2019

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 Mr. John Donnachie
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:	Polaris Bank Limited United Bank for Africa Plc. First City Monument Bank Plc. Keystone Bank Limited Access Bank Plc. Heritage Bank Plc.

Financial Highlights

Major statement of profit or loss items For the year ended:	**Dec 31, 2019 ₦'000**	**Dec 31, 2018 ₦'000**
Sale of electricity	167,805,956	81,721,119
Cost of electricity	(98,168,567)	(86,812,048)
Loss before taxation	(11,531,432)	(58,716,980)
Taxation	(439,337)	(102,164)
Other Comprehensive Income	-	-
Loss for the year	(11,970,769)	(58,819,144)
Major statement of financial position items		
Total asset	423,770,971	172,044,600
Equity	63,602,869	(69,470,676)
Net asset/(liability) per share	6,360	(6,947)
Loss per share	(1,197)	(5,882)

Key financial ratios	**Dec 31, 2019**	**Dec 31, 2018**
Current ratio (Times)	0.92	0.28
Quick ratio (Times)	0.91	0.26
Cash ratio (Times)	0.02	0.04
Receivable turnover ratio (Times)	0.97	2.21
Asset turnover ratio (Times)	0.40	0.47
Loss per share (Kobo)	(119,708)	(588,191)
Debt-equity ratio (Percentage)	33%	-33%
Interest coverage ratio (Times)	0.68	(1.43)
Net profit margin (Percentage)	41.50%	-6.23%
Return on capital employed ratio (Percentage)	30.43%	76.37%

Directors' Report

For the year ended December 31, 2019

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, 2019.

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 ₦167.81 billion for the year ended December 31, 2019 with an increase of 105.34% compared to prior year (2018: ₦81.72 billion). The cost of energy purchased in 2019 was ₦98.17 billion (2018:₦86.81 billion). The percentage increase in revenue was due to the recognition of tariff shortfall of ₦80.66 billion relating to 2019 following the implementation of NERC order numbers NERC/GL/174 of August 19, 2019 and NERC/GL/188b/2019 of December 31, 2019. 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

Following the directives of the Financial Reporting Council of Nigeria ("FRC"), the Company had adopted the International Financial Reporting Standards ("IFRS") in preparing its accounts for the year ended December 31, 2019.

Operating results

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

	2019 ₦'000	2018 ₦'000
Revenue	167,805,956	81,721,119
Results from operating activities	25,738,625	(35,678,059)
Loss before taxation	(11,531,432)	(58,716,980)
Taxation	(439,337)	(102,164)
Other Comprehensive Income	-	-
Loss for the year	(11,970,769)	(58,819,144)

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, 2019 (2018: 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
Mr. John Donnachie	South African	-	Managing Director (Resigned Dec. 31, 2019)

Directors' shareholding and interest

The Directors do not have any interests required to be disclosed under Section 275 of the Companies and Allied Matters Act, CAP C20 LFN 2004.

According to Section 277 of the Companies and Allied Matters Act ("CAMA"), CAP C20, LFN 2004, 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, 2019.

Analysis of shareholding

The shareholding structure of the Company is as follows:

	Number of ordinary shares issued at 50k per share	
Shareholder	**2019**	**2018**
Integrated Energy Distribution and Marketing Limited ("IEDM")	6,000,000	6,000,000
Bureau of Public Enterprises ("BPE")	4,000,000	4,000,000
	10,000,000	10,000,000

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 ₦10.66 million during the year (2018: ₦5.68 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 (2018: Nil).

Events after the reporting period

There were no events after the reporting date which could have had any material effect on the state of affairs of the Company as at December 31, 2019 and on the loss before tax for the year ended on that date which have not been adequately provided for or disclosed in these financial statements.

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 far 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 357(2) of the Companies and Allied Matters Act, CAP C20 LFN 2004, Messrs Mobolaji Johnson and Co. have been appointed as the new auditors of the Company.

BY ORDER OF THE BOARD

Oluseye Alayande
FRC/2014/NBA/00000007513

Lagos, Nigeria
December 18, 2020

Corporate Governance Report

For the year ended December 31, 2019

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 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 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 governance; 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.

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.

In addition to the Board's direct oversight, the Board exercises its 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.

They possess the requisite integrity, skills and experience to bring independent judgment to bear on the deliberations of the Board 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.

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 program.

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 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 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 individual.

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 responsibilities 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.

Through these Committees, the Board is able to effectively carry out its oversight responsibilities and take advantage of individual expertise to formulate strategies for IBEDC.

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

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 independently 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 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 Companies and Allied Matters Act, CAP C20 LFN 2004; and Financial Reporting Council of Nigeria's Act 2011;

(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") comprises 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. John Donnachie	Managing Director	Member
• Mr. Emmanuel Okunorobo	Head, Internal Audit	Secretary

BOARD FINANCE AND INVESTMENT COMMITTEE

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 acquisitions or investments in companies, business 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-purchases, 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
• Mr. John Donnachie	Managing 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
•	Mr. John Donnachie	Managing 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
•	Mr. John Donnachie	Managing 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 359(6) of the Companies and Allied Matters Act, CAP C20 LFN 2004, the members of the Audit Committee of Ibadan Electricity Distribution Company Plc ("IBEDC") have reviewed the Audit Report for the year ended December 31, 2019 and hereby state as follows:

1. We have exercised our statutory functions under Section 359(6) of the Companies and Allied Matters, Act CAP C20, Laws of the Federation of Nigeria 2004 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; and

4. We have deliberated with the External Auditors, who have confirmed that necessary co-operation was received from 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.

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 18, 2020

Chairman, Audit Committee
FRC/2019/NIM/00000019062

Members of the Committee:

Mr. Dan D. Kunle	- Chairman
Captain (Dr.) Wells Idahosa Okunbo	- Member
Mr. Alex Okoh	- Member
Mr. Garth Dooley	- Member
Mr. Emmanuel Okunorobo	-Secretary

Statement of Directors' responsibilities in relation to the financial statements for the year ended December 31, 2019

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 2004 and the Financial Reporting Council of Nigeria Act, 2011.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, CAP C20 LFN 2004 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	Signature
Dr. Olatunde Ayeni, CON. F.IoD	Engr. John Oladipo Ayodele
Chairman, Board of Directors	Ag. Managing Director / CEO
FRC/2013/IODN/00000001738	*FRC/2015/COREN/00000013650*
December 18, 2020	December 18, 2020

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, 2019; the statement of financial position; the statement of changes in equity; and the statement of cash flows for the same year 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, 2019 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 2004, Electricity Power Sector Reform Act ("EPSRA") 2005, relevant Nigeria Electricity Regulatory Commission ("NERC") orders and regulations and the Financial Reporting Council of Nigeria ("FRC") Act, 2011.

Basis for the Audit Opinion

We conducted our audit of the Financial Statements and Reports in accordance with International Financial Reporting Standards ("IFRS") and in the manner prescribed by the Financial Reporting Council of Nigeria ("FRC") and International Standards on Auditing ("ISA"). 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, 2019. 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 CAMA, CAP C20 LFN 2004, the Financial Reporting Council of Nigeria ("FRC") Act, 2011, EPSRA, NERC 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.

Emphasis of matter
In line with ISA 706 *Emphasis of Matter*, we draw your attention to the statement of financial position of the Company as at December 31, 2019 and denote a negative working capital of ₦26.17 billion (2018: negative working capital of ₦158.15 billion).

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 2004.

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 18, 2020
Lagos, Nigeria.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2019

	Notes	2019	2018
		₦'000	**₦'000**
Sale of electricity	7	167,805,956	81,721,119
Cost of electricity	9(a)	(98,168,567)	(86,812,048)
Gross profit/(loss)		**69,637,389**	**(5,090,929)**
Other income	8	1,094,240	1,787,623
Distribution network expenses	9(b)	(8,166,167)	(9,417,710)
Commercial services expenses	9(c)	(5,093,272)	(4,546,373)
Administrative expenses	9(d)	(5,816,042)	(5,159,879)
Impairment loss on trade and other receivables	16(a)	(25,917,523)	(13,250,791)
Profit/(loss) from operating activities		**25,738,625**	**(35,678,059)**
Finance income	10	1,052,286	1,572,988
Finance costs	10	(38,322,343)	(24,611,909)
Net finance costs	10	(37,270,057)	(23,038,921)
Loss before Income tax expense	11	**(11,531,432)**	**(58,716,980)**
Income tax expense	12(d)	(439,337)	(102,164)
Loss after Income tax expense		**(11,970,769)**	**(58,819,144)**
Other comprehensive income:			
Revaluation Surplus (net of deferred tax)	19(b)	-	-
Other comprehensive income for the year		-	-
Total comprehensive income/(loss) for the year		**(11,970,769)**	**(58,819,144)**
Loss for the year		(11,970,769)	(58,819,144)
Loss Per Share ("EPS")/ Diluted Earnings Per Share ("DEPS")		**(1,197)**	**(5,882)**

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

Statement of Financial Position
As at December 31, 2019

	Notes	2019	2018
		₦'000	₦'000
ASSETS			
Non-current assets			
Intangible assets	13	1,213,475	1,266,170
Property, plant and equipment	14	106,771,880	107,393,437
Deferred tax asset	12(e)	2,774,899	2,774,899
		110,760,254	**111,434,506**
Current assets			
Inventories	15	5,682,140	2,886,953
Trade and other receivables	16	297,733,015	46,533,966
Prepayments	17	1,370,237	1,849,413
Cash and cash equivalents	18	8,225,325	9,339,762
		313,010,717	**60,610,094**
Total assets		**423,770,971**	**172,044,600**
EQUITY			
Share capital	19(a)	5,000	5,000
Revaluation reserve	19(b)	47,434,358	47,434,358
Retained Earnings/(Accumulated Deficit)	19(c)	16,163,511	(116,910,034)
Total Equity		**63,602,869**	**(69,470,676)**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	22	20,986,010	22,752,086
		20,986,010	**22,752,086**
Current Liabilities			
Deferred income	21	78,501	-
Trade and other payables	20	338,628,337	218,613,286
Income tax payable	12(d)	475,254	149,904
		339,182,092	**218,763,190**
Total liabilities		**360,168,102**	**241,515,276**
Total Equity and Liabilities		**423,770,971**	**172,044,600**

These financial statements were approved by the Board of Directors on December 18, 2020 and signed on their behalf by:

Dr. Olatunde Ayeni, CON. F.IoD) Chairman, Board of Directors
December 18, 2020 *FRC/2013/IODN/00000001738*

Engr. John Oladipo Ayodele) Ag. Managing Director / CEO
December 18, 2020 *FRC/2015/COREN/00000013650*

Ms. Aderonke Owotomo) Chief Financial Officer
December 18, 2020 *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, 2019

	Share capital	Revaluation reserve	Accumulated deficit	Total
	₦'000	**₦'000**	**₦'000**	**₦'000**
Balance at January 1, 2018	**5,000**	**47,434,358**	**(58,090,890)**	**(10,651,532)**
Total comprehensive income				
Loss for the year	-	-	(58,819,144)	(58,819,144)
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**(58,819,144)**	**(58,819,144)**
Transaction with owners	-	-	-	-
Balance at December 31, 2018	**5,000**	**47,434,358**	**(116,910,034)**	**(69,470,676)**
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**

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, 2019

	Note	2019	2018
		₦'000	**₦'000**
Cash flows from operating activities:			
Loss before tax		(11,531,432)	(58,716,980)
Adjustment:			
- depreciation	14	4,595,060	4,912,501
- gains on disposal of property, plant and equipment	8	(13)	-
- amortisation	13	641,685	517,061
- impairment allowance on receivables	16(a)	25,917,523	13,250,791
- Reserve for Inventory obsolescence	9(b)	29,998	37,212
- 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)	-
		164,603,148	**(39,999,415)**
Changes in:			
Increase in inventories	15	(2,825,185)	(974,109)
Increase in trade and other receivables	16	(277,116,572)	(32,483,576)
Decrease/(Increase) in prepayment	17	479,176	(1,216,339)
Increase in trade and other payables	20	120,015,051	83,747,089
Increase/(decrease) in deferred income	21	78,501	(611,774)
Cash generated from operating activities		**5,234,119**	**8,461,876**
Tax paid		(20,000)	(40,000)
Net cash generated from operating activities		**5,214,119**	**8,421,876**
Cash flows from investing activities:			
Acquisition of property, plant and equipment	14	(3,973,721)	(3,650,680)
Proceeds from disposal of property, plant and equipment		231	-
Acquisition of Intangible Asset	13	(588,990)	(673,701)
Net cash used in investing activities		**(4,562,480)**	**(4,324,381)**
Cash flows from financing activities:			
Loans and borrowings	22	(1,766,076)	(3,178,769)
Net cash (used in) / generated from financing activities		**(1,766,076)**	**(3,178,769)**
Net increase in cash and cash equivalents		(1,114,437)	918,726
Cash and cash equivalents at January 1, 2019		9,339,762	8,421,036
Cash and cash equivalents at December 31, 2019	18	**8,225,325**	**9,339,762**

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 and expires in 2028 with an option to renew for another 10 years. Based on the terms and conditions of the licence and regulations contained in the Electrical 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 2004 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 ending December 31, 2019, 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, 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.

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 and IAS 18:

	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 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.
Under IAS 18 (Before January 1, 2018)	Revenue is recognised based on the product of units of electricity supplied to customers and approved tariff rate.	Revenue from sale of electricity credits to customers are classified as deferred revenue in the month the customers vended and recognised as earned in subsequent month. Hence receipts from customers in the month of December are included in the Statements of financial Position as Deferred Revenue.

	Postpaid Customers	Prepaid Customers
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

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.

Notes to the Financial Statements

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.

(d) Property, plant and equipment

i Recognition and measurement

Land, buildings and distribution network assets are carried at fair value 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.

Notes to the Financial Statements

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.

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 retained earnings. The amount of this surplus transferred to retained earnings 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.

(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.

Notes to the Financial Statements

(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.

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

(iii) ***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.

(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.

(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.

Notes to the Financial Statements

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.

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.

Notes to the Financial Statements

(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.

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.

(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 a 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 ocurring 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.

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.

Notes to the Financial Statements

(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.

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.

(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.

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 5

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 activities 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 2019**	**Dec 31 2018**
	₦'000	**₦'000**
Residential	46,970,852	45,786,534
Commercial	15,501,326	15,076,030
Industrial	24,639,494	20,835,359
Street lighting	31,284	23,196
Tariff Shortfall	80,663,000	-
	167,805,956	81,721,119

(b) Revenue by customer category	**Dec 31 2019**	**Dec 31 2018**
	₦'000	**₦'000**
Postpaid	79,761,540	75,297,542
Prepaid	7,381,416	6,423,577
Tariff Shortfall	80,663,000	-
	167,805,956	81,721,119

The significant increase in revenue in 2019 as compared to prior year is due to the recognition of revenue tariff shortfall for the year ended December 31, 2019. The portion of the shortfall from 2015 to 2018 has been recognized in retained earnings.

8 Other income

	Dec 31 2019	**Dec 31 2018**
	₦'000	**₦'000**
CAPMI installation fees *	844,527	1,436,315
Reconnection fee	142,214	96,291
Gain on disposal of property, plant and equipment	13	-
Others **	107,486	255,017
	1,094,240	1,787,623

* 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 2019	**Dec 31 2018**
	₦'000	**₦'000**
Cost of electricity	97,962,130	86,605,611
Recovered Gas Debt *	206,437	206,437
Total cost of electricity	98,168,567	86,812,048

* As stated in Multi Year Tariff Order (MYTO) II, 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 and 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. In 2016, IBEDC began to include into its Income statement from the Legacy gas debt on expiration of the moratorium period. This amounts to the total recognised in Note 16(b(i)).

(b) *Distribution network expenses*

This represents expenses related 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 equipments for distributing electricity.

	Dec 31 2019	Dec 31 2018
	₦'000	₦'000
Salaries and wages	2,004,600	1,966,791
Repairs and maintenance	483,174	391,113
Reserve for Inventory obsolescence	29,998	37,212
Depreciation- Plant and Machinery	4,159,288	4,535,442
Asset and Customers Enumeration *	466,830	1,881,240
Health and Safety **	891,221	453,980
Insurance	28,369	28,369
Transport and Travelling	43,072	54,681
Haulage and Vehicle Expenses	58,082	67,316
Other distribution expenses	1,533	1,566
Total distribution network expenses	8,166,167	9,417,710

* Asset and Customers Enumeration relates to asset mapping, customers enumeration, customers survey and technical audit.

** In 2018, the Company commenced a Comprehensive Programme for the improvement of Occupational Health and Safety Management System with the objective to achieve the Vision Zero and Safety Culture of the company as well as acquire the ISO 45001 Certification. During the year, the bulk of the contract was executed.

(c) *Commercial services expenses*

(i) *Billing and collection expenses*

	Dec 31 2019	Dec 31 2018
	₦'000	₦'000
Meter reading	48,018	41,988
Collection fees	2,234,717	1,738,536
Pre-acquisition receivables paid to NELMCO	-	143,535
Repairs and maintenance	146,098	70,343
Miscellaneous expenses	37,329	127,124
Total customer service expenses	2,466,162	2,121,526

Notes to the Financial Statements

(ii) ***Customer service expenses***

	Dec 31 2019	Dec 31 2018
	₦'000	**₦'000**
Salaries and wages	2,511,888	2,286,748
Advert and publicity	28,505	623
Repairs and maintenance	50,165	54,494
Transport and travelling	33,031	62,564
Miscellaneous expenses	3,521	20,418
	2,627,110	2,424,847
Total Commercial services expenses	**5,093,272**	**4,546,373**

(d) ***Administrative expenses***

	Dec 31 2019	Dec 31 2018
	₦'000	**₦'000**
Staff cost	1,870,399	1,654,684
Directors' cost	50,000	50,000
Entertainment	24,388	32,256
Transport and accommodation	405,489	461,265
Motor vehicle running and repairs	124,335	115,402
Advertisement and publicity	63,130	63,794
Printing and stationeries	95,836	56,214
Repairs and maintenance of office building and equipment	207,188	173,112
Subscription and fees	77,956	39,215
Bank charges	5,947	2,925
Rent and rates	89,480	81,081
Security expenses	693,544	535,747
Training expenses	112,229	76,304
Employee welfare	17,333	32,851
Consulting and other professional fees	257,073	347,651
Medical expenses	154,932	126,440
ITF contribution	42,107	44,673
Insurance	145,613	133,541
Audit fees - Uniform System of Accounting	23,250	-
Audit fees - Statutory	26,875	26,250
Other Audit expenses	3,058	6,376
Depreciation	435,772	377,059
Amortisation of intangible assets	641,685	517,061
Electricity and other utilities	137,909	112,921
Donation	10,662	5,682
Business development	28,120	31,835
Third party injury and damage claims	50,721	41,724
Miscellaneous expenses	21,011	13,816
Total administrative expenses	5,816,042	5,159,879
Total expenses	117,244,048	105,936,010

Notes to the Financial Statements

10 Net finance cost

	Dec 31 2019	Dec 31 2018
	₦'000	₦'000
Finance income		
Interest income	893,358	1,005,898
Fair Value Gain (Note 10(a))	158,928	567,090
	1,052,286	1,572,988
Finance cost		
Interest expense (Note 10(b))	(38,322,343)	(24,611,909)
	(38,322,343)	(24,611,909)
Net finance cost	(37,270,057)	(23,038,921)

(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 2019	Dec 31 2018
	₦'000	₦'000
Interest paid on CBN-NEMSF (Note 10(b(i)))	1,849,517	1,949,125
Effective interest on CBN-NEMSF	1,849,877	1,430,628
Interest on NBET and ONEM bills (Note 10(b(ii)))	34,506,396	21,115,603
Facility fee on Bank guarantee	116,553	116,553
	38,322,343	24,611,909

(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.

(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 Loss before taxation

(a) Loss before taxation is stated after charging:

	Dec 31 2019	Dec 31 2018
	₦'000	₦'000
Depreciation (Note 14)	4,595,060	4,912,501
Amortisation (Note 13)	641,685	517,061
Staff costs (Note 11(b))	6,386,887	5,908,223
Impairment of trade receivables (Note 16)	25,917,523	13,250,791
Directors' remuneration	147,745	143,413
Auditors' remuneration	26,875	26,250

Notes to the Financial Statements

(b) Staff costs

(i) Staff costs include:

	Dec 31 2019	Dec 31 2018
	₦'000	**₦'000**
Salaries and wages	6,114,027	5,636,321
Employer's pension contribution	272,860	271,902
	6,386,887	5,908,223

(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:

	Dec 31 2019	Dec 31 2018
	Number	**Number**
₦ 200,001 - ₦ 800,000	534	523
₦ 800,001 - ₦ 1,400,000	547	533
₦ 1,400,000 - ₦ 2,000,000	571	560
₦ 2,000,000 - ₦ 3,000,000	712	698
₦ 3,000,000 - ₦ 4,000,000	155	152
₦ 4,000,000 - ₦ 5,000,000	48	47
₦5,000,000 and above	108	73
	2,675	2,586

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

	Dec 31 2019	Dec 31 2018
	Number	**Number**
Operations	2,228	2,154
Administration	447	432
	2,675	2,586

(c) Directors' remuneration

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

	Dec 31 2019	Dec 31 2018
	₦'000	**₦'000**
Fees as Directors	50,000	50,000
Other emoluments	97,745	93,413
	147,745	143,413

Notes to the Financial Statements

The Directors' remuneration shown above includes:

	Dec 31 2019	Dec 31 2018
	₦'000	₦'000
Chairman	31,545	36,376
Highest paid Director	31,545	36,376

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:

	Dec 31 2019	Dec 31 2018
	Number	Number
₦10,000,000 - ₦40,000,000	5	5

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, 2019 is ₦439.34 million (2018: ₦102.16 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, 2019 (2018: 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:

		Dec 31 2019	Dec 31 2018
	%	₦'000	₦'000
Loss before minimum tax and income tax		(11,531,432)	(58,716,980)
Income tax using the statutory tax rate	30	(3,459,430)	(17,615,094)
Effect of:			
Movement in unrecognized deferred tax assets			-
Non-deductible expenses	(30)	3,459,430	17,615,094
Total income tax expense		-	-

(d) **Movement in Income tax payable**

	Dec 31 2019	Dec 31 2018
	₦'000	₦'000
Balance at January, 1	149,904	87,740
Payment during the year	(20,000)	(40,000)
Over provision in 2018 and 2019 Years of Assessment	(93,987)	-
Charge for the year (minimum tax (Note 12(a)))	439,337	102,164
Balance at December, 31	475,254	149,904

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.

	Dec 31 2019	Dec 31 2018
	₦'000	**₦'000**
Balance at January, 1	2,774,899	2,774,899
Debit/(Credit) for the year	-	-
Adjustments	-	-
Balance at December, 31	2,774,899	2,774,899

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	
	Dec 31 2019	**Dec 31 2018**
	₦'000	**₦'000**
Cost		
Balance at 1 January	2,060,344	1,386,643
Additions	588,990	673,701
Balance at 31 December	2,649,334	2,060,344
Accumulated amortisation		
Balance at 1 January	794,174	277,113
Charge for the year	641,685	517,061
Balance at 31 December	1,435,859	794,174
Carrying amount		
At December 31	1,213,475	1,266,170

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
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost or valuation							
Balance at January 1, 2018	3,676,057	1,866,438	116,322,105	880,735	1,227,321	889,168	124,861,824
Additions	-	-	3,225,369	111,108	309,636	4,567	3,650,680
Transfers	-	-	772,628	-		(772,628)	-
Disposal	-	-	-	-	-	-	-
Adjustment			(26,942)	26,942			
Balance at December 31, 2018	3,676,057	1,866,438	120,293,160	1,018,785	1,536,957	121,107	128,512,504
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
Depreciation							
Balance at January 1, 2018	-	149,316	15,320,575	129,433	607,242	-	16,206,566
Charge for the year	-	37,329	4,249,988	353,172	272,012	-	4,912,501
Disposal	-	-	-	-	-	-	-
Balance at December 31, 2018	-	186,645	19,570,563	482,605	879,254	-	21,119,067
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
Carrying amounts							
As at January 1, 2018	3,676,057	1,717,122	101,001,530	751,302	620,079	889,168	108,655,258
At December 31, 2018	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

(b) Capital commitments

The Company did not have any capital expenditure commitments during the year (2018: Nil).

(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 2019	Dec 31 2018
	₦'000	**₦'000**
Distribution materials - Tripping units, circuit breakers, poles etc.	1,160,135	919,805
Cables and conductors	57,797	40,119
Capital items - 15MVA, 50 - 500KVA etc. transformers	94,523	130,575
General stores - Feeder pillar units, insulators etc.	164,938	209,028
Stationeries	17,576	19,848
Tools - Safety equipments and materials.	7,759	11,399
Meters *	4,333,897	1,758,744
Provision for obsolescence	(154,485)	(202,565)
	5,682,140	2,886,953

* 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 2019	Dec 31 2018
	₦'000	**₦'000**
Trade receivables	148,022,918	113,116,060
Less :Allowance for impairment (Note 16(a))	(99,969,966)	(74,052,443)
Trade receivables, net	48,052,952	39,063,617
Due from related parties (Note 23(b))	6,038,350	6,174,698
Other receivables (Note 16(b))	1,102,931	1,295,650
Regulatory receivables *	242,538,782	-
	297,733,015	46,533,965

* The amount represents trade receivables due to tarriff 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 2019	Dec 31 2018
	₦'000	**₦'000**
Opening balance	(74,052,443)	(60,801,652)
Addition (Note 11(a(i)))	(25,917,523)	(13,250,791)
	(99,969,966)	(74,052,443)

(i) There was a significant increase in addition to allowance for impairment compared to prior year because the increase in recoverability of customer debt was not commensurate with the increase in revenue for the year.

Notes to the Financial Statements

(b) Other receivables comprise:

	Dec 31 2019	Dec 31 2018
	₦'000	**₦'000**
Recoverable legacy debts (Note 16(b(i)))	1,049,390	1,255,827
Employee receivables	1,242	2,573
Other receivables	52,300	37,250
	1,102,932	1,295,650

(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 systemmatic amortization of the debt to the income statement in 2016. The amortization recognised in 2019 was ₦206.44 million (2018: ₦206.44 million).

17 Prepayments

	Dec 31 2019	Dec 31 2018
	₦'000	**₦'000**
Rent	39,379	46,201
Insurance	38,672	31,257
Vendors	1,216,992	1,669,819
CAPMI	36,162	42,121
ICAP (Note 22(b))	38,448	48,216
Others	584	11,799
	1,370,237	1,849,413

18 Cash and cash equivalents

	Dec 31 2019	Dec 31 2018
	₦'000	**₦'000**
Bank balances *	8,220,699	9,335,178
Cash in hand	4,626	4,584
	8,225,325	9,339,762

* The Company held cash of ₦8.23 billion as at year end (2018: ₦9.34 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")).

Notes to the Financial Statements

19 Share capital and reserves

(a) Share capital

	Dec 31 2019	Dec 31 2018
	₦'000	**₦'000**
Authorised:		
20,000,000 ordinary shares of ₦0.50 each	10,000	10,000
Issued and fully paid:		
10,000,000 ordinary shares of ₦0.50 each	5,000	5,000
Issued and fully allotted:		
10,000,000 ordinary shares of ₦0.50 each	5,000	5,000

(b) Revaluation reserve

	Dec 31 2019	Dec 31 2018
	₦'000	**₦'000**
Opening Balance	47,434,358	47,434,358
Additions	-	-
Deferred tax	-	-
Asset recapitalisation - PPE *	47,434,358	47,434,358

* This refers to revaluation of PPE by the Company. An initial revaluation exercise was done as at December 31, 2013 after acquistion 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:

	2019	2018
	₦'000	**₦'000**
Opening Balance as at January 1,	(116,910,034)	(58,090,890)
Profit/(loss) for the year	(11,970,769)	(58,819,144)
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,	16,163,511	(116,910,034)

* During the year, the company received NERC Order No. NERC/GL/174 with effective date of July 1, 2019 with respect to 2016 - 2018 Minor Review of the Multi year Tariff Order ("MYTO") 2015 and Minimum Remittance order for the year 2019. Per the Order, NERC approved a tariff shortfall due to the company amounting to ₦161.88 billion as stated below:

Operating year	Tariff Shortfall
₦'000	**₦'000**
2015	18,855,090
2016	38,296,861
2017	47,303,461
2018	57,420,370
Total	161,875,782

Notes to the Financial Statements

20 Trade and other payables

	Dec 31 2019	Dec 31 2018
	₦'000	₦'000
Trade payables (Note 20(a))	324,395,825	208,355,411
Accruals (Note 20(b))	237,276	208,457
Statutory deductions (Note 20(c))	740,337	495,273
	325,373,438	209,059,141
Other payables (Note 20(d))	13,254,899	9,554,145
	338,628,337	218,613,286

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 2019	Dec 31 2018
	₦'000	₦'000
NBET Bills	198,031,491	138,802,074
MO Bills	33,411,467	28,032,320
Interest on NBET Bills	75,818,850	41,521,017
Interest on MO Bills	17,134,017	-
	324,395,825	208,355,411

(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 Accruals is an amount of ₦19.27 million fees and allowance due to the Directors as at December 31, 2019 (2018 : ₦10 million).

(c) Included in Stautory deductions are National Housing Fund Scheme ("NHFS") Deducation, Pay As You Earn ("PAYE"), Retirement Savings Accounts ("RSA") and other miscellaneous payable accounts.

(d) Included in other payables is ₦7.9 billion being VAT on trade receivables.

Notes to the Financial Statements

21 Deferred income

	Dec 31 2019	Dec 31 2018
	₦'000	₦'000
MAP Meter cost *	78,501	-

* 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.'

22 Loans and borrowings

	Dec 31 2019	Dec 31 2018
	₦'000	₦'000
CAPMI payables (Note 22(a))	1,871,027	2,910,039
ICAP payables (Note 22(b))	747,113	812,428
CBN NEMSF Loan (Note 22(c))	18,250,980	19,029,619
MAP payable (Note 22(d))	116,890	-
	20,986,010	22,752,086

(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, 2019.

(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 ₦7.56 billion has been paid. The Principal amount outstanding as at December 31, 2019 is ₦19.07 billion which has been fair valued to ₦18.25 billion as at year end.

(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 2019	Dec 31 2018
	₦'000	**₦'000**
Opening balance	6,174,698	7,289,637
Repayment	(743,000)	(1,800,000)
Interest capitalised	606,352	685,061
	6,038,350	6,174,698

Subsequent to the year end, IEDM fully settled its debt to IBEDC for a total sum of ₦8.998 billion as at the date of the repayment. This was made up of the Principal Loan amount of ₦6 billion and interest of ₦2.998 billion on the loan.

(c) Transactions with key management personnel

Key management personnel compensation comprised:

	Dec 31 2019	Dec 31 2018
	₦'000	**₦'000**
Salaries	482,350	401,607
Employer Pension Contribution	35,891	36,518
Other Benefits	355,542	128,040
	873,783	566,165

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. If 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 ₦21.61 million (2018: ₦26 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 (2018:₦54.45 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

Subsequent to the year end, IEDM fully settled its debt to IBEDC for a total sum of ₦8.998 billion as at the date of the repayment. This was made up of the Principal Loan amount of ₦6 billion and interest of ₦2.998 billion on the loan.

Also NERC released orders which may have significant impact on IBEDC in future years:

(a) In Order No. NERC/GL/188B/2019 with an effective date of January 1, 2020 which complements Order No. NERC/GL/174 dated August 19, 2019, the Commission restated its position concerning the compensation of DisCos for the tariff shortfall from 2016 to 2019 Financial years and directs that all DisCos maintain their liability to NBET and MO in their books pending the receipt of money from the Federal Government to offset same liability.

(b) Order No. NERC/197/2020 with effective date February 20, 2020 focuses on Unmetered customers in the R2 and C1 categories. The order highlighted various instructions to DisCos with the aim of achieving parity in the treatment of unmetered R2 and C1 customers as compared with their metered counterparts.

(c) Order No. NERC/196/2020 dated January 28, 2020 focuses on the accounting treatment of tariff related liabilities in the accounts of IBEDC and other NESI participants. The objective of the order, among others, is to maintain creditworthiness in the Statement of Financial Position of DisCos for the purpose of raising funds to improve the service offerings of the DisCos.

(d) Order No. NERC/198/2020 dated March 31, 2020 with effective date April 1, 2020 deals with the Consideration of Applications filed for Extraordinary Tariff review by successor DisCos. In the order, NERC duly considered a review of tariffs but this consideration was based on a number of variables, some of which include the quality and availability of electricity, the current global COVID-19 pandemic etc.

(e) There were no events subsequent to year end relating to the current global COVID-19 pandemic that were significant enough to impact the Company's financial position and performance as at December 31, 2019.

26 Going concern

The Company reported a loss before tax of ₦11.53 billion for the year ended December 31, 2019 (2018: ₦58.72 billion) and as of that date, the Company's total assets exceeded its total liabilities by ₦63.60 billion (2018: total liabilities exceeded total assets by ₦69.47 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.

However as a result of the full implementation of NERC Order Nos. NERC/GL/174 and NERC/GL/188B/2019 which require IBEDC to recognize tariff shortfall from 2015 to 2019 and going forward, the company's liquidity position has improved and is projected to continue improving in future years. Hence, these financial statements have been prepared using accounting policies applicable to a going concern.

Notes to the Financial Statements

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.

(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:

	Dec 31 2019	Dec 31 2018
	₦'000	₦'000
Trade and other receivables	297,733,015	46,533,966
Cash at bank	8,225,325	9,335,178
	305,958,340	55,869,144

Notes to the Financial Statements

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

	Maximum Demand	**Non-maximum Demand**	**Total**
2019	**₦'000**	**₦'000**	**₦'000**
Private individuals/companies	9,477,130	133,093,030	142,570,160
Government institutions	4,550,162	902,595	5,452,757
Total	14,027,292	133,995,625	148,022,917

	Maximum Demand	**Non-maximum Demand**	**Total**
2018	**₦'000**	**₦'000**	**₦'000**
Private individuals/companies	14,208,225	94,117,184	108,325,409
Government institutions	4,007,444	783,207	4,790,651
Total	18,215,669	94,900,391	113,116,060

At December 31, 2019, the ageing of trade receivables is as follows:

	Dec 31 2019	**Dec 31 2018**
	₦'000	**₦'000**
Current	6,983,671	13,628,341
Past due 0-30 days	5,046,967	5,440,003
Past due 31-90 days	4,303,581	4,626,629
Past due 91-120 days	3,956,449	4,228,026
Past due 120 days and above	127,732,250	85,193,061
	148,022,918	113,116,060

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

	Dec 31 2019	**Dec 31 2018**
	₦'000	**₦'000**
Balance at 1 January	74,052,443	60,801,652
Net impairment loss recognised (Note 16(a))	25,917,523	13,250,791
Balance at 31 December	99,969,966	74,052,443

Notes to the Financial Statements

Expected credit loss assessment for customers as at December 31, 2018 and December 31, 2019

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.

The following table provides information relating to exposure to credit risk and ECLs for trade receivables from customers as at December 31, 2019.

	Weighted average loss rate	Gross Carrying Amount (N)	Loss Allowance (N)
Prepaid customer (PPM) *	10%	1,004,910,942	100,491,094
Government agencies	25%	5,452,756,970	1,363,189,243
Metered maximum demand customer	15%	181,235,764	27,185,365
Metered maximum demand customer (M.A.N.) **	100%	8,667,419,852	8,667,419,852
Unmetered maximum demand customer	35%	628,475,668	219,966,484
Metered non-maximum demand customer (High tier) C1, D1	25%	4,997,339,704	1,249,334,926
Metered non-maximum demand customer (Middle tier) R2	35%	19,263,663,192	6,657,521,999
Metered Others (A1, S1)	10%	300,607,902	30,060,790
Unmetered non-maximum demand customer (High tier) C1, D1	65%	15,824,068,385	10,285,644,450
Unmetered non-maximum demand customer (Middle tier) R2	78%	90,662,058,306	70,716,405,479
Unmetered non-maximum demand customer (Low tier) R1	64%	603,770,076	386,412,849
Unmetered Others (A1, S1)	61%	436,611,187	266,332,824
Total		148,022,917,948	99,969,965,355

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

(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 ₦25.92 billion (2018: ₦13.25 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 ₦8.23 billion as at year end (2018: ₦9.34 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:

		Contractual cash flows			
	Carrying amount	**Total**	**0 - 3 Months**	**4 - 12 Months**	**Above 1 year**
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**
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	-	-
	359,614,347	359,614,347	341,363,367	-	18,250,980

Non-derivative financial liabilities

December 31, 2018					
Trade and other payables	218,613,286	218,613,286	218,613,286	-	-
Loans and borrowings	19,029,619	19,029,619	585,099	1,845,292	16,599,228
CAPMI/ICAP payables	3,722,467	3,722,467	3,722,467	-	-
	241,365,372	241,365,372	222,920,852	1,845,292	16,599,228

(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
	₦'000	**₦'000**	**₦'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
	305,958,340	-	305,958,340

	Loans and Borrowings	Other financial liabilities	Total
December 31, 2019	**₦'000**	**₦'000**	**₦'000**
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
	18,250,980	341,363,367	359,614,347

	Receivables	Other financial Assets	Total
	₦'000	₦'000	₦'000
December 31, 2018			
Financial assets not measured at fair value			
Trade and other receivables	46,533,966	-	46,533,966
Cash and cash equivalents	9,339,762	-	9,339,762
	55,873,728	-	55,873,728

	Loans and Borrowings	Other financial liabilities	Total
December 31, 2018	₦'000	₦'000	₦'000
Financial liabilities not measured at fair value			
Trade and other payables	-	218,613,286	218,613,286
Loans and borrowings	18,444,520	585,099	19,029,619
ICAP and CAPMI payables	-	3,722,467	3,722,467
	18,444,520	222,920,852	241,365,372

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, 2019, the future minimum lease payments under non-cancellable leases were payable within 1 year and amounted to ₦39.38 million (2018: ₦46.20 million).

(ii) *Amounts recognised in profit or loss*

Lease expenses recognised in profit or loss during the year amounted to ₦89.48 million (2018: ₦81.08 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.

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.

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 defintion 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.

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, 2019

	Dec 31 2019 ₦'000	%	Dec 31 2018 ₦'000	%
Revenue	167,805,956		81,721,119	
Brought in materials and services				
- Local	(130,443,699)		(106,061,393)	
	37,362,257		(24,340,274)	
Finance income	1,052,286		1,572,988	
	38,414,543	100	(22,767,286)	100
To employees:				
- Wages, salaries and other staff costs	6,386,887	17	5,908,223	(26)
To providers of finance:				
- Finance cost and similar charges	38,322,343	100	24,611,909	(108)
To government as:				
- Taxes	439,337	1	102,164	-
Retained in the business:				
To maintain and replace:				
- Property, plant and equipment	4,595,060	12	4,912,501	(22)
- Intangible assets	641,685	1	517,061	(2)
- To deplete reserve	(11,970,769)	(31)	(58,819,144)	258
	38,414,543	100	(22,767,286)	100

Five Years Financial Summary

Statement of profit or loss and other comprehensive income

	2019	2018	2017	2016	2015
	₦'000	₦'000	₦'000	₦'000	₦'000
`					
Revenue	167,805,956	81,721,119	70,182,887	61,378,229	50,452,107
Loss before income tax	(11,531,432)	(58,716,980)	(58,364,123)	(16,119,956)	(17,799,985)
Loss for the year	(11,970,769)	(58,819,144)	(58,451,863)	(11,195,914)	(11,376,483)
Total comprehensive (loss) / income for the year	(11,970,769)	(58,819,144)	(58,451,863)	(11,195,914)	(11,376,483)

Statement of financial position

	2019	2018	2017	2016	2015
	₦'000	₦'000	₦'000	₦'000	₦'000
Employment of funds					
Property, plant and equipment	106,771,880	107,393,437	108,655,258	109,622,689	110,139,550
Intangible Asset	1,213,475	1,266,170	1,109,530	74,033	-
Deferred tax assets	2,774,899	2,774,899	2,774,899	-	-
Deferred tax liabilities	-	-	-	(8,097,248)	(13,021,290)
Loans and borrowings	(20,986,010)	(22,752,086)	(25,930,855)	(26,129,691)	(1,072,179)
Net current liabilities	(26,171,375)	(158,153,096)	(97,260,364)	(2,682,081)	(14,864,798)
Net assets	63,602,869	(69,470,676)	(10,651,532)	72,787,702	81,181,283
Funds employed					
Share capital	5,000	5,000	5,000	5,000	5,000
Retained earnings	16,163,511	(116,910,034)	(58,090,890)	25,348,344	33,741,925
Revaluation reserves	47,434,358	47,434,358	47,434,358	47,434,358	47,434,358
	63,602,869	(69,470,676)	(10,651,532)	72,787,702	81,181,283