016 ₦'000 (IFRS)	31 Dec 2015 ₦'000 (IFRS)
Statement of financial position					
Assets					
Property, plant and equipment	111,751,867	115,557,261	125,213,553	134,757,675	83,212,906
Intangible assets	302,481	45,243	12,929	14,168	19,097
Deferred tax asset	25,137,960	35,568,703	35,568,703	35,568,703	10,632,031
Other Deposits (DSRA)	2,640,040	1,686,757	1,055,022		
Current assets	14,668,255	15,475,197	14,290,936	13,851,381	15,074,415
	154,500,603	**168,333,161**	**176,141,143**	**184,191,927**	**108,938,449**
Capital and Liabilities					
Non-current liabilities	43,156,927	41,869,781	41,318,939	40,832,043	10,632,031
Current liabilities	99,532,434	262,275,004	172,325,615	104,382,059	51,892,851
Share capital	25,000	25,000	25,000	25,000	10,000
Revaluation reserves	82,993,635	82,993,635	82,993,635	82,993,635	24,808,073
Accumulated reserves/(deficits)	(202,600,243)	(350,223,109)	(251,914,896)	(175,433,660)	(109,797,356)
Other reserves	131,392,850	131,392,850	131,392,850	131,392,850	131,392,850
Total equity and Liabilities	**154,500,603**	**168,333,161**	**176,141,143**	**184,191,927**	**108,938,449**
Statement of profit or loss and other comprehensive income					
Revenue	100,588,240	89,200,967	68,225,362	64,497,695	62,636,720
Profit / (Loss) before taxation	159,205,911	(90,038,581)	(76,395,463)	(90,296,156)	(28,310,747)
Taxation	(11,583,046)	(111,563)	(85,773)	24,659,852	(305,425)
Profit / (Loss) for the year	147,622,865	(90,150,144)	(76,481,236)	(65,636,304)	(28,616,172)
Other comprehensive income	-	-	-	(24,936,672)	-
Total comprehensive gain/ (loss)	**147,622,865**	**(90,150,144)**	**(76,481,236)**	**(90,572,976)**	**(28,616,172)**
Earnings/(Loss) per share - Basic (Naira)	5,905	(3,606)	(3,059)	(2,625)	(2,862)
Net Assets/(Liabilities) per share	472	(5,432)	(1,500)	1,559	4,641

Notes

Earnings / (Loss) per share is based on the profit / (loss) for the year and it is computed on the basis of the number of ordinary shares in issue as at the end of the respective statement of financial position date.

Net assets/ (liabilities) per share is based on the net assets/ (liabilities) and the number of ordinary shares in issue as at the end of the respective statement of financial position date