

2020

Annual Report and Financial Statements

**Ibadan Electricity Distribution
Company Plc**

MOBOLAJI JOHNSON & CO.

CHARTERED ACCOUNTANTS

AUDIT | ASSURANCE | TAXATION | MANAGEMENT ADVISORY SERVICES

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Corporate Information

Registration Number RC. 638633

Directors:

Dr. Olatunde Ayeni, CON. F.IoD
Captain (Dr.) Wells Idahosa Okunbo
Mr. Alex Okoh
Mr. Garth Dooley
Dr. Olusola Ayandele
Mr. Dan D. Kunle
Engr. John Oladipo Ayodele

Registered and Principal Address:

Capital Building
115 M.K.O Abiola way
Ibadan
Oyo State

Company Secretary:

Oluseye Alayande
Capital Building
115 M.K.O Abiola way
Ibadan
Oyo State

Legal Adviser:

G. Elias and Co.
Solicitors and Advocates
6, Broad Street
Lagos State

Auditors:

Mobolaji Johnson and Co.
(Chartered Accountants)
7, James Robertson Street, Off Akerele Extension
Surulere, Lagos
P. O. BOX 2162, Yaba, Lagos

Bankers:

Access Bank Plc.
First City Monument Bank Plc.
Heritage Bank Plc.
Keystone Bank Limited
Polaris Bank Limited
United Bank for Africa Plc.

Financial Highlights

Major statement of profit or loss items For the year ended:

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
	₦'000	₦'000
Sale of electricity	165,885,025	167,805,956
Cost of electricity	(118,755,215)	(98,168,567)
Loss before taxation	(19,268,358)	(11,531,432)
Taxation	(544,258)	(439,337)
Other Comprehensive Income	44,230,621.00	-
loss for the year	61,922,098	(11,970,769)

Major statement of financial position items

Total asset	582,446,478	423,770,971
Equity	141,941,317	63,602,869
Net asset/(liability) per share	14,194	6,360
Loss per share	6,192	(1,197)

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Key financial ratios		
Current ratio (Times)	0.93	0.92
Quick ratio (Times)	0.92	0.91
Cash ratio (Times)	0.04	0.02
Receivable turnover ratio (Times)	0.50	0.97
Asset turnover ratio (Times)	0.28	0.40
Loss per share (Kobo)	619,213	(119,708)
Debt-equity ratio (Percentage)	15%	33%
Interest coverage ratio (Times)	0.28	0.68
Net profit margin (Percentage)	28.41%	41.50%
Return on capital employed ratio (Percentage)	4.61%	30.43%

Directors' Report

For the year ended December 31, 2020

The Directors present their annual report on the affairs of Ibadan Electricity Distribution Company Plc. ("IBEDC" or the "Company"), together with the financial statements and Auditors' report for the year ended December 31, 2020.

Legal form

The Company was incorporated on November 8, 2005 as a public Company, limited by shares with registration certificate number RC 638633. On November 1, 2013 Integrated Energy Distribution and Marketing Limited ("IEDM") acquired sixty percent (60%) of the equity of the Company.

Principal activity and business review

The principal activities of the Company are the distribution and marketing of electricity within the franchise areas of Oyo, Ogun, Osun, Kwara, parts of Kogi, Ekiti and Niger States.

The Company's revenue was ₦165.88 billion for the year ended December 31, 2020 with a decrease of 0.98% compared to prior year (2019: ₦167.81 billion). The cost of energy purchased in 2020 was ₦118.76 billion with an increase of 20.97% compared to prior year (2019: ₦98.17 billion). The amount of energy supplied by the Transmission Company of Nigeria ("TCN") increased during the year. This was driven by IBEDC's share of the total grid supply.

Reporting framework

The Company had adopted the International Financial Reporting Standards ("IFRS") in preparing its accounts for the year ended December 31, 2020.

Operating results

The following is a summary of the Company's operating results:

	2020	2019
	₦'000	₦'000
Revenue	165,885,025	167,805,956
Results from operating activities	7,530,958	25,738,625
Profit/(loss) before taxation	(19,268,358)	(11,531,432)
Taxation	(544,258)	(439,337)
Other Comprehensive Income	30,961,435	-
Profit/(loss) for the year	61,922,098	(11,970,769)

State of affairs

In the opinion of the Directors, the accounts of the Company have been reviewed in a satisfactory manner and there has been no material changes since the statement of financial position date, which would affect the financial statements as presented.

Dividend

No dividend has been recommended by the Directors in respect of the year ended December 31, 2020 (2019: Nil).

Directors and their interests

The Directors in office during the year are listed below:

Name	Nationality	Designation
Dr. Olatunde Ayeni, CON. F.IoD	Nigerian	- Chairman
Captain (Dr.) Wells Idahosa Okunbo	Nigerian	- Director
Mr. Alex Okoh	Nigerian	- Director
Mr. Garth Dooley	Jamaican	Director
Dr. Olusola Ayandele	Nigerian	- Director
Mr. Dan D. Kunle	Nigerian	- Director
Eng. John Oladipo Ayodele	Nigerian	- Ag. Managing Director (Effective Jan.1, 2020)

Directors' shareholding and interest

The Directors do not have any interests required to be disclosed under Section 301 of the Companies and Allied Matters Act, CAP C20 LFN 2020.

According to Section 303 of the Companies and Allied Matters Act ("CAMA"), CAP C20, LFN 2020, Dr. Olatunde Ayeni, CON. F.IoD and Captain (Dr.) Wells Idahosa Okunbo have notified the Company of their declarable interests in a contract with the Company by Funds And Electronic Transfer Solutions ("FETS") Limited.

Apart from the declarations of interest by Dr. Olatunde Ayeni, CON. F.IoD and Captain (Dr.) Wells Idahosa Okunbo in the contract above, none of the other Directors has notified the Company of any declarable interests in contracts with the Company as at December 31, 2020.

Analysis of shareholding

The shareholding structure of the Company is as follows:

Shareholder	Number of ordinary shares issued at 50k per share	
	2020	2019
Integrated Energy Distribution and Marketing Limited ("IEDM")	6,000,000	6,000,000
Bureau of Public Enterprises ("BPE")	4,000,000	4,000,000
	<u>10,000,000</u>	<u>10,000,000</u>

Property, plant and equipment

Information relating to changes in property, plant and equipment is disclosed in Note 14 to these financial statements.

Charitable donations

The Company made donations to charitable organisations amounting to ₦53.02 million during the year (2019: ₦10.66 million). 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 (2019: Nil). Below is the list of significant donations made during the year:

Beneficiary	Description	Amount
Osun State Government	Food Items - COVID-19 Pandemic	8,837,500
Oyo State Government	Food Items - COVID-19 Pandemic	8,837,500
Kwara States Government	Food Items - COVID-19 Pandemic	8,377,500
Ogun State Government	Food Items - COVID-19 Pandemic	8,837,500
University Teaching Hospital, Ibadan	Emergency response - COVID -19	5,000,000
Others		13,131,975
		<u>53,021,975</u>

Events after the reporting period

There were no events after the reporting date which could have had any material effect on the loss before tax for the year ended December 31, 2020 which have not been adequately provided for or disclosed in these Financial Statements. However, there was a takeover action on the company by Assets Management Corporation of Nigeria ("AMCON"); Bureau of Public Enterprises ("BPE"); and the Nigerian Electricity Regulatory Commission ("NERC"), hence the restructuring of its board and management.

This event is considered to have a material effect on the state of affairs of the Company, and has resulted in the Financial Statements being signed by Ahmed Kuru - Chairman; Kingsley Achife - Managing Director, and Oluwaseyi Akinwale - Chairman, Board Audit Committee ; and Akeem Babatunde as Company Secretary. We have since obtained evidence of these changes at the corporate Affairs Commission ("CAC").

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 and holds trainings for its staff when and where necessary, including ensuring its employees participation in external and related overseas training. 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 its 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 six (6) physically challenged persons in its employment. Employment of 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 much as possible, be identical with that of other employees.

(d) Employee health, safety and welfare

The Company places 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 compensation and group life insurance to adequately secure and protect its employees.

The Company has a well-established Health, Safety and Environment ("HSE") management system, which formalises HSE processes, procedures and programmes and provides for integration of HSE issues into business planning and operations.

Auditors

In accordance with Section 401(2) of the Companies and Allied Matters Act, 2020 as amended, the Auditors, Messrs Mobolaji Johnson & Co. (Chartered Accountants), have indicated their willingness to continue in office as Auditors to the Company. The Auditors will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

Ibadan, Nigeria
December 15, 2022

BY ORDER OF THE BOARD


Akeem Babatunde

FRC/2021/004/00000023850

Corporate Governance Report

For the year ended December 31, 2020

INTRODUCTION

At Ibadan Electricity Distribution Company Plc ("IBEDC"), we recognize that adherence to the highest standards of corporate governance ensures and contributes to the long-term success of a company. Considering this recognition, we continuously ensure that we subject our operations to the highest standards of corporate governance to create and deliver sustainable value to shareholders as well as other stakeholders and achieve continuous corporate success.

We believe good corporate governance practices enhance the confidence placed in IBEDC by our shareholders, customers, business partners, employees, the Nigerian Electricity Supply Industry ("NESI") in which we operate and all other stakeholders. IBEDC's commitment to upholding the tenets and principles of good corporate governance is the bedrock of strong public trust and confidence reposed in us and the key to our continued long-term success.

As the Distribution Company ("DisCo") with the largest franchise area in Nigeria, we remain committed and dedicated to our duties and pledge to be the best electricity DisCo in Nigeria through transparent corporate governance practices.

IBEDC's Code of corporate governance is continuously reviewed to align with additional legal and regulatory requirements and global best practices, in order to remain a pacesetter in the area of good corporate governance practices. In addition to the code, IBEDC aggressively promotes its core values to its employees through its conditions of service as well as its Internal Policies, which regulate employee relations with internal and external parties. This is a strong indicator of IBEDC's determination to ensure that its employees remain professional at all times in their business practices. Also, IBEDC has an entrenched culture of openness in which healthy discourse is encouraged and employees are mandated to report improper activities.

IBEDC complies with the requirements of the Nigerian Electricity Regulatory Commission ("NERC") with respect to submission of required reports on IBEDC's activities as well as compliance status to NERC's policies, directives and orders. Also, IBEDC periodically reviews all aspects of its Board structure, composition, responsibilities, processes and relationships.

IBEDC continues to serve customers, clients, communities and create value for stakeholders. Our commitment to this principle is the key to keeping public trust and confidence.

GOVERNANCE STRUCTURE

THE BOARD OF DIRECTORS ("THE BOARD")

The Board of Directors is responsible for the governance of IBEDC and is accountable to shareholders for creating and delivering sustainable value through the management of IBEDC.

The Board comprises of a mixture of executive and non-executive Directors led by a non-executive Chairman. The Directors include individuals who possess integrity, relevant experience of corporate practice and who contribute positively to the growth and best management of IBEDC. Members of the Board of Directors are seasoned professionals, who have excelled in various sectors including; Law, Engineering, Oil and Gas as well as Manufacturing.

The Board is committed to the highest standards of business integrity, ethical values and practices; it recognises the responsibility of IBEDC to conduct its affairs with transparency, prudence, fairness, accountability and social responsibility, thereby safeguarding the interests of all stakeholders.

The Board ensures that appropriate level of checks and balances are maintained in order to ensure that decisions are taken with the best interest of IBEDC's stakeholders in mind. Directors of IBEDC possess the right balance of expertise, skills and experience, which translates to an effective Board and an executive management team capable of steering the affairs of IBEDC in an ever changing and challenging business environment.

The Board determines the overall strategy of IBEDC and follows up on its implementation, supervises the performance of management and ensures adequate management of the Company, thus actively contributing to developing IBEDC as a focused, sustainable and global brand.

The Board oversees management's formulation and implementation of sound strategic policies and guidelines on major capital expenditures, business strategies, plans and policies; and periodically evaluate management's overall performance. The Board ensures that IBEDC complies with all relevant laws, regulations and endeavour to adopt best industry practices.

In addition, the Board exercises its direct oversight responsibilities through four (4) Committees, namely: Board Audit, Risk and Governance Committee; Board Finance and Investment Committee; Board Human Capital, Remuneration and Safety Committee; and Board Strategy and Business Development Committee.

The Board possess the requisite integrity, skills and experience to bring independent judgment to bear on the deliberations and decisions of the Board without prejudice to Directors' right to earn Directors fees and hold interest in shares. The Directors have good understanding of IBEDC's business and affairs to enable them properly evaluate information and responses provided by Management. Also, Directors are prepared to challenge each other's assumptions, beliefs or viewpoints as necessary for the good of IBEDC by questioning intelligently, debating constructively and taking decisions dispassionately.

The Board meets quarterly, while additional meetings are convened as required. Material decisions may be taken between meetings by way of written resolutions, as provided for in the Articles of Association of IBEDC. The Directors are provided with comprehensive company information at each of the quarterly Board meetings and are also briefed on business developments between Board meetings.

The synergy between the Board and Management fosters interactive dialogue in setting broad policy guidelines in the management and direction of IBEDC to enhance optimal performance and ensure that associated risks are properly managed. Furthermore, the Board plays a central role in conjunction with management in ensuring that IBEDC is financially strong, well governed and risks are identified and mitigated.

RESPONSIBILITIES OF THE BOARD

The Board of Directors is primarily responsible for the governance of the Company. Consequent to setting the policies for the accomplishment of corporate objectives, it provides an independent check on management.

The Board ensures that IBEDC complies with all relevant laws, regulations and endeavour to adopt best industry practices and identifies key stakeholders and oversees Management's formulation and implementation of IBEDC's communication policy and programmes.

The Board has ultimate responsibility for determining the strategic objectives and policies of IBEDC to deliver long-term value by providing overall strategic direction within a framework of rewards, incentives and controls.

The Board has delegated the responsibility of day-to-day operations of IBEDC to its Management and ensures that Management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives. In fulfilling its primary responsibility, the Board acknowledges the relationship between good governance and risk management practices.

Notwithstanding the delegation of the operation of IBEDC to Management, the Board reserves certain powers which include: the approval of quarterly, half-yearly and full year financial statements (whether audited or unaudited) and any significant change in accounting policies and/or practices; approval of major changes to IBEDC's corporate structure and changes relating to IBEDC's capital structure or its status as a public limited Company; the determination and approval of the strategic objectives and policies of IBEDC to deliver long-term value; approval of IBEDC's strategy, medium and short term plans and its annual operating and capital expenditure budget; appointment and removal of Company Secretary; recommendation to shareholders of the appointment, removal of Auditors and the remuneration of Auditors; and approval of resolutions and corresponding documentation for shareholders at general meeting(s), shareholders circulars, prospectus and principal regulatory filings with the Regulators.

Other powers reserved for the Board are the determination of Board structure, size and composition, including: appointment and removal of Directors; succession planning for the Board and senior management and Board Committee membership; appointment of the Managing Director; corporate governance framework; and approval of policy documents on significant issues.

ROLES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman ensures the effective operation of the Board and provides overall leadership to other Directors and to IBEDC at large. The roles of the Chairman and the Chief Executive Officer are separate and no one individual combines the two positions, so as to avoid the concentration of power in one

The Chairman's main responsibility is to lead and manage the Board to ensure that it operates effectively and fully discharge its legal and regulatory responsibilities. The Chairman is responsible for ensuring that Directors receive accurate, timely and clear information to enable the Board take informed decisions and provide advice to promote the success of IBEDC.

The Chief Executive Officer ("CEO") is the highest-ranking executive in the company, whose primary responsibilities include making major corporate decisions, managing the overall operations and resources of IBEDC, acting as the main point of communication between the Board of Directors and corporate operations, and being the public face of the company.

CHANGES ON THE BOARD

There were no changes on the Board of Directors during the year.

BOARD COMMITTEES

The Board carries out its oversight responsibilities and take advantage of individual expertise to formulate strategies for IBEDC through its Committees, which have clearly defined terms of reference, setting out their roles, responsibilities, functions and scope of authority. The Board has four (4) Committees, namely: Board Audit, Risk and Governance Committee; Board Finance and Investment Committee; Board Human Capital, Remuneration and Safety Committee; and Board Strategy and Business Development Committee.

The Committees make recommendations to the Board, which retains responsibility for final decision making. All Committees in the exercise of their powers so delegated, conform to the regulations laid down by the Board, with well-defined terms of reference contained in the Charter of each Committee. The Committees render reports to the Board at its quarterly meetings.

A summary of the roles, responsibilities, composition and frequency of meetings of each of the Committees are as stated hereunder:

BOARD AUDIT, RISK AND GOVERNANCE COMMITTEE ("BARGC")

The Board Audit, Risk and Governance Committee ("BARGC") is largely composed of non-executive Directors to keep under review, the scope and results of audit, independence and objectivity of the external auditors of IBEDC.

This Committee is charged with the following responsibilities;

- (i) assisting the Board in performing its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring compliance with applicable laws, rules and regulations;
- (ii) provision of oversight over Management's activities in managing credit, market, liquidity, operational, legal, and other risks of the Company.
- (iii) performing oversight functions over the Company's internal and external auditors. Ensures that internal and external auditors act independent from each other and that both auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions;
- (iv) reviewing and approving the annual internal audit plan to support the attainment of the objectives of the Company. The plan shall include the audit scope, resources, and the budget necessary to implement it;
- (v) discussing the nature, scope and audit expenses with the external auditor, prior to commencement of statutory audit and ensure proper coordination, if more than one (1) audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- (vi) establishment of an effective audit function and consider the appointment of an independent external auditor, and the terms and conditions of their engagement and removal;
- (vii) monitoring and evaluating the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology system and security;
- (viii) reviewing the reports submitted by the internal and external auditors;
- (ix) reviewing the completeness, accuracy, and fairness of the quarterly, half-year, and annual financial statements before their submission to the board or regulators with regards to the provisions of International Financial Reporting Standards ("IFRS") and International Standards on Auditing ("ISA") in the manner required by the Companies and Allied Matters Act ("CAMA"), CAP C20 LFN 2020; Electricity Power Sector Reform Act ("EPSRA") 2005; and relevant Nigerian Electricity Regulatory Commission ("NERC") regulations and orders;
- (x) establishing and identifying the reporting line of the Internal Auditor to enable him to properly fulfil his duties and responsibilities. The BARGC shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties; and
- (xi) evaluating and determining the non-core audit work, if any, of the external auditor, and review periodically the non-core audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to IBEDC's overall consultancy expenses. The BARGC shall disallow any non-core audit work that will conflict with his duties as an external auditor that may pose a threat to his independence.

The Committee meets quarterly and additional meetings are convened as required.

The Board Audit, Risk and Governance Committee ("BARGC") comprised the following members during the year under review:

Name	Status	Designation
• Mr. Dan D. Kunle	Non- Executive Director	Chairman
• Captain (Dr.) Wells Idahosa Okunbo	Non- Executive Director	Member
• Mr. Alex Okoh	Non- Executive Director	Member
• Mr. Garth Dooley	Non- Executive Director	Member
• Mr. Emmanuel Okunorobo	Head, Internal Audit	Secretary

BOARD FINANCE AND INVESTMENT COMMITTEE ("BFIC")

This Committee is composed of four (4) Directors with the Chief Finance Officer as ex-officio member. The Board Finance and Investment Committee ("BFIC") is in charge of reviewing the financial operations of IBEDC as well as matters regarding the acquisition or investments in companies, businesses or projects. It endorses recommendations to the Board as deemed appropriate or approved actions with its delegated authority.

The BFIC reviews, advises and recommends approval, decision or action on financial matters to the Board, including but not limited to the following:

- (i) establishment and changes to financial, accounting and treasury policies;
- (ii) all major financing transactions of IBEDC;
- (iii) issuance of shares and shares re-purchase, valuation of shares, and other such activities involving existing shares;
- (iv) IBEDC's corporate plans and budgets;
- (v) proposals for dividends and transfers to reserve;
- (vi) financing, guarantees, indemnities and mortgaging of the Company's assets;
- (vii) any actual, or potential, major exception or occurrence which has, or may have major financial impact on the Company;
- (viii) guarantees, financial support, undertakings and indemnities concerning investments or liabilities of subsidiary or associated companies, other than those which are the subject of an existing general or specific Board or Committee approval;
- (ix) proposed principal agreements with government, joint venture and shareholders' agreements, major acquisitions, divestment and property redevelopment;
- (x) ensuring cost effectiveness and efficiency in project implementation including procurement of goods, works and services;
- (xi) establishing a transparent procedure to ensure the award of contracts to competent and cost-competitive contractors; and
- (xii) undertaking relevant procurement research and survey before undertaking any project.

The Board Finance and Investment Committee ("BFIC") meets at least once in each quarter. However, additional meetings are convened as required.

The BFIC is made up of the following members:

Name	Status	Designation
• Captain (Dr.) Wells Idahosa Okunbo	Non- Executive Director	Chairman
• Mr. Alex Okoh	Non- Executive Director	Member
• Dr. Sola Ayandele	Non- Executive Director	Member
• Ms. Ronke Owotomo	Chief Finance Officer	Ex-officio member
• Mrs. Oluseye Alayande	Company secretary	Secretary

BOARD HUMAN CAPITAL, REMUNERATION AND SAFETY COMMITTEE

This Committee is responsible for reviewing, and evaluating persons nominated to the Board, determining the remuneration of the Chief Executive Officer, the Executive Directors and the Heads of Departments of IBEDC.

The responsibilities of the Committee include the following;

- (i) reviewing and evaluating the qualifications of all persons nominated to the Board and other appointments that require Board approval in accordance with the qualifications prescribed by law, pertinent rules and regulations, and any other rules created by IBEDC. The screening shall include the evaluation of the nominee's directorship, membership and employment history in other corporations or organizations to ensure that he can perform his duties diligently and effectively;
- (ii) recommendation of committee membership appointments, including committee chairmanships, to the Board for approval with consideration of the desires of individual Board members;
- (iii) reviewing annually the Charters of the Board committees for the purpose of recommending to the Board, any needed change(s);
- (iv) recommendation of processes and mechanisms for evaluating the performance of the Board, the Board committees and Management;
- (v) assessing the effectiveness of the Board's processes and procedures in electing or replacing Directors;
- (vi) reviewing annually, the prescribed full Interest disclosure of all incoming Directors and Officers;
- (vii) reviewing and recommending the Human Resources Policy of IBEDC to the Board for approval;
- (viii) approving the promotion, redeployment and disengagement of staff other than the Managing Director/Chief Executive Officer, Chief Operating Officer, Chief Finance Officer, Chief Technical Officer and Company Secretary;
- (ix) recommendation of compensation for all staff of IBEDC, except the Managing Director/Chief Executive Officer and Executive Directors, to the Board;
- (x) overseeing strategic issues including employee retention, equality and diversity as well as other significant employee relationship matters;
- (xi) preparing and annually reviewing benefit policies and practices of IBEDC;
- (xii) organising Board and Committees' induction and other training;
- (xiii) reviewing public and employee safety standards and procedures, operational performance, and compliance issues relating to utility operations and facilities;
- (xiv) providing input to the annual report of IBEDC in respect of Directors' compensation;
- (xv) ensuring that a comprehensive succession policy and plan exists for the positions of the Chairman, Managing Director/Chief Executive Officer, Executive Directors and the Heads of various Departments;
- (xvi) ensuring that the Board conducts performance evaluation of the Directors as regularly as the Board deems fit; and
- (xvii) reviewing and making recommendations to the Board for approval of IBEDC's organizational structure and any proposed amendments.

The Board Human Capital, Remuneration and Safety Committee meets at least once in each quarter. However, additional meetings are convened as required.

The membership of the Committee is as follows:

Name	Status	Designation
• Dr. Olusola Ayandele	Non- Executive Director	Chairman
• Mr. Garth Dooley	Non- Executive Director	Member
• Mr. Dan D. Kunle	Non- Executive Director	Member
• Mrs. Oluseye Alayande	Company Secretary	Secretary

BOARD STRATEGY AND BUSINESS DEVELOPMENT COMMITTEE

The Board Strategy and Business Development Committee ("SBDC") has the following responsibilities:

- (i) periodically reviewing changes in the economic and business environment, including emerging trends and other factors relevant to the Company's strategic goals;

- (ii) studying and giving advice on the strategic plans for the long-term development of IBEDC (including but not limited to the funding, financial policies and other significant matters) for recommendation to the Board;
- (iii) receiving and considering reports on the Company's performance against the annual and long-term plan;
- (iv) reviewing and reporting to the Board on the effectiveness and timeliness of Management's execution of specific investments approved by the Board;
- (v) conducting public engagement/consultation processes as required;
- (vi) considering and making decisions which are within the Chief Executive Officer's delegations, and which the Chief Executive has referred to Strategy and Policy Committee for decision making; and
- (vii) assessing the investment, required resources, organization and the effort and time for the realization of the aforesaid opportunities.

The Committee meets at least once in each quarter. However, additional meetings are convened as required.

The membership of the Committee is as follows:

Name	Status	Designation
• Mr. Garth Dooley	Non- Executive Director	Chairman
• Capt. Dr. Idahosa Wells Okunbo	Non- Executive Director	Member
• Mr. Alex Okoh	Non- Executive Director	Member
• Dr. Olusola Ayandele	Non- Executive Director	Member
• Mr. Dan D. Kunle	Non- Executive Director	Member
• Mrs. Oluseye Alayande	Company Secretary	Secretary

Report of the Audit Committee

To the Members of Ibadan Electricity Distribution Company Plc.

In compliance with section 404(4) of the Companies and Allied Matters Act, CAP C20 LFN 2020, the members of the Audit Committee of Ibadan Electricity Distribution Company Plc ("IBEDC") have reviewed the Audit Report For the year ended December 31, 2020 and hereby state as follows:

1. We have exercised our statutory functions under Section 404(4) of the Companies and Allied Matters, Act CAP C20, Laws of the Federation of Nigeria, 2020 and acknowledge the co-operation of management and staff in the conduct of these responsibilities;
2. We are of the opinion that the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;
3. The scope and planning of both the external and internal audit for the year ended were satisfactory and reinforces the Company's internal control systems which are constantly and effectively monitored;
4. We have deliberated with the External Auditors, who have confirmed that necessary co-operation was received from the management in the course of their statutory audit and we are satisfied with Management's response to the External Auditor's recommendations on accounting and internal control matters and with the effectiveness of the Company's system of accounting and internal control; and
5. We have reviewed the independent auditor's memorandum of recommendations on accounting procedures and internal controls contained in the letter to management and are satisfied with management responses thereon.

December 15, 2022



Mr. Oluwaseyi Akinwale
Chairman, Audit Committee
FRC/2022/PRO/ICAN/008/703776
(Appointed on November 28, 2022)

Members of the Committee:

Mr. Oluwaseyi Akinwale	- Chairman
Mr. Ismail Aminu	- Member
Mr. Alex Okoh	- Member
Dr. Uneze Eberechukwu	- Member
Mr. Akeem Babatunde	-Secretary

The Members of the Audit Committee were Appointed on November 28, 2022 as contained in the Corporate Affairs Commission Form 07 ("CAC 07").

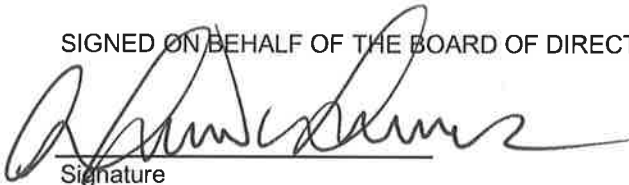
Statement of Directors' responsibilities in relation to the financial statements for the year ended December 31, 2020

The Directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act, CAP C20 LFN 2020 and the Financial Reporting Council of Nigeria Act, 2011; and Electricity Power Sector Reform Act ("EPSRA") 2005

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, CAP C20 LFN 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 years ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Signature

Mr. Ahmed Kuru
Chairman, Board of Directors
FRC/2013/CIBN/00000002281

December 15, 2022



Signature

Engr. Kingsley Achife
Managing Director / CEO
FRC/2022/PRO/COREN/013/878030

December 15, 2022


Statement of Corporate responsibility in relation to the financial statements for the year ended December 31, 2020

In line with the provision of Section 405 of the Companies and Allied Matters Act 2020, the Chief Executive Officer and Chief Financial Officer certify that the Directors have reviewed the audited financial statements and based on the officer's knowledge confirm the following:

- a). i) that the audited financial statements do not contain any untrue statement and did not state any material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made, and
- ii) that the audited financial statements and all other financial information included therein fairly present, in all material respects, the financial condition and results of operation of the Company for the periods covered by the audited financial statements;
- b). We certify that we:
 - i) are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Company and its subsidiaries is made known to us by other officers of the Company, particularly during the period in which the audited financial statement report is being prepared,
 - ii) have evaluated the effectiveness of the Company's internal controls within 90 days prior to the date of its audited financial statements, and
 - iii) certify that the Company's internal controls are effective as of that date;
- c). We disclosed to the Company's auditors:
 - i) all 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) whether or not, there is any fraud that involves management or other employees who have a significant role in the Company's internal control; and
- d). We have indicated in the report, whether or not, there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

 22/12/2022
Engr. Kingsley Achife
Managing Director
FRC/2022/PRO/COREN/013/878030


Ms. Aderonke Owotomo
Chief Finance Officer
FRC/2015/ICAN/00000013338

Date

Date



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IBADAN ELECTRICITY DISTRIBUTION COMPANY PLC

Opinion

We have audited the financial statements of Ibadan Electricity Distribution Company Plc. ("IBEDC" or "the Company"), which comprises the statement of profit or loss and other comprehensive income for the year ended December 31, 2020; the statement of financial position; the statement of changes in equity; and the statement of cash flows for the year ended December 31, 2020 along with a summary of significant accounting policies and the notes to the accounts.

In our opinion, the accompanying financial statements present fairly in all material respect, the financial position of IBEDC as at December 31, 2020 and of its financial performance and cash flows for the same year in accordance with International Standards on Auditing ("ISA"); and in the manner required by the Companies and Allied Matters Act ("CAMA") CAP C20 LFN 2020, Electricity Power Sector Reform Act ("EPSRA") 2005, relevant Nigerian Electricity Regulatory Commission ("NERC") orders and regulations and the Financial Reporting Council of Nigeria

Basis of Audit Opinion

We conducted our audit of the Financial Statements and Reports in accordance with International Standards on Auditing ("ISA") and International Financial Reporting Standards ("IFRS"); and in the manner prescribed by the Financial Reporting Council of Nigeria ("FRC"). Our responsibilities under those requirements and standards are further described in the Auditor's Responsibilities for the audit of the Financial Statements section of our Auditor's report. We are independent of IBEDC in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code").

We believe that the audit evidences that we have obtained are sufficient and appropriate to provide a basis for our audit opinion on the Financial Statements and Reports.

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 For the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, we do not provide a separate opinion on these matters. No key audit matters were noted during the course of the audit.

Responsibilities of management and those charged with governance for the financial statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view of the state of affairs of the Company in accordance with IFRS; and in the manner required by Companies and Allied Matters Act ("CAMA"), CAP C20 LFN 2020, the Financial Reporting Council of Nigeria ("FRC") Act, 2011, Electricity Power Sector Reform Act ("EPSRA") 2005, Nigerian Electricity Regulatory Commission ("NERC") orders and circulars and such other internal controls as determined necessary by the Directors, for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



Auditors' Responsibilities for the audit of the Financial Statements

Our objective is to obtain reasonable assurance, 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 it is not a guarantee that an audit conducted in accordance with International Standards on Auditing ("ISA") 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 the financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. Also, we:

- 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 identified 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;
- Obtain an understanding of internal controls 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 in relation 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- 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 are required to communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit. Also, we are required to provide the Directors, a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them on all relationships and other matters that may be thought to impact our independence and related safeguards, where applicable.



Report on Other Legal Regulatory Requirements

Compliance with the requirements of schedule 6 of CAMA CAP C20 LFN 2020.

In our opinion, IBEDC has kept proper books of account, so far as it appears from our examination of the Company's statement of financial position and its statement of comprehensive income, which are in agreement with the books of account.

Signed: 

Mobolaji Johnson, FCA
FRC/2013/ICAN/00000003325
For: Mobolaji Johnson and Co. (Chartered Accountants)
December 15, 2022
Lagos, Nigeria.



Statement of Profit or Loss and Other Comprehensive Income
For the year ended December 31, 2020

	Notes	2020 N'000	2019 N'000
Sale of electricity	7	165,885,025	167,805,956
Cost of electricity	9(a)	(118,755,215)	(98,168,567)
Gross profit		47,129,810	69,637,389
Other income	8	570,557	1,094,240
Distribution network expenses	9(b)	(7,327,872)	(8,166,167)
Commercial services expenses	9(c)	(5,262,636)	(5,093,272)
Administrative expenses	9(d)	(6,456,784)	(5,816,042)
Impairment loss on trade and other receivables	16(a)	(21,122,117)	(25,917,523)
Profit from operating activities		7,530,958	25,738,625
Finance income	10	252,191	1,052,286
Finance costs	10	(27,051,507)	(38,322,343)
Net finance costs	10	(26,799,316)	(37,270,057)
Loss before income tax expense	11	(19,268,358)	(11,531,432)
Income tax expense	12(d)	(544,258)	(439,337)
Deferred tax credit	12	50,773,279	
Profit/(Loss) after income tax expense		30,960,663	(11,970,769)
Other comprehensive income:			
Revaluation Surplus (net of deferred tax)	19(b)	44,230,621	-
Deferred tax on revaluation		(13,269,186)	
Other comprehensive income for the year		30,961,435	-
Total comprehensive profit for the year		61,922,098	(11,970,769)
Profit for the year		61,922,098	(11,970,769)
Profit Per Share ("EPS")/ Diluted Earnings Per Share ("DEPS")		6,192	(1,197)

The notes on pages 22 to 61 are an integral part of these financial statements.

Statement of Financial Position

As at December 31, 2020

	Notes	2020 ₦'000	2019 ₦'000
ASSETS			
Non-current assets			
Intangible assets	13	589,880	1,213,475
Property, plant and equipment	14	152,428,286	106,771,880
Deferred tax asset	12(e)	40,278,992	2,774,899
		193,297,158	110,760,254
Current assets			
Inventories	15	4,206,267	5,682,140
Trade and other receivables	16	364,631,466	297,733,015
Prepayments	17	3,911,364	1,370,237
Cash and cash equivalents	18	16,400,222	8,225,325
		389,149,320	313,010,717
Total assets		582,446,478	423,770,971
EQUITY			
Share capital	19(a)	5,000	5,000
Revaluation reserve	19(b)	78,395,793	47,434,358
Retained Earnings	19(c)	63,540,524	16,163,511
Total Equity		141,941,317	63,602,869
LIABILITIES			
Non-current liabilities			
Loans and borrowings	22	21,566,287	20,986,010
		21,566,287	20,986,010
Current Liabilities			
Deferred income	21	-	78,501
Trade and other payables	20	418,055,279	338,628,337
Income tax payable	12(d)	883,595	475,254
		418,938,874	339,182,092
Total liabilities		440,505,161	360,168,102
Total Equity and Liabilities		582,446,478	423,770,971

These financial statements were approved by the Board of Directors on December 15, 2022 and signed on their behalf by:

Mr. Ahmed Kuru
December 15, 2022

Chairman, Board of Directors
FRC/2013/CIBN/00000002281

Engr. Kingsley Achife
December 15, 2022

Managing Director / CEO
FRC/2022/PRO/COREN/013/878030

Ms. Aderonke Owotomo
December 15, 2022

Chief Financial Officer
FRC/2015/ICAN/00000013338

The notes on pages 22 to 61 are an integral part of these financial statements.

Statement of Changes in Equity
For the year ended December 31, 2020

	Share capital	Revaluation reserve	Retained earnings	Total
	N'000	N'000	N'000	N'000
Balance as at January 1, 2019	5,000	47,434,358	(116,910,034)	(69,470,676)
Total comprehensive income				
Loss for the year	-	-	(11,970,769)	(11,970,769)
Other comprehensive income (Revaluation Surplus)	-	-	-	-
Tariff shortfall write back	-	-	161,875,782	161,875,782
Interest on MO bills for 2015 to 2018	-	-	(16,925,455)	(16,925,455)
Tax overprovision in 2018 and 2019 Years of Assessment	-	-	93,987	93,987
Total comprehensive income	-	-	133,073,545	133,073,545
Transaction with owners	-	-	-	-
Balance at December 31, 2019	5,000	47,434,358	16,163,511	63,602,869
Balance at January 1, 2020	5,000	47,434,358	16,163,511	63,602,869
Adjustment to retained earnings				
Adjustment on NBET Bill for the month of May 2019	-	-	(5,405)	(5,405)
Credit Advice on NBET Bill for Feb 2015 to Dec 2018	-	-	4,747,035	4,747,035
Over provision for Obsolete Inventory	-	-	56,296	56,296
Tariff shortfall for the year 2019	-	-	9,228,218	9,228,218
VAT billed written off	-	-	2,390,207	2,390,207
Other comprehensive income	-	30,961,435	-	30,961,435
Profit for the year	-	-	30,960,663	30,960,663
Total comprehensive income	5,000	78,395,793	63,540,524	141,941,317
Transaction with owners	-	-	-	-
Balance at December 31, 2020	5,000	78,395,793	63,540,524	141,941,317

The notes on pages 22 to 61 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended December 31, 2020

	Note	2020 N'000	2019 N'000
Cash flows from operating activities:			
Loss before tax		(19,268,358)	(11,531,432)
Adjustment:			
- depreciation	14	5,227,549	4,595,060
- gains on disposal of property, plant and equipment	8	-	(13)
- amortisation	13	689,040	641,685
- impairment allowance on receivables	16(a)	21,122,117	25,917,523
-reserve for Inventory obsolescence	9(b)	-	29,998
- recognition of tariff shortfalls from 2015 to 2018	19(c)	-	161,875,782
- Interest on MO Bills from 2015 to 2018	19(c)	-	(16,925,455)
- recognition of tariff shortfalls from 2019		9,228,218	-
- credit advice on NBET Bill for Feb 2015 to Dec 2018		4,747,035	-
- adjustment on NBET Bill for the month of May 2019		(5,405)	-
- VAT billed written off		2,390,207	-
		24,130,402	164,603,148
Changes in:			
Decrease/(Increase) in inventories	15	1,532,167	(2,825,185)
Increase in trade and other receivables	16	(88,020,568)	(277,116,572)
(Increase)/Decrease in prepayment	17	(2,541,127)	479,176
Increase in trade and other payables	20	79,426,942	120,015,051
(Decrease)/Increase in deferred income	21	(78,501)	78,501
Cash generated from operating activities		14,449,317	5,234,119
Tax paid		(135,917)	(20,000)
Net cash generated from operating activities		14,313,400	5,214,119
Cash flows from investing activities:			
Acquisition of property, plant and equipment	14	(6,653,334)	(3,973,721)
Proceeds from disposal of property, plant and equipment		-	231
Acquisition of Intangible Asset	13	(65,446)	(588,990)
Net cash used in investing activities		(6,718,780)	(4,562,480)
Cash flows from financing activities:			
Loans and borrowings	22	580,277	(1,766,076)
Net cash (used in) / generated from financing activities		580,277	(1,766,076)
Net increase in cash and cash equivalents		8,174,897	(1,114,437)
Cash and cash equivalents at January 1, 2020		8,225,325	9,339,762
Cash and cash equivalents at December 31, 2020	18	16,400,222	8,225,325

The notes on pages 22 to 61 are an integral part of these financial statements.

Notes to the Financial Statements

1 Reporting entity

Ibadan Electricity Distribution Company Plc. ("the Company") is a public limited liability Company incorporated on November 8, 2005 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 areas of Oyo State, Ogun State, Osun State, Kwara State, parts of Kogi, Ekiti and Niger States. The Company is domiciled in Nigeria and has its registered office address at Capital Building, 115 MKO Abiola way, Ibadan, Oyo state.

The Company supplies electricity within the captive regions above, based on a licence granted to it by the Nigerian Electricity Regulatory Commission ("NERC"). The licence is for a period of 15 years with an option to renew for another 10 years. Based on the terms and conditions of the licence and regulations contained in the Electricity Power Sector Reform Act ("EPSRA") 2005, the Company is a monopoly within its geographical coverage area and operates under a price control regime known as the Multi Year Tariff Order ("MYTO").

2 Basis of Preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and in the manner required by the Companies and Allied Matters Act, CAP C20 LFN 2020 and the Financial Reporting Council of Nigeria Act, 2011.

Going concern basis of accounting

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations for at least twelve months from the year end. See Note 26 for more details.

3 Functional and presentation currency

These financial statements are 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 indicated.

4 Use of judgments and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Judgments

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

Note 5(a) - Revenue: Determination of whether billings to non-paying Customers meet the revenue recognition criteria.

Note 14 – Property, plant and equipment.

Notes to the Financial Statements

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties, that have a significant risk of resulting in material adjustments in the year ended December 31, 2020, is included in the following respective notes:

Note 29(a)- Revenue Recognition – Revenue from unmetered customers and revenue from non-paying customers

Note 12(e) – Recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used

Note 16(a) - Impairment

Note 24 – Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources

5 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Revenue

IFRS 15 establishes a comprehensive framework for determining if revenue is to be recognised, how much and when revenue is to be recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

IFRS 15 - Revenue from Contract with Customers

IFRS 15 replaces IAS 18 and provides a single, principles-based five-step model with the objective to determine how and when to recognise revenue from contracts with customers. The standard was published in May 2014 and is effective from January 1, 2018.

Five step model of IFRS 15:

Step 1 - Identify the contract with a customer :- IBEDC and customers must approve the contract and must be committed to perform. Each party must identify their rights, there must be clear payments terms and the contract must have commercial substance.

Step 2 - Identify each individual performance obligations within the contract :- IBEDC's service to its customers as embedded in the contract must be distinct. The stipulated item can be consumed by the customer. The promise to transfer electricity to a customer can be separately identified in the contract.

Step 3 - Determine the transaction price :- The transaction price would be the amount of consideration that IBEDC expects to be entitled to in exchange for providing electricity to its customers. The consideration could be changed as a result of tariff review.

Step 4 - Allocate the transaction price :- IBEDC shall allocate transaction prices to each class of performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled to in exchange for providing electricity to its customers.

Notes to the Financial Statements

Where a contract has many performance obligations, IBEDC shall allocate the transaction price to the performance obligations in the contract by reference to their relative stand-alone selling prices. If a stand-alone selling price is not directly observable, the Company will need to estimate it.

Step 5: Recognise revenue when a performance obligation is satisfied:- An entity shall recognise revenue when (or as) it satisfies a performance obligation by transferring electricity to a consumer, which is when control is passed, either over time or at a point in time.

IFRS 15 suggests various methods that may be used, including:

- (1) Adjusted market assessment approach;
- (2) Expected cost plus a margin approach; or
- (3) Residual approach (only permissible in limited circumstances).

The table below shows information relating to how and when performance obligations in contracts with customers are recognized, and revenue recognition under IFRS 15:

	Postpaid Customers	Prepaid Customers
Applicability of IFRS 15 (From January 1, 2018)	Revenue is recognised as the total value of units of energy supplied to customers are consumed in line with the applicable NERC approved tariff for the different classes of customers. Units of energy supplied to customers on a monthly basis are extracted from their meters as the difference between last meter reading and the current meter reading. For unmetered customers, estimated monthly bills are computed using estimated billing methodology as advised by NERC.	The Company recognises revenue on cash basis, i.e., the entire sales is recognised as earned revenue as customer purchases electricity credits even though the electricity may yet to be totally consumed as at the end of the reporting period because the unused portion cannot be accurately determined.
How and when performance obligation is satisfied	Performance obligation is satisfied when electricity is supplied to the customers. Customers are billed on a monthly basis. Bills for the month just ending are run within the first week of the subsequent month based on the units of energy supplied to customers for the month just ended. Payment is due within 15 days of billing.	Performance obligation is satisfied when electricity is supplied to the customers. Payment is received in advance of electricity consumed by customers

Notes to the Financial Statements

Revenue primarily represents the sale value of electricity and other related energy services supplied to customers during the year and excludes Value Added Tax ("VAT"). The Company generally recognizes revenue upon completion/delivery of services rendered. Delivery is deemed complete when the risks and rewards associated with ownership have been transferred to the buyer as contractually agreed i.e. the electricity has been consumed by the customers, compensation has been contractually established and collection of the resulting receivable is probable.

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of electricity to post-paid customers is the value of the volume of units supplied during the year including an estimate of the value of volume of units supplied to these customers between the date of their last meter reading (which coincides with the last invoice date) and the year-end. In case of prepaid meter customers, the Company recognises the entire electricity sales in December as revenue even though the electricity were yet to be totally consumed because the unused portion cannot be reliably determined.

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

Revenue from rendition of services is recognised when such services are rendered.

(b) Finance income and finance costs

Finance income comprises interest income on loan to IEDM and interest on cash collateral with the Banks. Interest income on short-term deposits is recognised using the effective interest method.

Finance costs comprise interest expense on interest bearing borrowings, unwinding discount from CBN-NEMSF loan and effective interest rate on CBN-NEMSF. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss using the effective interest method. Included in finance cost is interest on NBET outstanding balance.

Foreign exchange gains and losses are recognised on net basis.

(c) Foreign currency transactions

Transactions denominated in foreign currencies (if any) are translated and recorded in the functional currency (Nigerian Naira) at the actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the rates of exchange prevailing at that date.

Foreign currency differences are generally recognized in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Notes to the Financial Statements

(d) Property, plant and equipment

i Recognition and measurement

Land, buildings, and, distribution network assets are carried at the revalued amount at the Company acquisition date based on valuations by external independent valuers, less subsequent depreciation. Subsequent additions have been carried at cost. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of land, buildings and distribution network assets are credited to other comprehensive income ("OCI") net of tax and shown as revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity, all other decreases are charged to the profit or loss.

All other items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets under construction (Capital Work In Progress "CWIP") are stated at cost which includes cost of materials and direct labour and any costs incurred in bringing it to its present location and condition.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

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

Contributions by customers of items of property, plant and equipment, which require an obligation to supply goods to the customer in the future, are recognised 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 recognises 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.

ii Subsequent expenditure

Subsequent expenditure is included in the asset's carrying amount or recognized as a separate asset as appropriate, 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 part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

iii Depreciation

Depreciation is calculated to write off the cost or fair value of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Depreciation commences when the asset is available for use.

Notes to the Financial Statements

The estimated useful life of items of property, plant and equipment are as follows:

	Life (years)
Land	Not depreciated
Buildings	50
Distribution network assets	35
Motor - cars	5
Motor - operational lorries	10
Furniture, fittings and equipment	5

Capital Work In Progress ("CWIP") is not depreciated until the asset is available for use and transferred to the relevant category of property, plant and equipment.

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

iv Derecognition of PPE

The carrying amount of an item of property, plant and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal.

The gains or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised.

v Revaluation Surplus

Any associated revaluation surplus is transferred to revaluation reserves. The amount of this surplus transferred to revaluation reserve is the difference between the depreciation based on the original cost of the asset and the depreciation based on the revalued carrying amount of the asset.

vi Impairment

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. 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.

(e) 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 to use the specific software.

(i) 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 expenditures, including expenditure on internally generated goodwill and brands, are recognised in profit or loss as incurred.

(ii) Amortization

Amortization is calculated to write-off the cost of intangible assets less the estimated residual values using the straight line method over their estimated useful lives and is generally recognized in profit or loss. The estimated useful life of intangible assets is 5 years.

Notes to the Financial Statements

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

- (iii) 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 gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(iv) **Accumulated impairment loss**

Accumulated impairment loss is the total sum of impairment recorded for an intangible asset. A loss on impairment is recognized as a debit to the loss on impairment account and a credit to the asset. The loss will reduce income in the SOCI and reduce total assets on the SOFP.

(f) **Cash and cash equivalents**

Cash is held in the form of currencies and notes that are generally acceptable as the means of exchange. Cash is carried at its face value which is equivalent to fair value.

Cash and cash equivalents in foreign currencies are translated at the exchange rate on the date of the operation. They are restated at closing date using the closing date exchange rate, and the resulting exchange difference is included in the income statement.

(i) **Bank overdraft**

A bank overdraft that is used for cash management should be included as a component of cash and cash equivalents for the purpose of the statement of cash flows only.

Bank overdraft is classified as 'cash and cash equivalents' for the purpose of the statement of cash flows and shown on the liability side of the statement of financial position.

Bank borrowings (including bank overdrafts) are to be included separately in liabilities from short-term financing and should not be netted with bank deposits unless the right of legal set-off applies.

(g) **Borrowing costs**

Borrowing costs eligible for capitalization are those borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that would have been avoided if the expenditure on the qualifying asset had not been made.

(i) **Specific borrowings**

To the extent that Ibadan Electricity Distribution Company Plc borrows funds specifically for the purpose of obtaining a qualifying asset, it shall determine the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

Notes to the Financial Statements

(ii) **General borrowings**

To the extent that Ibadan Electricity Distribution Company Plc borrows funds generally and uses them for the purpose of obtaining a qualifying asset, it shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset.

The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of IBEDC that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that IBEDC Plc capitalizes during a period shall not exceed the amount of borrowing costs it incurred during that period.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or net realizable value, the carrying amount is written down or written off in accordance with the requirements of other Standards.

(iii) **Commencement of capitalization**

IBEDC Plc shall begin capitalizing borrowing costs as part of the cost of a qualifying asset on the commencement date. The commencement date for capitalization is the date when IBEDC first meets all of the following conditions:

- ° it incurs expenditures for the asset;
- ° it incurs borrowing costs; and
- ° it undertakes activities that are necessary to prepare the asset for its intended use or sale.

The activities necessary to prepare the asset for its intended use or sale encompass more than the physical construction of the asset.

They include technical and administrative work prior to the commencement of physical construction, such as the activities associated with obtaining permits prior to the commencement of the physical construction.

Notes to the Financial Statements

(h) IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification or categories for financial assets which are measured at Amortized Cost, Fair Value through Other Comprehensive Income ("FVOCI") and Fair Value through Profit or Loss ("FVTPL").

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

Investments in equity instruments.

Dividend is recognized when the entity's right to receive payment is established, it is probable the economic benefits will flow to the entity and its amount can be measured reliably. Dividends are recognized in profit or loss unless they clearly represent recovery of a part of the cost of the investment, in which case they are included in Other Comprehensive Income ("OCI"). Changes in fair value are recognized in OCI and are never recycled to profit or loss, even if the asset is sold or impaired.

The accounting under each of these categories is the same as IAS 39 except that under IAS 39, changes in the fair value of investments in equity instruments measured at FVOCI always affect profit or loss when the asset is impaired or derecognized, and loans and receivables measured at FVOCI can impact profit or loss differently than those measured at Amortized Cost.

Under IFRS 9, the related party loan to IEDM and the Legacy Gas Recoverable debt were measured at amortized cost and no significant changes have been made to these loans from the adoption of the new standard.

The Company classifies non-derivative financial assets as loans and receivables, and non-derivative financial liabilities into other financial liabilities category.

i Non-derivative financial assets and financial liabilities – recognition and derecognition

The Company initially recognises loans and receivables on the date when they are originated. Financial assets and financial liabilities are initially recognised on the trade date.

Notes to the Financial Statements

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights 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 it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

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

ii Non-derivative financial assets – measurements

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method. They are included in current assets, except for non-trade receivables that have maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

iii Non-derivative financial liabilities – measurements

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities with maturity date more than twelve months from the year end are classified as non-current. Otherwise they are classified as current.

(i) Statement of cash flows

The cash flow statement 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. Interest paid is included in financing activities whilst finance income is included in investing activities.

(j) Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Ordinary shares owner are the true owners of the business. Through their shared ownership, they have the right to dividend distributions, to vote on various issues presented to them by the board of directors, to elect members of the board, and to participate in any residual funds left if the corporation is liquidated. Where in any circumstances the company goes into liquidation, they will not receive any distribution from its proceeds until all creditors' claims and claims of holders of all other classes of shares have been settled.

Notes to the Financial Statements

Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on weighted average cost principle. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

(l) Leases

i Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. At inception or on reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

ii Leased assets

Assets held by the Company under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

iii Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(m) Impairment

i Non-derivative financial assets

Financial instruments

IBEDC recognises expected credit losses ("ECLs") on:

- financial assets measured at amortized cost; and
- contract assets

The Company assumes that the credit risk on a financial asset has increased significantly if it elapses for more than 365 days.

Measurement of Expected Credit Losses

For receivables or contract assets that do not contain a significant financing component, the loss allowance should be measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime ECL.

Notes to the Financial Statements

(n) Write-off of financial assets

A financial asset is written off when the Company does not expect a recovery, whether in part or in full, of the expected amount. Little or nothing is expected to be recovered from the written off amount. Nonetheless, financial assets that are written off could still be subject to enforcement activities in compliance with the Company's procedures for recovery of these amounts.

Policy applicable before January 1, 2019

Non-derivative financial assets

Financial assets not classified as FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment .

Objective evidence that financial assets were impaired included:

- adverse changes in the payment status of borrowers or issuers; and
- indications that a debtor or issuer would enter bankruptcy

i Financial assets measured at amortized cost

IBEDC recognises impairment for financial assets both individually and collectively. Individually significant assets are assessed independently. In the event that some significant assets are found not to be impaired they are then collectively assessed for any impairment that has been incurred but not yet individually identified. Collective assessment (for assets that are not individually significant) is carried out by combining assets with similar risks.

An asset's impairment loss is the difference between its carrying amount and its estimated recoverable amount. Impairment losses are recognized in profit or loss and presented in an allowance account. These losses are written off when the Company considers that there are no reasonable prospects of recovery . If in the future the amount of impairment loss subsequently decreases due to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the issuer or obligor;
 - a breach of contract, such as a default or delinquency by a debtor;
 - the disappearance of an active market for that financial asset because of financial difficulties;
 - the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; and
 - it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
-
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
 - indications that a debtor or issuer will become bankrupt;
 - adverse changes in the payment status of borrowers or issuers;

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

Notes to the Financial Statements

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the estimated recoverable amount. Losses are recognised in profit or loss and reflected in an allowance account.

When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

ii Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories) 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 Cash Generating Unit ("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 amortization, if no impairment loss had been recognised.

(o) Employee benefits

i Short term employee benefits

Short-term employee benefits are expensed as the related service is provided.

A liability is recognized 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 plan

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in future payments is available.

Notes to the Financial Statements

In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for all staff effective from July 1, 2014. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is recognized in profit or loss as employee benefit expense in the periods during which services are rendered by employees. Employees contribute 8% each of their basic salary, transport and housing allowances to the Fund on a monthly basis. The Company's contribution is 10% of each employee's basic salary, transport and housing allowances.

iii Termination benefits

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

(p) Provisions and contingent liabilities

i 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

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

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

ii 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 recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

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

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

Notes to the Financial Statements

iii Contingent liabilities

A contingent asset is a possible benefit 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 benefit that arises from past events but is not recognised because it is not probable that an inflow of resources embodying economic benefits will accrue to the Company, or the amount of the benefit cannot be measured with sufficient reliability.

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

If the likelihood of an inflow of resources is remote, the possible benefit is neither a provision nor a contingent asset and no disclosure is made.

(q) Minimum tax

Minimum tax is recognised where the revenue for the year is in excess of five hundred thousand Naira and the Company has no taxable income as a result of allowable expenses for a tax year being more than the taxable income, or the income tax computed is less than the minimum tax. It is measured in line with the provisions of the Company Income Tax Act.

(r) Income tax

Income tax expense comprises current 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.

(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 tax, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset if the Company:

- has legal enforceable right to set off the recognised amount; and
- Intends either to settle on a net basis, or to realise the asset and settle the liability

(ii) 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 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. 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.

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.

Notes to the Financial Statements

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

Deferred tax assets and liabilities are offset only if the Company:

- has legal enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to Income taxes levied by the same taxation authority.

(s) Basis of measurement

These financial statements have been prepared on the historical cost basis except for certain items as listed below:

- PPE (excluding Capital Work In Progress): where measurement is by revaluation method, recognition of assets granted by customers which are initially recognized at fair value and financial instruments measured based on fair value.
- Inventories : cost of Inventories is based on weighted average cost principle. Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling prices which include the estimated cost of completion and the estimated costs necessary to make the sale.
- Revenue : See Note 7

6 Measurement of fair values

Some of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. The Chief Financial Officer ("CFO") has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values (as indicated below) 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 categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

Notes to the Financial Statements

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

7 Revenue

Revenue comprise amounts derived from delivery of electricity and other related services across the Company's distribution network within the franchise areas of Oyo State, Ogun State, Osun State, Kwara State, parts of Kogi, Ekiti and Niger States.

The breakdown of revenue based on the consumption of electricity by customers is as follows:

(a) Revenue by tariff class	Dec 31 2020	Dec 31 2019
	₦'000	₦'000
Residential	48,465,367	46,970,852
Commercial	16,297,187	15,501,326
Industrial	29,668,245	24,639,494
Street lighting	26,231	31,284
Tariff Shortfall	71,374,867	80,663,000
Other electricity sales	53,128	-
	<u>165,885,025</u>	<u>167,805,956</u>

(b) Revenue by customer category	Dec 31 2020	Dec 31 2019
	₦'000	₦'000
Postpaid	84,657,593	79,761,540
Prepaid	9,799,437	7,381,416
Tariff Shortfall	71,374,867	80,663,000
Other electricity sales	53,128	-
	<u>165,885,025</u>	<u>167,805,956</u>

8 Other income

	Dec 31 2020	Dec 31 2019
	₦'000	₦'000
CAPMI installation fees *	260,782	844,527
Reconnection fee	158,310	142,214
Gain on disposal of property, plant and equipment	-	13
Others **	151,465	107,486
	<u>570,557</u>	<u>1,094,240</u>

* This represents installation fees earned in respect of meters that have been installed and energized under the CAPMI scheme. This scheme was abolished in 2016, hence no additions to the reserve.

** Others relate to income generated from tender fees paid by vendors and penalty fees on illegal connection and reconnection of disconnected electric cables.

9 Expenses by nature

(a) Cost of Electricity	Dec 31 2020	Dec 31 2019
	₦'000	₦'000
Cost of electricity *	118,521,254	97,962,130
Recovered Gas Debt **	206,437	206,437
Other electricity purchased ***	27,524	-
Total cost of electricity	<u>118,755,215</u>	<u>98,168,567</u>

Notes to the Financial Statements

* The significant increase in the cost of energy in current year compared to 2019 financial year is a reflection of increase in Gigawatt Hour ("GWH") received and indexation of gas price in USD to GenCos.

** As stated in the Agreement, the CBN/NEMSF loan facility given to the Electricity Distribution Companies ("Discos") was partly to finance certain identified legacy gas debts owed by Nigerian Electricity Supply Industry (NESI) players, accrued up to November 1, 2013 hand over date. This loan is to be recovered from customers over a period of ten (10) years through the electricity retail tariff. IBEDC, in 2016, began including legacy gas debt in its income statement pending the expiration of the moratorium period. This amounts to the total recognised in Note 16(b(i)).

*** Other Electricity purchased is energy purchased from third party as distinct from IBEDC major supplier of electricity; Nigerian Bulk Electricity Trading Plc. (NBET).

(b) Distribution network expenses

This relates to the core distribution activities of IBEDC Plc. including salaries and related costs of staff responsible for these activities and various maintenance of the power lines and other equipment for distributing electricity.

	<u>Dec 31 2020</u>	<u>Dec 31 2019</u>
	₦'000	₦'000
Salaries and wages	1,951,401	2,004,600
Repairs and maintenance	337,042	483,174
Reserve for inventory obsolescence	-	29,998
Depreciation- Plant and Machinery	4,721,465	4,159,288
Asset and Customers Enumeration *	105,000	466,830
Health and Safety	103,753	891,221
Insurance	31,378	28,369
Transport and Travelling	25,464	43,072
Haulage and Vehicle Expenses	49,288	58,082
Other distribution expenses	3,081	1,533
Total distribution network expenses	<u>7,327,872</u>	<u>8,166,167</u>

* Asset and Customer Enumeration relates to asset mapping, customer enumeration, survey and technical audit.

(c) Commercial services expenses

(i) Billing and collection expenses

	<u>Dec 31 2020</u>	<u>Dec 31 2019</u>
	₦'000	₦'000
Meter reading	42,921	48,018
Collection fees	1,925,173	2,234,717
Repairs and maintenance	132,819	146,098
Miscellaneous expenses	70,838	37,329
Total customer service expenses	<u>2,171,751</u>	<u>2,466,162</u>

Notes to the Financial Statements

(ii) Customer service expenses

	<u>Dec 31 2020</u>	<u>Dec 31 2019</u>
	<u>₦'000</u>	<u>₦'000</u>
Salaries and wages	2,897,374	2,511,888
Advert and publicity	107,990	28,505
Repairs and maintenance	48,191	50,165
Transport and travelling	33,205	33,031
Miscellaneous expenses	4,125	3,521
	<u>3,090,885</u>	<u>2,627,110</u>
Total Commercial services expenses	<u>5,262,636</u>	<u>5,093,272</u>

(d) Administrative expenses

	<u>Dec 31 2020</u>	<u>Dec 31 2019</u>
	<u>₦'000</u>	<u>₦'000</u>
Salaries and wages	2,072,488	1,870,399
Directors' cost	50,000	50,000
Entertainment	19,610	24,388
Transport and accommodation	255,504	405,489
Motor vehicle running and repairs	118,591	124,335
Advertisement and publicity	12,730	63,130
Printing and stationeries	68,938	95,836
Repairs and maintenance of office building and equipment	123,107	207,188
Subscription and fees	75,066	62,930
Bank charges	14,157	5,947
Rent and rates	85,475	89,480
Security expenses	948,732	693,544
Training expenses	63,500	112,229
Employee welfare	41,074	17,333
Consulting and other professional fees	318,679	257,073
Medical expenses	192,518	154,932
ITF contribution	45,899	42,107
NSITF expenses	45,899	42,106
Insurance	118,135	103,507
Audit fees - Uniform System of Accounting	10,750	23,250
Audit fees - Statutory	32,250	26,875
Other Audit expenses	4,000	3,058
Depreciation	506,084	435,772
Amortisation of intangible assets	689,040	641,685
Telephone and other utilities	259,899	137,909
Donation	53,022	10,662
Business development	19,186	28,120
Third party injury and damage claims	29,569	50,721
Pre-acquisition expense paid to NELMCO	160,000	-
Miscellaneous expenses	2,722	21,011
Statutory regulatory levy	20,162	15,026
Total administrative expenses	<u>6,456,784</u>	<u>5,816,043</u>
Total expenses	<u>137,802,507</u>	<u>117,244,049</u>

Notes to the Financial Statements

10 Net finance cost

	Dec 31 2020	Dec 31 2019
	Dec 31 2020	N'000
Finance income		
Interest income	252,191	893,358
Fair Value Gain (Note 10(a))	-	158,928
	<u>252,191</u>	<u>1,052,286</u>
Finance cost		
Interest expense (Note 10(b))	(27,051,507)	(38,322,343)
	<u>(27,051,507)</u>	<u>(38,322,343)</u>
Net finance cost	<u>(26,799,316)</u>	<u>(37,270,057)</u>

(a) Fair value gain represents surplus accrued from fair valuing the tranches from Central Bank of Nigeria - Nigeria Electricity Market Stabilisation Fund ("CBN-NEMSF") obtained by IBEDC. This is done on a yearly basis using the prevailing market rate in conformity with IFRS and other standards issued by the International Accounting Standards Board ("IASB") on Government grants and borrowing costs.

(b) Finance cost comprises:

	Dec 31 2020	Dec 31 2019
	N'000	N'000
Interest paid on CBN-NEMSF (Note 10(b(i)))	972,446	1,849,517
Effective interest on CBN-NEMSF	1,391,191	1,849,877
Interest on NBET and ONEM bills (Note 10(b(ii)))	24,628,206	34,506,396
Facility fee on Bank guarantee	59,664	116,553
	<u>27,051,507</u>	<u>38,322,343</u>

(i) Interest paid on CBN-NEMSF was charged at 10% per annum on the Nigeria Electricity Market Stabilisation Fund loan availed the Company by CBN. The interest rate was reduced during the year to 5% per annum, this will subsist till February 28, 2022.

(ii) This represents interest arising from the non-payment of 100% of the NBET and MO invoices in current and previous years in line with the Transitional Electricity Market ("TEM") rule. The shortfall in remittance attracts interest at NIBOR plus 4%. The interest to date was unpaid and has been included as part of trade payables.

NERC in its 2016 - 2018 minor review of the MYTO 2015 and Minimum Remittance Order for the year 2019 provides the minimum remittance threshold for IBEDC as 26.2% of NBET's monthly invoices in 2019 and 100% of MO's monthly invoices. In accordance with NERC Order number NERC/GL/188B/2019 with an effective date of January 1, 2020, such interest as noted above; attributable to tariff shortfall will eventually be taken off the balance sheet of the company (Note 20(a)(ii)).

11 Profit before taxation

(a) Profit before taxation is stated after charging:

	Dec 31 2020	Dec 31 2019
	N'000	N'000
Depreciation (Note 14)	5,227,549	4,595,060
Amortisation (Note 13)	689,040	641,685
Staff costs (Note 11(b))	6,921,263	6,386,887
Impairment of trade receivables (Note 16)	21,122,117	25,917,523
Directors' remuneration	172,157	147,745
Auditors' remuneration	32,250	26,875

Notes to the Financial Statements

(b) Staff costs

(i) Staff costs include:

	<u>Dec 31 2020</u>	<u>Dec 31 2019</u>
	<u>₦'000</u>	<u>₦'000</u>
Salaries and wages	6,639,626	6,114,027
Employer's pension contribution	281,637	272,860
	<u>6,921,263</u>	<u>6,386,887</u>

(ii) The table below shows the number of employees of the Company whose duties were wholly or mainly discharged in Nigeria, who received remuneration during the year in the following ranges:

	<u>Dec 31 2020</u>	<u>Dec 31 2019</u>
	<u>Number</u>	<u>Number</u>
₦ 200,001 - ₦ 800,000	511	534
₦ 800,001 - ₦ 1,400,000	523	547
₦ 1,400,000 - ₦ 2,000,000	546	571
₦ 2,000,000 - ₦ 3,000,000	681	712
₦ 3,000,000 - ₦ 4,000,000	148	155
₦ 4,000,000 - ₦ 5,000,000	46	48
₦5,000,000 and above	103	108
	<u>2,558</u>	<u>2,675</u>

(iii) The average number of full time persons employed during the year (other than executive Directors) are as follows:

	<u>Dec 31 2020</u>	<u>Dec 31 2019</u>
	<u>Number</u>	<u>Number</u>
Operations	2,131	2,228
Administration	427	447
	<u>2,558</u>	<u>2,675</u>

(c) Directors' remuneration

Directors' remuneration paid and accrued during the year is analysed as follows:

	<u>Dec 31 2020</u>	<u>Dec 31 2019</u>
	<u>₦'000</u>	<u>₦'000</u>
Fees as Directors	50,000	50,000
Other emoluments	122,157	97,745
	<u>172,157</u>	<u>147,745</u>

The Directors' remuneration shown above includes:

	<u>Dec 31 2020</u>	<u>Dec 31 2019</u>
	<u>₦'000</u>	<u>₦'000</u>
Chairman	46,157	31,545
Highest paid Director	46,157	31,545

The number of Directors (excluding the Chairman and highest paid Director) who received emoluments excluding pension contributions and certain benefits were within the following range:

	<u>Dec 31 2020</u>	<u>Dec 31 2019</u>
	<u>Number</u>	<u>Number</u>
₦10,000,000 - ₦40,000,000	<u>5</u>	<u>5</u>

Notes to the Financial Statements

12 Taxation

(a) The Company has applied the provisions of the Companies Income Tax Act that mandates a minimum tax assessment, where taxpayer does not have taxable profit which would generate an eventual tax liability when assessed to tax. The Company's assessment based on the minimum tax legislation For the year ended December 31, 2020 is ₦417.57 million (2019: ₦439.34 million).

(b) The Company is subject to tax under the Companies Income Tax Act as amended to date. Companies Income Tax and Tertiary Education Tax was not charged during the year as the Company did not have taxable or assessable profit For the year ended December 31, 2020 (2019: Nil). No deferred tax has been recorded on loss incurred to date by the Company because of the uncertainties around the recoverability of the losses (Note 12(e)).

(c) Reconciliation of effective tax rates

The tax on the Company's loss before tax differs from the theoretical amount as follows:

	<u>Dec 31 2020</u>	<u>Dec 31 2019</u>
	% ₦'000	₦'000
Profit/(loss) before minimum tax and income tax	(19,268,358)	(14,062,104)
Income tax using the statutory tax rate	30 (5,780,508)	(4,218,631)
Effect of:		
Movement in unrecognized deferred tax assets		-
Non-deductible expenses	(30) 5,780,508	4,218,631
Total income tax expense	<u>-</u>	<u>-</u>

(d) Movement in Income tax payable

	<u>Dec 31 2020</u>	<u>Dec 31 2019</u>
	₦'000	₦'000
Balance at January, 1	475,254	149,904
Payment during the year	-	(20,000)
Over provision in 2018 and 2019 Years of Assessment	(135,917)	(93,987)
Charge for the year (minimum tax (Note 12(a)))	544,258	439,337
Balance at December, 31	<u>883,595</u>	<u>475,254</u>

Notes to the Financial Statements

(e) Deferred tax assets

Deferred tax assets have not been recognised because it is not probable that future taxable profits will be available against which the Company can use the benefits therefrom.

	<u>Dec 31 2020</u>	<u>Dec 31 2019</u>
	<u>₦'000</u>	<u>₦'000</u>
Balance at January, 1	2,774,899	2,774,899
Deferred tax asset recognized in SOPL*	81,418,779	-
Balance at December, 31	<u>84,193,678</u>	<u>2,774,899</u>

* Comprising

Inventories	29,457	-
Trade and Other receivables	21,269,321	-
Unrelieved losses	26,430,676	-
Capital allowances	33,689,325	-
	<u>81,418,779</u>	<u>-</u>

Deferred Tax Liability

Balance at January 1		
Deferred tax liability recognized in SOPL**	30,645,500	-
Deferred tax liability recognized in other comprehensive income	13,269,186	-
Balance at December 31	<u>43,914,686</u>	<u>-</u>

** Comprising

Property, Plant and Equipment	30,020,556	-
Tariff shortfall	624,944	-
	<u>30,645,500</u>	<u>-</u>

Deferred Tax reported in Statement of Financial Position ("SOFP")

Deferred tax asset	84,193,678	-
Deferred tax liability	<u>(43,914,686)</u>	<u>-</u>
Balance at 31 December	<u>40,278,992</u>	<u>-</u>

Deferred Tax reported in Statement of Profit or Loss ("SOPL")

Deferred tax asset	81,418,779	-
Deferred tax liability	<u>(30,645,500)</u>	<u>-</u>
Balance at 31 December	<u>50,773,279</u>	<u>-</u>

13 Intangible assets

Intangible assets comprise the cost of computer software and billing system. The movement in the account during the year is as follows:

	Computer software licences	
	<u>Dec 31 2020</u>	<u>Dec 31 2019</u>
	<u>₦'000</u>	<u>₦'000</u>
Cost		
Balance at 1 January	2,649,334	2,060,344
Additions	65,446	588,990
Balance at 31 December	<u>2,714,779</u>	<u>2,649,334</u>
Accumulated amortisation		
Balance at 1 January	1,435,859	794,174
Charge for the year	689,040	641,685
Balance at 31 December	<u>2,124,899</u>	<u>1,435,859</u>
Carrying amount		
At December 31	<u>589,880</u>	<u>1,213,475</u>

Notes to the Financial Statements

14 Property, plant and equipment

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

	Land	Buildings	Distribution network assets	Office Furniture, Fittings and Equipment	Motor vehicles	Capital work in progress	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cost or valuation							
Balance at January 1, 2019	3,676,057	1,866,438	120,293,160	1,018,785	1,536,957	121,107	128,512,504
Additions	-	6,679	3,334,317	168,416	192,955	271,354	3,973,721
Transfers	-	-	9,153	-	-	(9,153)	-
Disposal	-	-	-	-	(261)	-	(261)
Balance at December 31, 2019	3,676,057	1,873,117	123,636,630	1,187,201	1,729,651	383,308	132,485,964
Balance at January 1, 2020	3,676,057	1,873,117	123,636,630	1,187,201	1,729,651	383,308	132,485,964
Additions	-	-	5,733,020	674,142	229,814	16,358	6,653,334
Transfers	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-
Balance at December 31, 2020	3,676,057	1,873,117	129,369,650	1,861,343	1,959,465	399,666	139,139,298
Depreciation							
Balance at January 1, 2019	-	186,645	19,570,563	482,605	879,254	-	21,119,067
Charge for the year	-	37,330	4,158,488	168,788	230,454	-	4,595,060
Disposal	-	-	-	-	(43)	-	(43)
Balance at December 31, 2019	-	223,975	23,729,051	651,393	1,109,665	-	25,714,084
Balance at January 1, 2020	-	223,975	23,729,051	651,393	1,109,665	-	25,714,084
Charge for the year	-	37,461	4,721,466	221,504	247,117	-	5,227,549
Disposal	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-
Balance at December 31, 2020	-	261,436	28,450,517	872,897	1,356,782	-	30,941,633
Carrying amounts							
At January 1, 2019	3,676,057	1,679,793	100,722,597	536,180	657,703	121,107	107,393,437
At December 31, 2019	3,676,057	1,649,142	99,907,579	535,808	619,986	383,308	106,771,880
At December 31, 2020	3,676,057	1,611,680	100,919,133	988,446	602,683	399,666	108,197,665

The revalued property, plant and equipment consists of land, building, plant and machinery, furniture, fittings and equipment and motor vehicles. Management determined that these constitute five classes of assets under IFRS 13, based on the nature, characteristics and risks of the property. Fair value of the properties were determined using the direct sales comparison and depreciated replacement cost methods. This means that valuations performed by the valuers were based on active market prices, significantly adjusted for differences in the nature, location, or condition of the specific property. As at the date of revaluation on December 31, 2020, the properties fair values were based on valuations performed by Oni Ibutoye and Co.(Estate Surveyors), an accredited independent valuer who has valuation experience for similar properties in Nigeria Fair value measurement disclosures for revalued property, plant and equipment are provided in note 5(d)(v).

(b) Carrying amount as at Dec.31, 2020	3,676,057	1,611,680	100,919,133	988,446	602,683	399,666	108,197,665
Revaluation surplus	616,644	374,292	43,191,101	(463,669)	512,253	-	44,230,621
Fair value as at Dec 31,2020	4,292,701	1,985,972	144,110,234	524,777	1,114,936	399,666	152,428,286

(c) Capital work-in progress represents costs incurred in respect of property, plant and equipment ("PPE") items in store and ongoing works with respect to substations. These costs will be transferred to the various asset classes on completion.

Notes to the Financial Statements

15 Inventories

Inventories comprise:

	Dec 31 2020	Dec 31 2019
	N'000	N'000
Distribution materials - Tripping units, circuit breakers, poles etc.	692,302	1,160,135
Cables and conductors	40,123	57,797
Capital items - 15MVA, 50 - 500KVA etc. transformers	107,832	94,523
General stores - Feeder pillar units, insulators etc.	161,272	164,938
Stationeries	11,997	17,576
Tools - Safety equipments and materials.	8,524	7,759
Meters *	3,282,407	4,333,897
Provision for obsolescence	(98,190)	(154,485)
	<u>4,206,267</u>	<u>5,682,140</u>

* Included in Meters are distribution transformer meters which were ordered and delivered to stores close to year end, to be installed in subsequent year.

16 Trade and other receivables

	Dec 31 2020	Dec 31 2019
	N'000	N'000
Trade receivables	138,366,658	148,022,918
Less :Allowance for impairment (Note 16(a))	(70,897,735)	(99,969,966)
Trade receivables, net	67,468,923	48,052,952
Due from related parties (Note 23(b))	-	6,038,350
Other receivables (Note 16(b))	1,069,910	1,102,931
Regulatory receivables *	296,092,634	242,538,782
	<u>364,631,466</u>	<u>297,733,015</u>

* The amount represents trade receivables due to tariff shortfall recognition from 2015 to 2019 in line with NERC Order No. NERC/GL/174 and NERC/GL/188B/2019 dated August 19, 2019 and December 31, 2019 respectively. The tariff shortfall is expected to be fully settled under the financing plan of the Power Sector Recovery Plan ("PSRP") initiative approved by the Federal Government.

Information about the Company's exposure to credit and market risks for trade and other receivables is included in Note 27.

(a) Movement in the allowance for impairment during the year was as follows:

	Dec 31 2020	Dec 31 2019
	N'000	N'000
Opening balance	(99,969,966)	(74,052,443)
Net Decrease/(Increase) in allowance for impairment (16 (a)(i))	(21,122,117)	(25,917,523)
Write off of impairment	50,194,348	-
	<u>(70,897,735)</u>	<u>(99,969,966)</u>
(i) Net Decrease/(Increase) in allowance for impairment	(21,122,117)	(25,917,523)
Additions for the year	<u>(21,122,117)</u>	<u>(25,917,523)</u>

Notes to the Financial Statements

(b) Other receivables comprise:

	Dec 31 2020	Dec 31 2019
	₦'000	₦'000
Recoverable legacy debts (Note 16(b(i)))	842,952	1,049,390
Employee receivables	112	1,241
Other receivables	226,846	52,300
	<u>1,069,910</u>	<u>1,102,931</u>

(i) Recoverable legacy debts represent debts owed to gas producers and the Nigerian Gas Company Limited by the Power Holding Company of Nigeria ("PHCN"), before the acquisition of 60% of the shares of IBEDC by its parent Company; Integrated Energy Distribution and Marketing ("IEDM") Limited. The gas companies were reluctant to provide more gas to the privatised generation companies, until all or some of these debts were settled. Central Bank of Nigeria ("CBN") settled these legacy debts on behalf of the Company from the intervention loan given to distribution companies. The debts are expected to be recovered from subsequent billings to customers as stated in the Multi Year Tariff Order ("MYTO") II. The Company began systematic amortization of the debt to the income statement in 2016. The amortization recognised in 2020 was ₦206.44 million (2019: ₦206.44 million).

17 Prepayments

	Dec 31 2020	Dec 31 2019
	₦'000	₦'000
Rent	56,484	39,379
Insurance	43,815	38,672
Vendors	3,744,897	1,216,992
CAPMI	-	36,162
ICAP (Note 22(b))	-	38,448
Others	66,168	584
	<u>3,911,364</u>	<u>1,370,237</u>

18 Cash and cash equivalents

	Dec 31 2020	Dec 31 2019
	₦'000	₦'000
Bank balances *	16,395,577	8,220,699
Cash in hand	4,645	4,626
	<u>16,400,222</u>	<u>8,225,325</u>

* The Company held cash of ₦16.40 billion as at year end (2019: ₦8.23 billion) with banks and financial institutions operating in Nigeria (including an amount of ₦5.06 billion, being hypothecation of cash collateral for bank guarantee issued in favour of Nigeria Bulk Electricity Trading Plc. ("NBET") and Operator of the Nigeria Electricity Market ("ONEM")).

19 Share capital and reserves

(a) Share capital

	Dec 31 2020	Dec 31 2019
	₦'000	₦'000
Authorised:		
20,000,000 ordinary shares of ₦0.50 each	<u>10,000</u>	<u>10,000</u>
Issued and fully paid:		
10,000,000 ordinary shares of ₦0.50 each	<u>5,000</u>	<u>5,000</u>
Issued and fully allotted:		
10,000,000 ordinary shares of ₦0.50 each	<u>5,000</u>	<u>5,000</u>

Notes to the Financial Statements

(b) Revaluation reserve

	Dec 31 2020	Dec 31 2019
	N'000	N'000
Opening Balance	47,434,358	47,434,358
Additions	44,230,621	-
Deferred tax	(13,269,186)	-
Asset recapitalisation - PPE *	<u>78,395,793</u>	<u>47,434,358</u>

* This refers to revaluation of PPE by the Company. An initial revaluation exercise was done as at December 31, 2013 after acquisition from Power Holding Company of Nigeria ("PHCN").

(c) Retained Earnings

Retained earnings are carried forward recognised income/(loss) net of expenses plus current year profit/(loss) attributable to shareholders. The movement in retained earnings during the year is as follows:

	2020	2019
	N'000	N'000
Opening Balance as at January 1,	16,163,511	(116,910,034)
Profit/(loss) for the year	30,960,663	(11,970,769)
Adjustment on NBET Bill for the month of May 2019	(5,405)	-
Credit Advice on NBET Bill for Feb 2015 to Dec 2018	4,747,035	-
Over provision for Obsolete Inventory	56,296	-
Tariff shortfall for the year 2019	9,228,218	-
VAT billed written off	2,390,207	-
Tariff shortfall write back *	-	161,875,782
Tax overprovision in 2018 and 2019 Years of Assessment	-	93,987
Interest on MO bills from 2015 to 2018	-	(16,925,455)
Closing Balance as at December 31,	<u>63,540,524</u>	<u>16,163,511</u>

Notes to the Financial Statements

20 Trade and other payables

	Dec 31 2020	Dec 31 2019
	₦'000	₦'000
Trade payables (Note 20(a))	400,680,900	324,395,825
Statutory deductions (Note 20(b))	84,326	235,307
Accruals	448,226	742,306
	<u>401,213,452</u>	<u>325,373,438</u>
Other payables (Note 20(c))	16,841,827	13,254,899
	<u>418,055,279</u>	<u>338,628,337</u>

The Company's exposure to liquidity and market risks for trade and other payables is included in Note 27 (b) and (c).

(a(i)) Trade payables comprise amount due to the Nigerian Bulk Electricity Trading Plc. ("NBET") and the Transmission Company of Nigeria ("TCN") also referred to as Market Operator ("MO"). The significant increase in the current year's trade payable was as a result of the interest on outstanding NBET bills which have been on steady increase since 2015. Following NERC Order No. NERC/GL/174 of July 01, 2019, IBEDC's minimum remittance was fixed as 26.2% of NBET bills and 100% of MO bills, with the balance of 73.8% outstanding as payable to NBET since then.

Below is the analysis of NBET and MO payable as at year end:

	Dec 31 2020	Dec 31 2019
	₦'000	₦'000
NBET Bills	269,844,819	198,031,491
MO Bills	13,255,082	33,411,467
Interest on NBET Bills	100,446,982	75,818,850
Interest on MO Bills	17,134,017	17,134,017
	<u>400,680,899</u>	<u>324,395,825</u>

(a(ii)) Interest on NBET and MO Bills

During the year, MO billed IBEDC an interest of ₦17.13 billion from February, 2015 up until October, 2019. In accordance with NERC Order number NERC/GL/188B/2019 with an effective date of January 1, 2020 and the Power Sector Recovery Plan ("PSRP") approved by the Federal Government of Nigeria, all interest payable on unpaid invoices issued by NBET and MO, which are attributable to tariff shortfall shall be taken off the balance sheet of the Company. This reversal of the interest has not been given effect in these financial statements but shown as part of trade payables to NBET and MO as noted in (a(i)) above. This will so remain until the applicable liability in the form of Regulatory Asset as shown in Note 16 is paid to the Electricity Generating Companies ("GENCOs") from the Payment Assurance Facility ("PAF") or other funding sources in the PSRP financing plan.

(b) Included in Statutory deductions are National Housing Fund Scheme ("NHFS") deduction, Pay As You Earn ("PAYE"), Retirement Savings Accounts ("RSA") etc. The reclassification of some balances from statutory deductions to accruals have been effected in 2020.

(c) Included in other payables is ₦8.45 billion being VAT on trade receivables (2019: ₦7.9 billion).

21 Deferred income

	Dec 31 2020	Dec 31 2019
	₦'000	₦'000
MAP Meter cost *	-	78,501
	<u>-</u>	<u>-</u>

* Amount represents cash received from Meter Assets Providers ("MAP") customers for which meters have been installed but the contractual terms were yet to be agreed with customers as at year end.'

** Amount represents NBET liability balance pending reconciliation with the Company as at year end.

Notes to the Financial Statements

22 Loans and borrowings

	Dec 31 2020	Dec 31 2019
	₦'000	₦'000
CAPMI payables (Note 22(a))	1,472,883	1,871,027
ICAP payables (Note 22(b))	721,590	747,113
CBN NEMSF Loan (Note 22(c))	16,872,787	18,250,980
MAP payable (Note 22(d))	1,715,108	116,890
Metering loan NMMP	783,919	-
	<u>21,566,287</u>	<u>20,986,010</u>

- (a) On the 1st of November 2016, the Credited Advance Payment for Metering Implementation ("CAPMI") scheme operated by DisCos in Nigeria was cancelled by the Minister of Power, Work and Housing. Through various media, customers were assured of the Company's commitment to meter all unmetered customers who had paid as at the date of winding-up of the scheme. Amount outstanding is the total refund (energy credit) payable to CAPMI customers as at December 31, 2020.
- (b) IBEDC Credited Advance Payments ("ICAP") was a scheme designed by management to replace the ceased CAPMI scheme for customers who are willing to finance their meter and would be refunded within a period of three years through energy credit. Also, this scheme has been cancelled by the Minister of Power, Work and Housing.
- (c) This is a commercial loan facility sponsored by CBN and NERC to enable repayment of Interim period revenue shortfall and certain identified legacy debts owed by Nigerian Electricity Supply Industry players and accrued up to the 1st November 2013 handover date. This loan is expected to be recovered from customers over a period of ten (10) years through the electricity retail tariff. Amount provided to IBEDC was ₦26.63 billion, out of which a total of ₦24.99 billion has been disbursed. The Principal amount outstanding as at December 31, 2020 is ₦14.66 billion (2019: ₦17.43 billion) which has been fair valued to ₦16.87 billion as at year end (2019: ₦18.25 billion).
- (d) MAP are companies licensed by the NERC to procure and install meters for customers of electricity distribution companies under MAP regulation 2018. IBEDC had received payment from customers for meters and was yet to supply the meters as at year end.

23 Related party transactions

(a) Parent and ultimate controlling party

Integrated Energy Distribution and Marketing ("IEDM") Limited acquired 60% of the Company's shares from BPE and the Federal Ministry of Finance Incorporated pursuant to a Share Sale Agreement dated February 21, 2013. As a result, the parent Company is IEDM.

Notes to the Financial Statements

(b) Due from related parties

Due from related parties comprises:
Integrated Energy Distribution and Marketing Limited

	Dec 31 2020	Dec 31 2019
	N'000	N'000
Opening balance	6,038,350	6,174,698
Interest capitalised	116,837	(743,700)
Repayment	(6,155,187)	607,352
	<u>-</u>	<u>6,038,350</u>

(c) Transactions with key management personnel

Key management personnel compensation comprised:

	Dec 31 2020	Dec 31 2019
	N'000	N'000
Salaries	885,245	837,892
Employer Pension Contribution	38,980	35,891
	<u>924,225</u>	<u>873,783</u>

(d) Composition of Key Management Personnel

Managing Director/CEO	1
General Manager	8
Assistant General Manager	19
Principal Manager	11

Other than as detailed above, in terms of compensation, there were no transactions between key management personnel and the Company. From time to time, Directors of the Company, or their related entities, may purchase energy from the Company. These purchases are on the same terms and conditions as those entered into by other Company employees and customers.

24 Contingencies

(a) Contingent liabilities

The Directors, based on independent legal advice obtained, as well as their understanding of the Share Sale Agreement between IEDM, BPE and the Ministry of Finance Incorporated ("MoFi") are of the opinion that all trade receivables and pre-acquisition liabilities as at October 31, 2013 have been effectively transferred. The Company does not have an estimate of those debtors and liabilities since in its view this is the responsibility of Nigerian Electricity Liability Management Company Limited ("NELMCO").

The Company believes that it will neither realise those receivables nor settle any liabilities existing as at October 31, 2013 and as such, no recognition of provision is required. In the process of agreeing the individual trade debtors and liabilities, certain items are identified and agreed to be borne by the Company, the amounts would be recorded in the period they were identified.

(ii) Litigations and claims

The Company is involved in certain litigations and claims (separate from those taken over by NELMCO). Maximum exposure based on the damages being claimed by the litigants amounts to N21.61 million (2019: N21.61 million). The Directors, based on a review of the circumstances of each claim, believe the risk of material loss to the Company is remote and as such no provisions have been recorded.

Notes to the Financial Statements

(b) Contingent assets

The Company is involved in other actual legal proceedings and claims with which there are possible inflow based on the damages being claimed which amounts to ₦105 million (2019: ₦105 million). Although the ultimate result of these legal proceedings cannot be predicted with certainty, it is the opinion of the Company's Management that the outcome of any pending claim be disclosed.

25 Events after the reporting period

There were no events after the reporting date which could have had any material effect on the loss before tax for the year ended December 31, 2020 which have not been adequately provided for or disclosed in these Financial Statements. However, there was a takeover action on the company by Assets Management Corporation of Nigeria ("AMCON"); Bureau of Public Enterprises ("BPE"); and the Nigerian Electricity Regulatory Commission ("NERC"), hence the restructuring of its board and management.

This event is considered to have a material effect on the state of affairs of the Company, and has resulted in the Financial Statements being signed by Ahmed Kuru - Chairman; Kingsley Achife - Managing Director, and Oluwaseyi Akinwale - Chairman, Board Audit Committee; and Akeem Babatunde as Company Secretary. We have since obtained evidence of these changes at the corporate Affairs Commission ("CAC").

26 Going concern

The Company reported a loss before tax of ₦17.23 billion for the year ended December 31, 2020 (2019: ₦11.53 billion) and as of that date, the Company's total assets exceeded its total liabilities by ₦77.78 billion (2019: total assets exceeded total liabilities by ₦63.60 billion). The Company has historically incurred losses due to the existing electricity pricing regime which did not allow the recovery of costs through price increases.

27 Financial Instruments - Fair Values and financial risk management

Due to the transition method chosen, comparative information has not been restated to reflect new requirements.

A Measurement of fair values

The valuation method adopted is the discounted cash flows. This method uses the present value of the expected future payments which are discounted using the rate at which the Company would have assessed funds from the bank.

B Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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 Board of Directors is also responsible for developing and monitoring the Company's risk management policies.

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. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Board Audit Committee 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. The Board Audit Committee is assisted in its oversight role by Internal Audit, which undertakes both regular and adhoc reviews of risk management controls and procedures, and report to the Committee.

Notes to the Financial Statements

(a) Credit risk

Credit risk is the risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from the Company's receivables from customers and government related entities.

The Company's credit risk exposure on cash is minimized substantially by ensuring that cash is held with Nigerian financial institutions.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>Dec 31 2020</u>	<u>Dec 31 2019</u>
	<u>₦'000</u>	<u>₦'000</u>
Trade and other receivables	364,631,466	297,733,015
Cash at bank	16,400,222	8,225,325
	<u>381,031,689</u>	<u>305,958,340</u>

Trade and other receivables

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 individual characteristics of each customer.

In monitoring credit risk, customers are grouped according to their credit characteristics, including whether they are maximum demand or non-maximum demand customers, and whether they are private individuals/companies, government institutions or military establishments. No security is provided for the electricity supplied, though the Company retains the right to disconnect non-paying customers to enforce collections.

Trade receivables

	<u>Maximum Demand</u>	<u>Non-maximum Demand</u>	<u>Total</u>
	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>
<i>2020</i>			
<i>Private individuals/companies</i>	15,782,397	115,585,377	131,367,774
<i>Government institutions</i>	5,904,152	1,094,732	6,998,884
<i>Total</i>	<u>21,686,549</u>	<u>116,680,109</u>	<u>138,366,658</u>
	<u>Maximum Demand</u>	<u>Non-maximum Demand</u>	<u>Total</u>
	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>
<i>2019</i>			
<i>Private individuals/companies</i>	9,477,130	133,093,030	142,570,160
<i>Government institutions</i>	4,550,162	902,595	5,452,757
<i>Total</i>	<u>14,027,292</u>	<u>133,995,625</u>	<u>148,022,917</u>

At December 31, 2020, the ageing of trade receivables is as follows:

	<u>Dec 31 2020</u>	<u>Dec 31 2019</u>
	<u>₦'000</u>	<u>₦'000</u>
Current	7,459,056	6,983,671
Past due 0-30 days	5,452,029	5,046,967
Past due 31-90 days	4,636,205	4,303,581
Past due 91-120 days	4,237,328	3,956,449
Past due 120 days and above	116,582,040	127,732,250
	<u>138,366,658</u>	<u>148,022,918</u>

The movement in the allowance for impairment in respect of trade receivables during the year is as follows:

Notes to the Financial Statements

	Dec 31 2020	Dec 31 2019
	N'000	N'000
Balance at 1 January	99,969,966	74,052,443
Net impairment loss recognised (Note 16(a))	(29,072,231)	25,917,523
Balance at 31 December	<u>70,897,735</u>	<u>99,969,966</u>

Expected credit loss assessment for customers as at December 31, 2020

An allowance matrix is adopted by the Company to measure the Expected Credit Losses ("ECLs") of trade receivables from customers. Loss rates are based on actual credit loss experienced over the past three 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.

Loss rates are calculated separately for exposures in different segments based on the following common credit risk characteristics - geographic region, metering status and volume of consumption.

The following table provides information relating to exposure to credit risk and ECLs for trade receivables from customers as at December 31, 2020.

	Weighted average loss rate	Gross Carrying Amount (N)	Loss Allowance (N)
Prepaid customer (PPM) *	5%	1,469,676	73,484
Government agencies	5%	6,526,242	326,312
Metered maximum demand customer	15%	9,660,609	1,449,091
Metered maximum demand customer (M.A.N.) **	100%	8,667,420	8,667,420
Unmetered maximum demand customer	35%	3,072,665	1,075,433
Metered non-maximum demand customer (High tier) C1, D1	25%	3,489,991	872,498
Metered non-maximum demand customer (Middle tier) R2	35%	14,809,483	5,118,157
Metered non-maximum demand customer (Low tier) R1	65%	135,656	88,176
Metered Others (A1, S1)	10%	374,016	37,402
Unmetered non-maximum demand customer (High tier) C1, D1	55%	16,013,739	8,807,556
Unmetered non-maximum demand customer (Middle tier) R2	60%	70,301,749	42,181,049
Unmetered non-maximum demand customer (Low tier) R1	64%	957,549	612,831
Unmetered Others (A1, S1)	55%	2,887,864	1,588,325
Total		<u>138,366,659</u>	<u>70,897,734</u>

* This relates to debts from postpaid customers who have migrated to prepaid. Outstanding debts are factored to the prepaid database and deducted on a monthly basis from customer's vending over a period of time as agreed with the respective customers (usually 6 - 24 months).

** This relates to N8.67 billion which was as a result of an injunction order obtained by Manufacturers Association of Nigeria ("MAN"). Refer to Note 16.

The ECL table above is not inclusive of expected credit loss on regulatory receivables.

(a) Credit risk (Cont'd)

Management monitors the Company's trade and other receivables for indicators of impairment.

The Directors have recorded an impairment allowance amounting to N21.11 billion (2019: N25.92 billion) with respect to the outstanding trade receivables at the year end. The impairment is required mainly to cater for the losses that arose from the difficulties in enforcing payments from certain classes of customers due to certain geographical challenges such as coverage and accessibility.

Notes to the Financial Statements

The Company believes that past due amounts not impaired are collectible as follows:

- It retains the right to disconnect the customers and based on historical patterns, collections improve after disconnections.
- Current metering plan will convert a significant number of these customers to prepaid and outstanding balances will be recovered through the prepaid platform.
- Commitments from the Accountant General of the Federation and Federal Ministry of Power that amounts due from government parastatals will be paid for through deductions from their allocations.

It is also important to note that the Company has strategies to minimize credit losses going forward as follows:

- Investment in prepaid meters and conversion of more post paid customers to prepaid;
- More efficient internal processes e.g. timely billings and delivery of bills, system automation of billings and collections, system of issuing letters of demand and notices to non-paying customers;
- Involvement of the Minister of Finance in enforcing collection of receivables from government agencies;
- Aggressive disconnections;
- Setting Key Performance Indices ("KPI") for employees to drive debt collections.

Cash at bank

The Company held cash of ₦16.39 billion as at year end (2018: ₦8.23 billion) with banks and financial institutions operating in Nigeria (including an amount of ₦4.65 billion, being hypothecation of cash collateral for bank guarantee issued in favour of Nigeria Bulk Electricity Trading Plc. ("NBET") and Operator of the Nigeria Electricity Market ("ONEM")).

(b) Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or any other financial asset. Management's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damaging the Company's reputation.

In order to manage liquidity risks and ensure that it has sufficient cash to match outflows expected in the normal course of its business, the Company is doing the following:

- Intensifying efforts to collect trade receivables.
- Restructuring trade payables which are due to NBET and ONEM into a long term facility. This will reduce the cashflow demand in the short to medium term.
- Intensifying discussion with NERC to address market shortfall.

The following are the contractual maturities of financial liabilities including estimated interest payments:

	Carrying amount	Contractual cash flows			
		Total	0 - 3 Months	4 - 12 Months	Above 1 year
	₦'000	₦'000	₦'000	₦'000	₦'000
Non-derivative financial liabilities					
December 31, 2020					
Trade and other payables	418,055,279	442,993,011	442,993,011	-	-
Loans and borrowings	17,656,706	17,656,706	-	-	17,656,706
CAPMI/ICAP payables	2,194,473	2,194,472	2,194,472	-	-
MAP payables	1,715,108	1,715,108	1,715,108	-	-
	439,621,566	464,559,297	446,902,591	-	17,656,706

Notes to the Financial Statements

Non-derivative financial liabilities

December 31, 2019

Trade and other payables	338,628,337	338,628,337	338,628,337	-	-
Loans and borrowings	18,250,980	18,250,980	-	-	18,250,980
CAPMI/ICAP payables	2,618,140	2,618,140	2,618,140	-	-
MAP payables	116,890	116,890	116,890	-	-
	<u>359,614,347</u>	<u>359,614,347</u>	<u>341,363,367</u>	<u>-</u>	<u>18,250,980</u>

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates 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 has no exposure to currency risks as all of its transactions are maintained in Naira.

(d) Fair values

Fair values versus carrying amounts

The table below shows the classification of financial assets and financial liabilities of the Company not measured at fair value. These carrying amounts shown are a reasonable approximation of the fair values of the financial assets and financial liabilities.

	Receivables	Other financial assets	Total
	N'000	N'000	N'000
December 31, 2020			
Financial assets not measured at fair value			
Trade and other receivables	364,631,466	-	364,631,466
Cash and cash equivalents	16,400,222	-	16,400,222
	<u>381,031,689</u>	<u>-</u>	<u>381,031,689</u>
December 31, 2020			
Financial liabilities not measured at fair value			
Trade and other payables	-	418,055,279	418,055,279
Loans and borrowings	17,656,706	-	17,656,706
ICAP and CAPMI payables	-	2,194,473	2,194,473
MAP payables	-	1,715,108	1,715,108
	<u>17,656,706</u>	<u>421,964,860</u>	<u>439,621,566</u>

Notes to the Financial Statements

	Receivables	Other financial Assets	Total
	N'000	N'000	N'000
December 31, 2019			
Financial assets not measured at fair value			
Trade and other receivables	297,733,015	-	297,733,015
Cash and cash equivalents	8,225,325	-	8,225,325
	<u>305,958,340</u>	<u>-</u>	<u>305,958,340</u>
	Loans and Borrowings	Other financial liabilities	Total
	N'000	N'000	N'000
December 31, 2019			
Financial liabilities not measured at fair value			
Trade and other payables	-	338,628,337	338,628,337
Loans and borrowings	18,250,980	-	18,250,980
ICAP and CAPMI payables	-	2,618,140	2,618,140
MAP payables	-	116,890	116,890
	<u>18,250,980</u>	<u>341,363,367</u>	<u>359,614,347</u>

28 Operating leases

(a) Leases as lessee

The Company leases a number of buildings under operating leases. The leases typically run for a period of 1 year, with an option to renew the lease after that date. Lease payments are renegotiated when necessary to reflect market rentals.

Some leases provide for additional rent payments that are based on changes in local price indices.

(i) Future minimum lease payments

At December 31, 2020, the future minimum lease payments under non-cancellable leases were payable within 1 year and amounted to N56.48 million (2019: N39.38 million).

(ii) Amounts recognised in profit or loss

Lease expenses recognised in profit or loss during the year amounted to N85.48 million (2019: N89.48 million). This is included in administrative expenses as rent expense.

29 Changes in significant accounting policies

The effects of initially applying IFRS 9 and IFRS 15 are:

(a) IFRS 15 Revenue from Contracts with Customers

Billing of unmetered customers

Unmetered customers are billed by estimated reading from the feeder. Metered customers (postpaid and prepaid) are billed based on energy consumed, however, the difference between energy supplied and energy billed to postpaid and prepaid customers relates to unaccounted energy billed against unmetered customers.

Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.

Notes to the Financial Statements

Where the entity has performed by transferring a good or service to the customer and the customer has not yet paid the related consideration, a contract asset or a receivable is presented in the statement of financial position, depending on the nature of the entity's right to consideration. A contract asset is recognised when the entity's right to consideration is conditional on something other than the passage of time.

A contract liability is presented in the statement of financial position where a customer has paid an amount of consideration prior to the entity performing by transferring the related good or service to the customer.

Non-paying customers: Under IAS 18, revenue from customers that fall in this category was not recognised as the revenue recognition criteria was not met. However, under IFRS 15 contracts which were initially assessed as not meeting the revenue recognition criteria were re-assessed, and subsequently recognised as revenue when all the revenue recognition criteria were met.

Revenue from Manufacturers Association of Nigeria ("MAN") - Nigerian Electricity Regulatory Commission ("NERC") increased electricity tariff (MYTO 2.1) in 2015. Consequently MAN took NERC to court seeking a reversal of the increase. Due to this development, MAN members were paying the old tariff (MYTO 2 (2014)) while IBEDC billed them with the new tariff. Under IAS 18, revenue was not recognised as economic benefits associated with the transaction did not flow to the company.

30 New standards and amendments or interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2019 and early application is permitted. However, the Company has not applied the new or amended standards in preparing these financial statements, because they are not applicable.

Effective for the financial year commencing January 1, 2019

- IFRS 16 *Leases*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- IFRS 9 Amendments *Prepayment Features with Negative Compensation and Modifications of Financial Liabilities*
- IAS 19 *Employee Benefits (Amended)*

Effective for the financial year commencing January 1, 2020

- Amendments to IAS 1 and IAS 8 *Definition of Materiality*
- Conceptual Framework *(Amended)*
- IFRS 3 *Definition of a Business (Amended)*

All Standards and Interpretations will be adopted at their effective date (except for those that are not applicable to the entity).

IFRS 10 (Consolidated Financial Statements), IFRS 12 (Disclosure of Interests in Other Entities) and IAS 28 (Long Term Interests in Associates and Joint Ventures), Equity method in Separate Financial Statements (Amendments to IAS 27), Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41), Regulatory Deferral Accounts (IFRS 14), Accounting for Acquisitions of Interest in Joint Operations (Amendment to IFRS 11), Clarification of Acceptable Methods of Depreciation and Amortisation (Amendment to IAS 16 and IAS 38) are not applicable to the business of the entity and will therefore have no impact on future financial statements.

Notes to the Financial Statements

The Directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

IFRS 16 Leases

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as operating leases or finance leases as required by IAS 17 and introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

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

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 *Income Taxes*.

The Company has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing:

- (a) If the Company concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.
- (b) If the Company concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019.

IFRS 9 Amendment *Prepayment Features with Negative Compensation*

This is a narrow-scope amendment to IFRS 9 to enable companies to measure at amortized cost some prepayable financial assets with negative compensation. The assets affected, that include some loans and debt securities, would otherwise have been measured at fair value through profit or loss ("FVTPL").

Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortized cost measurement, the negative compensation must be "reasonable compensation for early termination of the contract".

Notes to the Financial Statements

IFRS 9 Amendment *Modification of Financial Liabilities*

The IASB ("Board") confirmed the tentative view of the Interpretations Committee that when a financial liability measured at amortized cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

This will impact all Companies, particularly those applying a different policy for recognising gains and losses today. Under IAS 39 *Financial instruments: Recognition and measurement*, many Companies did not recognise a gain or loss at the date of modification of a financial liability. Instead the difference between the original and modified cash flows was amortized over the remaining term of the modified liability by re-calculating the effective interest rate. This will need to change on transition to IFRS 9 because the accounting will change.

While it is not expected that entities are required to change their existing accounting policy under IAS 39, the impact on transition to IFRS 9 should be considered. IFRS 9 is required to be applied retrospectively; therefore, modification gains and losses arising from financial liabilities that are still recognised at the date of initial application (e.g. January 1, 2018 for calendar year end companies) would need to be calculated and adjusted through opening retained earnings on transition.

IAS 19 *Employee Benefits (Amended)*

In February 2018, IASB issued amendments to IAS 19 *Employee Benefits* which address the accounting when a plan amendment, curtailment or settlement occurs during the reporting period. The amendments require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after such an event.

The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. The amendments do not address the accounting for 'significant market fluctuations' in the absence of a plan amendment, curtailment or settlement. The amendments apply to plan amendments, curtailments or settlements that occur on or after January 1, 2019, with earlier application permitted.

Amendments to IAS 1 and IAS 8 *Definition of Materiality*

IASB has issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves.

Three new aspects of the new definition should especially be noted:

Obscuring: The existing definition only focused on omitting or misstating information, however, the Board concluded that obscuring material information with information that can be omitted can have a similar effect. Although the term obscuring is new in the definition, it was already part of IAS 1 (IAS 1.30A).

Could reasonably be expected to influence: The existing definition referred to 'could influence' which the Board felt might be understood as requiring too much information as almost anything 'could' influence the decisions of some users even if the possibility is remote.

Primary users: The existing definition referred only to 'users' which again the Board feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose.

The new definition of material and the accompanying explanatory paragraphs are contained in IAS 1 Presentation of Financial Statements. The definition of material in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors has been replaced with a reference to IAS 1.

The amendments are effective for annual reporting periods beginning on or after January 1, 2020 and the Company intends to adopt these amendments for the same year beginning.

Notes to the Financial Statements

Conceptual Framework (Amended)

The Conceptual Framework for Financial Reporting (Conceptual Framework) describes the objective and concepts for general purpose financial reporting. It is a practical tool that helps the IASB to develop requirements in IFRS Standards based on consistent concepts. Consideration of these concepts, in turn, should result in the IASB developing IFRS Standards that require entities to provide financial information that is useful to investors, lenders and other creditors.

The IASB decided to revise the Conceptual Framework because some important issues were not covered and some guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- (a) a new chapter on measurement;
- (b) guidance on reporting financial performance
- (c) improved definitions of an asset and a liability, and guidance supporting these definitions; and
- (d) clarifications on important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

The Company will adopt this amendment for the year ending December 31, 2020.

IFRS 3 Definition of a Business (Amended)

IASB or (Board) issued amendments to the definition of a business in IFRS 3 *Business Combinations*. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments: clarify the minimum requirements for a business; remove the assessment of whether market participants are capable of replacing any missing elements; add guidance to help entities assess whether an acquired process is substantive; narrow the definitions of a business and of outputs; and introduce an optional fair value concentration test. The Board also added examples to illustrate the application of the guidance in IFRS 3 on the definition of a business.

The Board expects that the amendments to IFRS 3 and the equivalent amendments made to US GAAP in 2017 will lead to more consistency in applying the definition of a business across entities applying IFRS and entities applying US GAAP.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after January 1, 2020 and apply prospectively and will be adopted by the Company beginning from this period.

Other national disclosures

Other National Disclosures

Value Added Statement

For the year ended December 31, 2020

	<u>Dec 31 2020</u>	%	<u>Dec 31 2019</u>	%
	N'000		N'000	
Revenue	165,885,025		167,805,956	
Brought in materials and services				
- Local	(94,742,936)		(104,526,175)	
	<u>71,142,089</u>		<u>63,279,781</u>	
Finance income	252,191		1,052,286	
	<u>71,394,280</u>	<u>100</u>	<u>64,332,067</u>	<u>100</u>
To employees:				
- Wages, salaries and other staff costs	6,921,263	10	6,386,887	(26)
To providers of finance:				
- Finance cost and similar charges	27,051,507	38	38,322,343	(108)
To government as:				
- Taxes	544,258	-	439,337	-
Retained in the business:				
To maintain and replace:				
- Property, plant and equipment	5,227,549	8	4,595,060	(22)
- Intangible assets	689,040	-	641,685	(2)
- To augment/(deplete) reserve	30,960,663	43	13,946,755	258
	<u>71,394,280</u>	<u>99</u>	<u>64,332,067</u>	<u>100</u>

Five Years Financial Summary

Statement of profit or loss and other comprehensive income

	2020	2019	2018	2017	2016
	N'000	N'000	N'000	N'000	N'000
Revenue	165,885,025	167,805,956	81,721,119	70,182,887	61,378,229
Loss before income tax	(19,268,358)	(11,531,432)	(58,716,980)	(58,364,123)	(16,119,956)
Loss for the year	30,960,663	(11,970,769)	(58,819,144)	(58,451,863)	(11,195,914)
(loss) / income for the year	<u>61,922,098</u>	<u>(11,970,769)</u>	<u>(58,819,144)</u>	<u>(58,451,863)</u>	<u>(11,195,914)</u>

Statement of financial position

	2020	2019	2018	2017	2016
	N'000	N'000	N'000	N'000	N'000
Employment of funds					
Property, plant and equipment	152,428,286	106,771,880	107,393,437	108,655,258	109,622,689
Intangible Asset	589,880	1,213,475	1,266,170	1,109,530	74,033
Deferred tax assets	84,193,678	2,774,899	2,774,899	2,774,899	-
Deferred tax liabilities	-	-	-	-	(8,097,248)
Loans and borrowings	(21,566,287)	(20,986,010)	(22,752,086)	(25,930,855)	(26,129,691)
Net current liabilities	<u>(29,789,554)</u>	<u>(26,171,375)</u>	<u>(158,153,096)</u>	<u>(97,260,364)</u>	<u>(2,682,081)</u>
Net assets	<u>185,856,003</u>	<u>63,602,869</u>	<u>(69,470,676)</u>	<u>(10,651,532)</u>	<u>72,787,702</u>
Funds employed					
Share capital	5,000	5,000	5,000	5,000	5,000
Retained earnings	63,540,524	16,163,511	(116,910,034)	(58,090,890)	25,348,344
Revaluation reserves	78,395,793	47,434,358	47,434,358	47,434,358	47,434,358
	<u>141,941,317</u>	<u>63,602,869</u>	<u>(69,470,676)</u>	<u>(10,651,532)</u>	<u>72,787,702</u>