

Yola Electricity Distribution Plc

Annual Report

31 December 2022

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Corporate Information

Registration number: RC. 638618

Directors:	Mr. Omatseyin Ayida Mr. Ibrahim Dan Shuaib Mr. Ignatius O. Ayewoh Mr. Awwal Manga Mr. Siraj Abdullahi Mr. Simbabi Ogbaha Mr. Mahamadou Arzika Hajiya Rabi Yahaya Ahmed	Chairman Interim Managing Director Director Director Director Director Director Director
Registered office and principal address:	2, Atiku Abubakar Road Jimeta Yola Adamawa State	
Company secretary:	Saleh Dangana SCN 018391 No. 6, Yedseram Street Off IBB Way, Maitama FCT, Abuja Nigeria	
Independent auditor:	KPMG Professional Services KPMG Tower Bishop Aboyade Cole Street Victoria Island, Lagos Nigeria	
Bankers:	Access Bank Plc Fidelity Bank Plc First Bank Plc Guaranty Trust Bank Plc Polaris Bank Plc Sterling Bank Plc United Bank of Africa Plc Union Bank Plc Unity Bank Plc Zenith Bank Plc	
Solicitors:	Anas Naándeti & Co No. 86, Mohammed Mustapha, Jimeta, Adamawa State H.G. Maidawa & Co No. 2, Numan Road, Jimeta, Adamawa State Makeri & Co Bon Road Borno, Maiduguri, Borno State. Mikman Karen & Co No. 40, Comfort Street, Jalingo, Taraba State	
Tax Identification Number:	17778721-0001	

FINANCIAL HIGHLIGHTS

Results	2022	Restated 2021		Change
	N'000	N'000		%
Revenue	24,952,033	17,793,993	▲	40%
Operating profit	2,884,816	77,771,866	▼	(96)%
Profit for the year	2,183,744	77,595,880	▼	(97)%
Total comprehensive income	34,295,275	77,069,136	▼	(56)%
Total equity	32,654,062	(950,316)	▲	3,536%
Net assets / (liabilities) per share	3.27	(0.10)	▲	3,370%

Directors' Report**For the year ended 31 December 2022**

The directors present their report on the affairs of Yola Electricity Distribution Plc ("the Company"), together with the financial statements and auditor's report for the year ended 31 December 2022.

Legal form and background of the Company

Yola Electricity Distribution Plc ("the Company" or "YEDC") was incorporated in Nigeria on 07 November 2005 as a public liability company to take over electricity distribution activities and related business of the Power Holding Company of Nigeria ("PHCN") within Adamawa, Borno, Taraba and Yobe states.

As part of the Federal Government of Nigeria's ("FGN's") initiative to transform the power sector, the Nigerian Electricity Regulatory Commission (NERC) was established in October 2005 as required under the Electric Power Sector Reform Act (EPSRA) 2005. NERC is Nigeria's independent regulatory agency for the Nigerian electricity industry comprising generation, transmission and distribution sectors and regulates the activities of the Company.

In 2013, the FGN completed its planned privatisation of the electricity sector effectively handing over 5 generation and 11 distribution companies to new owners under various share sale agreements. As a result of this, 60% equity interest in the Company was acquired by Integrated Energy Distribution and Marketing Company, ("IEDMC"). After two years of operating the Company, IEDMC declared a force majeure and the Company was handed over to FGN in 2015 under the control of the Bureau of Public Enterprises ("BPE").

Quest Electricity Nigeria Limited ("QENL") acquired 60% equity interest in the Company following the execution of a Performance Agreement, a Share-Sale and Purchase Agreement, and a Shareholders Agreement between BPE, the Company, and QENL. As a result of the acquisition by QENL, a newly constituted Board and Management took over the reins of the Company in January 2022.

Principal Activity and Business Review

The principal activity of the Company is the distribution of electricity to its customers within its licensed franchise areas.

Operating results and dividend

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

	31-Dec-2022	31-Dec-2021
	N'000	N'000
Revenue	<u>24,952,033</u>	<u>17,793,993</u>
Profit before minimum and income tax	2,183,744	77,692,922
Minimum tax	-	(97,042)
Profit before income tax	2,183,744	77,595,880
Income tax	<u>(654,169)</u>	<u>(526,744)</u>
Profit for the year	1,529,575	77,069,136
Other comprehensive income	46,808,143	-
Related tax	<u>(14,042,443)</u>	-
Total comprehensive income for the year	<u>34,295,275</u>	<u>77,069,136</u>

The directors have not recommended any dividend payment for the financial year ended 31 December 2022 (2021: Nil).

Directors' Report (cont'd)

Directors and their interests

The directors who served during the year were as follows:

Name	Designation
Omatseyin Ayida	Chairman
Umar Abubakar Hashidu*	Managing Director
Alexander Okoh**	
Awwal Manga	
Siraj Abdullahi	
Simbabi Ogbaha	
Mahamadou Arzika	
Rabi Yahaya Ahmed	

*Umar Abubakar Hashidu, Managing Director/Chief Executive Officer of the Company, proceeded on a leave of absence on 05 May 2023, was replaced Abubakar Yahaya on 01 June 2023 and then he resigned from his position on 04 September 2023. After his resignation, Ibrahim Dan Shuaib was appointed by Board of Directors as Acting Managing Director/Chief Executive Officer on 13 September 2023.

**Alexander Okoh, the representative of BPE on the Company's Board of Directors, was removed from office as the Director-General/CEO of BPE on 08 January 2024. Ignatius O. Ayewoh was then appointed Acting Director-General of BPE and now represents BPE on the Company's Board of Directors.

Direct shares in the Company

The directors had no direct interest in the shares of the Company during the year. (2021: Nil)

Shareholding structure

The shareholding structure of the Company is as follows:

	2022		2021	
	Number of shares held	%	Number of shares held	%
Quest Electricity Nigeria Limited	6,000,000	60	-	-
Bureau of Public Enterprises - BPE	3,200,000	32	8,000,000	80
Ministry of Finance Incorporated - MOFI	800,000	8	2,000,000	20
	10,000,000	100	10,000,000	100

* On 15 January 2024, the Ministry of Finance Incorporated (MOFI) formally terminated the Power of Attorney (PoA) granted to the Bureau of Public Enterprises (BPE) in the 11 Electricity Distribution Companies (Discos), directing that henceforth, equity interests of the Federal Government of Nigeria (FGN) in all electricity successor companies be held by MOFI. This new structure is yet to be implemented as at the date of issue of these financial statements.

Directors' Report (cont'd)

Corporate Governance

Subsequent to QENL's acquisition of 60% equity interest in the Company, and consistent with applicable NERC rules, the Board re-emphasized the maintenance of high standards of corporate governance, central to achieving the Company's objective of maximizing shareholder value. As a result, the Board has a schedule of matters reserved specifically for its decision and the Directors have been empowered by the provision of access to learning appropriate professional skills and knowledge development.

NERC rules require that the Company has at least five directors of which at least one must be an independent director. The Company has eight (8) directors comprising seven (7) non-executive directors and one (1) executive director. The Company does not have an independent director.

The Board held four (4) board meetings (both physical and virtual) during the year and below is the record of attendance of the directors at the meeting:

Name	Number of meetings attended
Omatseyin Ayida	4/4
Umar Abubakar Hashidu	4/4
Alex Okoh* (BPE Director)	4/4
Awwal Manga	4/4
Siraj Abdullahi**	4/4
Simbabi Ogbeha	4/4
Mahamadou Arzika	4/4
Rabi Yahaya-Ahmed	4/4

* *Ignatius Ayewoh/Mallam Audu Uba Mohammed/Jide Adesanya/Obiagwu Obiorah were representatives of Alex Okoh at all board meetings in the absence of the latter.*

** *Atinuke Taiwo was a representative of Siraj Abdullahi at all board meetings in the absence of the latter.*

Sub Committees of the Board

The Board has established committees consistent with NERC rules, each with written terms of reference approved by the Board. Currently, there are four (4) sub-committees that have been approved.

The sub-committees are:

1. Finance, Technical and Procurement committee, chaired by Siraj Abdullahi
2. Human Resource and Governance committee, chaired by Awwal Manga
3. Regulatory and Compliance committee, chaired by Rabi Yahaya-Ahmed
4. Audit and Risk committee, chaired by Alex Okoh.

The sub-committees are established to assist the Board to effectively and efficiently perform guidance and oversight functions, amongst others. The Board Committees and their members held meetings during the year as follow:

1. Finance, Technical and Procurement committee

The Finance, Technical and Procurement committee met 6 times during the year under review. The meetings were held on 04 February 2022, 28 July 2022, 29 July 2022, 23 August 2022, 24 August 2022 and 13 October 2022.

Name	Number of meetings attended
Siraj Abdullahi	6/6
Umar Abubakar Hashidu	6/6
Alexander Okoh*	6/6
Awwal Manga	6/6
Simbabi Ogbeha	6/6
Mahamadou Arzika	6/6

Directors' Report (cont'd)

2. Human Resource and Governance committee

The Human Resource and Governance committee met 4 times during the year under review. The meetings were held on 03 March 2022, 30 June 2022, 30 August 2022, and 14 October 2022.

Name	Number of meetings attended
Awwal Manga	4/4
Alex Okoh (<i>represented by Jide Adesanya and Audu Mohammed</i>)	4/4
Siraj Abdullahi	4/4
Rabi Yahaya-Ahmed	4/4

3. Regulatory and Compliance committee

The Regulatory and Compliance committee met 2 times during the year under review. The meetings were held on 12 July 2022, and 14 October 2022.

Name	Number of meetings attended
Rabi Yahaya-Ahmed	2/2
Umar Abubakar Hashidu	2/2
Awwal Manga	2/2
Simbabi Ogbeha	1/2
Mahamadou Arzika	1/2
Alex Okoh	0/2

4. Audit and Risk committee

The Audit and Risk committee met once during the year under review. The meetings was held on 05 May 2022.

Name	Number of meetings attended
Alex Okoh	1/1
Umar Abubakar Hashidu	1/1
Siraj Abdullahi	1/1
Simbabi Ogbeha	1/1
Mahamadou Arzika	1/1
Rabi Yahaya-Ahmed	1/1

Material Agreements

The Company has entered into the following material agreements:

1. Deeds of assignment of pre-handover receivables and liabilities

The Company signed a deed of assignment of pre-handover receivables and liabilities with the Nigerian Electricity Liability Management Company Limited (NELMCO) effective 01 January 2022. As part of the privatisation initiative and the restructuring of the Nigerian power sector, NELMCO was established to take over and manage the stranded assets and liabilities in the power sector.

a. Pre-handover receivables

Per the deed of assignment of pre-handover receivables, all the trade receivables of the Company as at 01 January 2022 were transferred to NELMCO without recourse. Further interpretation accorded to the definition of pre-handover receivables by NERC expanded this to include cash and cash equivalents held as at 01 January 2022. See Note 12.

b. Pre-handover liabilities

Per the deed of assignment of pre-handover liabilities, all liabilities and contingent liabilities of the Company as at 01 January 2022 were transferred to NELMCO subject to certain terms and conditions, which the Board believes do not limit the transfers. On the basis of the agreements above, management derecognised qualifying assets and liabilities as at 01 January 2022 from the 2022 financial statements. See Note 12.

Directors' Report (cont'd)

2. Technical Agreement with Related Party

The Company has an operations, management and maintenance contract with Societe Nigerienne D'Electricite for the provision of local, top level and expatriate staff to enable the Company meet the performance standard in the Performance Agreement entered into with BPE (Note 29).

Geographical presence

To enable the Company operate within its licensed area where it distributes electricity, it has sixteen (16) (2021: sixteen (16)) districts, excluding the head office, across Adamawa, Borno, Taraba and Yobe states. Each business unit is headed by a business manager who reports to the leadership team based at the head office.

Property, plant and equipment

Information relating to changes in property plant and equipment is disclosed in Note 15 to these financial statements.

Charitable donations

In accordance with Section 43 (2) of the Companies and Allied Matters Act, CAMA, 2020, the Company did not make any donation or gift to any political party, political association or for any political purpose in the course of the year (2021: Nil).

Events after the reporting period

Events after the reporting date have been disclosed in Note 33 to these financial statements.

Employment and employees

As a result of the resale of the Company, the Bureau of Public Enterprises (BPE) disengaged all the Company's employees in December 2021 (prior to the sale of the Company). All benefits due to the disengaged employees including retirement benefits, gratuity and all allowances have been settled in full. The Company on 1 January 2022 re-engaged some of the employees that were disengaged by BPE on a contractual basis for a probationary period of not less than 6 months and an option to re-engage qualifying employees after the six month period. Following the expiration of the probation period, the Company hired some of the re-engaged employees on a permanent basis. The Company manages its workforce with an appropriate mix of permanent and contract staff. As such, as at the year end, employees of the Company include contract staff. While the Company is in the process of developing a full, comprehensive handbook of policies to govern its employees, some of its currently effective policies are as follows:

a) Employee consultation and training

The Company 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. This is achieved through regular meetings with employees and consultations with their representatives. Management, professional and technical expertise are the Company's major assets. The Company continues to invest in developing such skills. The Company has in-house training facilities, complemented, when and where necessary with external and overseas training for its employees. This has broadened opportunities for career development within the organization.

Directors' Report (cont'd)

b) Dissemination of information

In order to maintain shared perception of our goals, the Company is committed to communicating information to employees in a fast and effective manner, as possible. This is considered critical to the maintenance of team spirit and high employee morale.

c) Employment of physically challenged persons

The Company has no physically challenged persons in its employment (2021: Nil). Applications for employment by physically challenged persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming physically challenged, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that training, career development and promotion of physically challenged persons should, as far as possible, be identical with that of other employees.

d) Employee health, safety and welfare

The Company places a high premium on the health, safety and welfare of its employees in their places of work. To this end, the Company has various forms of insurance policies, including workmen's compensation and group life insurance, to adequately secure and protect its employees. The Company has a well-established Environmental Health and Safety (EH&S) management system, which formalises EH&S processes, procedures and programmes and provides for integration of EH&S issues into business planning and operations. It is the Company's goal to ensure that incident free safety record in operations is amongst the best, both locally and globally, upon which it has set its safety policy.

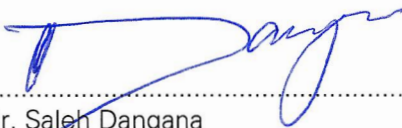
Auditors

The previous auditors, Messrs. Ibrahim Abdullahi & Co. (Chartered Accountants) who audited the prior year financial statements up to 31 December 2021, resigned their appointment as auditors.

Messrs. KPMG Professional Services was appointed as independent auditor on 21 September 2022 by the Board of Directors.

Messrs. KPMG Professional Services having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditors to the Company. In accordance with section 401(2) of the Companies and Allied Matters Act, CAMA, 2020, the auditors will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

BY THE ORDER OF THE BOARD:



Mr. Saleh Dangana

Company Secretary

FRC/2023/PRO/NBA/002/245434

7/3 2024

Statement of Directors' Responsibilities in Relation to the Financial Statements

For the year ended 31 December 2022

The directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and Financial Reporting Council of Nigeria Act, 2011.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act (CAMA), 2020 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.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead. See Note 1.3.

SIGNED ON BEHALF OF THE DIRECTORS BY:

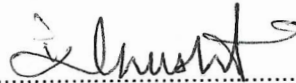


Mr. Omatseyin Ayida

Chairman

FRC/2023/PRO/DIR/003/581399

7th march 2024



Mr. Ibrahim Dan Shuaib

Interim Managing Director*

7th march 2024

* The Financial Reporting Council(FRC) on 29 January 2024 granted a waiver which allows the Interim Managing Director, Mr Ibrahim Dan Shuaib, to sign the Company's 2022 Annual Report and Financial Statements.

Statement of Corporate Responsibility for the Financial Statements


for the year ended 31 December 2022

Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Interim Managing Director/CEO and Acting Chief Financial Officer, hereby certify the financial statements of Yola Electricity Distribution Plc for the year ended 31 December 2022 as follows:

- a) That we have reviewed the audited financial statements of the Company for the year ended 31 December 2022 .
- b) That the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading, in the light of the circumstances under which such statement was made.
- c) That the audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for, the year ended 31 December 2022 .
- d) That we are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Company is made known to us by other officers of the companies, during the period end 31 December 2022 .
- e) That we have evaluated the effectiveness of the Company's internal controls within 90 days prior to the date of audited financial statements, and certify that the Company's internal controls are effective as of that date.
- f) That there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective action with regard to significant deficiencies and material weaknesses.
- g) That we have disclosed the following information to the Company's Auditors and Audit Committee:
 - i. there are no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data, and have identified for the Company's auditors any material weaknesses in internal controls, and
 - ii. there is no fraud that involves management or other employees who have a significant role in the Company's internal control.


.....
Ibrahim Dan Shuaib
Interim Managing Director*

7th March
..... 2024


.....
Umar Aliyu Gulmare
Acting Chief Finance Officer
FRC/2023/PRO/OTHERS/002/188542
7th March
..... 2024

* The Financial Reporting Council(FRC) on 29 January 2024 granted a waiver which allows the Interim Managing Director, Mr Ibrahim Dan Shuaib, to sign the Company's 2022 Annual Report and Financial Statements.

Report of the Audit and Risk Committee

In compliance with section 404(1) of the Companies and Allied Matters Act (CAMA 2020), we the members of the Audit and Risk Committee of Yola Electricity Distribution Plc, have reviewed the Audited Report for the year ended 31 December 2022 and hereby declare as follows:

1. The scope and planning of the audit for year ended 31 December, 2022 were adequate in our opinion;
2. The accounting and financial reporting policies of the Company conformed to legal requirements and agreed ethical practices;
3. The Internal Control and Internal Audit were operated effectively through robust internal control framework;
4. The External Auditor's findings as stated in the management letter received satisfactory response from executive management;
5. The External Auditors confirmed receiving full co-operation from the Company's management and that their scope of work was not restricted in any way.

Dated: 7th March 2024

I. D. Ayewoh

Mr. Ignatius Ayewoh

Chairman

FRC/2022/PRO/AUDITCOM/002/794885

Members of the Committee

Mr. Alex Okoh/Ignatius Ayewoh*	Chairman
Mr. Siraj Abdullahi	Member
Hajiya Rabi Yahaya-Ahmed	Member
Mr. Simbabi Ogbeha	Member
Mr. Mahamadou Arzika	Member

**Mr. Ignatius Ayewoh is an alternate director to Alex Okoh who is the representative of BPE (Bureau of Public Enterprises) on the Board of Directors.*



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Yola Electricity Distribution Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Yola Electricity Distribution Plc (the Company), which comprise:

- the statement of financial position as at 31 December 2022;
- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Revenue Recognition	
See Note 4(A), 8(a) and 8(b) to the financial statements for the Company's accounting policy on revenue recognition and related disclosures	
The key audit matter	How the matter was addressed in the audit
<p>Revenue recognition is a matter of significance in our audit of the financial statements due to the following significant judgements:</p> <ul style="list-style-type: none"> revenue from unmetered customers is based on an estimated billing methodology; estimation of unbilled revenue for postpaid energy sales to customers between the date of their last bill and the year end date; and <p>Furthermore, tariffs are regulated and the multi year tariff order (MYTO) is issued twice in a year to update for changes in macroeconomic conditions, that is MYTO released in July relates to transactions between January to June and that in December relates to transactions from July to December. The Company's process of implementing the changes is manual and prone to error.</p> <p>Due to the high level of judgement involved in revenue recognition and the significance of the revenue recognised, we have considered this to be a key audit matter</p>	<p>Our audit procedures in this area included the following:</p> <ul style="list-style-type: none"> We obtained an understanding of the Company's customer billing and meter reading processes and evaluated the design and implementation of the relevant controls in relation to revenue estimation and billing systems. With respect to the estimation of unbilled revenue from postpaid energy sales, we obtained an understanding of the Company's billing cycle for the post paid customers and re-computed estimated unbilled revenue as at year end to account for the days between the period of the billing cycle for December 2022 and the year end. We evaluated the multi-year tariff order issued with respect to metering and billing of customers and assessed how the Company had complied with the orders in formulating its billing and revenue recognition methodology by recomputing revenue based on the order. We evaluated the adequacy of the financial statements disclosures including disclosures of key assumptions and judgements.

Impairment of trade receivables	
See Note 4(Q) and 31(B)(a) to the financial statements for the Company's accounting policy on impairment of receivables and related disclosures.	
The key audit matter	How the matter was addressed in the audit
<p>As at 31 December 2022, the Company reported an impairment allowance of ₦ 6.59 billion against the gross trade receivables balance of ₦ 13.1 billion. The allowance for expected credit loss represents 50% of the gross trade receivable balance.</p> <p>The impairment allowance on trade receivables has remained significant as recovery of amounts billed to post-paid customers continues to be a challenge.</p> <p>We considered this a key audit matter due to the materiality of the amounts involved and the high level of judgement required in determining the key inputs for the expected credit loss model used in calculating impairment allowance.</p>	<p>Our audit procedures in this area included the following:</p> <ul style="list-style-type: none"> evaluating the ECL modelling techniques and methodology used by the Company in comparison to the requirements of the relevant accounting standards. challenging key assumptions applied in the impairment of financial assets by comparing the assumptions to our expectations based on knowledge of the Company, industry, relevant market parameters and other externally derived data. assessing the categorization of the Company's receivables for the purpose of ensuring that outstanding receivables are correctly classified based on their credit risk characteristics and their identified settlement patterns.

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	<ul style="list-style-type: none"> evaluating completeness of the disclosures made by management in the financial statements.
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Valuation of distribution network assets	
See Note 4(B) and 15 to the financial statements for the Company's accounting policy on valuation of distribution network assets and related disclosures respectively	
The key audit matter	How the matter was addressed in the audit
<p>The Company changed its accounting policy from the cost to fair value model of accounting for its distribution network assets class of property, plant and equipment during the year.</p> <p>The fair value of the Company's distribution network assets is determined using the Depreciated Replacement Cost approach. This approach measures the Fair Value by estimating the "Gross Current Replacement Cost" of the facilities and then determines the deductions which should be made to reflect the age, condition, and situation of the asset during its past and proposed future economic working life.</p> <p>Included as part of property, plant and equipment is a revaluation surplus of NGN 46.81 billion arising from the Company's valuation exercise of its distribution network assets.</p> <p>We identified the valuation of the Company's distribution network assets because of the significance of distribution network assets to the Company's financial statements and because the determination of the fair values involves significant judgement and estimation, including selecting the appropriate valuation methodology, determining the gross current replacement cost, estimating past and proposed future economic working life of each distribution network asset.</p>	<p>Our audit procedures to assess the valuation of distribution network assets included the following:</p> <ul style="list-style-type: none"> assessing the competence, capability, experience, independence and objectivity of the external valuation expert; evaluating the valuation methodology used by the external property valuer based on the requirements of IFRS. inspecting the reconciliation of items included in the revaluation report to the items included in the Company's fixed asset register recomputing depreciation expenses for the year on the revalued assets evaluating the adequacy of the financial statement disclosures, ensuring revaluation surpluses and deficits are appropriately classified and the disclosures on the valuation exercise are appropriate.

The Transfer of Assets and Liabilities to NELMCO	
See Note 12 to the financial statements for the Company's disclosures on transfer of assets and liabilities to NELMCO	
The key audit matter	How the matter was addressed in the audit
<p>On 1 January 2022, a new management took over the Company following the acquisition of 60% of the Company's shares by Quest Electricity Nigeria Limited (QENL).</p> <p>As a result of the acquisition, the Company is required to transfer assets and liabilities at 31 December 2021 to the Nigeria Electricity Liability Management Ltd (NELMCO). The transfer is governed by the executed pre-handover receivables and liabilities transfer agreements between the Company and NELMCO.</p>	<p>Our audit procedures to assess the appropriateness of the transfer of assets and liabilities to NELMCO included the following:</p> <ul style="list-style-type: none"> inspecting the transfer agreements and correspondences/minutes of meetings between the Company and NELMCO during the year. identifying specific assets and liabilities to be transferred to NELMCO as contained in the transfer agreements and correspondences.

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<p>The accounting for this transfer is judgemental due to the significant judgements that are required to determine whether certain assets and liabilities at 31 December 2021 not within the scope of transfer agreements should be transferred to NELMCO. Consequently, we have determined this transfer of assets and liabilities to be a key audit matter.</p>	<ul style="list-style-type: none">• challenging the Company's judgement on the transfer of balances that are not specifically listed in transfer agreements and correspondences• assessing the appropriateness of management entries to recognize transfer of balances to NELMCO in line with the transfer agreements and correspondences• evaluating the adequacy of the financial statement disclosures in respect of the transfer
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Other Matter relating to comparative information

The financial statements of Yola Electricity Distribution Plc as at and for the years ended 31 December 2021 and 31 December 2020 (from which the statement of financial position as at 1 January 2021 has been derived), excluding audit adjustments described in Note 7 to the financial statements were audited by another auditor whose undated audit report expressed an unmodified opinion on those financial statements.

As part of our audit of the financial statements as at and for the year ended 31 December 2022, we audited the adjustments described in Note 7 that were applied to restate the comparative information presented as at and for the year ended 31 December 2021 and the statement of financial position as at 1 January 2021.

We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended 31 December 2021 and 31 December 2020 (not presented therein) or to the statement of financial position as at 1 January 2021, other than with respect to the adjustments described in Note 7 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 7 to the financial statements are appropriate and have been properly applied.

Information Other than the Financial Statements and Audit Report thereon

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

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

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

Responsibilities of the Directors for the Financial Statements

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



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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act (CAMA), 2020

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

A handwritten signature in green ink, appearing to read 'Ayodele A. Soyinka'.

Ayodele A. Soyinka, FCA
FRC/2012/ICAN/00000000405
For: KPMG Professional Services
Chartered Accountants
2 April 2024
Lagos, Nigeria




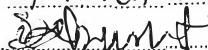
Statement of financial position

As at

		31-Dec-2022	31-Dec-2021 restated*	1-Jan-2021 restated*
	Note	N'000	N'000	N'000
ASSETS				
Non-current assets				
Property, plant and equipment	15	56,360,886	2,226,232	1,561,902
Intangible assets	16	776,305	2,858	7,373
Total non-current assets		57,137,191	2,229,090	1,569,275
Current assets				
Prepayments	19	-	16,663	36,119
Inventories	18	518,807	445,202	292,434
Trade and other receivables	17	8,583,854	22,430,057	51,504,272
Cash and cash equivalents	20	4,145,142	491,653	753,166
Total current assets		13,247,802	23,383,575	52,585,991
Total assets		70,384,994	25,612,665	54,155,266
EQUITY				
Share capital	21	5,000	5,000	5,000
Capital contribution	23	832,743	832,743	832,743
Revaluation reserves	23(b)	32,765,700	-	-
Accumulated deficit	22	(948,381)	(1,788,059)	(78,857,195)
Total equity		32,654,062	(950,316)	(78,019,452)
LIABILITIES				
Non-current liabilities				
Loans and Borrowings	25	6,664,540	2,576,754	160,503
Deferred Income	26	2,078,178	24,961	-
Deferred tax liabilities	14	12,502,829	526,744	-
Total non-current liabilities		21,245,547	3,128,459	160,503
Current liabilities				
Loans and Borrowings	25	4,201,279	91,294	97,003
Current tax liabilities	14(d)	2,720,527	3,083,398	2,232,795
Contract liabilities	8(c)	144,116	122,281	158,415
Trade and other payables	24	9,062,756	20,090,365	129,526,002
Provisions	27	-	35,117	-
Deferred Income	26	356,707	12,067	-
Total current liabilities		16,485,385	23,434,522	132,014,215
Total liabilities		37,730,932	26,562,981	132,174,718
Total equity and liabilities		70,384,994	25,612,665	54,155,266

These financial statements were approved by the Board of Directors on 7 March 2024 and signed on its behalf by:


Omatseyin Ayida
 Chairman
 FRC/2023/PRO/DIR/003/581399


Ibrahim Dan Shuaib
 Acting Managing Director**

Additionally certified by:


Mathias Nuhu
 Finance Manager
 FRC/2023/PRO/ICAN/007/229496

* The comparative information is restated on account of correction of errors. See Note 7.
 The notes on pages 17 to 85 are an integral part of these financial statements.

** The Financial Reporting Council(FRC) on 29 January 2024 granted a waiver which allows the Interim Managing Director, Mr Ibrahim Dan Shuaib, to sign the Company's 2022 Annual Report and Financial Statements.

Statement of profit or loss and other comprehensive income
For the year ended 31 December

		2022	2021
	Note	N'000	restated*
		N'000	N'000
Revenue	8	24,952,033	17,793,993
Cost of sales	9(a)	(10,824,489)	(13,750,921)
Gross profit		14,127,544	4,043,072
Other income	10	187,235	84,610,405
Operating expenses	9(b)	(4,844,389)	(6,850,684)
Impairment loss on trade receivables	31(a)	(6,585,574)	(4,030,927)
Operating profit		2,884,816	77,771,866
Finance Income	11	6,950	-
Finance costs	11	(708,022)	(78,944)
Net finance costs		(701,072)	(78,944)
Profit before minimum tax		2,183,744	77,692,922
Minimum tax	14(a)	-	(97,042)
Profit before income tax		2,183,744	77,595,880
Income tax expense	14(b)	(654,169)	(526,744)
Profit for the year		1,529,575	77,069,136
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Revaluation surplus on property, plant and equipment	23(b)	46,808,143	-
Related tax	14(c)	(14,042,443)	-
Other comprehensive income for the year, net of tax		32,765,700	-
Total comprehensive income for the period		34,295,275	77,069,136

* The comparative information is restated on account of correction of errors. See Note 7.

The accompanying notes are an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2022

	Note	Share capital N'000	Accumulated deficit N'000	Revaluation reserves N'000	Other reserves N'000	Capital contribution N'000	Total N'000
Balance at 1 January 2021, as previously reported		5,000	(77,691,358)	-	344,184	832,743	(76,509,431)
Impact of correction of errors	7(a)	-	(1,165,837)	-	(344,184)	-	(1,510,021)
Restated balance at 1 January 2021		5,000	(78,857,195)	-	-	832,743	(78,019,452)
Total comprehensive income for the period (restated)							
Profit for the period	22	-	77,069,136	-	-	-	77,069,136
Total comprehensive income for the period (restated)		-	77,069,136	-	-	-	77,069,136
Restated Balance at 31 December 2021		5,000	(1,788,059)	-	-	832,743	(950,316)
Balance at 1 January 2022		5,000	(1,788,059)	-	-	832,743	(950,316)
Total comprehensive income for the period							
Profit for the period	22	-	1,529,575	-	-	-	1,529,575
Other comprehensive income	23(b)	-	-	32,765,700	-	-	32,765,700
Total comprehensive income for the period		-	1,529,575	32,765,700	-	-	34,295,275
Transactions with owners of the Company							
Transfer of assets and liabilities to NELMCO	12	-	(690,897)	-	-	-	(690,897)
Total transactions with owners		-	(690,897)	-	-	-	(690,897)
Balance at 31 December 2022		5,000	(949,381)	32,765,700	-	832,743	32,654,062

The accompanying notes are an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December

	2022	2021
	N'000	restated* N'000
Cash flows from operating activities		
Profit for the period	1,529,575	77,069,136
Adjustments for:		
- Depreciation on distribution assets	9(a) 3,454,725	107,600
- Depreciation on non-distribution assets	9(b) 238,726	199,961
- Amortization - intangible assets	16 45,655	4,515
- Write-down of inventory	9(a) -	23,432
- Write-off of cash	7 -	29,242
- Impairment allowance on trade receivables	31(B)(a) 6,585,574	4,030,927
- Amortization of day-1 gain on CBN intervention loans	26(c) (52,127)	(41,458)
- Modification gain on loans	25(g) (3,306)	(17,362)
- Finance costs	11 560,635	78,944
- Finance income	11 (6,950)	-
- Provisions	27 -	35,117
- Income tax expense	14(b) 654,169	526,744
- Minimum tax expense	14(a) -	97,042
	13,006,676	82,143,840
<i>Changes in working capital:</i>		
- Trade and other receivables	17(c) (14,782,884)	25,043,288
- Prepayments	19(a) 16,663	19,456
- Inventory	18(a) (145,584)	(176,200)
- Trade and other payables	24(g) 4,175,205	(109,366,924)
- Contract liabilities	8(c) 21,835	(36,133)
Cash used in operating activities	2,291,911	(2,372,673)
Income tax paid	14(d) -	-
Net cash used in operating activities	2,291,911	(2,372,673)
Cash flows from investing activities		
Acquisition of property, plant and equipment	15(g) (7,765,809)	(287,043)
Acquisition of intangible assets	16(b) (21,102)	-
Advance payment for property, plant and equipment	17(c) (386,544)	-
Interest received	11 6,950	-
Net cash used in investing activities	(8,166,505)	(287,043)
Cash flows from financing activities		
Proceeds from loans and borrowings	25 13,081,031	2,479,092
Transaction costs related to loans and borrowings	25 (13,438)	-
Repayment of principal	25 (2,971,510)	(42,329)
Repayment of interest	25 (214,026)	(9,318)
Net cash generated from financing activities	9,882,057	2,427,445
Net decrease in cash and cash equivalents	4,007,464	(232,271)
Cash and cash equivalents, beginning of year	491,653	753,166
Cash no longer available for operations	12 (350,646)	-
Cash written off	7 -	(29,242)
Effects of movements in exchange rates on cash held	11(b) (3,329)	-
Cash and cash equivalents, end of year	4,145,142	491,653

* The comparative information is restated on account of correction of errors. See Note 7.

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2022

1.1 General Information

Yola Electricity Distribution 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 four (4) states namely Adamawa, Borno, Taraba and Yobe states. The Company is domiciled in Nigeria and has its registered office address at 2, Atiku Abubakar Road, Jimeta, Yola, Adamawa State.

The Company was in the distribution sector of the PHCN which was a state-owned Electric Power Company. However, it was sold to Integrated Energy Distribution and Marketing Company, ("IEDMC"), in 2013 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. After two years of operating the Company, IEDMC declared a force majeure and the Company was handed over to FGN in 2015 and was under the control of BPE.

Quest Electricity Nigeria Limited ("QENL") acquired 60% equity interest in the Company following the execution of a Performance Agreement, a Share-Sale and Purchase Agreement, and a Shareholders Agreement between BPE, the Company, and QENL on 01 January 2022.

1.2 Shareholding structure

The shareholding structure of the Company is as follows:

	2022	
	Number of shares held	%
<i>Quest Electricity Nigeria Limited</i>		
6,000,000 ordinary shares of NGN 0.50k each	6,000,000	60
<i>Bureau of Public Enterprises - BPE</i>		
3,200,000 ordinary shares of NGN 0.50k each	3,200,000	32
<i>Ministry of Finance Incorporated - MOFI</i>		
800,000 ordinary shares of NGN 0.50k each	800,000	8
Total issued ordinary shares	10,000,000	100

1.3 Going concern consideration

As at the reporting date, the Company's current liabilities exceeded its current assets by NGN 3.62 billion (2021: NGN 50.95 million). The Company made a profit after tax of NGN 1.53 billion (2021: profit after tax of NGN 77.07 billion). In addition, the Company's total assets exceed its total liabilities by NGN 32.65 billion (2021: total liabilities exceeded total assets by NGN 0.95 billion) and the Company recorded a positive operating cash flows of NGN 2.29 billion (2021: negative operating cash flow of NGN 2.37 billion). The net current liability is mainly attributable to amounts due to related parties amounting to NGN 6.15 billion as at year end (2021: NGN 2.48 billion) for which payments were delayed to support the continued operation of the business, and amounts due to the energy market, third parties and statutory liabilities amounting to NGN 9.83 billion as at year end (2021: NGN 20.82 billion).

Mainstream Energy Solutions Limited, the ultimate parent company of the Company, has indicated that it is willing and able to provide continued financial support to the Company in order to enable it to operate as a going concern and to meet its obligations for a period of twelve (12) months from the date of the issuance of these financial statements.

Therefore, the Directors of the Company have a reasonable expectation that the Company will continue in operational existence for the foreseeable future given the commitments from the ultimate parent company as described above. Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern.

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

1.4 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.

1.5 Financial period, functional and presentation currency

These financial statements cover the financial year from 1 January 2022 to 31 December 2022.

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 thousand, unless otherwise stated.

1.6 Composition of IFRS financial statements

The financial statements are drawn up in Nigerian Naira (NGN), the functional currency of Yola Electricity Distribution Plc, in accordance with IFRS accounting presentation. The financial statements comprise:

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

1.7 Statement of compliance

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

2 Basis of preparation

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

The financial statements were authorised for issue by the Board of Directors on 07 March 2024.

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

Details of the Company's accounting policies, including changes thereto, are included in Note 4 and 5 respectively.

Notes to the financial statements (cont'd)*For the year ended 31 December 2022***3 Application of new and revised International Financial Reporting Standards (IFRSs)****A New and amended IFRS Accounting Standards that are effective for the current year**

In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Standard/Interpretation	Issue date	
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 <i>Annual improvements 2018 - 2020</i>	May 2020	<p>The Company has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year.</p> <p><i>IFRS 9 Financial Instruments</i></p> <p>The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.</p> <p><i>IFRS 16 Leases</i></p> <p>The amendment removes the illustration of the reimbursement of leasehold improvements.</p>
Amendments to IAS 16 <i>Property, Plant and Equipment — Proceeds before Intended Use</i>	May 2020	<p>The Company has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.</p>

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

Standard/Interpretation	Issue date	
Amendments to IAS 37 <i>Onerous Contracts—Cost of Fulfilling a Contract</i>	May 2020	The Company has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

B New and revised IFRS Accounting Standards in issue but not yet effective

A number of new Standards, Amendments to Standards, and Interpretations are effective for annual periods beginning after 1 January 2022 and have not been applied in preparing these financial statements. Those Standards, Amendments to Standards and Interpretations which may be relevant to the Company are set out below.

The Company do not plan to adopt these standards early. The standards will be adopted in the period that they become mandatory unless otherwise indicated:

Standard/Interpretation		Date issued by IASB	Effective date periods beginning on or after	Summary of the requirements and impact assessment
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure Initiative: Accounting Policies</i>	February 2021	1 January 2023	<p>The amendments were issued to assist companies to provide useful accounting policy disclosures. The key amendments to IAS 1 include:</p> <ul style="list-style-type: none"> • requiring companies to disclose their material accounting policies rather than their significant accounting policies; • clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and • clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements; <p>The amendments are consistent with the refined definition of material:</p> <p>"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements".</p> <p>The amendments are effective from 1 January 2023.</p> <p>The Company expects no significant impact on the application of this Standard.</p>

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

Standard/Interpretation		Date issued by IASB	Effective date periods beginning on or after	Summary of the requirements and impact assessment
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>	February 2021	1 January 2023	<p>This amendment provides clarifications to companies on how to distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The amendment introduces a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarifies the following:</p> <ul style="list-style-type: none"> • an entity develops an accounting estimate to achieve the objective set out by an accounting policy. • developing an accounting estimate includes both selecting a measurement technique (estimation or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. • a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. • a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods. <p>The definition of accounting policies remains unchanged.</p> <p>The amendments are effective for periods beginning on or after 1 January 2023 and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.</p> <p>The Company expects no significant impact on the application of this Standard.</p>

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

Standard/Interpretation		Date issued by IASB	Effective date periods beginning on or after	Summary of the requirements and impact assessment
Amendment to IAS 12	<i>Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction</i>	May 2021	1 January 2023	<p>The amendment clarifies that the initial recognition exemption does not apply to transactions that give rise to equal and offsetting temporary differences such as leases and decommissioning obligations. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition arising from these transactions.</p> <p>For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If an entity previously accounted for deferred tax on these transactions using the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.</p> <p>The standard is effective for annual periods beginning on or after 1 January 2023.</p> <p>The Company expects no significant impact on the application of this Standard.</p>

Notes to the financial statements (cont'd)*For the year ended 31 December 2022*

Standard/Interpretation		Date issued by IASB	Effective date periods beginning on or after	Summary of the requirements and impact assessment
Amendments to IAS 1	<i>Classification of Liabilities as Current or Noncurrent Liabilities with Covenants</i>	January 2020	1 January 2024	<p>Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.</p> <p>The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.</p> <p>In addition a company will classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. Such right may be subject to a company complying with conditions (covenants) specified in a loan arrangement.</p> <p>The amendments also clarify how a company classifies a liability that includes a counterparty conversion option, which could either be recognised as either equity or liability separately from the liability component under IAS 32 <i>Financial Instruments: Presentation</i>.</p> <p>The standard is effective for annual periods beginning on or after 1 January 2023.</p> <p>The Company expects no significant impact on the application of this Standard.</p>

Other standards

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

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Insurance Contracts (IFRS 17 including amendments, initial application of IFRS 17 and IFRS 9 – Comparative Information)

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

4 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise (See Note 5).

A Revenue from contract with customers

The company is in the business of distribution of electricity. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The performance obligation of the Company is satisfied overtime as electricity is supplied to the customers. Therefore, revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured.

Revenue is measured at fair value of the consideration received/receivable, excluding Value Added Tax (VAT). Revenue from the sale of electricity to post-paid and prepaid customers is the value of the volume of energy units supplied and consumed by the customers or upon completion of services rendered in line with the applicable tariff framework. Prices charged by the Company for electricity distribution are regulated through Multi Year Tariff Order (MYTO).

Revenue from the sales of electricity to post-paid customers is the value of the volume of units supplied during the year.

In the case of prepaid customers, revenue is recognised based on the estimation of energy consumed as at year end, while unutilized energy is regarded as unearned revenue and it is included in the financial statement as contract liability.

The Company does not recognise an asset or liability, as the case may be, on account of under recovery or over recovery except where it is obligated to provide future services at a loss in which case a provision is recognized. Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including payment terms, and the related revenue recognition policies.

Type of product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Postpaid revenue	The performance obligation of the Company is satisfied over time as electricity is supplied to the customers. Billing is done on a monthly basis and payment is contractually within 30 days of billing.	Revenue is recognised over time as electricity is provided. The amount of revenue to recognise during the year (including unbilled revenue for the value of units consumed by customers in December, extracted from the December meter reading (which will be billed in January) is assessed based on the unit consumed method. The stand-alone selling price is determined based on the NERC approved tariff for the different categories of customers and rates agreed in bilateral agreements with specific customers.

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

Type of product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Prepaid revenue	Satisfaction of performance obligation is same as postpaid revenue. Payment is received in advance of consumption of electricity	Revenue is recognised over time as electricity is provided. In case of prepaid customers, an estimate is made for unearned revenue as at year-end and this is included in the statement of financial position as contract liability. The stand-alone selling price is determined based on the NERC approved tariff for the different categories of customers and rates agreed in bilateral agreements with specific customers.

B Property, plant and equipment

i Recognition and measurement

The cost of an item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. Spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment if they are expected to be used for more than one period, otherwise, such items are classified as inventories.

• **Distribution network assets**

The Company changed its accounting policy from the cost to fair value model of accounting for this class of assets during the year. The change is an initial application and has not been applied retrospectively in accordance with the requirements of IAS 16 *Property, plant and equipment*. Accordingly, the comparative information presented for 2021 is not restated, except on account for correction of errors as mentioned in Note 7. The details of accounting policies under the cost and fair value model are disclosed separately.

Policy applicable from 2 January 2022

The Company's distribution network assets are stated at fair value using the revaluation model less accumulated depreciation and accumulated impairment losses and is generally depreciated over the estimated useful life of the assets. Operating assets includes the core assets which the Company uses in carrying out its normal course of business; distributing power to high network and other customers. They include the overhead lines and cables, underground cables, plant and machinery (transformers, feeder pillars), meters, towers and substation buildings.

Revaluations are performed by independent professional valuers with sufficient regularity to ensure that the carrying amount is not materially different from the fair value. Generally this is carried out once in five years unless required earlier to meet any external covenant to ensure that the carrying amount of these assets does not differ materially from that which would be determined using the fair values at the end of the reporting period.

Any increase in value, on revaluation, is recognized in other comprehensive income and presented in the revaluation reserve in equity unless it offsets a previous decrease in value recognized in profit or loss in respect of the same asset. A decrease in value is recognized in profit or loss to the extent it exceeds an increase previously recognized in other comprehensive income in respect of the same asset.

The revaluation surplus within the revaluation reserve is realised upon disposal of a revalued asset.

Assets under construction are stated at cost which includes cost of material and direct labour and any costs incurred in bringing it to its present location and condition.

Policy applicable before 2 January 2022

The Company's distribution network assets were stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses and is generally depreciated over the estimated useful life of the assets. Operating assets includes the core assets which the Company uses in

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

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.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

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.

• Non-distribution network assets

The Company's non distribution assets are measured at cost, less accumulated depreciation and any accumulated impairment losses. Depreciation is on a straight line method over the estimated useful lives of the assets. Non-operating assets includes land, administrative office building, furniture and fittings, motor vehicles, etc. Land is not depreciated.

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

ii Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of day to day servicing of property, plant and equipment is recognized in the statement of profit or loss and other comprehensive income as incurred.

iii Depreciation

Depreciation of an asset commences when the asset is available for use i.e. when it is in the location and condition necessary for it to be capable of operating in a manner intended

Depreciation is recognized in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful life of each part of an item of equipment. The depreciation rates applied for the year are as follows:

Asset class	Estimated Useful life (yrs.)
Distribution Assets	
Cables and Conductors	10 years
Transformers	17 years
Meters	10 years
Substation equipment	5 years
Poles	35 years
Non-distribution Assets	
Buildings	40 years
Vehicles	5 years
Equipment, furniture and fittings	4 - 5 years
Land	Indefinite

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. No depreciation is charged on assets under construction. The attributable cost of each item of asset under construction is transferred to the relevant category of property, plant and equipment when they become ready for use and is depreciated accordingly. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale in accordance with IFRS 5 and the date that the asset is derecognized.

Notes to the financial statements (cont'd)**For the year ended 31 December 2022****iv Derecognition**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gains and losses arising on the disposal or retirement of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognized net within the statement of profit or loss and other comprehensive income.

C Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Acquired computer software licences are capitalized on the basis of costs incurred to acquire and bring the specific software to the useful state.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for current and comparative periods are as follows:

Asset	Estimated Useful life (yrs.)
Computer Software	10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

D Financial instruments**i Recognition and initial measurement**

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii Classification and subsequent measurement**Financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL):

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

All financial assets not classified as measured at amortised cost are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of these policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash flows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. - whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of the cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Financial assets - Subsequent measurement and gains and losses

Financial assets at fair value through profit or loss (FVTPL): These assets are subsequently measured at fair value. Net gains and losses, including any interest income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Notes to the financial statements (cont'd)**For the year ended 31 December 2022****Financial liabilities: Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held for trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. The financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii Derecognition**Financial assets**

The Company derecognises a financial asset when the contractual right to the cash flows from the financial asset expires, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the amounts and intends to either settle them on a net basis or to realise the asset and settle the liability simultaneously.

E Taxation

Income tax expense comprises:

- current tax (Company Income tax, Tertiary Education tax, Nigeria Police Trust Fund levy); and
- deferred tax.

It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Company has determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

i Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:

- Company income tax is computed on taxable profits
- Tertiary education tax is computed on assessable profits
- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the company during the year).

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

Total amount of tax payable under CITA is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and minimum tax. Taxes based on profit for the period are treated as income tax in line with IAS 12.

Current tax assets and liabilities are offset if certain criteria are met. The Company offsets the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would be realised.

ii Minimum tax

Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, are not presented as part of income tax expense in the profit or loss. Minimum tax is determined at a base rate of 0.5% of the qualifying company's gross turnover less franked investment income. The Finance Act defines gross turnover as the gross inflow of economic benefits (cash, revenues, receivables and other assets) arising from the operating activities of a Company, including sales of goods, supply of services, receipt of interest, rents, royalties or dividends.

Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognised in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as minimum tax.

iii Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences.

If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improve.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

F Foreign currency transactions

Transactions in foreign currencies are translated into the Company's functional currency at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the prevailing exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are generally recognised in profit or loss and presented within finance income and costs.

G Cash and cash equivalents

In the statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

Bank balances for which use by the Company is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash.

Contractual restrictions affecting use of bank balances are disclosed in note 20. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Company's cash management. Such overdrafts are presented as short-term borrowings in the statement of financial position.

H Statement of cash flows

The statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows such as other non-cash items, have been eliminated for the purpose of preparing the statement. Dividends paid to ordinary shareholders are included in financing activities. Interest paid, other than borrowing cost on qualifying assets, is also included in financing activities while interest income is included in investing activities.

Borrowing costs paid that are directly attributable to the acquisition, construction or production of a qualifying asset are included in investing activities.

I Employee benefits

i Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are expensed as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

As required by the Pension Reform Act 2014, the Company has instituted a defined benefit contribution pension scheme for its staff. The employees' contributions to the scheme are funded through payroll deductions while the Company's contributions are accrued and charged fully to the profit or loss. Employees contribute 8% of their gross emoluments on a monthly basis while the Company's monthly contribution is 10%

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

of gross emoluments.

iii Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value

J Finance income and finance costs

Finance income comprises interest income on cash and cash equivalents, short-term investments and foreign currency gain on financial assets and liabilities.

Finance costs comprise interest expense on interest-bearing borrowings, lease liabilities and foreign exchange loss on financial assets and liabilities. Borrowing costs are recognised using effective interest rate and those not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized in profit or loss.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

K Inventories

Inventories are stated at the lower of cost and net realizable value. Inventories represent spare parts and other consumables, the majority of which is consumed by the Company's projects in provision of its services within one financial year. Cost comprises; direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Cost is determined by the Weighted Average Cost 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.

L Leases

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

i As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. It is subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. It is remeasured:

- when there is a change in future lease payments arising from a change in an index or rate;
- if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; and
- if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

From 1 January 2021, where the basis for determining future lease payments changed as required by interest rate benchmark reform, the Company remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The Company presents right-of-use assets that do not meet the definition of investment property and lease liabilities as separate lines in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

M Provisions and contingent liabilities

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle 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.

Restructurings

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are only disclosed and not recognized as liabilities in the statement of financial position.

If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

N Operating Profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, minimum tax, and income taxes.

O Share capital

The Company has only one class of share, ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded at their value. The excess of the issue price is recorded in the share premium reserve. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

P Government Intervention

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

Grants that compensate the Company for expenses incurred are recognized in profit or loss as a reduction from the related expense on a systematic basis in the periods in which the expenses are recognized.

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

Q Impairment

i Non-derivative financial assets

Financial instruments and contract assets

The Company recognises loss allowances for ECLs on:

- financial assets measured at amortised cost; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured at 12 month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This include both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 120 days past due.

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

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

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the carrying amount of the assets.

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

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

ii Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

R Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation techniques incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price. The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

i Measurement of fair values

Some of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. The Chief Finance Officer (CFO) has overall responsibility for

Notes to the financial statements (cont'd)**For the year ended 31 December 2022**

overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Audit Committee and Board of Directors.

The CFO regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the CFO assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Audit Committee and Board of Directors. When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5 Changes in significant accounting policies

The Company has changed its accounting policy from the cost to fair value model of accounting for its distribution network assets class of property, plant and equipment. This is an initial application and the change has not been applied retrospectively in accordance with the requirements of IAS 16 *Property, plant and equipment*. Accordingly, the comparative information presented for 2021 is not restated, except on account for correction of errors as mentioned in Note 7.

6 Use of judgements and estimates

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 4.

A Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is as follows:

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

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

energy consumed by metered customers (postpaid and prepaid) on a feeder represents the accounted quantum of energy, while the difference between the total energy supplied to the feeder less technical losses and the accounted energy represents the unaccounted energy which is billed to unmetered customers in the proportion of their load wattage. The load wattage represents the estimated monthly minimum consumption of an unmetered customer. This is then used to multiply the grid factor which is the proportion of the unaccounted energy distributed to the feeder to the cumulative load wattage of all unmetered customers on the feeder.

- Elimination of Assets and Liabilities taken over by NELMCO: See Note 12

B Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 31(a) - Impairment of trade receivables; measurement of ECL allowance for trade receivables;

7 Correction of errors

During the year, the Company identified the following errors in the prior periods financial statements. The errors have been corrected by restating each of the affected financial statement line items for prior periods:

i Irreconcilable cash and equity balances

The Company discovered that retained earnings and other reserves in equity were overstated by NGN 31 billion and NGN 344 million for the years ended 31 December 2021 and 31 December 2020 respectively, and cash balances were overstated by NGN 300 million and NGN 29 million for the years ended 31 December 2019 and 31 December 2021 respectively.

These errors have been corrected by writing off the amounts and restating retained earnings, other reserves, and cash and cash equivalents for prior periods.

ii Fair valuation of CBN-NEMSF loan

In 2018, the Company drew down on the CBN-NEMSF intervention facility. However, the Company did not fair value the loan at date of initial recognition in accordance with the requirements of IFRS 9 and IAS 20. As a consequence, deferred income (government grant on initial recognition) was not recognized. The errors have been corrected by restating each of the affected financial statements line items for the prior period. Deferred income of NGN 37 million has been recognized, apportioned into current and non-current and presented as separate line items in the statement of financial position and amount of NGN 41 million has been recognized as amortization of day-1 gain on loans and aggregated into other income in the statement of profit of loss.

iii Modification gain following changes in contractual term

The Company did not reassess its CBN-NEMSF loan to determine if there has been a substantial modification of the loan following the reduction of contractual interest rate from 9% to 5%, as part of the Federal Government of Nigeria's measures in 2020 to mitigate the negative impact of COVID-19 pandemic on the Nigerian economy, in accordance with IFRS 9. The errors have been corrected by restating each of the affected financial statements line items for the prior period. Modification gain on loans and borrowings of NGN 17 million has been recognized and aggregated into other income in the statement of profit or loss

iv Treatment of tariff shortfall (2015 - 2021)

The Company erroneously accounted for tariff shortfall awarded by NERC for the financial years of 2015 - 2021 of NGN 126 billion as a receivable in the statement of financial position with the corresponding income of NGN 85 billion for the financial years of 2015 - 2019 accounted as statutory reserves in equity. This contravenes the appropriate accounting treatment stipulated by NERC order "*Order on the Transitional Accounting Treatment of Tariff Related Liabilities in the Financial Records of Participants in the Nigerian Electricity Supply Industry.*" This error has been corrected by offsetting the amount recorded as a receivable against trade and other payables in statement of financial position and the amount recorded as statutory reserves as other income in statement of profit or loss.

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

v **Capital Work-in-Progress**

The Company discovered an error of NGN 1.21 billion as Capital Work in Progress in its property, plant and equipment. The error has been corrected by writing off the amount and restating the Company's property, plant and equipment.

vi **Treatment of tariff shortfall (2021)**

The Company erroneously presented the income of NGN 18 billion from tariff shortfall for 2021 as regulatory operating income as a separate line item in the statement of profit or loss. The amount has been reclassified and offset against cost of sales in the statement of profit or loss.

vii **Classification of taxation payable**

The Company erroneously classified its current tax liabilities of NGN 3 billion as trade and other payables in 2021. The error has been corrected by presenting the amount as a separate line item in the statement of financial position.

viii **Classification of impairment loss on trade receivables**

The Company erroneously classified impairment loss of NGN 4 billion on its trade receivables as operating expenses in the statement of profit or loss in 2021. The amount has been presented as a separate line item in the statement of profit or loss.

ix **Understatement of property plant and equipment, expenses and payables**

The Company did not recognize items of property, plant and equipment, and professional services worth NGN - million, which was paid on its behalf by its related party, Quest Electricity Nigeria Limited. Furthermore, cost of meter assets supplied and installed in 2021 by a third party contractor, under the NMMP scheme, amounting to NGN 353 million were omitted in the financial statements. As a result, property, plant and equipment, depreciation expenses, operating expenses and trade and other payables were understated. The errors have been corrected by restating the balances of the affected financial statement captions.

x **Understatement of legal expenses**

The Company did not recognize legal claims of NGN 35.12 million adjudged against it in 2021 in respect of a case instituted by the Adamawa State Board of Internal Revenue (ASBIR) for under-remittance of Pay As You Earn (P.A.Y.E.) deductions on employees salaries between the periods of 2015 to 2020. As a result, provisions and operating expenses were understated. The errors have been corrected by restating the balances of the affected financial statement captions.

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

(a) **Statement of financial position (extract)**

	Impact of correction of error/reclassification		
	As previously reported	Adjustments	As restated
1 January 2021	N'000	N'000	N'000
Assets			
Property, plant and equipment	2,772,231	(1,210,329)	1,561,902
Cash and cash equivalents	1,052,858	(299,692)	753,166
Others	51,840,198	-	51,840,198
Total assets	55,665,287	(1,510,021)	54,155,266
Liabilities			
Loans and borrowings	257,506	-	257,506
Trade and other payables	129,526,002	(753,561)	128,772,441
Current tax liabilities	2,232,795	753,561	2,986,356
Other current liabilities	158,415	-	158,415
Total liabilities	132,174,718	-	132,174,718
Equity			
Others	837,743	-	837,743
Other reserves	344,184	(344,184)	-
Retained earnings	(77,691,358)	(1,165,837)	(78,857,195)
Total equity	(76,509,431)	(1,510,021)	(78,019,452)
Total equity and liabilities	55,665,287	(1,510,021)	54,155,266

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

	Impact of correction of error/reclassification		
	As previously reported	Adjustments	As restated
31 December 2021	N'000	N'000	N'000
Assets			
Property, plant and equipment	2,787,048	(560,816)	2,226,232
Trade and other receivables	179,541,685	(157,111,628)	22,430,057
Cash and cash equivalents	1,109,812	(618,159)	491,653
Others	464,723	-	464,723
Total assets	183,903,268	(158,290,603)	25,612,665
Liabilities			
Deferred income	-	37,028	37,028
Loans and borrowings	2,647,508	20,540	2,668,048
Trade and other payables	148,829,984	(128,739,619)	20,090,365
Provisions	-	35,117	35,117
Current tax liabilities	-	3,083,398	3,083,398
Other current liabilities	122,281	-	122,281
Deferred tax liabilities	-	526,744	526,744
Total liabilities	151,599,773	(125,036,792)	26,562,981
Equity			
Share capital	5,000	-	5,000
Federal Government Grant	85,383,743	(84,551,000)	832,743
Retained earnings	(53,085,248)	51,297,189	(1,788,059)
Total equity	32,303,495	(33,253,811)	(950,316)
Total equity and liabilities	183,903,268	(158,290,603)	25,612,665

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

(b) Statement of profit or loss and other comprehensive income (extract)

	Impact of correction of error/reclassification		
	As previously reported	Adjustments	As restated
31 December 2021	N'000	N'000	N'000
Revenue	17,793,993	-	17,793,993
Regulatory Operating Income	17,586,000	(17,586,000)	-
	35,379,993	(17,586,000)	17,793,993
Cost of sales	(31,205,889)	17,454,968	(13,750,921)
Gross profit	4,174,104	(131,032)	4,043,072
Other income	584	84,609,821	84,610,405
Operating expenses	(10,710,113)	3,859,429	(6,850,684)
Impairment loss on trade receivables	-	(4,030,927)	(4,030,927)
Operating profit	(6,535,425)	84,307,291	77,771,866
Net finance costs	(12,460)	(66,484)	(78,944)
Profit before minimum tax	(6,547,885)	84,240,807	77,692,922
Minimum tax	(97,042)	-	(97,042)
Profit before income tax	(6,644,927)	84,240,807	77,595,880
Income tax	-	(526,744)	(526,744)
Profit for the year	(6,644,927)	83,714,063	77,069,136

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

(c) Statement of cash flows (extract)

	Impact of correction of error/reclassification		
	As previously reported	Adjustments	As restated
	N'000	N'000	N'000
31 December 2021			
Cash flows from operating activities			
(Loss)/profit for the period	(6,644,927)	83,714,063	77,069,136
Adjustments for:			
- Depreciation	272,225	35,336	307,561
- Amortisation	4,515	-	4,515
- Write-down of inventory	-	23,432	23,432
- Write-off of property, plant and equipment	-	29,242	29,242
- Impairment allowance on trade receivables	-	4,030,927	4,030,927
- Amortization of day-1 gain on CBN intervention loans	-	(41,458)	(41,458)
- Modification gain on loans	-	(17,362)	(17,362)
- Interest expense on loans and borrowings	-	78,944	78,944
- Minimum tax expense	-	97,042	97,042
- Income tax expense	-	526,744	526,744
- Provisions	-	35,117	35,117
	(6,368,187)	88,512,027	82,143,840
<i>Changes in working capital:</i>			
Trade and other receivables	(128,037,413)	153,080,701	25,043,288
Inventory	(152,768)	(23,432)	(176,200)
Taxation	(97,042)	97,042	-
Trade and other payables	17,071,185	(126,438,109)	(109,366,924)
Prepayment	(19,457)	38,913	19,456
Contract liabilities	(36,133)	-	(36,133)
Cash used in operating activities	(117,639,815)	115,267,142	(2,372,673)
Net cash used in operating activities	(117,639,815)	115,267,142	(2,372,673)
Net cash used in investing activities	(287,043)	-	(287,043)
Cash flows from financing activities			
Long term loan & others	2,390,002	(2,390,002)	-
Proceeds from loans and borrowings	-	2,479,092	2,479,092
Repayment of principal	-	(42,329)	(42,329)
Repayment of interest	-	(9,318)	(9,318)
Statutory reserves	84,551,000	(84,551,000)	-
Other reserves	30,945,766	(30,945,766)	-
Net cash generated from financing activities	117,886,768	(115,459,323)	2,427,445
Net decrease in cash and cash equivalents	(40,090)	(192,181)	(232,271)
Cash and cash equivalents, beginning of period	753,166		753,166
Cash written off	-	(29,242)	(29,242)
Cash and cash equivalents, end of period	713,076	(192,181)	491,653

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

8 Revenue

(a) Revenue streams

The Company generates revenue primarily from the sale of electricity to customers in different sectors of the economy. Revenue is also earned from the transfer of network distribution assets from customers.

	2022	2021
	N'000	N'000
Sale of electricity (revenue from contracts with customers)	24,952,033	17,793,993
	24,952,033	17,793,993

(b) Disaggregation of revenue from contracts with customers

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

	2022	2021
	N'000	N'000
Service Band A	15,757,184	11,236,889
Service Band B	3,547,767	2,530,012
Service Band C	4,729,068	3,372,431
Service Band D	918,013	654,661
	24,952,033	17,793,993

Revenue is also analysed into:

	2022	2021
	N'000	N'000
Post-paid	22,408,719	15,980,285
Prepaid	2,543,314	1,813,708
	24,952,033	17,793,993

Revenue recorded represents the total value of energy distributed to customers for the year, in line with the Multi-Year Tariff Order (MYTO) structure.

(c) Contract balances

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

	31-Dec-2022	31-Dec-2021
	N'000	N'000
Receivables, which are included in Trade and other receivables (Note 17)	13,095,603	33,862,932
Contract liabilities	144,116	122,281

The contract liabilities primarily relate to the advance consideration received from customers for supply of electricity, for which revenue is recognised over time.

The amount of NGN 122.28 million included in contract liabilities at 31 December 2021 has been recognised as revenue in 2022 (2021: NGN 36.14 million).

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

Reconciliation of changes in contract liabilities to statement of cash flows is as follows:

	31-Dec-2022	31-Dec-2021
	N'000	N'000
Opening balance	122,281	158,414
Closing balance	144,116	122,281
Amount shown in statement of cash flows	21,835	36,133

9 Expenses by nature

Expenses by nature comprise:

(a) Cost of sales

	2022	2021
	N'000	restated*
	N'000	N'000
Cost of energy purchased from the Grid - NBET and TCN	29,620,352	31,205,889
Technical services (Note 29(b)(iii))	557,343	-
Depreciation expense (Note 15(d))	3,454,725	107,600
Impairment of inventories (Note 18)	-	23,432
	33,632,420	31,336,921
Recovery of tariff shortfall (Note 9(a)(i))	(22,807,931)	(17,586,000)
	10,824,489	13,750,921

* See Note 7

(i) Tariff shortfall awarded by NERC

The tariff shortfall relates to the tariff differential for the 2022 financial year as computed in the MYTO Minor Review Model, which is based on Orders issued by NERC to address the provision of cost reflective tariffs in ensuring that prices charged by the distribution companies are fair to customers and sufficient in allowing the distribution companies operate efficiently to recover the full cost of operating their respective licences including a reasonable return on capital.

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

(b) Operating expenses

	2022	2021
	N'000	restated*
	N'000	N'000
Employee benefit expenses (Note 30)	1,961,232	5,200,544
Directors' remuneration (Note 30)	211,793	87,952
Outsourced staff costs (Note 9(b)(i))	537,677	1,000
Management secondment allowances	53,250	-
Billing and collection expenses	60,805	28,501
Legal and other professional expenses	80,458	196,546
Health and safety expenses	37,958	14,892
Community expenses	14,226	500
Transport and travelling expenses	517,206	60,706
Office maintenance and expenses	243,714	173,441
Marketing expenses	39,946	-
Subscription and internet fees	103,428	5,429
Staff welfare and entertainment expenses	63,514	14,546
Rents	121,728	5,190
Insurance expenses	10,490	2,288
Training expenses	51,243	-
Write-off of cash balances (Note 7)	-	29,242
Statutory levies	3,755	-
Miscellaneous expenses	19,759	64,668
Depreciation of non-distribution assets (Note 15 (d))	238,726	199,961
Amortisation of intangible assets (Note 16(a))	45,655	4,515
Repairs and maintenance	380,574	714,579
Auditor's remuneration	31,000	7,925
Bank charges	16,252	3,142
Back duty taxes (Note 27)	-	35,117
	4,844,389	6,850,684

* See Note 7

(i) Outsourced services represents represents the cost of cleaning, driving, security and medical services.

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

10 Other income

	2022	2021
	N'000	restated*
	N'000	N'000
Tariff shortfall awarded by NERC (2015 - 2019) (Note 10(a))	-	84,551,000
Amortisation of day-1 fair value gain on loans (Note 26)	52,127	41,458
Modification gain on loans (Note 25)	3,306	17,362
Reconnection fees	131,802	585
	187,235	84,610,405

* See Note 7

(a) Tariff shortfall awarded by NERC

The tariff shortfall relates to the tariff differential for the financial years before the 2020 financial year which is covered in the MYTO Minor Review Model and as described in Note (a)(i) above.

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

11 Net finance income / (costs)

	2022	2021
	N'000	restated*
	N'000	N'000
Finance income		
Interest income on fixed deposits	6,950	-
	6,950	-
Finance costs		
Interest expense on CBN-NEMSF intervention loan	166,513	78,814
Interest on CBN-NMMP loan	27,087	-
Interest expense on loans from related parties	237,262	-
Interest expense on loan from commercial banks	77,136	130
Total interest on loans (Note 25(g) & 24(g))	507,998	78,944
Interest expense on shortfall remittance to electricity suppliers (Note 11(a))	36,491	-
Net foreign exchange loss	163,533	-
	708,022	78,944
Net finance costs	701,072	78,944

Finance costs for cashflow purposes

	2022	2021
	N'000	N'000
Interest expense on loans and borrowings (Note 25(g) & 24(g))	507,998	78,944
Interest expense on shortfall remittance to electricity suppliers (Note 11(a))	36,491	-
Unrealized exchange difference ((Note 11(b))	16,146	-
	560,635	78,944

* See Note 7

(a) Interest on shortfall remittance to electricity suppliers

This represents interest arising from the Company's default with respect to amounts due on NBET invoices during the year. See Note 24(e). In line with Market Rules and NERC Orders, the Company is required to make minimum remittances on NBET and MO monthly bills and shortfalls on baseline remittances attract interest at NIBOR plus 4%.

(b) Foreign exchange loss, net is analysed as follows

	2022	2021
	N'000	N'000
Unrealized foreign exchange loss on trade and other payables	(12,817)	-
Unrealized foreign exchange loss on cash and cash equivalents	(3,329)	-
Unrealized foreign exchange loss for statement of cash flows	(16,146)	-
Realized foreign exchange loss	(147,387)	-
Foreign exchange loss, net	(163,533)	-

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

12 Transfer of assets and liabilities to NELMCO

This represents the net effect of assets and liabilities transferred to NELMCO on 1 January 2022 as part of the pre-conditions to the sale of 60% equity interest in the Company to Quest Electricity Nigeria Limited (See Note 28(a)). As a result, cash and all trade receivables and liabilities as at 31 December 2021 were derecognized. The Directors are of the opinion that this is a shareholder contribution to the Company and have disclosed this amount directly in equity.

The impact of derecognition of the assets and liabilities was as follows:

	2022
	N'000
Transfer of motor vehicles (Note 15(c))	(10)
Transfer of furniture and fittings (Note 15(c))	(47,652)
Transfer of trade and other receivables (Note 17(c))	(22,430,057)
Transfer of inventory (Note 18)	(71,979)
Transfer of cash balances (Note 20)	(350,646)
Transfer of trade and other payables (Note 24(g))	19,032,867
Transfer of legal provisions (Note 27)	35,117
Transfer of tax liabilities (Note 14(d))	3,083,398
Transfer of CAPMI payables (Note 25(g))	58,065
	(690,897)

13 Profit before taxation

	2022	2021
	N'000	restated*
	N'000	N'000
This is stated after charging		
Auditor's remuneration (Note (b))	31,000	7,925
Depreciation of property, plant and equipment (Note 15)	3,693,451	307,561
Amortisation of intangible assets (Note 16)	45,655	4,515
Employee benefit expenses (Note 30)	1,961,232	5,200,544
Impairment of trade receivables (Note 31(B)(a))	6,585,574	4,030,927
Directors' remuneration (Note 30)	211,793	87,952
Net finance costs (Note 11)	701,072	78,944

* See Note 7

Notes to the financial statements (cont'd)*For the year ended 31 December 2022***14 Taxation****(a) Minimum tax**

The Company has applied the provisions of the Companies Income Tax Act that mandates a minimum tax assessment, where a tax payer does not have taxable profit which would generate an eventual tax liability when assessed to tax. The Company's assessment based on the minimum tax legislation for the year ended 31 December 2022 is NGN Nil (2021: NGN 97.04 million).

(b) Income tax expense - amounts recognised in profit or loss

	2022	2021
	N'000	restated*
	N'000	N'000
Current tax expense		
Income tax	2,407,840	-
Tertiary Education Tax	312,578	-
Nigerian Police Trust Fund Levy	109	-
	<u>2,720,527</u>	<u>-</u>
Deferred tax		
Origination and reversal of temporary differences	(2,066,358)	526,744
	<u>654,169</u>	<u>526,744</u>

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

	2022	2021
	N'000	restated*
	N'000	N'000
Items that will not be reclassified to Profit or Loss:		
<i>Revaluation of property plant and equipment</i>		
Amounts before tax	46,808,143	-
Tax expense	(14,042,443)	-
Amounts, net of tax	<u>32,765,700</u>	<u>-</u>

(d) Movement in current tax liabilities

	31-Dec-2022	31-Dec-2021
	N'000	N'000
Balance, beginning of period	3,083,398	2,986,356
Minimum tax	-	97,042
Current tax charge for the period	2,720,527	-
Transfer to NELMCO (Note 12)	(3,083,398)	-
Balance, end of period	<u>2,720,527</u>	<u>3,083,398</u>

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

(e) Reconciliation of effective tax rate

	2022	
		N'000
Profit before minimum tax and income tax		2,183,744
Tax using the statutory rate	32.50%	709,717
Tax effect of:		
Tax incentives	(5.29)%	(115,568)
Non-deductible expenses`*	6.05%	132,194
Nigeria Police Trust Fund Levy	0.005%	109
Other differences	(3.31)%	(72,283)
	29.96%	654,169

* Included in Non-deductible expenses is the effect of TET rate on depreciation expenses (NGN 3.69 billion * 2.5%)

Notes to the financial statements (cont'd)*For the year ended 31 December 2022***(f) Movement in deferred tax balances**

2022	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Balance at 31 December		
				Net	Deferred tax assets	Deferred tax liabilities
				N'000	N'000	N'000
Property, plant and equipment	(537,014)	48,387	(14,042,443)	(14,531,070)	-	(14,531,070)
Intangible assets	(857)	(139,885)	-	(140,742)	-	(140,742)
Impairment allowance on trade and other receivables	-	2,140,311	-	2,140,311	2,140,311	-
Inventories	7,615	-	-	7,615	7,615	-
Financial instruments	3,512	12,298	-	15,810	15,810	-
Unrealized exchange loss	-	5,247	-	5,247	5,247	-
Net tax assets (liabilities)	(526,744)	2,066,358	(14,042,443)	(12,502,829)	2,168,983	(14,671,812)

2021	Net balance at 1 January	Recognised in profit or loss restated*	Recognised in OCI	Balance at 31 December		
				Net	Deferred tax assets	Deferred tax liabilities
				N'000	N'000	N'000
Property, plant and equipment	-	(537,014)	-	(537,014)	-	(537,014)
Intangible assets	-	(857)	-	(857)	-	(857)
Inventories	-	7,615	-	7,615	7,615	-
Financial instruments	-	3,512	-	3,512	3,512	-
Net tax assets (liabilities)	-	(526,744)	-	(526,744)	11,127	(537,871)

Notes to the financial statements (cont'd)**For the year ended 31 December 2022****15 Property, plant and equipment****(a) Reconciliation of carrying amount:**

	NON-DISTRIBUTION ASSETS				DISTRIBUTION ASSETS		Total
	Land	Buildings	Vehicles	Equipment, furniture and fittings	Plant and machinery	Capital work-in-progress	
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cost							
At 1 January 2021 (restated*)	337	90,177	704,632	216,619	1,836,818	-	2,848,583
Additions for the year(restated*)	-	-	286,850	81,859	603,182	-	971,891
At 31 December 2021	337	90,177	991,482	298,478	2,440,000	-	3,820,474
At 1 January 2022	337	90,177	991,482	298,478	2,440,000	-	3,820,474
Transfer to NELMCO (Note 15(c))	-	-	(704,632)	(253,630)	-	-	(958,262)
Revaluation surplus (Note 15(h))	-	-	-	-	46,808,143	-	46,808,143
Additions for the year (Note 15(b))	-	11,495	1,446,187	222,545	3,852,261	5,535,136	11,067,624
Net-off of accumulated depreciation	-	-	-	-	(591,937)	-	(591,937)
At 31 December 2022	337	101,672	1,733,037	267,393	52,508,467	5,535,136	60,146,042
Accumulated depreciation							
At 1 January 2021	-	54,115	563,930	184,299	484,337	-	1,286,681
Charge for the year(restated*)	-	2,254	174,158	23,549	107,600	-	307,561
At 31 December 2021	-	56,369	738,088	207,848	591,937	-	1,594,242
At 1 January 2022	-	56,369	738,088	207,848	591,937	-	1,594,242
Transfer to NELMCO (Note 15(c))	-	-	(704,622)	(205,978)	-	-	(910,600)
Net-off of accumulated depreciation	-	-	-	-	(591,937)	-	(591,937)
Charge for the year	-	2,364	190,172	46,190	3,454,725	-	3,693,451
At 31 December 2022	-	58,733	223,638	48,060	3,454,725	-	3,785,156
Carrying amounts:							
At 1 January 2021 (restated*)	337	36,062	140,702	32,320	1,352,481	-	1,561,902
At 31 December 2021 (restated*)	337	33,808	253,394	90,630	1,848,063	-	2,226,232
At 31 December 2022	337	42,939	1,509,399	219,333	49,053,742	5,535,136	56,360,886

* See Note 7

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

(b) Included in network distribution assets are management's best estimate of the cost of National Integrated Power Project (NIPP) assets transferred to the Company during the year. See Note 15(e).

(c) Certain items within the following classes of property, plant and equipment were transferred to NELMCO in accordance with the executed transfer agreements:

	Motor Vehicles	Furniture and Fittings
	N'000	N'000
Cost of transferred assets	704,632	253,630
Accumulated depreciation of transferred assets	(704,622)	(205,978)
Carrying amount transferred to NELMCO (Note 12)	10	47,652

(d) The depreciation charge for the year is allocated as follows:

	2022	2021
	N'000	N'000
Cost of sales (Note 9(a))	3,454,725	107,600
Operating expenses (Note 9(b))	238,726	199,961
	3,693,451	307,561

(e) Capital Work in Progress (CWIP)

Capital work in progress (CWIP) comprises:

	31-Dec-2022	31-Dec-2021
	N'000	N'000
Energy meters	2,235,011	-
Transformers, poles, and cables and conductors	2,833,066	-
Distribution equipment granted by NDPHC (Note 26(b))	340,500	-
Injection station equipment	24,138	-
Building	102,421	-
	5,535,136	-

(f) Capital commitments

The Company has capital commitments amounting to NGN 1.34 billion as at year end.

(g) Reconciliation of additions to property, plant and equipment to statement of cashflows:

	2022	2021
	N'000	N'000
Additions to property, plant and equipment	(11,067,624)	(971,891)
Assets not paid for as at year end	3,314,465	684,848
Assets not paid for as at prior year end now paid	(353,150)	-
NDPHC granted assets during the year	340,500	-
	(7,765,809)	(287,043)

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

(h) On 1 January 2022, the Company revalued its distribution network assets. The valuation was carried out by Mr. Yunusa L. Gwamna (FRC/2023/PRO/NIESV/004/648020) for Messrs. Gwamna and Associates.

Based on the valuation report, the Directors recorded NGN 46.81 billion as revaluation surplus in other comprehensive income.

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

Independent valuations of the Company's distribution network assets are to be performed by external valuers to determine the fair values going forward every five years in line with the Company's accounting policy. The fair value measurement for distribution network assets was performed using significant other observable inputs (Level 2). Level 2 is defined as inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

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

(i) Fair value of Property, Plant and Equipment

Asset Description	Fair Value	Fair Value Hierarchy	Valuation Technique	Significant unobservable input and relationship to fair value
	N'000			
Distribution network assets	49,248,143	Level 2	Depreciated replacement cost method	N/A

(j) Distribution network assets: historical costs

	N'000
31 December 2022	
Cost	6,292,261
Accumulated Depreciation	(749,244)
Net book value	5,543,017
31 December 2021	
Cost	2,440,000
Accumulated Depreciation	(591,937)
Net book value	1,848,063

Notes to the financial statements (cont'd)**For the year ended 31 December 2022****16 Intangible assets****(a) Reconciliation of carrying amount:**

	Computer software
	N'000
Cost	
At 1 January 2021	18,903
At 31 December 2021	18,903
At 1 January 2022	18,903
Additions for the year	819,102
At 31 December 2022	838,005
Accumulated amortisation	
At 1 January 2021	11,530
Charge for the year	4,515
At 31 December 2021	16,045
At 1 January 2022	16,045
Charge for the year	45,655
At 31 December 2022	61,700
Carrying amounts:	
At 1 January 2021	7,373
At 31 December 2021	2,858
At 31 December 2022	776,305

The amortisation of computer software is included as a part of "Operating expenses" in Note 9(b) to these financial statements.

(b) Reconciliation of additions to intangible assets in statement of cashflows:

	31-Dec-2022	31-Dec-2021
	N'000	N'000
Additions to intangible assets (16(a))	(819,102)	-
Unpaid intangible assets as at year end	798,000	-
	(21,102)	-

Notes to the financial statements (cont'd)*For the year ended 31 December 2022***17 Trade and other receivables**

	31-Dec-2022	31-Dec-2021
	N'000	restated*
	N'000	N'000
Energy customers	13,095,603	33,862,932
Other receivables (Note 17 (a))	808,420	-
Advance payment for property, plant and equipment	386,544	-
Staff advances	-	113,383
Feeder Accounts balance (Note 17(b))	878,861	289,225
	15,169,428	34,265,540
Impairment allowance (Note 31(B)(a))	(6,585,574)	(11,835,483)
Net trade and other receivables	8,583,854	22,430,057

Carrying amount is analysed into:

	31-Dec-2022	31-Dec-2021
	N'000	N'000
Current	8,197,310	22,430,057
Non-current	386,544	-
	8,583,854	22,430,057

* See Note 7

(a) Other receivables

Other receivables represent amounts receivable from the Nigerian Electricity Liability Management Company (NELMCO) in respect of payments made by the Company on behalf of NELMCO for pre-completion debts due to NBET and MO.. This amount has not been offset against the amount payable to NELMCO of NGN 1.19 billion (Note 24(c)) because a right of offset does not exist.

(b) Feeder Accounts balance

These represent bank balances in the collections account, which was not available for use as at the reporting date in line with the accounts management restrictions imposed by the Central Bank of Nigeria (CBN) as part of the requirements for the CBN-NEMSF and CBN-NMMP facilities towards repayment of the facility. Balances in this account can only be transferred into the Principal Collection Account and cannot be used for no other purpose.

(c) Reconciliation of trade and other receivables to statement of cash flows

	31-Dec-2022	31-Dec-2021
	N'000	N'000
Balance at 1 January	22,430,057	51,504,272
Balance at 31 December	(8,583,854)	(22,430,057)
Advance payment for property, plant and equipment	386,544	-
Trade and other receivables transferred to NELMCO (Note 12)	(22,430,057)	-
Impairment loss on trade receivables (Note 31(a))	(6,585,574)	(4,030,927)
	(14,782,884)	25,043,288

Information about the Company's exposure to credit and market risks, and impairment losses for trade receivables is included in Note 31(B)(a).

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

18 Inventories

Inventories comprises:

	31-Dec-2022	31-Dec-2021
	N'000	N'000
Distribution spares	518,807	445,202

(a) Reconciliation of changes in inventory to statement of cash flows

	31-Dec-2022	31-Dec-2021
	N'000	N'000
Balance at 1 January	445,202	292,434
Balance at 31 December	(518,807)	(445,202)
Write-down of inventory	-	(23,432)
Transfer to NELMCO (Note 12)	(71,979)	-
	(145,584)	(176,200)

19 Prepayments

	31-Dec-2022	31-Dec-2021
	N'000	N'000
Other prepayment	-	16,663
	-	16,663

Prepayments are analysed as follows:

Current portion	-	16,663
Non-current portion	-	-
	-	16,663

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

	31-Dec-2022	31-Dec-2021
	N'000	N'000
Balance at 1 January	16,663	36,119
Balance at 31 December	-	(16,663)
	16,663	19,456

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

20 Cash and cash equivalents

	31-Dec-2022	31-Dec-2021	1-Jan-2021
	N'000	restated*	restated*
	N'000	N'000	N'000
Cash on hand	49,420	51,095	79,203
Bank balances***	595,722	440,558	673,963
Short-term fixed deposit**	3,500,000	-	-
	4,145,142	491,653	753,166

* See Note 7

** Short-term fixed deposit is a 30-day fixed deposit of NGN 3.5 billion earning interest at a rate of 11% per annum.

*** Included in the cash and cash equivalents is NGN 430.18 million (2021: NGN 304.38 million), warehoused in the Company's Principal Collection Account. Withdrawals are restricted on this account till the 13th of each month where a one time sweep of balances can be done into the Company's funding account after settlement of liabilities relating to the CBN-NEMSF and CBN-NMMP loans. This is in line with the requirements of the Central Bank of Nigeria for granting the facilities to the Company.

As at year end, the Company was yet to transfer cash balances of NGN 350.65 million at 31 December 2021, which are due to NELMCO in accordance with the pre-handover receivables and liabilities agreements. See Note 12.

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

21 Share capital

	31-Dec-2022	31-Dec-2021
	N'000	N'000
Issued, allotted and fully paid		
10,000,000 ordinary shares of NGN 0.50k each	5,000	5,000

	31-Dec-2022	31-Dec-2021
	Unit	Unit
Shareholders		
Quest Electricity Nigeria Limited	6,000,000	-
Bureau of Public Enterprises - BPE	3,200,000	8,000,000
Ministry of Finance Incorporated - MOFI	800,000	2,000,000
	10,000,000	10,000,000

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the general meetings of the Company

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

22 Accumulated deficit

	31-Dec-2022	31-Dec-2021
	N'000	restated*
	N'000	N'000
As at 1 January	(1,788,059)	(78,857,195)
Profit for the year	1,529,575	77,069,136
Transfer of assets and liabilities to NELMCO (Note 12)	(690,897)	-
	(949,381)	(1,788,059)

* See Note 7

23 Reserves

(a) Capital contribution

Capital contribution represents balance of government funding through instances of asset contributions through agencies such as the Federal Ministry of Power, Works and Housing ("FMoPWH"), Nigerian National Integrated Power Project ("NIPP") in the periods when the Federal Government was a 100% shareholder of the Company.

	31-Dec-2022	31-Dec-2021
	N'000	N'000
Federal Government Grant	832,743	832,743
	832,743	832,743

(b) Revaluation reserves

The property, plant and equipment revaluation reserves is used to record surplus arising from the revaluation of property, plant and equipment.

	31-Dec-2022	31-Dec-2021
	N'000	N'000
As at 1 January	-	-
Additions during the year, net of tax	32,765,700	-
	32,765,700	-

Notes to the financial statements (cont'd)
For the year ended 31 December 2022

24 Trade and other payables

	31-Dec-2022	31-Dec-2021
	N'000	restated*
	N'000	N'000
Direct Trade Creditors (Energy market) (Note 24(a))	1,971,075	18,964,416
Other payables	751,454	531,390
Payable to PPE vendors (Note 24(b))	1,752,462	353,150
Payable to NELMCO (Note 24(c))	1,185,836	-
Related party payables (Note 29(c))	2,757,017	-
Employee related liabilities	219,318	-
Termination benefits payable	-	172,957
Accruals	36,000	7,925
	8,673,162	20,029,838
Statutory liabilities (Note 24(d))	389,594	60,527
	9,062,756	20,090,365
Carrying amount is analysed into:		
Current portion	9,062,756	20,090,365
Non-current portion	-	-
	9,062,756	20,090,365

* See Note 7

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

	31-Dec-2022	31-Dec-2021
	N'000	N'000
Nigerian Bulk Electricity Trading Company (NBET) (Note 24(e))	1,070,153	131,985,820
Operator of the Nigerian Electricity Market (ONEM)	900,922	9,942,047
Others (Note 24(f))	-	3,530,549
	1,971,075	145,458,416
Tariff shortfall recovery (2015 - 2021)	-	(126,494,000)
	1,971,075	18,964,416

(b) This amount represents payables for items of property, plant and equipment. Included in this amount are the costs for supply and installation of meters under the National Mass Metering Programme (NMMP) scheme for which the milestones for payments have not been met. Under the scheme, meters are supplied and installed at the Company's customers' premises by NERC approved vendors with the costs of meters to be repaid by the Company through disbursements of funds from the CBN-NMMP facility to the meter vendors. Disbursements are based on completion of supply and installation milestones by the meter vendors in accordance with the NMMP regulations and agreements with the Company.

(c) This represents amount due to NELMCO with respect to cash collections received from customers in respect of the legacy debts which had been transferred to NELMCO in line with the deed of assignment of precompletion receivables as well as cash balances at 31 December 2021. Per the deed, these collections by the Company and cash balances should be remitted to NELMCO.

(d) This represents statutory deductions which are mandated by law or statute. They include Pension deductions, Value Added Tax (VAT), National Housing Fund (NHF), Withholding Tax (WHT) and Pay As You Earn

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

(PAYE) liabilities.

(e) Included in this balance is an amount of NGN 36.49 million which represents interest accrued on the Company's defaults on minimum remittances to NBET for the year as stipulated by various NERC Orders which were in effect during the year. The interest is charged at NIBOR + 4% in line with Market Rules. See Note 31(B)(c).

(f) This represents net amount due to Jos Electricity Distribution Plc (JEDC) and Kano Electricity Distribution Plc (KEDC) for imported and exported energy from and to these distribution companies from 2015 to July 2021.

(g) Reconciliation of trade and other payables to statement of cashflows

	31-Dec-2022	31-Dec-2021
	N'000	N'000
Balance at 1 January	(20,090,365)	(128,772,441)
Balance at 31 December	9,062,756	20,090,365
Interest accrued on remittance shortfall on electricity supplier's bill (Note 11(a))	(36,491)	-
Withholding tax on interest expense	(21,430)	-
Assets not paid for as at year end (Note 15(g) & 16(b))	(4,112,465)	(684,848)
Assets not paid for as at prior year end now paid (Note 15(g))	353,150	-
Trade and other payables transferred to NELMCO (Note 12)	19,032,867	-
Unrealized foreign exchange difference (Note 11(b))	(12,817)	-
	4,175,205	(109,366,924)

25 Loans and borrowings

	31-Dec-2022	31-Dec-2021
	N'000	restated* N'000
CBN - NEMSF (Note 25(a))	5,276,509	134,282
CBN - NMMP (Note 25(b))	2,197,776	-
QENL Loan (Note 25(c))	2,585,232	2,475,701
SpillGate Loan (Note 25(d))	806,302	-
CAPMI Payables (Note 25(f))	-	58,065
	10,865,819	2,668,048
Loans and borrowings are analysed into:		
Current portion	4,201,279	91,294
Non-current portion	6,664,540	2,576,754
	10,865,819	2,668,048

* See Note 7

(a) CBN-NEMSF

In 2016, the Nigerian Electricity Supply Industry ("NESI"), the Central Bank of Nigeria ("CBN"), the Federal Ministry of Petroleum Resources, the Federal Ministry of Power and the Nigerian Electricity Regulatory Commission ("NERC"), activated the Central Bank Nigeria-Nigerian Electricity Market Stabilization Facility ("CBN-NEMSF") contract under the Disco Disbursement Agreement.

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

The stabilization fund was partly to resolve the sector "NESI" liquidity issues. As such, intervention was determined for all market participants based on MYTO.

The Central Bank Nigeria - Nigerian Electricity Market Stabilization Facility ("CBN-NEMSF") is secured on the Company's collections from the sale of energy as first line charges.

In 2021, CBN issued a circular reducing the interest rate on the facility from 10% to 5% till February 28, 2022, reverting to 10% thereafter. In 2022, CBN issued two circulars:

- the first one, effective circular extending the reduced interest period to February 28, 2023 and;
- the second one, effective 20 July 2022, reverting the interest rates on all CBN intervention facilities to 9%

These circulars resulted in modification gains of NGN 3 million for 2022 (2021: NGN 17 million) which have been presented under Other Income in Note 10.

The first drawdown of NGN 289 million on the loan was in 2018 and during the year, an additional NGN 6.5 billion was disbursed under the facility.

(b) CBN-NMMP

The CBN-NMMP loan is the mass metering programme that involves the supply of Prepaid meters to the customers at no cost to them. The programme is to replace the previous Meter Asset Procurement (MAP) program where customers pay for their meters.

Under this arrangement, disbursement for procurement of the meters is made directly to the meter vendors by the CBN on behalf of the Company with a first line charge on the Company's cash collections as security for repayment. The first disbursement of NGN 3.1 billion was done in December 2022 with an interest rate of 9% per annum.

(c) QENL Loan

On 30 December 2021, the Company obtained and drew down an unsecured facility of NGN 2.48 billion from Quest Electricity Nigeria Limited (QENL), its parent company, to meet certain obligations of the Company to labour unions and employees disengaged as part of the restructuring exercise prior to the take over of the Company by QENL. The facility is a 1-year and 4 months facility with an interest rate of NIBOR + 4%.

There is a moratorium of 365 days on interest repayment from the date of first disbursement. The loan is repayable in full, principal plus any unpaid accrued interest, on 30 April 2023.

(d) Spillgate Loan

On 30 July 2022, the Company obtained a short-term facility of NGN 1 billion from SpillGate Investment Limited (SPIL), a related party, to finance capital expenditure. The facility is a 1-year facility with a 20% premium and repayable in monthly instalments of NGN 100 million over the tenor. The loan is secured through an irrevocable standing order on one of the Company's bank accounts in a commercial bank and in the event that the Company fails to repay the loan amount and accrued interest at the expiration date, SPIL shall be at liberty to call in the standing order and retain the proceeds therefrom up to the value of the loan amount, in satisfaction of same.

(e) Commercial bank loan

On 08 October 2022, the Company obtained a short-term facility of NGN 2.5 billion from a commercial bank to enable the Company meet its working capital needs.. The facility is a 3-month facility with a 15% interest rate per annum with an upfront management fee of 0.5%. The loan was secured through a lien on Quest Electricity Nigeria Limited's bank accounts with Access bank. The loan was fully repaid during the year.

(f) CAPMI Payables

In a bid to bridge metering gap and reduce estimated billings, NERC issued the Credit Advanced Payment for Metering Implementation (CAPMI) scheme. This scheme allowed willing customers to advance funds to the distribution companies for meter procurement and installation. Amount advanced by a customer under this

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

scheme plus a one-off nominal interest of 12% less cost of installation, is refundable to the customer in monthly instalments such that the repayment period shall not exceed 3 years. In 2016, NERC instructed Discos to refund the funds advanced by the customers. Hence, as at prior year end, all the outstanding balance on the loan was repayable on demand. The directors are of the opinion this is a pre-handover liability and it was transferred to NELMCO during the year (Note 12)

(g) Reconciliation of movements of liabilities to cash flows arising from financing activities

	31-Dec-2022	31-Dec-2021
	N'000	N'000
Balance, beginning of period	2,668,048	257,506
<u>Changes from financing cash flows</u>		
Proceeds from loans and borrowings	13,081,031	2,479,092
Transaction costs (Note 25(e))	(13,438)	-
Repayment of principal	(2,971,510)	(42,329)
<u>Changes in fair value</u>		
Day-1 fair value gain on initial recognition (Note 26)	(2,109,485)	(78,485)
<u>Other changes</u>		
Modification gain on loans (Note 10)	(3,306)	(17,362)
Repayment of interest	(214,026)	(9,318)
Interest expenses	486,570	78,944
Transfer to NELMCO (Note 12)	(58,065)	-
	10,865,819	2,668,048

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

(h) Loan contractual schedule

	Tenor	Amount of facility	Total drawdown	Amount available for drawdown	Payment made on interest and principal
	Months	N'000	N'000	N'000	N'000
<i>at 31 December 2022</i>					
CBN-NEMSF Loan	120	6,758,639	6,758,639	-	287,312
CBN-NMMP Loan	120	5,061,147	3,111,669	1,949,478	34,525
Commercial bank Loan	3	2,500,000	2,500,000	-	2,563,699
QENL Loan	16	2,475,701	2,475,701	-	-
SpillGate Loan	12	1,000,000	1,000,000	-	300,000
		17,795,487	15,846,009	1,949,478	3,185,536
<i>at 31 December 2021</i>					
CBN-NEMSF Loan	120	289,277	289,277	-	51,517
QENL Loan	16	2,475,701	2,475,701	-	-
CAPMI Loan	Repayable on demand	58,065	58,065	-	-
		2,823,043	2,823,043	-	51,517

Notes to the financial statements (cont'd)
For the year ended 31 December 2022

26 Deferred Income

	31-Dec-2022	31-Dec-2021
	N'000	restated*
	N'000	N'000
Deferred income on government loans and borrowings (a)	2,094,385	37,028
Deferred income on assets granted by government (b)	340,500	-
	2,434,885	37,028
Deferred income is analysed into:		
Current portion	356,707	12,067
Non-current portion	2,078,178	24,961
	2,434,885	37,028

(a) Amount relates to the benefits derived by the Company from the low interest loans received from the Central Bank of Nigeria (CBN) (Notes 25 (a) - (b)). The difference between the fair value of these facilities and face value of the loans has been accounted for as government intervention and is amortized over the life of the loans.

The amount amortised during the year is NGN 52.13 million (2021: NGN 41.46 million). See note 10.

(b) During the year, the Company enjoyed instances of asset related government grant. The Niger Delta Power Holding Company Ltd. (NDPHC) granted the Company distribution equipment valued at NGN 340.50 million towards the restoration of power in Maiduguri. The related assets were yet to be deployed onto the network as at year end and hence no amount was amortised during the year.

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

	31-Dec-2022	31-Dec-2021
	N'000	restated*
	N'000	N'000
Balance at 1 January	37,027	-
Additions during the year (Note 25(g))	2,449,985	78,485
Amortization to profit or loss (Note 10)	(52,127)	(41,458)
	2,434,885	37,027

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

27 Provisions

The movement in provisions during 2022 and 2021 respectively is, as follows:

	Legal N'000
Balance at 1 January 2021	-
Charge for the year (Note 27(a))	35,117
Restated balance at 31 December 2021*	35,117
Charge for the year	-
Transfer to NELMCO (Note 12)	(35,117)
Balance at 31 December 2022	-
Amount is analysed into:	
Current	-
Non-current	-

* See Note 7

(a) Legal

The provision for legal relates to claims from a suit instituted against the Company for under-remittance of Pay As You Earn (P.A.Y.E.) deductions on the salaries of the Company's employees between the periods of 2015 to 2020 to the board. The directors are of the opinion this is a pre-handover liability and it was transferred to NELMCO during the year (Note 12).

28 Contingent liabilities

(a) Transfer of pre-handover liabilities and trade receivables

As part of the privatisation initiative and the restructuring of the Nigerian power sector, NELMCO was established to take over and manage the stranded assets and liabilities in the Power sector. As a result, all trade receivables and the liabilities of the Company as at 01 January 2022 were derecognized and transferred to NELMCO under relevant Pre-Handover Liabilities and Receivables Transfer Agreement. Although the Company and NELMCO are yet to agree on the individual trade debtors and liabilities transferred, the directors, based on independent legal advice obtained as well as their understanding of the Share Purchase Agreement between QENL, BPE and the Ministry of Finance Incorporated are of the opinion that all liabilities (crystallised or contingent) as at 01 January 2022 have been effectively transferred. As such, the Company will neither realise those receivables in its own capacity or settle any liabilities incurred on or before 01 January 2022.

On this basis, a net debit of NGN 691 million which represents the net assets transferred has been recorded in equity as it represents a shareholder contribution to the Company (Note 12). Any difference between the amounts transferred per these financial statements and those to be agreed to by NELMCO may result in an increase or decrease to the net amount recorded in equity.

(b) Pending litigation and claims

There are certain lawsuits pending against the Company in various courts of law. The total contingent liabilities in respect of pending litigations as at 31-Dec-2022 is NGN 25.50 million (31-Dec-2021: Nil). Based on independent legal advice, the directors are of the opinion that no material loss is expected to arise from these claims and as such, no provision has been recorded with respect to these claims.

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

29 Related parties disclosures

(a) Parent and ultimate controlling party

Effective 1 January 2022, a majority of the Company's shares was acquired by Quest Electricity Nigeria Limited from Bureau of Public Enterprises - BPE and Ministry of Finance Incorporated - MOFI. Consequently, the Company's parent is Quest Electricity Nigeria Limited. The ultimate controlling party of the Company is Mainstream Energy Solutions Limited, a company incorporated in Nigeria.

(b) Related party relationships and transactions

The Company entered into the following transactions with the under-listed related parties during the year:

i Mainstream Energy Solutions Limited

Mainstream Energy Solutions Limited (MESL), a company incorporated in Nigeria, operates in the power sector and its principal activity is to own and operate power plants for the generation of electric power in Nigeria. MESL is the ultimate parent company of the Company following the acquisition of a majority stake of 60% in the equity of the Company by Quest Electricity Nigeria Limited, a wholly owned subsidiary of MESL. During the year, MESL provided foreign currencies to the Company to settle its foreign currency denominated liabilities. Total funds provided was USD 668 thousands. The Company repaid NGN 300 million during the year and amount due to MESL as at year end is NGN 134 million (2021: NGN Nil).

ii Quest Electricity Nigeria Limited

On 1 January 2022, Quest Electricity Nigeria Limited (QENL) gained control of the Company following the acquisition of a majority stake of 60% in the equity of the Company. On 30 December 2021, QENL provided a loan facility of NGN 2.48 billion to the Company to meet certain obligations of the Company to labour unions and employees disengaged as part of the restructuring exercise prior to the take over of the Company by QENL (Note 25(c)). Total interest on the loan was NGN 171.70 million (2021: Nil).

In addition, QENL paid for items of property, plant and equipment, and consulting services on behalf of the Company. Total reimbursable costs paid for during the year and due to QENL as at year end is NGN 2 billion (2021: NGN Nil million).

iii Societe Nigerienne D'Electricite

In 2022, the Company entered into a Technical Services agreement with Societe Nigerienne D'Electricite (NIGELEC), an utility company incorporated in Republic of Niger for the provision of local, top level and expatriate staff to enable the Company meet the performance standards in the Performance Agreement. Such technical services includes those geared towards the reduction of Aggregate Technical, Commercial and Collection Losses, revenue cycle management, e.t.c.

Total costs incurred by the Company with respect to the services provided for the year was NGN 557 million (USD 1.31 million). Amount due to NIGELEC as at year end is NGN 230 million (USD 512 thousands) (2021: Nil).

iv Spillgate Trading and Investment Limited

Spillgate Trading and Investment Limited (SPIL), a company incorporated in Nigeria, is a special purpose entity established to acquire and hold for investment purposes and maintain shares, stock, debenture stock, bonds, promissory notes and several other investment type. It is a wholly owned subsidiary of MESL.

On 30 July 2022, the Company obtained a short-term facility of NGN 1 billion from SpillGate Trading and Investment Limited (SPIL), a related party, to finance capital expenditure (Note 25(d)). Total interest on the loan was NGN 65.56 million (2021: Nil). There were no other transactions between SPIL and the Company during the year.

Notes to the financial statements (cont'd)
For the year ended 31 December 2022

(c) Due to related parties

	31-Dec-2022	31-Dec-2021
	N'000	restated*
	N'000	N'000
<i>Loans</i>		
Quest Electricity Nigeria Limited (Note 25(c))	2,585,232	2,475,701
SpillGate Investment and Trading Limited (Note 25(d))	806,302	-
	3,391,534	2,475,701
<i>Other payables</i>		
Mainstream Energy Solutions Limited	134,238	-
Quest Electricity Nigeria Limited	2,341,310	-
Societe Nigerienne D'Electricite	229,994	-
Payable to Directors	51,475	-
	2,757,017	-
	6,148,551	2,475,701

* See Note 7

(d) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management of the Company include the Directors, senior management personnel of the Company such as the General Managers, Chief Operating and Technical Officers.

Key management personnel compensation comprised:

Directors	2022	2021
	N'000	N'000
Fees	78,500	30,963
Other expenses	133,293	56,989
	211,793	87,952
Other key management personnel		
Secondment allowances	53,250	-
	53,250	-

Loans to key management personnel

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

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

30 Information regarding directors and employees

Directors	2022	2021
	N'000	N'000
Directors' emoluments comprise:		
Fees	78,500	30,963
Other emoluments	133,293	56,989
	211,793	87,952
Amount payable at year end	51,475	-

The directors' remuneration shown above includes:

	2022
	N'000
Chairman	25,145
Highest paid director	45,698

The other directors received remuneration in the following ranges:

	2022
	Number
Between NGN 22,000,000 and NGN 25,000,000	6
	6

Employee benefit expenses during the year comprise:

	2022	2021
	N'000	N'000
Salaries and wages	1,539,128	2,435,922
Employer pension contributions	66,570	115,669
Bonus scheme	139,800	51,156
Termination benefits (Note 30(a))	15,462	2,509,232
Medical expenses	24,156	8,917
ITF and NSITF	30,515	79,648
Staff relocation allowances	67,800	-
Other staff costs	77,801	-
	1,961,232	5,200,544

(a) Terminal Benefits

Amount represents benefits due to employees whose employment were terminated by the Company. In December 2021, prior to the acquisition of the Company by QENL, the Company terminated the employment of all staff and terminal benefits of NGN 2.6 billion was recognized in the financial statements for the year ended 31 December 2021. A total of NGN 2.38 billion was paid in December 2021 and the outstanding balance of NGN 172 million was paid in January 2022.

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

The average number of full time persons employed (other than executive directors) by the Company during the year was as follows:

	2022	2021
	Number	Number
Finance	34	80
Administrative	37	177
Operations	485	673
	556	930

Employees of the Company, other than directors, whose duties were wholly or mainly discharged in Nigeria received remuneration (excluding pension costs and certain benefits) in the following ranges:

	2022	2021
	Number	Number
Below NGN 1,000,000	19	400
NGN 1,000,001 - NGN 2,000,000	204	292
NGN 2,000,001 - NGN 3,000,000	168	174
NGN 3,000,001 - NGN 4,000,000	84	42
NGN 4,000,001 - NGN 5,000,000	38	4
Above NGN 5,000,000	43	18
	556	930

31 Financial instruments - fair values and risk management

(A) Accounting classification and fair values

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

The Company's financial instruments are categorised as follows:

As at 31 December 2022	Note	Financial assets at amortized costs	Other financial liabilities	Total
		N'000	N'000	N'000
Financial assets not measured at fair value				
Trade and other receivables*	17	8,583,854	-	8,583,854
Cash and cash equivalents	20	4,145,142	-	4,145,142
		12,728,996	-	12,728,996
Financial liabilities not measured at fair value				
Trade and other payables**	24	-	(8,673,162)	(8,673,162)
Loans and borrowings	25	-	(10,865,819)	(10,865,819)
		-	(19,538,981)	(19,538,981)

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

** Amount excludes statutory deductions.

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

As at 31 December 2021		Financial assets at amortized costs restated*	Other financial liabilities restated*	Total restated*
	Note	N'000	N'000	N'000
Financial assets not measured at fair value				
Trade and other receivables	17	22,430,057	-	22,430,057
Cash and cash equivalents	20	491,653	-	491,653
		22,921,710	-	22,921,710
Financial liabilities not measured at fair value				
Trade and other payables**	24	-	(20,029,838)	(20,029,838)
Loans and borrowings	25	-	(2,668,048)	(2,668,048)
		-	(22,697,886)	(22,697,886)

* See Note 7

** Amount excludes statutory deductions

(B) Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk (Note 31(B)(a))
- liquidity risk (Note 31(B)(b))
- market risk (Note 31(B)(c))

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's board of directors oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

(a) Credit risk

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

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

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 credit exposure, which as at the reporting date, was as follows:

	31-Dec-2022	31-Dec-2021
	N'000	restated*
	N'000	N'000
Trade receivables, net (Note 17)	6,510,029	22,027,449
Other receivables (Note 17)	808,420	-
Staff advances (Note 17)	-	113,383
Feeder Accounts balance (Note 17)	878,861	289,225
Cash and cash equivalents* (Note 20)	4,095,722	440,558
	12,293,032	22,870,615

*The carrying amount of cash and cash equivalents excludes amounts held as cash in hand

Collateral held as security and other credit enhancements

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

	2022	2021
	N'000	N'000
Impairment loss on trade receivables	6,585,574	4,030,927
	6,585,574	4,030,927

(i) Trade receivables

The Company's exposure to risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry in which customers operate.

The Company has a large customer base within its licensed area of supply thereby reducing its concentration of credit risk. To further mitigate credit risk, the Company is continually increasing the share of prepaid customers in its portfolio. The Company's exposure to credit risk is influenced by the characteristics of each category of customers. In monitoring credit risk, customers are grouped according to common credit risk characteristics – geographic region, metering status and volume of consumption. No security is provided for the electricity supplied though the Company retains the right to disconnect non paying customers to enforce collections.

The Company does not require collateral in respect of trade and other receivables. The company does not have trade receivable for which no loss allowance is recognised because of collateral.

Notes to the financial statements (cont'd)
For the year ended 31 December 2022

At 31 December 2022, the exposure to credit risk for trade receivables by consumption was as follows:

	31-Dec-2022	31-Dec-2021
	N'000	N'000
Government institutions	5,238,241	13,545,173
Maximum demand customers	4,714,417	12,190,656
Non-maximum demand customers	3,142,944	8,127,103
Gross carrying amount	13,095,602	33,862,932
Loss allowance	(6,585,574)	(11,835,483)
Net carrying amount	6,510,028	22,027,449

Expected credit loss assessment for customers

The Company uses an allowance matrix to measure the expected credit losses (ECLs) of trade receivables from customers. Loss rates are calculated using a 'transition matrix' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers as at 31 December 2022:

31 December 2022	Weighted average	Gross carrying	Loss allowance	Credit impaired
<i>In thousands of Naira</i>	loss rate	amount		
Current	18.17%	7,045,043	(1,279,941)	No
1 - 30 days past due	80.47%	1,392,002	(1,120,076)	No
31 - 60 days past due	83.95%	1,084,343	(910,300)	No
61 - 90 days past due	87.33%	1,103,576	(963,807)	No
91 - 120 days past due	90.48%	1,061,001	(960,015)	No
121 - 150 days past due	93.24%	658,312	(613,839)	No
151 - 180 days past due	96.99%	455,512	(441,783)	No
More than 180 days past due	100.00%	295,813	(295,813)	No
		13,095,602	6,585,574	

Movements in the allowance for impairment in respect of trade receivables

	2022	2021
	N'000	N'000
Balance at 1 January	11,835,483	11,749,717
Amounts derecognized due to acquisition	(11,835,483)	-
Amounts written off	-	(3,945,161)
Net remeasurement of loss allowance	6,585,574	4,030,927
Balance at 31 December	6,585,574	11,835,483

(ii) Other receivables

The Company has receivables due from the Nigerian Electricity Liability Management Company (NELMCO) in respect of payments made on debts to NBET and MO for November and December 2021. The Company has not recognized an impairment allowance on this receivable as the Company has a liability of NGN 1.19 billion to NELMCO as cash collections received from customers in respect of the legacy debts which had been transferred to NELMCO in line with the deed of assignment of precompletion receivables as well as cash balances at 31 December 2021.

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

(iii) Cash at bank

The Company held cash and cash equivalents of NGN 4.10 billion at 31 December 2022 (2021:NGN 0.44 billion). The cash and cash equivalents are held with bank and reputable financial institutions in Nigeria.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

(b) Liquidity risk

Liquidity risk is the risk associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built a liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company maintains adequate liquid reserves, by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivity run for different scenarios including, but not limited to, changes in Energy Tariff and changes in distribution class and status of customers. The Company also continues to intensify efforts to collect its trade receivables.

Exposure to liquidity risk

The following are the contractual maturities of the Company's non-derivative financial liabilities at the reporting date. The amounts are based on undiscounted cashflows and the earliest date on which the Company can be required to pay:

Non-derivative financial liabilities		Contractual cash flows						
		Carrying amount	Total	2 months or less	2 - 12 months	1 - 2 years	2 - 5 years	Above 5 years
Note	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
31 December 2022								
Trade and other payables*	24	9,062,756	9,062,756	9,062,756	-	-	-	-
Loans and borrowings	25	10,865,819	16,083,026	563,908	5,124,090	2,167,270	7,044,398	1,183,360
		19,928,575	25,145,782	9,626,664	5,124,090	2,167,270	7,044,398	1,183,360
31 December 2021								
Trade and other payables*	24	20,029,838	20,029,838	20,029,838	-	-	-	-
Loans and borrowings	25	2,668,048	2,719,521	71,760	45,578	2,536,405	60,718	5,060
		22,697,886	22,749,359	20,101,598	45,578	2,536,405	60,718	5,060

*Amount excludes statutory deductions

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company manages market risks by keeping costs low through various cost optimization programs. Moreover, market developments are monitored and discussed regularly, and mitigating actions are taken where necessary.

Currency risk

The Company is exposed to currency risk on cash and cash equivalents held and payment of expatriates within the Company's employ. These transactions are denominated in a currency other than its functional currency, the Naira. The currency in which these transactions are primarily denominated is the US Dollar (USD). The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

In managing currency risk, the Company aims to reduce the impact of short-term fluctuations on foreign transactions. The Company has no export sales, thus the exposure to currency risk in that regard is non-existent.

Although the Company has various measures to mitigate exposure to foreign exchange rate movement, over the longer term, however, permanent changes in exchange rates would have an impact on profit. The Company monitors the movement in the currency rates on an ongoing basis.

Exposure to currency risk

The Company's transactional exposure to US dollar (\$) was based on notional amounts as follows:

	31-Dec-2022	31-Dec-2021
<i>in thousands</i>	USD	USD
Financial assets		
Cash and cash equivalents	62	-
Financial liabilities		
Related party payables	(512)	-
Other payables	(195)	-
Net statement of financial position exposure	(645)	-

The following significant exchange rates have been applied during the year:

<i>Naira</i>	Average rates		Reporting date spot rate	
	31-Dec-2022	31-Dec-2021	31-Dec-2022	31-Dec-2021
USD 1	423.98	400.00	449.05	416.09

Notes to the financial statements (cont'd)

For the year ended 31 December 2022

Sensitivity analysis

A strengthening (weakening) of the Naira, as indicated below, against the US Dollar at **31 December 2022** have increased/(decreased) profit or loss by the amounts shown below. This analysis includes only outstanding foreign currency denominated monetary items, which are bank balances, and trade and other payables. The analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period and assumes that all other variables, in particular interest rates, remain constant.

<i>Effects in thousands of Naira</i>	Profit or loss	
	Strengthening	Weakening
31 December 2022		
USD (20% movement)	58	(58)

A weakening of the naira against the above currencies would have had the equal but opposite effect on the above currencies to the magnitude of the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The Company is exposed to fluctuations in interest rates on borrowings. The Company actively monitors interest rate exposures on its investment and borrowings so as to minimise the effect of interest rate fluctuations on the income statement. The risk on borrowings is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings.

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	31-Dec-2022	31-Dec-2021
	N'000	N'000
Fixed-rate instruments		
Short-term fixed deposit (Note 20)	3,500,000	-
Loans and borrowings (Note 25)	(8,280,587)	(192,347)
	(4,780,587)	(192,347)
Variable-rate instruments		
Loans and borrowings (Note 25)	(2,585,232)	(2,475,701)
Trade payables (Note 24)	(1,070,153)	(131,985,820)
	(3,655,385)	(134,461,521)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for fixed rates financial assets or financial liabilities at fair value through profit or loss, as such, a change in interest rates at the reporting date would not affect the profit or loss.

Notes to the financial statements (cont'd)
For the year ended 31 December 2022

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

<i>Effects in thousands of Naira</i>	Profit or loss	
	100 bp increase	100 bp decrease
31 December 2022		
Variable-rate instruments	(36,554)	36,554
Cash flow sensitivity (net)	(36,554)	36,554
31 December 2021		
Variable-rate instruments	(1,344,615)	1,344,615
Cash flow sensitivity (net)	(1,344,615)	1,344,615

(C) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company is not subject to externally imposed capital requirements. Management monitors capital using a ratio of "adjusted net debt" to "adjusted equity". For this purpose, adjusted net debt is defined as total liabilities less cash and cash equivalents. Total equity comprises all components of equity on the statement of financial position.

The Company's net debt to equity ratio at the end of the reporting year was as follows:

	31-Dec-2022	31-Dec-2021
	N'000	N'000
Total liabilities	37,730,932	26,562,981
Less: cash and cash equivalents (Note 20)	(4,145,142)	(491,653)
Net debt	33,585,790	26,071,328
Total equity	32,654,062	(950,316)
Net debt to equity ratio	1.03	(27.43)

32 Non-audit services provided by KPMG Professional Services

KPMG Professional Services did not provide any non-audit service to the Company during the year (2021: Nil).

33 Events after the reporting date

Revocation of Power of Attorney granted by MoFI to BPE

On 15 January 2024, the Ministry of Finance Incorporated (MOFI) formally terminated the Power of Attorney (PoA) granted to the Bureau of Public Enterprises (BPE) in the 11 Electricity Distribution Companies (Discos), directing that henceforth, equity interests of the Federal Government of Nigeria (FGN) in all electricity successor companies be restored, and held and treated by MoFI. As at the date of the issuance of these financial statements, this change has not been effected.

Other National Disclosures

Value Added Statement

As at

	31-Dec-2022		31-Dec-2021	
	N'000	%	restated* N'000	%
Revenue	24,952,033		17,793,993	
Bought in materials and services				
- Imported	-		-	
- Local	(18,341,556)		(20,085,448)	
	6,610,477		(2,291,455)	
Other income	187,235		84,610,405	
Finance income	6,950		-	
	6,804,662	100	82,318,950	100

Distributed as follows

To Government

Taxation	(654,169)	(10)	(429,702)	(1)
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To Employees

Salaries, wages and allowances	2,173,025	32	5,288,496	6
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To Providers of Finance

Finance cost	708,022	10	78,944	-
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Maintenance of assets and future expansion

For replacements of assets	3,693,451	54	307,561	1
Amortisation of intangible assets	45,655	2	4,515	-
Retained in the business	838,678	12	77,069,136	94

Value added

	6,804,662	100	82,318,950	100
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Value added represents the change in the Company's wealth through its operations and those of its employees. This statement shows the allocation of that wealth among employees, the government and the portion consumed for the future creation of wealth.

FIVE YEAR FINANCIAL SUMMARY

As at

	31-Dec-2022 N'000	31-Dec-2021 restated* N'000	31-Dec-2020 restated* N'000	31-Dec-2019 N'000	31-Dec-2018 N'000
Statement of financial position					
Assets					
Property, plant and equipment	56,360,886	2,226,232	1,561,902	2,483,587	2,319,792
Intangible assets	776,305	2,858	7,373	8,767	10,464
Current assets	13,247,803	23,383,575	52,585,991	25,546,524	20,434,781
	70,384,994	25,612,665	54,155,266	28,038,878	22,765,037
Capital and liabilities					
Non-current liabilities	16,485,385	23,434,522	160,503	299,214	67,965
Current liabilities	21,245,547	3,128,459	132,014,215	100,900,491	67,618,950
Share capital	5,000	5,000	5,000	5,000	5,000
Federal Government Grant - Tangible assets	832,743	832,743	832,743	832,743	343,417
Accumulated deficit	(949,381)	(1,788,059)	(78,857,195)	(73,998,570)	(45,270,295)
Revaluation reserves	32,765,700	-	-	-	-
Total Equity and Liabilities	70,384,994	25,612,665	54,155,266	28,038,878	22,765,037
Statement of profit or loss and other comprehensive income					
Revenue	24,952,033	17,793,993	17,091,702	18,963,301	16,143,063
Profit/(loss) before taxation	2,183,744	77,692,922	(3,650,308)	(28,646,189)	(24,342,359)
Taxation	(654,169)	(623,786)	(42,480)	(23,716)	(13,929)
Profit/(loss) for the year	1,529,575	77,069,136	(3,692,788)	(28,669,905)	(24,356,288)
Other comprehensive income	32,765,700	-	-	-	-
Total comprehensive gain/(loss)	34,295,275	77,069,136	(3,692,788)	(28,669,905)	(24,356,288)
Profit / (Loss) per share - Basic (Naira)	0.15	7.71	(0.37)	(2.87)	(2.44)
Net Assets / (Liabilities) per share	3.27	(0.10)	(7.65)	(7.32)	(4.49)

Notes

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.

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

* The comparative information is restated on account of correction of errors. See Note 7.