

**Yola Electricity Distribution Plc**

**Annual Report**

**31 December 2023**

<b>Table of contents</b>	<b>Page</b>
Corporate Information	2
Financial highlights	3
Directors' report	4
Statement of directors' responsibilities	11
Statement of corporate responsibility	12
Report of the Audit, Risk and Governance Committee	13
Independent auditor's report	14
Statement of financial position	17
Statement of profit or loss and other comprehensive income	18
Statement of changes in equity	19
Statement of cash flows	20
Notes to the financial statements	21
Other National Disclosures	76

**Corporate Information**

**Registration number: RC. 638618**

<b>Directors:</b>	Mr. Omatseyin Ayida Mr. Abdulrahman Isa Mr. Ayodeji Ariyo Gbeleyi Mr. Awwal Manga Mr. Siraj Abdullahi Mr. Simbabi Ogbeha Mr. Boubacar Seybou Hajiya Rabi Yahaya Ahmed	Chairman Managing Director Director Director Director Director Director Director
<b>Registered office and principal address:</b>	2, Atiku Abubakar Road Jimeta Yola Adamawa State	
<b>Company secretary:</b>	Saleh Dangana SCN 018391 No. 6, Yedseram Street Off IBB Way, Maitama FCT, Abuja Nigeria	
<b>Independent auditor:</b>	KPMG Professional Services KPMG Tower Bishop Aboyade Cole Street Victoria Island, Lagos Nigeria	
<b>Bankers:</b>	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	
<b>Main Company Solicitor:</b>	TRLP Law Solicitors	
<b>Tax Identification Number:</b>	17778721-0001	

# Financial highlights- Company

## REVENUE

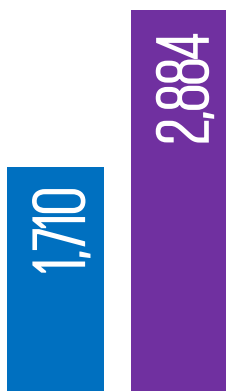
(millions of Naira)



■ 2023 ■ 2022

## OPERATING PROFIT

(millions of Naira)



■ 2023 ■ 2022

## Adjusted EBITDA

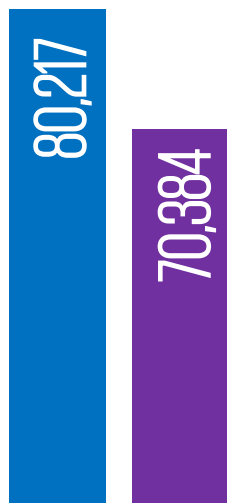
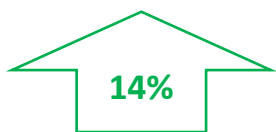
(millions of Naira)



■ 2023 ■ 2022

## TOTAL ASSETS

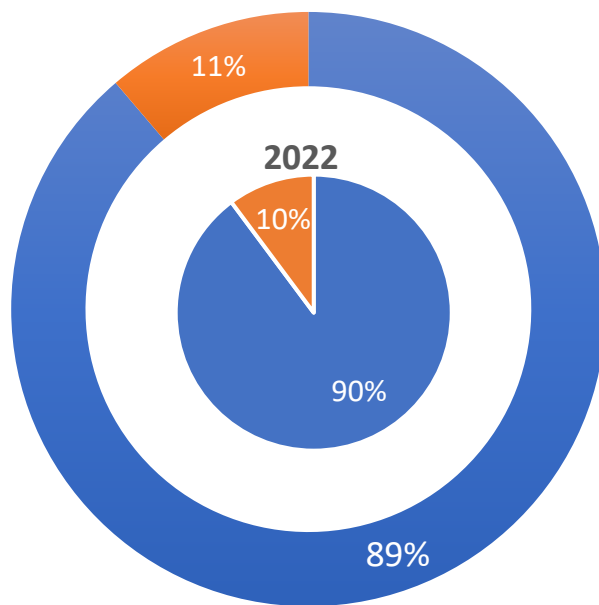
(millions of Naira)



■ 2023 ■ 2022

## REVENUE BY TYPE OF COUNTERPARTY

2023



■ Postpaid customers ■ Prepaid customers

## Directors' Report

### For the year ended 31 December 2023

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 2023.

### 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"). From 2015 to 2021, the Company was under the control of BPE until it was reprivatized in 2022.

On 01 January 2022, 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.

### Principal Activity

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:

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Revenue	<u>38,422,501</u>	<u>24,952,033</u>
(Loss) / profit before income tax	(1,585,810)	2,183,744
Income tax credit/(expense)	<u>425,614</u>	<u>(654,169)</u>
(Loss) / profit for the year	(1,160,196)	1,529,575
Other comprehensive income	-	46,808,143
Related tax	-	<u>(14,042,443)</u>
<b>Total comprehensive income for the year</b>	<b><u>(1,160,196)</u></b>	<b><u>34,295,275</u></b>

## Directors' Report (cont'd)

### Adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA)

The directors have presented the performance measure adjusted EBITDA because they monitor this performance measure and they believe that this measure is relevant to an understanding of the Company's financial performance. Adjusted EBITDA is calculated by adjusting profit for the year to exclude the impact of taxation, net finance costs, depreciation and amortisation.

*Reconciliation of adjusted EBITDA to (loss)/profit for the year*

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
(Loss)/profit for the year	(1,160,196)	1,529,575
Income tax (credit)/expense	(425,614)	654,169
<b>(Loss) / profit before tax (credit)/expense</b>	<b>(1,585,810)</b>	<b>2,183,744</b>
Adjustments for:		
- Net finance costs	3,274,660	701,072
- Depreciation	4,420,643	3,693,451
- Amortisation	81,910	45,655
<b>Adjusted EBITDA</b>	<b>6,191,403</b>	<b>6,623,922</b>

### Dividend

The directors have not recommended any dividend payment for the financial year ended 31 December 2023 (2022: Nil).

### Directors and their interests

The directors who served during the year were as follows:

<b>Name</b>	<b>Designation</b>	<b>Date of (resignation)/appointment</b>
Mr. Omatseyin Ayida	Chairman	
Mr. Umar Abubakar Hashidu*	Managing Director	(04 September 2023)
Mr. Abubakar Yahaya*	Acting Managing Director	(21 November 2023)
Mr. Ibrahim Dan Shuaib*	Acting Managing Director	21 November 2023
Mr. Alexander Okoh**		
Mr. Awwal Manga		
Mr. Siraj Abdullahi		
Mr. Simbabi Ogbaha		
Mr. Mahamadou Arzika***		
Hajiya 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 by 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 21 November 2023. Ibrahim Dan Shuaib was subsequently replaced by Abdulrahman Isa as Managing Director/Chief Executive Officer on 07 March 2024.*

*\*\*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 represented BPE on the Company's Board of Directors until Ayodeji Ariyo Gbeleyi was appointed as the Director-General of BPE on 27 June 2024. Ayodeji Ariyo Gbeleyi now represents BPE on the Company's Board of Directors.*

*\*\*\*On 18 July 2024, Mr. Mahamadou Tahoua Arzika retired from active service and thus ceased to be a director in the Company. Subsequently, he was replaced by Boubacar Seybou.*

## Directors' Report (cont'd)

### Direct shares in the Company

The directors had no direct interest in the shares of the Company during the year. (2022: Nil)

### Shareholding structure

The shareholding structure of the Company is as follows:

	2023		2022	
	Number of shares held	%	Number of shares held	%
Quest Electricity Nigeria Limited	6,000,000	60	6,000,000	60
Bureau of Public Enterprises - BPE	3,200,000	32	3,200,000	32
Ministry of Finance Incorporated - MOFI	800,000	8	800,000	8
	<b>10,000,000</b>	<b>100</b>	<b>10,000,000</b>	<b>100</b>

\*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.

### 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 five (5) board meetings (both physical and virtual) during the year and below is the record of attendance of the directors at the meeting:

Name	Date				
	22 Mar 2023	01 June 2023	20 Jul 2023	18 Oct 2023	21 Nov 2023
Mr. Omatseyin Ayida	P	P	P	P	P
Mr. Umar Abubakar Hashidu (Managing Director)*	P	A	A	A	A
Mr. Abubakar Yahaya (Acting Managing Director)	A	A	P	P	P
Mr. Ibrahim Dan Shuaib (Acting Managing Director)	A	A	A	A	P
Mr. Alex Okoh** (BPE Director)	P	P	P	P	A
Mr. Awwal Manga	P	P	P	P	P
Mr. Siraj Abdullahi***	P	P	P	P	P
Mr. Simbabi Ogbeha	P	P	P	P	P
Mr. Mahamadou Arzika	P	P	P	P	A
Hajiya Rabi Yahaya-Ahmed	P	P	P	P	P

\*\* Mr. Ignatius Ayewoh was the alternate director to Mr. Alex Okoh at all board meetings in the absence of the latter.

\*\*\* Atinuke Taiwo was the alternate director to Mr. Siraj Abdullahi at all board meetings in the absence of the latter.

## Directors' Report (cont'd)

### Sub Committees of the Board

The Board has established committees consistent with NERC rules. Currently, there are five (5) sub-committees that have been approved.

The sub-committees are:

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

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 3 times during the year under review and below is the record of attendance at the meetings.

Name	Date		
	10 Apr 2023	17 Jul 2023	12 Oct 2023
Mr. Siraj Abdullahi	P	P	P
Mr. Umar Abubakar Hashidu (Managing Director)*	P	A	A
Mr. Abubakar Yahaya (Acting Managing Director)*	A	P	P
Mr. Awwal Manga	P	P	P
Mr. Simbabi Ogbeha	P	P	P
Mr. Mahamadou Arzika	A	A	P
Mr. Alex Okoh	A	A	A

#### 2. Human Resource and Governance committee

The Human Resource and Governance committee met 3 times during the year under review and below is the record of attendance at the meetings.

Name	Date		
	21 Mar 2023	25 May 2023	19 Sep 2023
Mr. Awwal Manga	P	P	P
Mr. Umar Abubakar Hashidu (Managing Director)	P	A	A
Mr. Siraj Abdullahi**	P	P	P
Hajiya Rabi Yayaha - Ahmed	P	P	P
Mr. Alex Okoh*	A	A	P

\* Mr. Ignatius Ayewoh was the alternate director to Mr. Alex Okoh at all committee meetings attended in the absence of the latter.

\*\* Atinuke Taiwo was the alternate director to Mr. Siraj Abdullahi at all committee meetings attended in the absence of the latter.



## Directors' Report (cont'd)

### 3. Regulatory and Compliance committee

The Regulatory and Compliance committee met once during the year under review and below is the record of attendance at the meeting.

Name	Date
	12 Jul 2023
Hajiya Rabi Yahaya - Ahmed	P
Mr. Abubakar Yahaya (Acting Managing Director)	P
Mr. Awwal Manga	P
Mr. Simbabi Ogbeha	P
Mr. Alex Okoh	A
Mr. Mahamadou Arzika	A

### 4. Audit and Risk committee

The Audit and Risk committee met once during the year under review and below is the attendance at the meeting.

Name	Date
	12 Jul 2023
Mr. Alex Okoh*	P
Mr. Abubakar Yahaya (Acting Managing Director)	P
Mr. Simbabi Ogbeha	P
Mr. Siraj Abdullahi	P
Hajiya Rabi Yahaya - Ahmed	P
Mr. Mahamadou Arzika	P

\* Mr. Ignatius Ayewoh was the alternate director to Mr. Alex Okoh at all committee meetings attended in the absence of the latter.

### 5. Technical committee

The Technical committee met 3 times during the year under review and below is the record of attendance at the meetings.

Name	Date		
	23 Oct 2023	25 Oct 2023	15 Nov 2023
Mr. Mahamadou Arzika	A	A	P
Mr. Awwal Manga	P	P	P
Mr. Siraj Abdullahi*	P	P	P
Mr. Simbabi Ogbeha	P	P	P
Hajiya Rabi Yayaha - Ahmed	P	P	P
Mr. Alex Okoh**	A	P	P

\* Atinuke Taiwo was the alternate director to Mr. Siraj Abdullahi at all committee meetings attended in the absence of the latter.

\*\* Mr. Ignatius Ayewoh was the alternate director to Mr. Alex Okoh at all committee meetings attended in the absence of the latter.

Key

P	Present
A	Absent

## Directors' Report (cont'd)

### 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 11.

##### 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 11.

#### 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(b)(iii)).

### Geographical presence

To enable the Company operate within its licensed area where it distributes electricity, it has eighteen (18) (2022: 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 14 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 (2022: Nil).

Donations made during the year were as follows:

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
Maiduguri Market Fire Relief Fund	10,000	-
Renovation of a block of 2 classrooms and toilets in Adamawa and Taraba states	9,000	-
	<b>19,000</b>	<b>-</b>

### Events after the reporting period

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

## **Directors' Report (cont'd)**

### **Employment and employees**

#### **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.

#### **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 three (3) physically challenged persons in its employment (2022: 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.

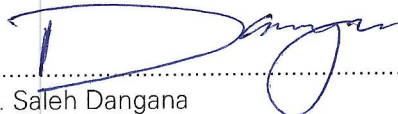
#### **d) Employee health, safety and welfare**

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**

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

31 October 2024

**Statement of Directors' Responsibilities in Relation to the Financial Statements**

*For the year ended 31 December 2023*

The directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and Financial Reporting Council of Nigeria (Amendment) Act, 2023.

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 2.

**SIGNED ON BEHALF OF THE DIRECTORS BY:**



.....  
Mr. Omatseyin Ayida

**Chairman**

*FRC/2023/PRO/DIR/003/581399*

*31 October* ..... 2024



.....  
Mr. Abdulrahman Isa

**Managing Director**

*FRC/2024/PRO/COREN/004/369928*

*31 October* ..... 2024

**Statement of Corporate Responsibility for the Financial Statements**

for the year ended 31 December 2023

Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Managing Director/CEO and Finance Manager, hereby certify the financial statements of Yola Electricity Distribution Plc for the year ended 31 December 2023 as follows:

- a) That we have reviewed the audited financial statements of the Company for the year ended 31 December 2023 .
- 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 2023 .
- 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 ended 31 December 2023 .
- 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.



Abdulrahman Isa

**Managing Director**

FRC/2024/PRO/COREN/004/369928

31 October 2024



Mathias Nuhu

**Finance Manager**

FRC/2023/PRO/ICAN/007/229496

31 October 2024



## 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 2023 and hereby declare as follows:

1. The scope and planning of the audit for year ended 31 December, 2023 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: ..... 31, October ..... 2024

  
.....  
Mr. Ayodeji Ariyo Gbeleyi

**Chairman**

FRC/2015/ICAN/00000012331

..... 31, October 2024

### Members of the Committee

Mr. Ayodeji Ariyo Gbeleyi/Mrs. Halima L. Halilu*	Chairman
Mr. Siraj Abdullahi	Member
Hajiya Rabi Yahaya-Ahmed	Member
Mr. Simbabi Ogbeha	Member
Mr. Mahamadou Arzika	Member

*\*Mrs. Halima L. Halilu is the alternate director to Mr. Ayodeji Ariyo Gbeleyi who is the representative of BPE (Bureau of Public Enterprises) on the Board of Directors.*



**KPMG Professional Services**  
KPMG Tower  
Bishop Aboyade Cole Street  
Victoria Island  
PMG 40014, Falomo  
Lagos

Telephone 234 (1) 271 8955  
234 (1) 271 8599  
Internet home.kpmg/ng

## 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 2023;
- 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 material 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 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

#### **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.



<b>Revenue Recognition</b>	
See Notes 4(A), 6(a) and 6(b) to the financial statements for the Company's accounting policy on revenue recognition and related disclosures	
<b>The key audit matter</b>	<b>How the matter was addressed in the audit</b>
<p>Revenue recognition is a matter of significance in our audit of the financial statements due to the following significant judgement:</p> <ul style="list-style-type: none"> <li>revenue from unmetered customers is based on an estimated billing methodology</li> </ul> <p>Furthermore, tariffs are regulated and the multi year tariff order (MYTO) is issued during the year to update for changes in macroeconomic conditions.</p> <p>The Company's process of implementing the changes is manual and prone to error.</p>	<p>Our audit procedures in this area included the following:</p> <ul style="list-style-type: none"> <li>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.</li> <li>For revenue recognised in respect of unmetered customers, we evaluated the reasonableness of the assumptions underlying the Company's estimated billing methodology by recomputing energy billed to test that the total energy billed is not higher than total energy received.</li> <li>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.</li> <li>We evaluated the adequacy of the financial statements disclosures including disclosures of key assumptions and judgements.</li> </ul>

<b>Impairment of trade receivables</b>	
See Note 4(R) and 30(B)(a) to the financial statements for the Company's accounting policy on impairment of receivables and related disclosures.	
<b>The key audit matter</b>	<b>How the matter was addressed in the audit</b>
<p>As at 31 December 2023, the Company reported an impairment allowance of ₦ 23.10 billion against the gross trade receivables balance of ₦ 34.52 billion. The allowance for expected credit loss represents 66% 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"> <li>obtaining an understanding of the Company's process and control over measurement of Expected Credit Loss model on trade receivables.</li> <li>evaluating the ECL modelling techniques and methodology used by the Company in comparison to the requirements of the relevant accounting standards.</li> <li>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.</li> </ul>





	<ul style="list-style-type: none"><li>• 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.</li><li>• evaluating completeness of the disclosures made by management in the financial statements against the disclosure requirements of the relevant IFRS Accounting Standards.</li></ul>
--	---

**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 Accounting Standards and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria (Amendment) Act, 2023, 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 and Risk 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 the Audit and Risk Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

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

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

Ayodele A. Soyinka, FCA  
FRC/2012/ICAN/00000000405  
For: KPMG Professional Services  
Chartered Accountants  
18 February 2025  
Lagos, Nigeria



**Statement of financial position**

As at

	Note	31-Dec-2023 N'000	31-Dec-2022 N'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	61,368,612	56,360,886
Intangible assets	15	713,502	776,305
Equity-accounted investee	16	610,446	-
Trade and other receivables	18	1,253,609	386,544
<b>Total non-current assets</b>		<b>63,946,169</b>	<b>57,523,735</b>
<b>Current assets</b>			
Inventories	19	598	518,806
Tax assets	17	6,171	-
Trade and other receivables	18	14,657,356	8,197,310
Cash and cash equivalents	20	1,607,594	4,145,142
<b>Total current assets</b>		<b>16,271,719</b>	<b>12,861,258</b>
<b>Total assets</b>		<b>80,217,888</b>	<b>70,384,993</b>
<b>EQUITY</b>			
Share capital	21	5,000	5,000
Capital contribution	23(a)	3,611,336	832,743
Revaluation reserves	23(b)	32,765,700	32,765,700
Accumulated deficit	22	(2,109,577)	(949,381)
<b>Total equity</b>		<b>34,272,459</b>	<b>32,654,062</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	25	9,180,967	6,664,540
Contract liabilities	7(c)	218,895	-
Deferred income	26	2,430,671	2,078,178
Deferred tax liabilities	13(e)	7,235,240	12,502,829
<b>Total non-current liabilities</b>		<b>19,065,773</b>	<b>21,245,547</b>
<b>Current liabilities</b>			
Current tax liabilities	13(c)	7,479,957	2,720,527
Loans and borrowings	25	5,657,270	4,201,279
Trade and other payables	24	12,782,161	9,062,755
Contract liabilities	7(c)	334,063	144,116
Deferred income	26	445,444	356,707
Provisions	27	180,761	-
<b>Total current liabilities</b>		<b>26,879,656</b>	<b>16,485,384</b>
<b>Total liabilities</b>		<b>45,945,429</b>	<b>37,730,931</b>
<b>Total equity and liabilities</b>		<b>80,217,888</b>	<b>70,384,993</b>

These financial statements were approved by the Board of Directors on 31 October 2024 and signed on its behalf by:

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

  
Abdulrahman Isa  
Managing Director/Chief Executive Officer  
FRC/2024/PRO/COREN/004/369928

Additionally certified by:

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

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

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

	Note	<b>2023</b>	<b>2022</b>
		<b>N'000</b>	<b>N'000</b>
Revenue	7	38,422,501	24,952,033
Cost of sales	8(a)	(14,293,094)	(10,824,489)
<b>Gross profit</b>		<b>24,129,407</b>	<b>14,127,544</b>
Other income	9	828,513	187,235
Operating expenses	8(b)	(6,730,406)	(4,844,389)
Impairment loss on trade receivables	31(a)	(16,517,020)	(6,585,574)
<b>Operating profit</b>		<b>1,710,494</b>	<b>2,884,816</b>
Finance income	10	61,724	6,950
Finance costs	10	(3,336,384)	(708,022)
<b>Net finance costs</b>		<b>(3,274,660)</b>	<b>(701,072)</b>
Share of loss of equity-accounted investee, net of tax	16(a)(ii)	(21,644)	-
<b>(Loss)/profit before income tax</b>		<b>(1,585,810)</b>	<b>2,183,744</b>
Income tax credit/(expense)	13(a)	425,614	(654,169)
<b>(Loss)/profit for the year</b>		<b>(1,160,196)</b>	<b>1,529,575</b>
<b>Other comprehensive income</b>			
<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	13(b)	-	(14,042,443)
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>32,765,700</b>
<b>Total comprehensive income for the period</b>		<b>(1,160,196)</b>	<b>34,295,275</b>

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

**Statement of changes in equity**

*For the year ended 31 December 2023*

	Note	Share capital N'000	Accumulated deficit N'000	Revaluation reserves N'000	Capital contribution N'000	Total N'000
<b>Balance at 1 January 2022</b>		<b>5,000</b>	<b>(1,788,059)</b>	<b>-</b>	<b>832,743</b>	<b>(950,316)</b>
<b>Total comprehensive income for the period</b>						
Profit for the period	22	-	1,529,575	-	-	<b>1,529,575</b>
Other comprehensive income	23(b)	-	-	32,765,700	-	<b>32,765,700</b>
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>1,529,575</b>	<b>32,765,700</b>	<b>-</b>	<b>34,295,275</b>
<b>Transactions with owners of the Company</b>						
31 December 2023	11	-	<b>(690,897)</b>	-	-	<b>(690,897)</b>
<b>Total transactions with owners of the Company</b>		<b>-</b>	<b>(690,897)</b>	<b>-</b>	<b>-</b>	<b>(690,897)</b>
<b>Balance at 31 December 2022</b>		<b>5,000</b>	<b>(949,381)</b>	<b>32,765,700</b>	<b>832,743</b>	<b>32,654,062</b>
<b>Balance at 1 January 2023</b>		<b>5,000</b>	<b>(949,381)</b>	<b>32,765,700</b>	<b>832,743</b>	<b>32,654,062</b>
<b>Total comprehensive income for the period</b>						
Profit for the period	22	-	(1,160,196)	-	-	<b>(1,160,196)</b>
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>(1,160,196)</b>	<b>-</b>	<b>-</b>	<b>(1,160,196)</b>
<b>Transactions with owners of the Company</b>						
Capital contribution	23(a)	-	-	-	2,778,593	<b>2,778,593</b>
<b>Total transactions with owners of the Company</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2,778,593</b>	<b>2,778,593</b>
<b>Balance at 31 December 2023</b>		<b>5,000</b>	<b>(2,109,577)</b>	<b>32,765,700</b>	<b>3,611,336</b>	<b>34,272,459</b>

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

**Statement of cash flows**  
**For the year ended 31 December**

	Note	<b>2023</b> <b>N'000</b>	<b>2022</b> <b>N'000</b>
<b>Cash flows from operating activities</b>			
(Loss)/profit for the period		(1,160,196)	1,529,575
<b>Adjustments for:</b>			
- Depreciation on distribution assets	8(a)	3,995,865	3,454,725
- Depreciation on non-distribution assets	8(b)	424,778	238,726
- Amortization - intangible assets	15	81,910	45,655
- Reversal of impairment of inventory	8(a)	(23,432)	-
- Write-off of inventory	8(a)	385,933	-
- Write-off of cash	8(b)	51,095	-
- Impairment allowance on trade receivables	31(B)(a)	16,517,020	6,585,574
- Amortization of deferred income	26(c)	(421,540)	(52,127)
- Modification gain on loans	25(g)	-	(3,306)
- Finance costs	10	3,353,596	560,635
- Finance income	10	(61,724)	(6,950)
- Provisions	27	180,761	-
- Share of loss of equity-accounted investees, net of tax	16(a)(ii)	21,644	-
- Income tax expense	13(a)	(425,614)	654,169
		<b>22,920,096</b>	<b>13,006,676</b>
<i>Changes in working capital:</i>			
- Trade and other receivables	18(e)	(22,590,522)	(14,782,884)
- Prepayments		-	16,664
- Inventories	19(b)	155,707	(145,583)
- Tax assets		(6,171)	-
- Trade and other payables	24(e)	4,390,781	4,175,204
- Contract liabilities	7(c)	157,497	21,835
		<b>5,027,388</b>	<b>2,291,912</b>
<b>Cash generated from operating activities</b>		<b>5,027,388</b>	<b>2,291,912</b>
Income tax paid	13(c)	(82,545)	-
<b>Net cash from operating activities</b>		<b>4,944,843</b>	<b>2,291,912</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	14(f)	(7,321,148)	(7,765,809)
Acquisition of intangible assets	15(b)	(19,107)	(21,102)
Advance payment for property, plant and equipment	18(e)	(1,253,609)	(386,544)
Investments in equity-accounted investee	16(a)	(632,090)	-
Interest received	10	61,724	6,950
		<b>(9,164,230)</b>	<b>(8,166,505)</b>
<b>Net cash used in investing activities</b>		<b>(9,164,230)</b>	<b>(8,166,505)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans and borrowings	25	5,784,585	13,081,031
Transaction costs related to loans and borrowings	25	(25,442)	(13,438)
Repayment of principal	25	(2,661,999)	(2,971,510)
Repayment of interest	25	(1,339,296)	(214,026)
		<b>1,757,848</b>	<b>9,882,057</b>
<b>Net cash from financing activities</b>		<b>1,757,848</b>	<b>9,882,057</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,461,539)</b>	<b>4,007,464</b>
Cash and cash equivalents, beginning of year		4,145,142	491,653
Cash no longer available for operations	11	-	(350,646)
Cash written off	8(b)	(51,095)	-
Effects of movements in exchange rates on cash held	10(b)	(24,914)	(3,329)
<b>Cash and cash equivalents, end of year</b>	20	<b>1,607,594</b>	<b>4,145,142</b>

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

## **Notes to the financial statements**

**For the year ended 31 December 2023**

### **1.1 Reporting entity**

Yola Electricity Distribution Plc ("the Company"), was incorporated on November 7, 2005 as a Limited Liability Company to take over as a going concern, the electricity distribution activities and related business of the Power Holding Company of Nigeria ("PHCN") within the franchise area of its network which comprised of 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.

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.

### **1.2 Basis of accounting**

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

The financial statements were authorised for issue by the Board of Directors on ...31 October ... 2024.

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

### **1.3 Basis of measurement**

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.

### **1.4 Functional and presentation currency**

These financial statements cover the financial year from 1 January 2023 to 31 December 2023, with comparative figures for the financial year from 1 January 2022 to 31 December 2022.

This set of financial statements have been 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.

## **2 Going concern**

The Company reported a loss after tax of NGN 1.16 billion for the year ended 31 December 2023, as at the same date, it's current liabilities exceeded its current assets by NGN 10.61 billion (2022: NGN 3.62 billion).

Mainstream Energy Solutions Limited, its ultimate parent company, has confirmed its willingness to provide 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 issue of these financial statements.

Based on the foregoing, the directors of the Company have a reasonable expectation that the Company will continue in operational existence for the foreseeable future and as such, be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern.

## Notes to the financial statements

For the year ended 31 December 2023

### 3 Changes in material accounting policies

#### A Material accounting policy information

The Company also adopted *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 5 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

### 4 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 2024 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 <i>periods beginning on or after</i>	Summary of the requirements and impact assessment



**Notes to the financial statements**

For the year ended 31 December 2023

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>Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current Liabilities</i>	October 2022	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 2024.</p> <p>The Company expects no significant impact on the application of this Standard.</p>

**Notes to the financial statements**

*For the year ended 31 December 2023*

Standard/Interpretation		Date issued by IASB	Effective date periods beginning on or after	Summary of the requirements and impact assessment
Amendment to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>	September 2022	1 January 2024	<p>Amendments to IFRS 16 Leases requires a seller-lessee impacts how a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendment also requires the seller-lessee to include variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. The amendments confirm the following.</p> <ul style="list-style-type: none"> <li>• On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.</li> <li>• After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.</li> </ul> <p>Under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16. This means that it will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments.</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.

- Lack of Exchangeability - *Amendments to IAS 21*
- Supplier Finance Arrangements - *Amendments to IAS 7 and IFRS 7*
- Insurance Contracts (IFRS 17 including amendments, initial application of IFRS 17 and IFRS 9 – Comparative Information)

## Notes to the financial statements

For the year ended 31 December 2023

### 5 Material accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, unless otherwise stated.

#### 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**

**For the year ended 31 December 2023**

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.

**Other revenue:**

**Customer granted assets**

Contributions by customers of items of property, plant and equipment (PPE), which require an obligation to supply goods to the customer in the future, are recognized at the fair value when the Company has control of the item. The Company assesses whether the transferred item meets the definition of an asset, and if so recognizes the transferred asset as PPE. At initial recognition, its cost is measured at fair value, and a corresponding amount is recognized as revenue when the Company has no future obligations, otherwise as contract liabilities.

**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'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.

## Notes to the financial statements

For the year ended 31 December 2023

- **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.

- **Contribution of assets by customer**

Contributions by customers of items of property, plant and equipment (PPE), which require an obligation to supply goods to the customer in the future, are recognized at the fair value when the Company has control of the item. The Company assesses whether the transferred item meets the definition of an asset, and if so recognizes the transferred asset as PPE. At initial recognition, its cost is measured at fair value, and a corresponding amount is recognized as income when the Company has no future performance obligations. If the Company is yet to discharge the future performance obligation, the corresponding amount is recognized as a deferred income pending the performance of the obligation. This is then released to profit or loss as revenue as the performance obligation is discharged overtime.

### 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:

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

## Notes to the financial statements

**For the year ended 31 December 2023**

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.

### **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:

<b>Asset</b>	<b>Estimated Useful life (yrs.)</b>
Computer Software	10 years

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

### **Derecognition**

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.

**Notes to the financial statements****For the year ended 31 December 2023****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.

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.

## **Notes to the financial statements**

### **For the year ended 31 December 2023**

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.

#### **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 Equity-accounted investee**

### **i Interest in equity-accounted investee**

The Company's interests in equity-accounted investee comprise interests in a joint venture.

A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in the joint venture are accounted for under the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and OCI of equity-accounted investee, until the date on which significant influence or joint control ceases.



**Notes to the financial statements****For the year ended 31 December 2023****ii Equity method**

Under the equity method of accounting, the investments are initially recognized at cost and subsequently adjusted for the Company's share of the associate's profits or losses and other comprehensive income. The Company's share of profits or losses and other comprehensive income of the joint venture is recognized in the statement of comprehensive income. The Company reassesses its joint control over the joint venture on an ongoing basis. Dividends received or receivable from the joint venture are recognised as a reduction in the carrying amount of the investment.

Where the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Company and the joint venture are eliminated to the extent of the Company's interest in this entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Upon loss of joint control over the joint venture, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

**F Income tax**

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).

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

## **Notes to the financial statements**

### **For the year ended 31 December 2023**

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
  - i. is not a business combination; and
  - ii. at the time of the transaction (i) affects neither accounting nor taxable profit or loss and (ii) does not give rise to equal taxable and deductible temporary differences;
- 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 recorded under non-current assets and liabilities and are offset at single entity level if related to offsettable taxes. The balance of the offset, if positive, is recognised under 'Deferred tax assets' and, if negative, under 'Deferred tax liabilities'. When the results of transactions are recognised directly in shareholders' equity, current taxes, deferred tax assets and liabilities are also charged to shareholders' equity.

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

#### **G 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.

## **Notes to the financial statements**

### **For the year ended 31 December 2023**

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

#### **H 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.

#### **I 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.

#### **J 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% of gross emoluments.

##### **iii Medical insurance scheme**

The Company subscribes to a medical insurance plan on behalf of its employees, paying a gross premium to a health management organization based on the level of the employee.

##### **iv 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.

## **Notes to the financial statements**

**For the year ended 31 December 2023**

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

### **K 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.

### **L 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.

### **M 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 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

## **Notes to the financial statements**

### **For the year ended 31 December 2023**

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.

## **N 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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material) using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## **Notes to the financial statements**

**For the year ended 31 December 2023**

### **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 normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to occur. 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.

### **O 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.

### **P 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.

### **Q 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.

### **R 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

## **Notes to the financial statements**

### **For the year ended 31 December 2023**

- 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.

#### **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.

**Notes to the financial statements****For the year ended 31 December 2023****S 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 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.



## **Notes to the financial statements**

**For the year ended 31 December 2023**

### **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 5.

#### **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 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.

#### **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;

## Notes to the financial statements

For the year ended 31 December 2023

### 7 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.

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
Sale of electricity (revenue from contracts with customers)	38,422,501	24,952,033
	<b>38,422,501</b>	<b>24,952,033</b>

#### (b) Disaggregation of revenue from contracts with customers

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

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
Service Band A	12,499,609	15,757,184
Service Band B	11,223,996	3,547,767
Service Band C	10,674,079	4,729,068
Service Band D	4,024,817	918,014
	<b>38,422,501</b>	<b>24,952,033</b>

Revenue is also analysed into:

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
Post-paid	33,468,121	22,408,719
Prepaid	4,954,380	2,543,314
	<b>38,422,501</b>	<b>24,952,033</b>

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

Subsequent to year end, the Nigerian Electricity Regulatory Commission's (NERC) performance review for the period January to September 2023 indicated that the Company failed to comply with the monthly caps on estimated bills approved by the Commission. This led to an over billing of customers amounting to NGN 541.68 million which has been deducted from revenue in refunds to customers (2022: Nil).

A corresponding entry was made to reduce receivables of the affected customers (see Note 18) and increase the Company's contract liabilities for customers with no sufficient receivables to recoup the refunds (see Note 6(c)).

In addition, a regulatory deduction associated with this of NGN 54.19 million (Note 8(b)) has also been recorded.

## Notes to the financial statements

For the year ended 31 December 2023

### (c) Contract balances

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

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Receivables, which are included in trade and other receivables (Note 18)	34,521,988	13,095,603
Contract liabilities	552,958	144,116

The contract liabilities primarily relate to the advance consideration received from customers for supply of electricity, for which revenue is recognised over time. Contract liabilities include NGN 93.91 million (2022: Nil) relating to credits yet to be refunded as a result of overbilling of customers during the year.

Contract liabilities is further analysed into:

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Current	334,063	144,116
Non-current	218,895	-
	<b>552,958</b>	<b>144,116</b>

The current balance represents the collections from prepaid customers for which the Company is yet to supply electricity, credits due to overbilled customers during the year and refund due within the next 12 months to customers for meters installed under the MAP scheme. The non-current portion relates mainly to refunds due under the MAP scheme.

The amount of NGN 144.12 million included in contract liabilities at 31 December 2022 has been recognised as revenue in 2023 (2022: NGN 14.30 million).

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

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Balance at 1 January	(144,116)	(122,281)
Balance at 31 December	552,958	144,116
Meters installed under MAP scheme (Note 14)	(251,345)	-
<b>Amount shown in statement of cash flows</b>	<b>157,497</b>	<b>21,835</b>

## 8 Expenses by nature

Expenses by nature comprise:

### (a) Cost of sales

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
Cost of energy purchased from the Grid - NBET and TCN	48,590,022	29,620,352
Recovery of tariff shortfall (Note 8(a)(i))	(40,590,159)	(22,807,931)
	7,999,863	6,812,421
Technical services (Note 29(b)(iii))	1,934,865	557,343
Depreciation expense (Note 14(c))	3,995,865	3,454,725
Write down of inventories (Note 19)	362,501	-
	<b>14,293,094</b>	<b>10,824,489</b>

**Notes to the financial statements**

**For the year ended 31 December 2023**

**(i) Tariff shortfall awarded by NERC**

The tariff shortfall relates to the tariff differential for the 2023 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.

**(b) Operating expenses**

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
Employee benefit expenses (Note 30)	2,751,005	1,961,232
Directors' remuneration (Note 30)	222,470	211,793
Outsourced staff costs*	673,187	537,677
Management secondment allowances	57,500	53,250
Billing and collection expenses	180,821	60,805
Legal and other professional expenses	85,356	80,458
Provisions for litigation (Note 27)	126,572	-
Health and safety expenses	49,973	37,958
Community expenses	18,993	14,226
Transport and travelling expenses	463,173	517,206
Office maintenance and expenses	152,521	243,714
Marketing expenses	35,256	39,946
Subscription and internet fees	190,628	103,428
Staff welfare and entertainment expenses	55,108	63,514
Rents	64,053	121,728
Insurance expenses	110,791	10,490
Training expenses	143,243	51,243
Write-off of cash balances	51,095	-
FRC Annual levy	18,172	1,000
Statutory levies	7,604	2,755
Miscellaneous expenses	66,309	19,759
Depreciation of non-distribution assets (Note 14 (c))	424,778	238,726
Amortisation of intangible assets (Note 15(a))	81,910	45,655
Repairs and maintenance	550,342	380,574
Auditor's remuneration	44,500	31,000
Bank charges	39,583	16,252
Penalties	11,274	-
Provision for NERC deduction**	54,189	-
	<b>6,730,406</b>	<b>4,844,389</b>

\*Outsourced services represents the cost of cleaning, driving, security and medical services.

\*\*Provision for NERC deduction represents the regulatory deduction of NGN 54.19 million imposed by NERC via order NERC/2024/014 for the Company's non-compliance with the Order on Capping of Estimated Bills to Unmetered Customers for the period of January - September 2023.

**Notes to the financial statements**

**For the year ended 31 December 2023**

**9 Other income**

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
Reconnection and meter bypass fees	406,973	131,802
Amortisation of day-1 fair value gain on CBN loans (Note 26 (a))	377,263	52,127
Amortisation of deferred income on NDPHC assets (Note 26 (b))	44,277	-
Modification gain on loans (Note 25)	-	3,306
	<b>828,513</b>	<b>187,235</b>

**10 Net finance costs**

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
<b>Finance income</b>		
Interest income on fixed deposits	61,724	6,950
<b>Total finance income</b>	<b>61,724</b>	<b>6,950</b>
<b>Finance costs</b>		
Interest expense on CBN-NEMSF 1 intervention loan	937,769	166,513
Interest expense on CBN-NEMSF 2 intervention loan	87,505	-
Interest on CBN-NMMP loan	418,042	27,087
Interest expense on loans from related parties	612,658	237,262
Interest expense on loan from commercial banks	356,316	77,136
Total interest on loans (Note 25(g) & 24(e))	2,412,290	507,998
Interest expense on shortfall remittance to electricity suppliers (Note 10(a))	25,008	36,491
Net foreign exchange loss	899,086	163,533
<b>Total finance costs</b>	<b>3,336,384</b>	<b>708,022</b>
<b>Net finance costs</b>	<b>3,274,660</b>	<b>701,072</b>

**Finance costs for cashflow purposes**

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
Interest expense on loans and borrowings (Note 25(g) & 24(e))	2,412,290	507,998
Interest expense on shortfall remittance to electricity suppliers (Note 10(a))	25,008	36,491
Unrealized exchange difference ((Note 10(b))	916,298	16,146
	<b>3,353,596</b>	<b>560,635</b>

**(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. 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%.

**Notes to the financial statements**

**For the year ended 31 December 2023**

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

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
Unrealized foreign exchange loss on trade and other payables	(891,384)	12,817
Unrealized foreign exchange loss on cash and cash equivalents	(24,914)	3,329
<b>Unrealized foreign exchange loss for statement of cash flows</b>	<b>(916,298)</b>	<b>(16,146)</b>
Realized foreign exchange gain/(loss)	17,213	(147,387)
<b>Foreign exchange loss, net</b>	<b>(899,085)</b>	<b>(163,533)</b>

**11 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:

	<b>2022</b>
	<b>N'000</b>
Transfer of motor vehicles (Note 14(b))	(10)
Transfer of furniture and fittings (Note 14(b))	(47,652)
Transfer of trade and other receivables (Note 18(e))	(22,430,057)
Transfer of inventory (Note 19)	(71,979)
Transfer of cash balances (Note 20)	(350,646)
Transfer of trade and other payables (Note 24(e))	19,032,867
Transfer of legal provisions (Note 27)	35,117
Transfer of tax liabilities (Note 13(c))	3,083,398
Transfer of CAPMI payables (Note 25(g))	58,065
	<b>(690,897)</b>

**12 (Loss)/profit before taxation**

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
This is stated after charging		
Auditor's remuneration (Note (b))	44,500	31,000
Depreciation of property, plant and equipment (Note 14)	4,420,643	3,693,451
Amortisation of intangible assets (Note 15)	81,910	45,655
Employee benefit expenses (Note 30)	2,751,005	1,961,232
Impairment of trade receivables (Note 31(B)(a))	16,517,020	6,585,574
Directors' remuneration (Note 30)	222,470	211,793
Net finance costs (Note 10)	3,274,660	701,072

**Notes to the financial statements**

For the year ended 31 December 2023

**13 Taxation**

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

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
<b>Current tax expense</b>		
Income tax	4,219,852	2,407,840
Tertiary Education Tax	622,123	312,578
Nigerian Police Trust Fund Levy	-	109
	<u>4,841,975</u>	<u>2,720,527</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(5,267,589)	(2,066,358)
	<u><b>(425,614)</b></u>	<u><b>654,169</b></u>

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

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
<b>Items that will not be reclassified to Profit or Loss:</b>		
<b>Revaluation of property plant and equipment</b>		
Amounts before tax	-	46,808,143
Tax expense	-	(14,042,443)
<b>Amounts, net of tax</b>	<u><b>-</b></u>	<u><b>32,765,700</b></u>

**(c) Movement in current tax liabilities**

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Balance, beginning of period	2,720,527	3,083,398
Current tax charge for the period	4,841,975	2,720,527
Transfer to NELMCO (Note 11)	-	(3,083,398)
Payments during the year	(82,545)	-
Balance, end of period	<u><b>7,479,957</b></u>	<u><b>2,720,527</b></u>

**(d) Reconciliation of effective tax rate**

	<b>2023</b>		<b>2022</b>	
		<b>N'000</b>		<b>N'000</b>
Profit before minimum tax and income tax		(1,585,810)		2,183,744
Tax using the statutory rate	33.00%	(523,317)	32.50%	709,717
Tax effect of:				
Tax incentives	7.18%	(113,845)	(5.29)%	(115,568)
Non-deductible expenses` *	(13.94)%	221,132	6.05%	132,194
Changes in estimates relating to prior year	0.68%	(10,846)	-	-
Nigeria Police Trust Fund Levy	-	-	0.005%	109
Other differences	(0.08)%	1,262	(3.31)%	(72,283)
	<u><b>26.84%</b></u>	<u><b>(425,614)</b></u>	<u><b>29.96%</b></u>	<u><b>654,169</b></u>

\*Included in Non-deductible expenses is the effect of TET rate on depreciation expenses (NGN 4.42 billion \* 2.5%)

**Notes to the financial statements (cont'd)***For the year ended 31 December 2023***(e) Movement in deferred tax balances**

2023	Net balance at 1 January N'000	Recognised in profit or loss N'000	Recognised in OCI N'000	Balance at 31 December		
				Net	Deferred tax assets	Deferred tax liabilities
				N'000	N'000	N'000
Property, plant and equipment	(14,531,070)	(527,033)	-	(15,058,103)	-	(15,058,103)
Intangible assets	(140,742)	(9,726)	-	(150,468)	-	(150,468)
Impairment allowance on trade and other receivables	2,140,311	5,483,545	-	7,623,856	7,623,856	-
Inventories	7,615	(7,615)	-	-	-	-
Financial instruments	15,810	(15,810)	-	-	-	-
Unrealized exchange loss	5,247	302,459	-	307,706	307,706	-
Provisions	-	41,769	-	41,769	41,769	-
<b>Net tax assets (liabilities)</b>	<b>(12,502,829)</b>	<b>5,267,589</b>	<b>-</b>	<b>(7,235,240)</b>	<b>7,973,331</b>	<b>(15,208,571)</b>

2022	Net balance at 1 January N'000	Recognised in profit or loss N'000	Recognised in OCI N'000	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	-
<b>Net tax assets (liabilities)</b>	<b>(526,744)</b>	<b>2,066,358</b>	<b>(14,042,443)</b>	<b>(12,502,829)</b>	<b>2,168,983</b>	<b>(14,671,812)</b>



## Notes to the financial statements (cont'd)

For the year ended 31 December 2023

### 14 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
<b>Cost</b>							
At 1 January 2022	337	90,177	991,482	298,478	2,440,000	-	3,820,474
Transfer to NELMCO (Note 14(b))	-	-	(704,632)	(253,630)	-	-	(958,262)
Revaluation surplus (Note 14(h))	-	-	-	-	46,808,143	-	46,808,143
Additions for the year*	-	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)
<b>At 31 December 2022</b>	<b>337</b>	<b>101,672</b>	<b>1,733,037</b>	<b>267,393</b>	<b>52,508,467</b>	<b>5,535,136</b>	<b>60,146,042</b>
At 1 January 2023	337	101,672	1,733,037	267,393	52,508,467	5,535,136	60,146,042
Additions for the year*	-	199,867	10,850	89,769	5,528,447	3,599,436	9,428,369
Transfers	-	102,421	-	-	2,843,491	(2,945,912)	-
<b>At 31 December 2023</b>	<b>337</b>	<b>403,960</b>	<b>1,743,887</b>	<b>357,162</b>	<b>60,880,405</b>	<b>6,188,660</b>	<b>69,574,411</b>
<b>Accumulated depreciation</b>							
At 1 January 2022	-	56,369	738,088	207,848	591,937	-	1,594,242
Transfer to NELMCO (Note 14(b))	-	-	(704,622)	(205,978)	-	-	(910,600)
Net-off of accumulated depreciation	-	-	-	-	(591,937)	-	(591,937)
Charge for the year	-	2,365	190,172	46,189	3,454,725	-	3,693,451
<b>At 31 December 2022</b>	<b>-</b>	<b>58,734</b>	<b>223,638</b>	<b>48,059</b>	<b>3,454,725</b>	<b>-</b>	<b>3,785,156</b>
At 1 January 2023	-	58,734	223,638	48,059	3,454,725	-	3,785,156
Charge for the year	-	5,287	347,935	71,556	3,995,865	-	4,420,643
<b>At 31 December 2023</b>	<b>-</b>	<b>64,021</b>	<b>571,573</b>	<b>119,615</b>	<b>7,450,590</b>	<b>-</b>	<b>8,205,799</b>
<b>Carrying amounts:</b>							
At 1 January 2022	337	33,808	253,394	90,630	1,848,063	-	2,226,232
At 31 December 2022	337	42,938	1,509,399	219,334	49,053,742	5,535,136	56,360,886
At 31 December 2023	337	339,939	1,172,314	237,547	53,429,815	6,188,660	61,368,612

**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

\* Included in network distribution assets are the following:

- management's best estimate of the cost of Niger Delta Power Holding Company (NDPHC) assets transferred to the Company during the year amounting to NGN 614.90 million (2022: 340.50 million). See Note 26(b).
- assets amounting to NGN 251.35 million (2022: Nil) transferred to the Company by customers under the MAP scheme and for which the Company is to refund the customers via vending credits. See Note 7(c)

**(b)** In the prior year, certain items within the following classes of property, plant and equipment were transferred to NELMCO in accordance with the executed transfer agreements:

	<b>Motor Vehicles</b>	<b>Furniture and Fittings</b>
	<b>N'000</b>	<b>N'000</b>
Cost of transferred assets	704,632	253,630
Accumulated depreciation of transferred assets	(704,622)	(205,978)
<b>Carrying amount transferred to NELMCO (Note 11)</b>	<b>10</b>	<b>47,652</b>

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

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
Cost of sales (Note 8(a))	3,995,865	3,454,725
Operating expenses (Note 8(b))	424,778	238,726
	<b>4,420,643</b>	<b>3,693,451</b>

**(d) Capital Work in Progress (CWIP)**

Capital work in progress (CWIP) comprises:

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Energy meters	-	2,235,011
Transformers, poles, and cables and conductors	5,926,817	2,833,066
Distribution equipment granted by NDPHC (Note 26(b))	245,700	340,500
Injection station equipment	16,143	24,138
Buildings	-	102,421
	<b>6,188,660</b>	<b>5,535,136</b>

**(e) Capital commitments**

The Company has capital commitments amounting to NGN 44.86 million as at year end (2022 NGN 1.34 billion).

**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

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

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
Additions to property, plant and equipment	(9,428,369)	(11,067,624)
Meters installed under MAP scheme	251,345	-
Assets not paid for as at year end	1,372,029	3,314,465
Assets not paid for as at prior year end now paid	(131,053)	(353,150)
NDPHC granted assets during the year	614,900	340,500
	<b>(7,321,148)</b>	<b>(7,765,809)</b>

**(g) Security**

No items of property, plant and equipment were pledged as security for any borrowings. (2022: Nil).

**(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**

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

**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

**(j) Distribution network assets: historical costs**

	<b>N'000</b>
<b>31 December 2023</b>	
Cost	14,664,199
Accumulated Depreciation	(1,029,486)
<b>Net book value</b>	<b>13,634,713</b>
<b>31 December 2022</b>	
Cost	6,292,261
Accumulated Depreciation	(749,244)
<b>Net book value</b>	<b>5,543,017</b>

**15 Intangible assets**

**(a) Reconciliation of carrying amount:**

	<b>Computer software N'000</b>
<b>Cost</b>	
At 1 January 2022	18,903
Additions for the year	819,102
<b>At 31 December 2022</b>	<b>838,005</b>
At 1 January 2023	838,005
Additions for the year	19,107
<b>At 31 December 2023</b>	<b>857,112</b>
<b>Accumulated amortisation</b>	
At 1 January 2022	16,045
Charge for the year	45,655
<b>At 31 December 2022</b>	<b>61,700</b>
At 1 January 2023	61,700
Charge for the year	81,910
<b>At 31 December 2023</b>	<b>143,610</b>
<b>Carrying amounts:</b>	
<b>At 1 January 2022</b>	<b>2,858</b>
<b>At 31 December 2022</b>	<b>776,305</b>
<b>At 31 December 2023</b>	<b>713,502</b>

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

**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

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

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Additions to intangible assetsts (15(a))	(19,107)	(819,102)
Unpaid intangible assets as at year end	-	798,000
	<b>(19,107)</b>	<b>(21,102)</b>

**16 Equity-accounted investee**

(a) The movement in this account is as follows:

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Balance at 1 January	-	-
Deposit for shares	632,090	-
Share of loss for the year (Note 16(a)(ii))	(21,644)	-
<b>Balance at 31 December</b>	<b>610,446</b>	<b>-</b>

On 25 February 2021, Rhossili International Limited ("Rhossili") was incorporated under the laws of the Federal Republic of Nigeria. Rhossili is jointly-owned by Quest Electricity Nigeria Limited (QENL) and Yola Electricity Distribution Plc ("the Company"), with each entity with a shareholding of 50%. Rhossili's principal activity is to build, own, and operate a reinforced pole manufacturing plant.

The shares of Rhossili remain unpaid. As at year end, the Company had contributed the sum of NGN 632.09 million (2022: Nil) to Rhossili as deposit for shares.

The following table summarises the financial information of Rhossili as included in its own financial statements. The information for 2023 includes the results of Rhossili for the period from 1 January to 31 December 2023 (2022: 1 January to 31 December 2022).

**i Summarized Statement of Financial Position**

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
<b>Percentage ownership interest</b>	<b>50%</b>	<b>0%</b>
Non-current assets	1,430,864	-
Current assets	31,319	-
Non-current liabilities	-	-
Current liabilities	(205,461)	-
<b>Net Assets (100%)</b>	<b>1,256,722</b>	<b>-</b>
<b>Share of net assets (50%)</b>	<b>628,361</b>	<b>-</b>

**ii Summarized Statement of Profit or loss and Other Comprehensive Income**

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Operating expenses	(43,288)	-
<b>Total comprehensive income (100%)</b>	<b>(43,288)</b>	<b>-</b>
<b>Share of total comprehensive income (50%)*</b>	<b>(21,644)</b>	<b>-</b>

\* The Company has recognized its share of loss amounting to NGN 21.64 million (2022: Nil) in relation to its joint venture.

**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

**17 Tax assets**

Tax assets comprise withholding tax receivables (advance payment of Companies Income Tax) which is available to offset the actual tax liabilities. Based on the current tax laws in Nigeria, these withholding taxes do not expire.

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Balance at 1 January	-	-
Additions from interest earned during the year	6,171	-
Balance at 31 December	<b>6,171</b>	-

**18 Trade and other receivables**

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Trade receivables	34,521,988	13,095,603
Less: Impairment allowance (Note 31(B)(a))	(23,102,594)	(6,585,574)
Trade receivables - net	11,419,394	6,510,029
Receivables from NBET (Note 18 (a))	1,447,350	-
Other receivables (Note 18 (b))	843,537	808,420
Advance payment for property, plant and equipment	1,253,609	386,544
Feeder Accounts balance (Note 18 (c))	799,590	878,861
Meter Acquisition Fund balance (Note 18 (d))	147,485	-
	<b>15,910,965</b>	<b>8,583,854</b>

Carrying amount is analysed into:

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Current	14,657,356	8,197,310
Non-current	1,253,609	386,544
	<b>15,910,965</b>	<b>8,583,854</b>

The net trade receivables represents net receivables from customers after deducting NGN 462.68 million (2022: Nil) relating to energy refunds arising as a result of overbilling of customers during the year.

**(a) Receivables from NBET**

Receivables from NBET represents the net excess payments over Minimum Remittance Obligations to Nigerian Bulk Electricity Trading Company (NBET) during the year.

**(b) 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 1.69 billion (Note 24(c)) because a right of offset does not exist.

**(c) Feeder Accounts balance**

These represent bank balances in the collections accounts, 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

**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

of the requirements for the CBN-NEMSF and CBN-NMMP facilities (Note 25) towards repayment of the facility. Balances in these accounts can only be transferred into the Principal Collection Account and cannot be used for no other purpose.

**(d) Meter Acquisition Fund**

This represents amounts sequestered in the Principal Collection Account, which was not available for use as at the reporting date in line with the directives in the December 2022 Minor Review of Multi-Year Tariff Order - 2022 ("December 2022 Minor Review Order") as a contribution to the Meter Acquisition Fund initiative by NERC.

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

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Balance at 1 January	8,583,854	22,430,057
Balance at 31 December	(15,910,965)	(8,583,854)
Advance payment for property, plant and equipment	1,253,609	386,544
Trade and other receivables transferred to NELMCO (Note 11)	-	(22,430,057)
Impairment loss on trade receivables (Note 31(a))	(16,517,020)	(6,585,574)
	<b>(22,590,522)</b>	<b>(14,782,884)</b>

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

**19 Inventories**

Inventories comprises:

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Distribution spares	<b>598</b>	<b>518,806</b>

(a) Amount of inventories recognised as an expense

Inventories recognised as expense include distribution spares and other consumables used in maintenance during the year. They are included as part of maintenance expenses under operating expenses and amounted to NGN 10.12 million.

During the year, an allowance of NGN 385.93 million was recorded to write off inventories (2022: NGN Nil).

The expense is recorded under "Write-off of inventory" in cost of sales (See Note 8 (a)).

**(b) Reconciliation of changes in inventory to statement of cash flows**

	<b>2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Balance at 1 January	518,806	445,202
Balance at 31 December	(598)	(518,806)
Reversal of impairment of inventory	23,432	-
Write-off of inventory	(385,933)	-
Transfer to NELMCO (Note 11)	-	(71,979)
	<b>155,707</b>	<b>(145,583)</b>

**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

**20 Cash and cash equivalents**

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Cash on hand	34,810	49,420
Bank balances*	1,572,784	595,722
Short-term fixed deposit	-	3,500,000
	<b>1,607,594</b>	<b>4,145,142</b>

\* Included in the cash and cash equivalents is NGN 499.50 million (2022: NGN 304.38 million), warehoused in the Company's Principal Collection Account. Withdrawals are restricted on this account till the 23rd 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 loans with CBN. 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 11.

*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**

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
<b>Issued, allotted and fully paid</b>		
10,000,000 ordinary shares of NGN 0.50k each	<b>5,000</b>	<b>5,000</b>

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
<b>Shareholders</b>	<b>Unit</b>	<b>Unit</b>
Quest Electricity Nigeria Limited	6,000,000	6,000,000
Bureau of Public Enterprises - BPE	3,200,000	3,200,000
Ministry of Finance Incorporated - MOFI	800,000	800,000
	<b>10,000,000</b>	<b>10,000,000</b>

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

**22 Accumulated deficit**

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
As at 1 January	(949,381)	(1,788,059)
(Loss) / profit for the year	(1,160,196)	1,529,575
Transfer of assets and liabilities to NELMCO (Note 11)	-	(690,897)
	<b>(2,109,577)</b>	<b>(949,381)</b>



**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

**23 Reserves**

**(a) Capital contribution**

Capital contribution represents:

- the 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.
- the fair value gain recognized as a result of the restructuring of the loan from Quest Electricity Nigeria Limited (QENL) during the year. See Note 25(d) for more details.

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Federal Government grant	832,743	832,743
Fair value gain on related party loan (Note 25(d))	2,778,593	-
	<b>3,611,336</b>	<b>832,743</b>

**(b) Revaluation reserves**

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

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
Balance at 1 January	32,765,700	-
Additions during the year, net of tax	-	32,765,700
<b>Balance at 31 December</b>	<b>32,765,700</b>	<b>32,765,700</b>

**24 Trade and other payables**

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Direct Trade Creditors (Energy market) (Note 24(a))	1,728,438	1,971,075
Other payables	657,489	751,453
Payable to PPE vendors (Note 24(b))	2,308,327	1,752,462
Payable to NELMCO (Note 24(c))	1,686,982	1,185,836
Related party payables (Note 29(c))	2,381,096	2,757,017
Employee related liabilities	-	219,318
Accruals	66,900	36,000
	<b>8,829,232</b>	<b>8,673,161</b>
Statutory liabilities (Note 24(d))	3,952,929	389,594
	<b>12,782,161</b>	<b>9,062,755</b>
Carrying amount is analysed into:		
Current portion	12,782,161	9,062,755
Non-current portion	-	-
	<b>12,782,161</b>	<b>9,062,755</b>

**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

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

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Nigerian Bulk Electricity Trading Company (NBET) (Note 18(a))	-	1,070,153
Operator of the Nigerian Electricity Market (ONEM)	1,728,438	900,922
	<b>1,728,438</b>	<b>1,971,075</b>

(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 (PAYE) liabilities.

**(e) Reconciliation of trade and other payables to statement of cashflows**

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Balance at 1 January	(9,062,755)	(20,090,365)
Balance at 31 December	12,782,161	9,062,755
Interest accrued on remittance shortfall on electricity supplier's bill (Note 10(a))	(25,008)	(36,491)
Withholding tax on interest expenses on loans from related parties	(22,518)	(21,430)
Assets not paid for as at year end (Note 14(f) & 15(b))	(1,372,029)	(4,112,465)
Assets not paid for as at prior year end now paid (Note 14(f))	131,053	353,150
Related party payable restructured into a loan (Note Note 25(d))	2,851,261	-
Trade and other payables transferred to NELMCO (Note 11)	-	19,032,867
Unrealized foreign exchange difference (Note 10(b))	(891,384)	(12,817)
	<b>4,390,781</b>	<b>4,175,204</b>

**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

**25 Loans and borrowings**

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
CBN - NEMSF (Note 25(a))	4,595,493	5,276,509
CBN - NEMSF-2 (Note 25(b))	806,654	-
CBN - NMMP (Note 25(c))	2,068,793	2,197,776
QENL Loan (Note 25(d))	3,235,897	2,585,232
SpillGate Loan (Note 25(e))	1,515,112	806,302
Commercial bank loans (Note 25(f))	2,616,288	-
	<b>14,838,237</b>	<b>10,865,819</b>
Loans and borrowings are analysed into:		
Current portion	5,657,270	4,201,279
Non-current portion	9,180,967	6,664,540
	<b>14,838,237</b>	<b>10,865,819</b>

**(a) CBN-NEMSF 1**

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 1 ("CBN-NEMSF 1") contract under the Disco Disbursement Agreement. The stabilization fund was partly to resolve the sector "NESI" liquidity issues. As such, intervention was determined for all market participants based on MYTO.

The Central Bank Nigeria - Nigerian Electricity Market Stabilization Facility ("CBN-NEMSF") is secured on the Company's collections from the sale of energy as first line charges. Interest rate charged on the facility is at 9% per annum.

The first drawdown of NGN 289 million on the loan was in 2018 and an additional NGN 6.5 billion was disbursed under the facility in 2022.

**(b) CBN-NEMSF 2**

In 2020, 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 2 ("CBN-NEMSF 2") contract under the Disco Disbursement Agreement. The stabilization fund was partly to resolve the sector "NESI" liquidity issues. As such, intervention was determined for all market participants based on MYTO.

The Central Bank Nigeria - Nigerian Electricity Market Stabilization Facility 2 ("CBN-NEMSF 2") is secured on the Company's collections from the sale of energy as first line charges. Interest rate charged on the facility is at 9% per annum. During 2023, the first drawdown of NGN 1.09 billion was disbursed to the Company under the facility.

**(c) 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

**Notes to the financial statements (cont'd)****For the year ended 31 December 2023**

for repayment. The first disbursement of NGN 3.1 billion was done in December 2022 with an interest rate of 9% per annum.

**(d) 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% and a moratorium of 365 days on interest repayment from the date of first disbursement. The loan matured on 30 April 2023 and was repayable in full, principal plus any unpaid accrued interest.

On 01 May 2023, the loan was restructured to extend the maturity date to 01 March 2033, revise the principal to include the intercompany payable of NGN 2.85 billion to QENL as at 30 April 2023, amend the contractual interest rate from NIBOR + 4% to 5%, waive the penalty chargeable in event of default, make an additional NGN 200 million available for drawdown and grant moratorium of 1 and 5 years on interest and principal repayments respectively. The Company drew down on the additional NGN 200 million on 04 November 2023.

The amendment resulted in the recognition of NGN 2.78 billion as capital contribution being day-one gain arising from recognizing the new loan at fair value (2022: NGN Nil). See Note 23(a).

**(e) Spillgate Loan**

The Company has two facilities with SpillGate Investment Limited (SPIL):

- The first facility is a short-term facility of NGN 1 billion and was obtained on 30 July 2022 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. During 2023, the Company defaulted on repayments. However, SPIL did not demand for full repayment nor call in the standing order. On 17 August 2023, the terms of the loan was renegotiated between SPIL and the Company to extend the maturity date to 30 July 2024, make an additional NGN 200 million available for drawdown and to grant a moratorium of 5 months on principal repayments, including the outstanding principal prior to renegotiation. The Company drew down on the additional NGN 200 million on 21 August 2023.
- The second facility is a short-term facility of NGN 650 million and was obtained on 31 October 2023 to finance working capital needs. The facility is a 1-year facility with a 20% premium and repayable in monthly instalments of NGN 65 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.

**(f) Commercial bank loans**

During 2023, the Company obtained two short-term facilities from a commercial bank to finance advance payments to its vendors. The first facility is a NGN 1.46 billion, 12-month facility with a 14% interest rate per annum with an upfront management fee of 0.5%. The second facility is a NGN 2.18 billion, 12-month facility with a 20% interest rate per annum with an upfront management fee of 0.75%. The interest rates are subject to review in line with prevailing market conditions. The loans are secured through a lien on Mainstream Energy Solutions Limited's bank accounts with the commercial bank. Total transaction costs incurred on these facilities amounted to NGN 25.44 million.

**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

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

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Balance at 1 January	10,865,819	2,668,048
<i>Changes from financing cash flows</i>		
Proceeds from loans and borrowings	5,784,585	13,081,031
Transaction costs (Note 25(f))	(25,442)	(13,438)
Repayment of principal	(2,661,999)	(2,971,510)
<i>Changes in fair value</i>		
Day-1 fair value gain on initial recognition (Note 26(a) & 23(a))	(3,026,464)	(2,109,485)
<i>Other changes</i>		
Modification gain on loans (Note 9)	-	(3,306)
Interest expenses	2,389,772	486,570
Repayment of interest	(1,339,296)	(214,026)
Transfer from related parties payable (Note 29(b)(ii))	2,851,261	-
Transfer to NELMCO (Note 11)	-	(58,065)
Balance at 31 December	<b>14,838,236</b>	<b>10,865,819</b>

**Notes to the financial statements (cont'd)**  
**For the year ended 31 December 2023**

**(h) Loan contractual schedule**

	Tenor	Amount of facility	Total drawdown	Amount available for drawdown	Payment made on interest and principal during the year ended
	Months	N'000	N'000	N'000	N'000
<i>at 31 December 2023</i>					
CBN-NEMSF 1 Loan	120	6,758,639	6,758,639	-	1,618,785
CBN-NEMSF 2 Loan	120	16,461,733	1,092,597	15,369,136	125,577
CBN-NMMP Loan	120	5,061,147	3,111,669	1,949,478	547,025
Commercial bank Loans	12	3,641,989	3,641,989	-	1,356,575
QENL Loan	120	5,677,557	5,677,557	-	-
SpillGate Loans	12	1,850,000	1,850,000	-	353,333
		<b>39,451,065</b>	<b>22,132,451</b>	<b>17,318,614</b>	<b>4,001,295</b>
<i>at 31 December 2022</i>					
CBN-NEMSF 1 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
		<b>17,795,487</b>	<b>15,846,009</b>	<b>1,949,478</b>	<b>3,185,536</b>

**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

**26 Deferred Income**

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Deferred income on government loans and borrowings (Note 26(a))	1,964,991	2,094,385
Deferred income on assets granted by government (Note 26(b))	911,124	340,500
	<b>2,876,115</b>	<b>2,434,885</b>
Deferred income is analysed into:		
Current portion	445,444	356,707
Non-current portion	2,430,671	2,078,178
	<b>2,876,115</b>	<b>2,434,885</b>

(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) - (c)). 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 377.26 million (2022: NGN 52.13 million). (See Note 9)

(b) Amount relates to asset related government grant enjoyed by the Company. During the year, the Niger Delta Power Holding Company Ltd. (NDPHC) granted the Company distribution equipment valued at NGN 614.90 million (2022: 340.50 million) towards the restoration of power in Maiduguri.

These assets are analysed as follows:

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Assets deployed onto the network	709,700	-
Assets yet to be deployed	245,700	340,500

The deferred income on assets that have been deployed onto the network as at year end has been amortized over the useful lives of the assets and NGN 44.28 million (2022: Nil) has been recognized during the year in 'Other Income.' See note 9.

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

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Balance at 1 January	2,434,885	37,027
Additions from CBN loans (Note 25(g))	247,870	2,109,485
Additions from assets received from NDPHC (Note 26(b))	614,900	340,500
Amortization to profit or loss (Note 9)	(421,540)	(52,127)
<b>Balance at 31 December</b>	<b>2,876,115</b>	<b>2,434,885</b>

**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

**27 Provisions**

The movement in provisions during 2023 and 2022 respectively is, as follows:

	<b>Legal N'000</b>	<b>Others N'000</b>	<b>Total N'000</b>
Balance at 1 January 2022	35,117	-	35,117
Charge for the year	-	-	-
Transfer to NELMCO (Note 11)	(35,117)	-	(35,117)
Balance at 31 December 2022	-	-	-
Provisions made during the year (Note 27(a) & (b))	126,572	54,189	180,761
Balance at 31 December	<b>126,572</b>	<b>54,189</b>	<b>180,761</b>

Amount is analysed into:

Current	<b>126,572</b>	<b>54,189</b>	<b>180,761</b>
Non-current	-	-	-

**(a) Legal**

The provision for legal relates to litigations and claims the Company is involved in at year end. Provision for legal takes into consideration an independent assessment performed by the Company's legal solicitors engaged to represent the Company on those cases. The Company expects to settle the liability over the next year.

**(b) Others**

Others relates to the regulatory deduction imposed by NERC via order NERC/2024/014 for the Company's non-compliance with the Order on Capping of Estimated Bills to Unmetered Customers for the period of January - September 2023. (See Note 7(c))

**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 11). 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-2023 is NGN 16.77 million (31-Dec-2022: 25.50 million). Based on



**Notes to the financial statements (cont'd)****For the year ended 31 December 2023**

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.

**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 1.6 million (2022: USD 668 thousands). The Company repaid NGN 1.19 billion (2022: NGN 300 million) during the year and amount due to MESL as at year end is NGN 78 million (2022: NGN 134 million).

In addition, MESL backed a payment guarantee facility of NGN 1.055 billion issued by a Nigerian bank on behalf of the Company in favor of the Nigerian Bulk Electricity Trading Plc (NBET). This is intended to guarantee payment on minimum remittance obligations on market invoices from NBET and secured by a lien on 100% cash collateral on MESL's account with the bank. The tenor of the guarantee is one year, with a maturity date of September 2024.

**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(d)).

On 01 May 2023, the loan was restructured to extend the maturity date to 01 March 2033, revise the principal to include the intercompany payable of NGN 2.85 billion for items and services paid by QENL on behalf of the Company as at 30 April 2023 amongst other revisions to the original terms of the loan. See Note 25(d) for more details.

**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 1.90 billion (USD 2.82 million). Amount due to NIGELEC as at year end is NGN 2.20 billion (USD 2.31 million) (2022: 229.99 million (USD 512 thousands)).

**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.

**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

The Company has two short-term facilities from SpillGate Trading and Investment Limited (SPIL), to finance capital expenditure and meet working capital needs (Note 25(e)). Total interest on the loan was NGN 235.72 million (2022: 65.56 million). There were no other transactions between SPIL and the Company during the year.

**v Rhossili International Limited**

Rhossili International Limited (Rhossili), a company incorporated in Nigeria, is a registered pole manufacturing company in partnership with technical partners from Morocco to establish a reinforced pole manufacturing plant. The plant will provide a steady supply of poles for the Company as it overhauls/rehabilitates its distribution network infrastructure.. During the year, the Company paid for items/materials required for the pole plant on behalf of Rhossili. Total payments made amounted to NGN 632.09 million (2022: Nil) and the directors have taken this amount to be the Company's investment in Rhossili. See Note 16.

**(c) Due to related parties**

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
<i>Loans</i>		
Quest Electricity Nigeria Limited (Note 25(d))	3,235,897	2,585,232
SpillGate Investment and Trading Limited (Note 25(e))	1,515,112	806,302
	<b>4,751,009</b>	<b>3,391,534</b>
<i>Other payables</i>		
Mainstream Energy Solutions Limited	78,000	134,238
Quest Electricity Nigeria Limited	-	2,341,310
Societe Nigerienne D'Electricite	2,199,486	229,994
Payable to Directors	103,610	51,475
	<b>2,381,096</b>	<b>2,757,017</b>
	<b>7,132,105</b>	<b>6,148,551</b>

**(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.

Mainstream Energy Solutions Limited, the ultimate parent company, seconds some of the key management personnel to the Company and bears the remuneration costs of these personnel at no cost to the Company. However, the Company pays these personnel secondment allowances as disclosed below to the seconded staff.

Key management personnel compensation comprised:

<b>Directors</b>	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
Fees	85,100	78,500
Other expenses	137,370	133,293
	<b>222,470</b>	<b>211,793</b>
<b>Other key management personnel</b>		
Secondment allowances	57,500	53,250
	<b>57,500</b>	<b>53,250</b>

**Loans to key management personnel**

During the year ended 31 December 2023, loans issued to key management personnel was Nil (2022: Nil) and

**Notes to the financial statements (cont'd)**

***For the year ended 31 December 2023***

the balance outstanding was Nil (2022: Nil).

**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

**30 Information regarding directors and employees**

**Directors**

Directors' emoluments comprise:

Fees

Other emoluments

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
	85,100	78,500
	137,370	133,293
	<b>222,470</b>	<b>211,793</b>
<b>Amount payable at year end</b>	<b>103,610</b>	<b>51,475</b>

The directors' remuneration shown above includes:

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
Chairman	26,175	25,145
Highest paid director	33,905	45,698

The other directors received remuneration in the following ranges:

	<b>2023</b>	<b>2022</b>
	<b>Number</b>	<b>Number</b>
Between NGN 4,000,000 and NGN 10,000,000	1	-
Between NGN 20,000,000 and NGN 30,000,000	6	6
Between NGN 30,000,000 and NGN 40,000,000	2	-
	<b>9</b>	<b>6</b>

**Employee benefit expenses during the year comprise:**

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
Salaries and wages	1,858,136	1,539,128
Employer pension contributions	74,289	66,570
Discretionary bonus	98,571	139,800
Termination benefits*	7,832	15,462
Medical expenses	108,268	24,156
ITF and NSITF	37,518	30,515
Staff relocation allowances	30,900	67,800
Other staff costs	535,491	77,801
	<b>2,751,005</b>	<b>1,961,232</b>

\* Amount represents benefits due to employees whose employment were terminated by the Company.

**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

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

	<b>2023</b>	<b>2022</b>
	<b>Number</b>	<b>Number</b>
Finance	29	34
Administrative	55	37
Operations	541	485
	<b>625</b>	<b>556</b>

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

	<b>2023</b>	<b>2022</b>
	<b>Number</b>	<b>Number</b>
Below NGN 1,000,000	3	19
NGN 1,000,001 - NGN 2,000,000	152	204
NGN 2,000,001 - NGN 3,000,000	245	168
NGN 3,000,001 - NGN 4,000,000	113	84
NGN 4,000,001 - NGN 5,000,000	55	38
NGN 5,000,001 - NGN 6,000,000	24	16
Above NGN 6,000,001	33	27
	<b>625</b>	<b>556</b>

**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:

<b>As at 31 December 2023</b>		<b>Financial assets at amortized costs</b>	<b>Other financial liabilities</b>	<b>Total</b>
	<b>Note</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
<b>Financial assets not measured at fair value</b>				
Cash and cash equivalents	20	1,607,594	-	1,607,594
Trade and other receivables*	18	14,657,356	-	14,657,356
		<b>16,264,950</b>	<b>-</b>	<b>16,264,950</b>
<b>Financial liabilities not measured at fair value</b>				
Trade and other payables**	24	-	(8,829,232)	(8,829,232)
Loans and borrowings	25	-	(14,838,237)	(14,838,237)
		<b>-</b>	<b>(23,667,469)</b>	<b>(23,667,469)</b>

\* 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 2023**

As at 31 December 2022		Financial assets at amortized costs	Other financial liabilities	Total
	Note	N'000	N'000	N'000
<b>Financial assets not measured at fair value</b>				
Trade and other receivables*	18	8,197,310	-	8,197,310
Cash and cash equivalents	20	4,145,142	-	4,145,142
		<b>12,342,452</b>	<b>-</b>	<b>12,342,452</b>
<b>Financial liabilities not measured at fair value</b>				
Trade and other payables**	24	-	(8,673,161)	(8,673,161)
Loans and borrowings	25	-	(10,865,819)	(10,865,819)
		<b>-</b>	<b>(19,538,980)</b>	<b>(19,538,980)</b>

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

\*\* 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.

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

**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

reporting date, was as follows:

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Trade receivables, net (Note 18)	11,419,394	6,510,029
Receivables from NBET (Note 18 (a))	1,447,350	-
Other receivables (Note 18 (b))	843,537	808,420
Feeder Accounts balance (Note Note 18 (c))	799,590	878,861
Meter Acquisition Fund balance (Note Note 18 (d))	147,485	-
Cash and cash equivalents* (Note 20)	1,572,784	4,095,722
	<b>16,230,140</b>	<b>12,293,032</b>

\*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:

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
Impairment loss on trade receivables	16,517,020	6,585,574
	<b>16,517,020</b>	<b>6,585,574</b>

**(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.

At 31 December 2023, the exposure to credit risk for trade receivables by consumption was as follows:

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
Government institutions	5,150,978	2,174,706
Maximum demand customers	2,649,208	934,615
Non-maximum demand customers	26,721,802	9,986,282
<b>Gross carrying amount</b>	<b>34,521,988</b>	<b>13,095,603</b>
Loss allowance	(23,102,594)	(6,585,574)
<b>Net carrying amount</b>	<b>11,419,394</b>	<b>6,510,029</b>

**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

*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.

Loss rates are based on actual credit loss experience over the past two years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast gross domestic product rates.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers as at 31 December 2023:

<b>31 December 2023</b> <i>In thousands of Naira</i>	<b>Weighted average loss rate</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>	<b>Credit impaired</b>
Current	15.54%	10,145,143	(1,576,278)	No
1 - 60 days past due	77.13%	4,262,739	(3,288,021)	No
61 - 120 days past due	81.50%	4,626,463	(3,770,383)	No
121 - 180 days past due	85.71%	4,135,283	(3,544,455)	No
181 - 240 days past due	90.28%	3,061,182	(2,763,651)	No
241 - 300 days past due	94.39%	1,973,950	(1,863,241)	No
301 - 360 days past due	98.82%	1,758,531	(1,737,867)	No
More than 360 days past due	100.00%	4,558,697	(4,558,697)	Yes
		<b>34,521,988</b>	<b>23,102,593</b>	

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

<b>31 December 2022</b> <i>In thousands of Naira</i>	<b>Weighted average loss rate</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>	<b>Credit impaired</b>
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%	658,313	(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)	Yes
		<b>13,095,603</b>	<b>6,585,574</b>	



**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

*Movements in the allowance for impairment in respect of trade receivables*

	<b>2023</b>	<b>2022</b>
	<b>N'000</b>	<b>N'000</b>
Balance at 1 January	6,585,574	11,835,483
Amounts derecognized due to acquisition	-	(11,835,483)
Net remeasurement of loss allowance	16,517,020	6,585,574
<b>Balance at 31 December</b>	<b>23,102,594</b>	<b>6,585,574</b>

**(ii) Receivables from NBET**

The Company has receivables due from the Nigerian Bulk Electricity Trading Plc in respect of excess payments made on minimum remittance obligations during the year. The Company has not recognized an impairment allowance on this receivable as the Company buys electricity from NBET and expects to offset this amount against future amounts owed to NBET and expects to offset this amount against future amounts owed to NBET.

**(iii) 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 1.69 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.

**(iv) Feeder Accounts balance**

The Company has bank balances amounting to NGN 799.59 million at 31 December 2023 (2022: 878.86 million) in its Feeder Collections accounts with restrictions on the use of these balances as part of the requirement for the CBN - NEMSF and CBN - NMMP facilities. These balances can only be transferred into the Company's Principal Collection Account and cannot be used for no other purpose. The Company has not recognized an impairment allowance on these balances as the cash reside with banks that have good credit ratings ranging from AAA to BBB- rating based on Fitch, and Augusto & Co.

**(v) Meter Acquisition Fund balance**

The Company has cash amounting to NGN 147.49 million at 31 December 2023 (2022: Nil) sequestered in its Principal Collection Account which was restricted for use as it represented the Company's contribution to the Meter Acquisition Fund initiative by NERC. The Company has not recognized an impairment allowance on this balance as the cash reside with a bank that has a good credit rating of B based on Fitch.

**(vi) Cash at bank**

The Company held cash and cash equivalents of NGN 1.57 billion at 31 December 2023 (2022:NGN 4.10 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 2023**

**(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:

<b>Non-derivative financial liabilities</b>		<b>Contractual cash flows</b>						
		<b>Carrying amount</b>	<b>Total</b>	<b>2 months or less</b>	<b>2 - 12 months</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>Above 5 years</b>
<b>Note</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
<b>31 December 2023</b>								
Trade and other payables*	24	12,782,161	12,782,161	12,782,161	-	-	-	-
Loans and borrowings	25	14,838,237	24,383,810	1,424,188	5,881,899	2,758,497	7,115,164	7,204,062
		<b>27,620,398</b>	<b>37,165,971</b>	<b>14,206,349</b>	<b>5,881,899</b>	<b>2,758,497</b>	<b>7,115,164</b>	<b>7,204,062</b>
<b>31 December 2022</b>								
Trade and other payables*	24	9,062,755	9,062,755	9,062,755	-	-	-	-
Loans and borrowings	25	10,865,819	16,083,026	563,908	5,124,090	2,167,270	7,044,398	1,183,360
		<b>19,928,574</b>	<b>25,145,781</b>	<b>9,626,663</b>	<b>5,124,090</b>	<b>2,167,270</b>	<b>7,044,398</b>	<b>1,183,360</b>

\*Amount excludes statutory deductions

**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

**(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:

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
<i>in thousands</i>	<b>USD</b>	<b>USD</b>
<b>Financial assets</b>		
Cash and cash equivalents	10	62
<b>Financial liabilities</b>		
Related party payables	(2,311)	(512)
Other payables	(420)	(195)
<b>Net statement of financial position exposure</b>	<b>(2,721)</b>	<b>(645)</b>

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

<i>Naira</i>	<b>Average rates</b>		<b>Reporting date spot rate</b>	
	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
USD 1	649.63	423.98	951.79	449.05

*Sensitivity analysis*

A strengthening (weakening) of the Naira, as indicated below, against the US Dollar at 31 December 2023 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.

**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

<i>Effects in thousands of Naira</i>	<b>Profit or loss</b>	
	<b>Strengthening</b>	<b>Weakening</b>
<b>31 December 2023</b>		
USD (40% movement)	1,036	(1,036)

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:

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
<b>Fixed-rate instruments</b>		
Short-term fixed deposit (Note 20)	-	3,500,000
Loans and borrowings (Note 25)	(12,221,949)	(5,276,509)
	<b>(12,221,949)</b>	<b>(1,776,509)</b>
<b>Variable-rate instruments</b>		
Loans and borrowings (Note 25)	(2,616,288)	(2,585,232)
Trade payables (Note 24)	-	(1,070,153)
	<b>(2,616,288)</b>	<b>(3,655,385)</b>

*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.

*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>	<b>Profit or loss</b>	
	<b>100 bp increase</b>	<b>100 bp decrease</b>
<b>31 December 2023</b>		
Variable-rate instruments	(26,163)	26,163
<b>Cash flow sensitivity (net)</b>	<b>(26,163)</b>	<b>26,163</b>
<b>31 December 2022</b>		
Variable-rate instruments	(36,554)	36,554
<b>Cash flow sensitivity (net)</b>	<b>(36,554)</b>	<b>36,554</b>

**Notes to the financial statements (cont'd)**

**For the year ended 31 December 2023**

**(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:

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>
	<b>N'000</b>	<b>N'000</b>
Total liabilities	45,945,429	37,730,931
Less: cash and cash equivalents (Note 20)	(1,607,594)	(4,145,142)
<b>Net debt</b>	<b>44,337,835</b>	<b>33,585,789</b>
<b>Total equity</b>	<b>34,272,459</b>	<b>32,654,062</b>
<b>Net debt to equity ratio</b>	<b>1.29</b>	<b>1.03</b>

**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 (2022: Nil).

**33 Events after the reporting date**

**(a) 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.

**(b) Migration of Band-A customers to Cost-Reflective Tariffs**

The regulator, NERC, via the April 2024 Supplementary Order for the Company, approved that customers on Band A pay a cost-reflective tariff effective 03 April 2024. This move is to ensure that the customers enjoying a minimum daily average of 20hours power availability pay for such. The said tariff is being adjusted on a monthly basis to reflect both the current macro and micro economic indices in the economy and especially as they affect the power sector.

**(c) Order on Operationalisation of "Tranche A" of Meter Acquisition Fund**

On 19 June 2024, the regulator, NERC, issued an order that provided a transparent and functional framework for the operationalisation of the first tranche of metering under MAF scheme, eligibility conditions for access to first tranche of funding under MAF, and the terms of payment, monitoring and evaluation and other conditions for manufacturers and Meter Asset Providers (MAPs) participating under the scheme. NERC approved the utilisation of NGN 243 million under Tranche A of the scheme by the Company to procure and install meters for un-metered Band "A" customers within its franchise areas.

**(d) Order on the Transition to Bilateral Trading in the Nigerian Electricity Supply Industry ( "NESI")**

On 25 July 2024, NERC issued an order to allow for direct contractual agreements between electricity generators (GenCos) and distributors (DisCos), bypassing the traditional market structure dominated by the Nigerian Bulk Electricity Trading (NBET) company. This move is intended to promote competition, improve efficiency, and attract private investment in the sector. The order is part of broader efforts to reform the NESI, ensuring a more reliable and sustainable electricity supply across Nigeria.

## **Other National Disclosures**

## Value Added Statement

As at

	31-Dec-2023		31-Dec-2022	
	N'000	%	N'000	%
Revenue	38,422,501		24,952,033	
Bought in materials and services				
- Imported	-		-	
- Local	(29,234,908)		(18,341,556)	
	9,187,593		6,610,477	
Other income	828,513		187,235	
Finance income	61,724		6,950	
	<b>10,077,830</b>	<b>100</b>	<b>6,804,662</b>	<b>100</b>
<b><i>Distributed as follows:</i></b>				
<b>To Government</b>				
Taxation	425,614	4	(654,169)	(10)
<b>To Employees</b>				
Salaries, wages and allowances	2,973,475	30	2,173,025	32
<b>To Providers of Finance</b>				
Finance cost	3,336,384	33	708,022	10
<b>Maintenance of assets and future expansion</b>				
For replacements of assets	4,420,643	44	3,693,451	55
Amortisation of intangible assets	81,910	1	45,655	1
Retained in the business	(1,160,196)	(12)	838,678	12
<b>Value added</b>	<b>10,077,830</b>	<b>100</b>	<b>6,804,662</b>	<b>100</b>

## FIVE YEAR FINANCIAL SUMMARY

As at

	<b>31-Dec-2023</b>	<b>31-Dec-2022</b>	<b>31-Dec-2021</b>	<b>31-Dec-2020</b>	<b>31-Dec-2019</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
<b>Statement of financial position</b>					
<b>Assets</b>					
Property, plant and equipment	61,368,612	56,360,886	2,226,232	1,561,902	2,483,587
Intangible assets	713,502	776,305	2,858	7,373	8,767
Other non-current assets	1,864,055	386,544	-	-	-
Current assets	16,271,719	12,861,258	23,383,575	52,585,991	25,546,524
	<b>80,217,888</b>	<b>70,384,993</b>	<b>25,612,665</b>	<b>54,155,266</b>	<b>28,038,878</b>
<b>Capital and liabilities</b>					
Non-current liabilities	19,065,773	21,245,547	23,434,522	160,503	299,214
Current liabilities	26,879,656	16,485,384	3,128,459	132,014,215	100,900,491
Share capital	5,000	5,000	5,000	5,000	5,000
Federal Government Grant - Tangible assets	3,611,336	832,743	832,743	832,743	832,743
Accumulated deficit	(2,109,577)	(949,381)	(1,788,059)	(78,857,195)	(73,998,570)
Revaluation reserves	32,765,700	32,765,700	-	-	-
<b>Total Equity and Liabilities</b>	<b>80,217,888</b>	<b>70,384,993</b>	<b>25,612,665</b>	<b>54,155,266</b>	<b>28,038,878</b>
<b>Statement of profit or loss and other comprehensive income</b>					
Revenue	38,422,501	24,952,033	17,793,993	17,091,702	18,963,301
Profit/(loss) before taxation	(1,585,810)	2,183,744	77,692,922	(3,650,308)	(28,646,189)
Taxation	425,614	(654,169)	(623,768)	(42,460)	(23,716)
Profit/(loss) for the year	(1,160,196)	1,529,575	77,069,136	(3,692,788)	(28,669,905)
Other comprehensive income	-	32,765,700	-	-	-
<b>Total comprehensive (loss)/gain</b>	<b>(1,160,196)</b>	<b>34,295,275</b>	<b>77,069,136</b>	<b>(3,692,788)</b>	<b>(28,669,905)</b>