Ibadan Electricity Distribution Company Plc.

Annual Report

December 31, 2018

Contents	**Page**

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 Ring Road Ibadan Oyo State
Company Secretary:	Oluseye Alayande Capital Building 115 Ring Road Ibadan Oyo State
Legal Adviser:	G. Elias and Co. Solicitors & Advocates 6, Broad Street Lagos State
Auditor:	Deinde Odusanya and Co. (Chartered Accountants) 6B Ireti Street, Yaba P. O. BOX 50563, Falomo-Ikoyi Lagos State
Bankers:	Polaris Bank Limited United Bank for Africa Plc. First City Monument Bank Limited Keystone Bank Limited Diamond Bank Plc. Heritage Bank Limited

Financial Highlights

	Dec 31 2018	Dec 31 2017
	₦'000	₦'000
Major statement of profit or loss items		
For the year ended:		
Revenue	81,721,119	70,182,887
Cost of sales	(86,812,048)	(77,347,265)
Loss before taxation	(58,716,980)	(58,364,123)
Taxation	(102,164)	(87,740)
Loss for the year	(58,819,144)	(58,451,863)
Major statement of financial position items		
Total assets	172,044,600	150,845,034
Equity	(69,470,676)	(10,651,532)
Net (liabilities)/assets per shares	(6,947)	(1,065)
Loss per share	(5,882)	(5,845)

Directors' Report

For the year ended December 31, 2018

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 auditor's report for the year ended December 31, 2018.

Legal form

The Company was incorporated on November 8, 2005 as a public Company, limited by shares with registration 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 ₦81.72 billion for the year ended December 31, 2018 with an increase of 16.44% compared to prior year (2017: ₦70.18 billion). The cost of energy purchased in 2018 was ₦86.81 billion (2017:₦77.35 billion) which is relatively commensurate to the increase in revenue in the year, although the Company was unable to pass the increased cost to customers through tariff, which is one of the causes of the recurring losses of the Company.

The losses reported are principally due to the numerous challenges facing the power sector in Nigeria, including: non-implementation of minor and major tariff reviews; increase in power purchase cost due to increase in gas price; foreign exchange differentials and inflation without corresponding increase in retail tariff; and distribution companies not being allowed to charge interest on customers outstanding bills, whereas the electricity vendor (Nigeria Bulk Electricity ("NBET") Plc) is allowed to charge interest at the Nigerian Inter-Bank Offered Rate ("NIBOR") + 4% on outstanding invoices.

Reporting framework

Following the directives of the Financial Reporting Council of Nigeria ("FRCN"), the Company had adopted the International Financial Reporting Standards ("IFRS") in preparing its accounts for the year ended December 31, 2018.

Operating results

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

	2018	2017
	₦'000	**₦'000**
Revenue	81,721,119	70,182,887
Results from operating activities	(35,678,059)	(41,167,899)
Loss before taxation	(58,716,980)	(58,364,123)
Taxation	(102,164)	(87,740)
Loss for the year	(58,819,144)	(58,451,863)

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, 2018 (2017: 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

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, 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, 2018.

Analysis of shareholding

The shareholding structure of the Company is as follows:

	Number of ordinary shares issued of 50k	
Shareholder	**2018**	**2017**
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 13 to these financial statements.

Charitable donations

The Company made donations to charitable organisations amounting to ₦5.68 million during the year (2017: ₦3.03 million). In compliance with Schedule 5 of the Company Income Tax Act, CAP C20 LFN 2004, 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 (2017: 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, 2018 and on the loss 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 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, the auditors, Messrs Deinde Odusanya and Co., have expressed their willingness to continue in office as auditors of the Company.

BY ORDER OF THE BOARD

Oluseye Alayande
FRC/2014/NBA/00000007513

Lagos, Nigeria
March 31, 2020

Corporate Governance Report

For the year ended December 31, 2018

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 pace setter 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 the 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. Also, IBEDC periodically reviews all aspects of its Boards’ 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’s business.

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 environment.

The Board determines the overall strategy of IBEDC and follows up on its implementation, supervises the performance of Management and ensures adequate management, 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 IBEDC's key stakeholders and oversee 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 plan 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 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 tasked 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,

(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 Board and other appointments that require Board approval in accordance with the qualifications prescribed by law, pertinent rules and regulations, any 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
(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 that were approved by the Board;

(v) conducting public engagement/consultation processes as required;

(vi) considering and making decisions which are within the Chief Executive's 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. 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, 2018 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.

March 31, 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. John Donnachie	- Member
Mr. Emmanuel Okunorobo	-Secretary

Statement of Directors' responsibilities in relation to the financial statements for the year ended December 31, 2018

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	Ayodele John Oladipo
Chairman, Board of Directors	Ag. Managing Director / CEO
FRC/2013/IODN/00000001738	*FRC/2015/COREN/00000013650*
March 31, 2020	**March 31, 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 financial position as at December 31, 2018; the statement of profit or loss and other comprehensive income; 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 other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of IBEDC as at December 31, 2018 and of its financial performance and cash flows for the same year in accordance with International Financial Reporting Standards ("IFRS"), Electricity Power Sector Reform Act ("EPSRA") 2005 and in the manner required by Companies and Allied Matters Act ("CAMA") CAP C20 LFN 2004 and Nigeria Electricity Regulatory Commission ("NERC") Circulars and Orders.

Basis of opinion
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in financial statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risk of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments judgement, the Auditor considers internal controls relevant to the entity's preparation and fair presentation of its financial statements that give a true and fair view, 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 entity's internal control. Also, an audit includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management of the Company, as well as evaluating the overall presentation of the financial statements.

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

Material uncertainty relating to Going Concern
We draw your attention to note 26, which indicated that IBEDC recorded a loss before tax of ₦58.72 billion for the year ended December 31, 2018 (2017: ₦58.36 billion); and as at the same date, the Company's total liabilities exceeded its total assets by ₦69.47 billion (2017: total liabilities exceeded total assets by ₦10.65 billion). These may be indications of the existence of uncertainties that may cast doubt on the Company's ability to continue as a going concern.

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, 2018. 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.

Related party loan
An initial loan of ₦4.4 billion obtained on March 6, 2015, with later additions in February and May, 2016 summing up to ₦6 billion, was granted to Integrated Energy Distribution and Marketing Limited ("IEDM") to meet it's operational requirements. Our audit indicated that the Company was unable to fully recover its related party loan of ₦7.29 billion (interest inclusive) as at the beginning of the year. Hence, IEDM made a commitment to NERC to make ₦150 million monthly instalmental repayments to IBEDC.

How we addressed this risk
We reviewed IEDM's repayments during the year and confirmed that they were in compliance with their commitment to NERC. We estimated amortized loan amount and effective interest using terms obtained in the initial loan agreement.

Revenue Recognition
As a result of IFRS 15 (Revenue Recognition) we made significant judgements and estimates regarding revenue recognition risks associated with the following:
(1) Non-paying customers defaulting in their payment
(2) Receivable from postpaid customers that migrated to prepaid meters
(3) Unbilled revenue from unmetered customers
(4) Billings of unmetered customers

How we addressed this risk
Understanding the company's business and assessment of the effectiveness, design and implementation of relevant controls surrounding the company's operations.

We tested the correctness of entries relating to revenue and compliance with NERC approved MYTO rates. We assessed the reasonableness of parameters used in billing unmetered customers.

Also, we tested the company's compliance with National Electricity Regulatory Commission ("NERC") guidelines and by comparing price charged to approved MYTO tarriff rates for each class of customer.

We evaluated the company's billing systems in relation to prepaid, postpaid and unmetered customers.

Furthermore, we reviewed the appropriateness of the Company's revenue policy for compliance with NERC regulations.

Impairment of trade receivables
As a result of the adoption of IFRS 9 Financial Instruments with effect from January 1, 2018 as a replacement of IAS 39 Financial Instruments: Recognition and Measurement; significant estimates and judgment have been applied in determining the Expected Credit Loss ("ECL") on receivables and loans.

Also, as is the case of unmetered customers, bills are largely based on estimated consumption rather than meter readings. This makes it more difficult to recover amounts due from customers. In addition, NERC has placed recovery of receivables as a performance measure of the Company's management staff.

Furthermore, the implementation of IFRS 9 and the resultant change from the incurred loss model to the expected credit loss model as well as the calculations to determine the historical loss rate and application to forward looking information involved the use of significant judgment and estimates.

How we addressed this risk

We evaluated the reasonableness of the estimates used in arriving at ECLs on receivables and loans, the Companies assumptions around their recoverability and the Company's ability to collect.

Furthermore, we determined the category of financial assets that the loans and receivables of the Company are to be classified into their measurement model in line with the requirements of IFRS 9.

For every expected credit loss, we performed recomputation to ascertain the accuracy of amounts carried in the financial statements of the Company.

We reviewed the accounting policies and disclosures related to impairment of loans and receivables.

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 ("FRCN") 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.

Auditors' Responsibilities

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.

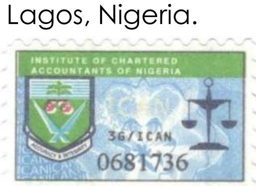
We are required to communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit. Also, we are required to provide the Directors, a statement 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:

Oladeinde Odusanya, FCA
FRC/2013/ICAN/00000003192
For: Deinde Odusanya & Co. (Chartered Accountants)
March 31, 2020
Lagos, Nigeria.



Statement of Financial Position

As at December 31, 2018

	Notes	2018	2017
		₦'000	**₦'000**
ASSETS			
Non-current assets			
Property, plant and equipment	*13*	107,393,437	108,655,258
Intangible assets	*14*	1,266,170	1,109,530
Deferred tax asset	*12(e)*	2,774,899	2,774,899
		111,434,506	**112,539,687**
Current assets			
Inventories	*15*	2,886,953	1,950,056
Trade and other receivables	*16*	46,533,966	27,301,181
Prepayments	*17*	1,849,413	633,074
Cash and cash equivalents	*18*	9,339,762	8,421,036
		60,610,094	**38,305,347**
Total assets		**172,044,600**	**150,845,034**
EQUITY			
Share capital	*19(a)*	5,000	5,000
Revaluation reserve	*19(b)*	47,434,358	47,434,358
Accumulated deficit	*19(c)*	(116,910,034)	(58,090,890)
Total Equity		**(69,470,676)**	**(10,651,532)**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	*22*	22,752,086	25,930,855
		22,752,086	**25,930,855**
Current Liabilities			
Deferred income	*21*	-	611,774
Trade and other payables	*20*	218,613,286	134,866,197
Current tax liabilities	*12(d)*	149,904	87,740
		218,763,190	**135,565,711**
Total liabilities		**241,515,276**	**161,496,566**
Total Equity and Liabilities		**172,044,600**	**150,845,034**

These financial statements were approved by the Board of Directors on March 31, 2020 and signed on its behalf by:

Dr. Olatunde Ayeni, CON. F.IoD)	Chairman, Board of Directors *FRC/2013/IODN/00000001738*
Ayodele John Oladipo)	Ag. Managing Director / CEO *FRC/2015/COREN/00000013650*
Aderonke Owotomo)	Chief Financial Officer *FRC/2015/ICAN/00000013338*

The notes on pages 23 to 62 are an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2018

	Notes	2018	2017
		₦'000	**₦'000**
Revenue	*7*	81,721,119	70,182,887
Cost of sales	*9(a)*	(86,812,048)	(77,347,265)
Gross (loss)/profit		**(5,090,929)**	**(7,164,378)**
Other income	*8*	1,787,623	180,509
Impairment loss on trade and other receivables and contract assets	*16(a)*	(13,250,791)	(18,011,112)
Distribution expenses	*9(b)*	(9,417,710)	(8,032,931)
Billing and collection expenses	*9(c)*	(2,121,526)	(1,783,934)
Customer service expenses	*9(d)*	(2,424,847)	(2,144,330)
Administrative expenses	*9(e)*	(5,159,879)	(4,211,723)
Loss from operating activities		**(35,678,059)**	**(41,167,899)**
Finance income	*10*	1,572,988	2,014,211
Finance costs	*10*	(24,611,909)	(19,210,435)
Net finance costs	*10*	(23,038,921)	(17,196,224)
Loss before taxation	*11*	**(58,716,980)**	**(58,364,123)**
Taxation	*12(d)&(e)*	(102,164)	(87,740)
Loss after taxation		**(58,819,144)**	**(58,451,863)**
Other comprehensive income:			
Other comprehensive income, net of tax		-	-
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		**(58,819,144)**	**(58,451,863)**
Earnings Per Share ("EPS")/ Diluted Earnings Per Share ("DEPS")		**(5,882)**	**(5,845)**

The notes on pages 23 to 62 are an integral part of these financial statements.

Statement of Changes in Equity

	Share capital	Revaluation reserve	Accumulated deficit	Total
	₦'000	**₦'000**	**₦'000**	**₦'000**
Balance at January 1, 2017	5,000	47,434,358	360,973	47,800,331
Total comprehensive income				
Loss for the year	-	-	(58,451,863)	(58,451,863)
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**(58,451,863)**	**(58,451,863)**
Transaction with owners	-	-	-	-
Balance at December 31, 2017	**5,000**	**47,434,358**	**(58,090,890)**	**(10,651,532)**
Balance as 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)
Adjustment - Expected receipt from non-payment customers (MAN) from 2015-2017			-	
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)**

The notes on pages 23 to 62 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended December 31, 2018

	Note	2018	2017
		₦'000	**₦'000**
Cash flows from operating activities:			
Loss before tax		(58,716,980)	(58,364,123)
Adjustment:			
- depreciation	*13*	4,912,501	4,411,085
- loss on disposal of asset		-	19,415
- amortisation	*14*	517,061	272,702
- impairment allowance on receivables	*16(a)*	13,250,791	18,011,112
- Reserve for Inventory obsolescence	*9(b)*	37,212	21,542
		(39,999,415)	**(35,628,267)**
Changes in:			
Increase in inventories	*15*	(974,109)	(457,204)
Increase in trade & other receivables	*16*	(32,483,576)	(28,547,543)
Decrease/(Increase) in prepayment	*17*	(1,216,339)	926,462
Increase in trade and other payables	*20*	83,747,089	70,405,492
(Decrease)/Increase in deferred income	*21*	(611,774)	169,389
Cash generated from operating activities		**8,461,876**	**6,868,329**
Tax paid		(40,000)	-
Net cash generated from operating activities		**8,421,876**	**6,868,329**
Cash flows from investing activities:			
Acquisition of property, plant and equipment	*13*	(3,650,680)	(3,696,942)
Acquisition of Intangible Asset	*14*	(673,701)	(726,711)
Proceeds from asset disposal	*13*	-	10,890
Net cash used in investing activities		**(4,324,381)**	**(4,412,763)**
Cash flows from financing activities:			
Loans and borrowings	*22*	(3,178,769)	(1,192,530)
Net cash (used in) / generated from financing activities		**(3,178,769)**	**(1,192,530)**
Net increase in cash and cash equivalents		918,726	1,263,036
Cash and cash equivalents at 1 January		8,421,036	7,158,000
Cash and cash equivalents at December 31, 2018	*18*	**9,339,762**	**8,421,036**

The notes on pages 23 to 62 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 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 Ring Road, 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 of Nigeria 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) Judgements

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 note:

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

Note 13 – Property, plant and equipment

(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, 2018, is included in the following respective notes:

Notes 30(a)- Revenue Recognition – Revenue from Unmetered customers and revenue from non-paying customers

Notes to the Financial Statements

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 whether, how much and when revenue is 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 judgement.

IFRS 15 - Revenue from Contract with Customers

Revenue from Contracts with Customers 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. It replaces IAS 18 Revenue.

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 reductions or freeze.

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).

Notes to the Financial Statements

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 9:

	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.
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 30 days of billing.	Performance obligation is satisfied when electricity is supplied to the customers. Payment is received in advance of electricity consumed by customers

The Company has adopted IFRS 15 with the effect of initially applying this standard recognised at the date of initial application (i.e. January 1, 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

Notes to the Financial Statements

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

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

NERC reviews MYTO rates ocassionally and this impacts the revenue of the Company for all categories of customers.

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

(b) Finance income and finance costs

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

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

Foreign exchange gains and losses are recognised on net basis.

(c) Foreign currency transactions

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

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

Notes to the Financial Statements

(d) Property, plant and equipment

i Recognition and measurement

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

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

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

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

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

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

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

If the Company is yet to discharge the future performance obligation, the corresponding amount is recognized as a deferred income pending the performance of the obligation.

ii Subsequent expenditure

Subsequent expenditure is included in the asset’s carrying amount or recognized as a separate asset as appropriate, only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

iii Depreciation

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

Notes to the Financial Statements

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

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

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

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

iv Derecognition of PPE

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

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

v Revaluation Surplus

Any associated revaluation surplus is transferred to 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.

(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.

Notes to the Financial Statements

(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 of 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 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.

Notes to the Financial Statements

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.

(f) 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 and 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 and 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 and loss when the asset is impaired or derecognized, and loans and receivables measured at FVOCI can impact profit and loss differently than those measured at Amortized Cost.
Under IFRS 15, 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 the 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 the other financial liabilities category.

i Non-derivative financial assets and financial liabilities – recognition and derecognition
The Company initially recognises loans and receivables on the date when they are originated. Financial assets and financial liabilities are initially recognised on the trade date.

Notes to the Financial Statements

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

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

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.

(g) 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.

(h) 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 creditor claims and claims of holders of all other classes of shares have been satisfied.

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.

(i) 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.

Notes to the Financial Statements

(j) 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.

(k) 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.

(l) 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.

Notes to the Financial Statements

Policy applicable before January 1, 2018

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 event a significant assets are found not to be impaired they are then collectivelyassessed 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 it's carrying amount and it's 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:
• restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
• indications that a debtor or issuer will enter bankruptcy;
• 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.

Notes to the Financial Statements

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.

(m) 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.

Notes to the Financial Statements

(n) 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

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

(o) 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.

(p) 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 OCI.

***(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 simultaneously.

Notes to the Financial Statements

***(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.

(p) 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.
- 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 Finance 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. During the year ended December 31, 2018 Management agreed to discontinue recording deferred income for prepaid customers in December as it cannot be accurately measured.

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

	Dec 31 2018	Dec 31 2017
	₦'000	₦'000
Residential	45,786,534	35,700,904
Commercial	15,076,030	12,661,718
Industrial	20,835,359	21,795,885
Street lighting	23,196	24,380
	81,721,119	70,182,887

8 Other income

	Dec 31 2018	Dec 31 2017
	₦'000	₦'000
Reconnection fee	96,291	35,442
Others *	255,017	145,067
CAPMI Reserve **	1,436,315	-
	1,787,623	180,509

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

** 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 reverse.

9 Expenses by nature

(a) ***Cost of sales***

	Dec 31 2018	Dec 31 2017
	₦'000	₦'000
Cost of energy	86,605,611	77,140,828
Recovered Gas Debt *	206,437	206,437
Total cost of sales	86,812,048	77,347,265

* 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)).

Notes to the Financial Statements

(b) ***Distribution 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 2018	Dec 31 2017
	₦'000	₦'000
Salaries and wages	1,966,791	1,961,015
Repairs and maintenance	391,113	681,515
Reserve for Inventory obsolescence	37,212	21,542
Depreciation- Plant and Machinery	4,535,442	4,090,542
Asset and Customers Enumeration *	1,881,240	1,140,790
Health and Safety **	453,980	3,995
Insurance	28,369	28,369
Transport and Travelling	54,681	45,601
Haulage and Vehicle Expenses	67,316	57,565
Other distribution expenses	1,566	1,997
Total distribution expenses	9,417,710	8,032,931

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

****** During the year the Company commenced a Comprehensive Service for 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. Total cost of the project is ₦1.476 billion out of which 30% percent of the project amounting to ₦442.75 million has been completed and paid for as at December 31, 2018.

(c) ***Billing and collection expenses***

Included in Billing and Collection Expenses is the allowance for impairment of accounts receivable that are past due. This is inclusive of bad and doubtful debts from Ministries, Departments and Agencies (MDAs) and private consumers (i.e. Residential, Commercial and Industrial).

	Dec 31 2018	Dec 31 2017
	₦'000	₦'000
Meter reading	41,988	71,731
Collection fees	1,738,536	1,566,638
Pre-acquisition receivables paid to NELMCO	143,535	-
Repairs and maintenance	70,343	82,074
Other collection expense	127,124	63,491
Total billing and collection expenses	2,121,526	1,783,934

(d) ***Customer service expenses***

	Dec 31 2018	Dec 31 2017
	₦'000	₦'000
Salaries and wages	2,286,748	1,986,851
Advert and publicity	623	618
Repairs and maintenance	54,494	117,842
Transport and travelling	62,564	35,413
Miscellaneous expenses	20,418	3,606
Total customer service expenses	2,424,847	2,144,330

Notes to the Financial Statements

(e) ***Administrative expenses***

	Dec 31 2018	Dec 31 2017
	₦'000	₦'000
Staff cost	1,654,684	1,531,246
Directors' cost	50,000	50,000
Entertainment	32,256	29,051
Transport and accommodation	461,265	376,424
Motor vehicle running and repairs	115,402	77,694
Advertisement and publicity	63,794	32,093
Printing and stationeries	56,214	62,610
Repairs and maintenance of office building and equipment	173,112	134,773
Subscription and fees	39,215	42,939
Bank charges	2,925	18,635
Rent and rates	81,081	76,574
Security expenses	535,747	398,284
Loss on Disposal	-	19,415
Training expenses	76,304	69,026
Employee welfare	32,851	24,146
Consulting and other professional fees	347,651	256,172
Medical expenses	126,440	81,166
ITF contribution	44,673	42,016
Insurance	133,541	118,480
Audit fee	26,250	18,900
Other audit expenses	6,376	3,216
Depreciation	377,059	320,542
Amortisation of intangible assets	517,061	272,702
Electricity and Other utilities	112,921	98,032
Donation	5,682	3,031
Business development	31,835	49,602
Third party injury and damage claims	41,724	2,000
Miscellaneous expenses	13,816	2,954
Total administrative expenses	5,159,879	4,211,723
Total expenses	105,936,010	93,520,183

10 Net finance cost

	Dec 31 2018	Dec 31 2017
	₦'000	₦'000
Finance income		
Interest income	1,005,898	1,987,899
Fair Value Gain (Note 10(a))	567,090	26,312
	1,572,988	2,014,211
Finance cost		
Interest expense (Note 10(b))	(24,611,909)	(19,210,435)
	(24,611,909)	(19,210,435)
Net finance cost	(23,038,921)	(17,196,224)

Notes to the Financial Statements

(a) Fair value gain represent surplus accrued from fair valuing the tranches from Central Bank of Nigeria - Nigeria Electricity Market Stabilisation Fund ("CBN-NEMSF") obtained by IBEDC in each particular year 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 2018	Dec 31 2017
	₦'000	₦'000
Interest paid on CBN-NEMSF (Note 10(a(i)))	1,949,125	1,928,473
Effective interest rate on CBN-NEMSF	1,430,628	681,966
Interest on NBET bills	21,115,603	16,469,179
Other bank interest	-	4,170
Facility fee on Bank guarantee	116,553	116,553
Interest on CAPMI (Note 10(a(ii)))	-	10,094
	24,611,909	19,210,435

(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) Interest expense on Credited Advance Payments Metering Implementation ("CAPMI") meters relates to 12% interest charged on the refundable portion of customers' payment for the meters.

11 Loss before taxation

(a) Loss before taxation is stated after charging:

	Dec 31 2018	Dec 31 2017
	₦'000	₦'000
Depreciation (Note 13)	4,912,501	4,411,084
Amortisation (Note 14)	517,061	272,702
Staff costs (Note 11(b))	5,908,223	5,479,112
Impairment of trade receivables	13,250,791	18,011,112
Directors' remuneration	143,413	117,705
Auditor's remuneration	26,250	18,900

(b) Staff costs

(i) Staff costs include:

	Dec 31 2018	Dec 31 2017
	₦'000	₦'000
Salaries and wages	5,636,321	5,243,508
Employer's pension contribution	271,902	235,604
	5,908,223	5,479,112

(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:

Notes to the Financial Statements

	Dec 31 2018	Dec 31 2017
	Number	**Number**
₦ 200,001 - ₦ 800,000	523	516
₦ 800,001 - ₦ 1,400,000	533	526
₦ 1,400,000 - ₦ 2,000,000	560	553
₦ 2,000,000 - ₦ 3,000,000	698	689
₦ 3,000,000 - ₦ 4,000,000	152	150
₦ 4,000,000 - ₦ 5,000,000	47	47
₦5,000,000 and above	73	73
	2,586	2,554

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

	Dec 31 2018	Dec 31 2017
	Number	**Number**
Operations	2,154	2,144
Administration	432	410
	2,586	2,554

(c) Directors' remuneration

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

• restructuring of an amount due to the Company on terms that the Company would not consider otherwise;

• indications that a debtor or issuer will enter bankruptcy;

• adverse changes in the payment status of borrowers or issuers;

	Dec 31 2018	Dec 31 2017
	₦'000	**₦'000**
Fees as Directors	50,000	50,000
Other emoluments	93,413	67,705
	143,413	117,705

The Director's remuneration for 2017 has been restated to reflect the appropriate balance in 2018 Financial Statements.

The Directors' remuneration shown above includes:

	Dec 31 2018	Dec 31 2017
	₦'000	**₦'000**
Chairman	36,376	24,475
Highest paid Director	36,376	24,475

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 2018	Dec 31 2017
	Number	**Number**
₦10,000,000 - ₦40,000,000	5	5

Notes to the Financial Statements

12 Taxation

(a) The Company has applied the provisions of the Companies Income Tax Act that mandates a minimum tax assessment, where taxpayer does not have taxable profit which would generate an eventual tax liability when assessed to tax. The Company's assessment based on the minimum tax legislation for the year ended December 31, 2018 is ₦101.54 million (2017: ₦87.7 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, 2018 (2017: 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 2018		Dec 31 2017
	%	₦'000	%	₦'000
Loss before minimum tax and income tax		(58,716,980)		(58,364,123)
Income tax using the statutory tax rate	30	(17,615,094)	30	(17,509,237)
Effect of:				
Movement in unrecognized deferred tax assets			-	-
Non-deductible expenses		17,615,094	(30)	17,509,237
Total income tax expense		-		-

(d) **Movement in current tax liability**

	Dec 31 2018	Dec 31 2017
	₦'000	₦'000
Balance at January, 1	87,740	-
Payment during the year	(40,000)	-
Charge for the year (minimum tax (Note 12(a)))	102,164	87,740
Balance at December, 31	149,904	87,740

(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 2018	Dec 31 2017
	₦'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

Notes to the Financial Statements

13 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
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	-	-	-	-	-	-	-
Adjustment							
Balance at December 31, 2018	-	186,645	19,570,563	482,605	879,254	-	21,119,067
Carrying amounts							
At December 31, 2017	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

(b) **Capital commitments**

The Company did not have any capital expenditure commitments during the year (2017: 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.

(d) The last PPE revaluation exercise carried out by the Company was in 2015.

Notes to the Financial Statements

14 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 2018	**Dec 31 2017**
	₦'000	**₦'000**
Cost		
Balance at 1 January	1,386,643	664,145
Additions	673,701	722,498
Balance at 31 December	2,060,344	1,386,643
Accumulated amortisation		
Balance at 1 January	277,113	4,411
Charge for the year	517,061	272,702
Balance at 31 December	794,174	277,113
Carrying amount		
At December 31	1,266,170	1,109,530

15 Inventories

Inventories comprise:

	Dec 31 2018	**Dec 31 2017**
	₦'000	**₦'000**
Distribution materials - Tripping units, circuit breakers, poles etc.	919,805	590,988
Cables and conductors	40,119	75,451
Capital items - 15MVA, 50 - 500KVA etc. transformers	130,575	110,317
General stores - Feeder pillar units, insulators etc.	209,028	413,163
Lubricants - Oil, Fuel etc.	-	176
Stationeries	19,848	11,165
Tools - Safety equipments and materials.	11,399	23,931
Meters	1,758,744	964,979
Provision for obsolescence	(202,565)	(240,114)
	2,886,953	1,950,056

16 Trade and other receivables

	Dec 31 2018	**Dec 31 2017**
	₦'000	**₦'000**
Trade receivables *	113,116,061	79,344,494
Less :Allowance for impairment (Note 16(a))	(74,052,443)	(60,801,652)
Trade receivables, net	39,063,618	18,542,842
Due from related parties (Note 23(b))	6,174,698	7,289,637
Other receivables (Note 16(b))	1,295,650	1,468,702
	46,533,966	27,301,181

Notes to the Financial Statements

* Included in trade receivables is N8.67billion which was as a result of an injuction order obtained by Manufacturers Association of Nigeria ("MAN") restraining NERC and all Electricity Distribution Companies ("DisCos") from implementing the MYTO 2.1 order in 2015 and further restraining them from disconnecting any of the group members.

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 2018	Dec 31 2017
	₦'000	**₦'000**
Opening balance	(60,801,652)	(42,790,540)
Addition (Note 11(a(i)))	(13,250,791)	(18,011,112)
	(74,052,443)	(60,801,652)

(i) The Company noted a significant decrease in addition to allowance for impairment as compared to prior year due to the use of the standardized system of aging adopted in current year as against the rule of thumb system used in prior periods.

(b) Other receivables comprise:

	Dec 31 2018	Dec 31 2017
	₦'000	**₦'000**
Recoverable legacy debts (Note 16(b(i)))	1,255,827	1,462,264
Employee receivables	2,573	2,590
Other receivables	37,250	-
Input VAT	-	3,848
	1,295,650	1,468,702

(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 acquision of 60% of the shares of IBEDC by its parent Company; Integrated Energy Distribution and Marketing Limited ("IEDM"). 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 2018 was ₦206.44 million (2017: ₦206.44 million).

17 Prepayments

	Dec 31 2018	Dec 31 2017
	₦'000	**₦'000**
Rent	46,201	31,393
Insurance	31,257	46,966
Vendors	1,669,819	92,937
CAPMI	42,121	113,317
ICAP (Note 22(b))	48,216	335,954
Others	11,799	12,507
	1,849,413	633,074

Notes to the Financial Statements

18 Cash and cash equivalents

	Dec 31 2018	Dec 31 2017
	₦'000	₦'000
Bank balances *	9,335,178	8,420,484
Cash in hand	4,584	552
	9,339,762	8,421,036

* The Company held cash of ₦9.34 billion as at year end (2017: ₦8.42 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")).

19 Share capital and reserves

(a) Share capital

	Dec 31 2018	Dec 31 2017
	₦'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 2018	Dec 31 2017
	₦'000	₦'000
Asset recapitalisation- plant & machinery *	47,434,358	47,434,358

* This refers to capitalisation of plant & machinery after acquisition from Power Holding Company of Nigeria ("PHCN"). The last PPE revaluation exercise carried out by the Company was in 2015.

(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:

	2018	2017
	₦'000	₦'000
Opening Balance as at January 1,	(58,090,890)	360,973
Profit/(loss) for the year	(58,819,144)	(58,451,863)
Closing Balance as at December 31,	(116,910,034)	(58,090,890)

Notes to the Financial Statements

20 Trade and other payables

	Dec 31 2018	Dec 31 2017
	₦'000	**₦'000**
Trade payables (Note 20(a))	208,355,411	126,931,177
Accruals (Note 20(b))	208,457	753,591
Statutory deductions (Note 20(c))	495,273	919,883
	209,059,141	128,604,651
Other payables	9,554,145	6,261,546
	218,613,286	134,866,197

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

(a) Trade payables comprise amount due to the Nigerian Bulk Electricity Trading Plc. ("NBET") and the Operator of the Nigerian Electricity Market ("ONEM"). Following the commencement of the Transitional Electricity Market ("TEM") on February 1, 2015, NBET became the supplier of power to the Company and bills for the cost of energy while other administrative charges incidental to the cost of energy are billed by ONEM. The significant increase in current year's trade payable was as a result of the interests on outstanding NBET bills. Also, the portion of the payable to NBET being settled yearly was reduced due to low revenue collection/tariff shortfall.

(b) Included in Accruals is an amount of ₦10 million fees and allowance due to the Directors as at December 31, 2018 (2017 : ₦36.44 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) NERC issued Order No. NERC/GL/174A effective July 1, 2019 relating to impact of non-implementation of 2016-2018 minor reviews of the Multi Year Tariff Order ("MYTO"). The Order spelt out the shortfall in revenue associated with the non-implementation of tariff reviews which DisCos are to recognize in their financial statements. Accordingly, the shortfall of ₦161.9 billion will be recognized in the accounts of IBEDC Plc in 2019 financial statements.

21 Deferred income

	Dec 31 2018	Dec 31 2017
	₦'000	**₦'000**
Collections from prepaid customers (Note 7)	-	611,774

Management classifies December sales of prepaid electricity as deferred revenue, however in current year, they agreed to derecognize Deferred Income on its prepaid electricity sales for the month of December, 2018 as it could not be accurately measured. Hence, the total amount of sales for its prepaid customers for December, 2018 was fully recognized as revenue.

22 Loans and borrowings

	Dec 31 2018	Dec 31 2017
	₦'000	**₦'000**
CAPMI payables (Note 22(a))	2,910,039	4,842,608
ICAP payables (Note 22(b))	812,428	820,744
Power intervention fund (Note 22(c))	19,029,619	20,267,503
	22,752,086	25,930,855

Notes to the Financial Statements

(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 & 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, 2018.

(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 & 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 ₦5.09 billion has been paid. The Principal amount outstanding as at December 31, 2018 is ₦21.54 billion which has been fair valued to ₦19.03 billion 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.

(b) Due from related parties

Due from related parties comprises:

Integrated Energy Distribution and Marketing Limited

	Dec 31 2018	Dec 31 2017
	₦'000	**₦'000**
Opening balance	7,289,637	5,700,000
Repayment	(1,800,000)	-
Interest capitalised	685,061	1,589,637
	6,174,698	7,289,637

Subsequent to year end (December 31, 2018), IEDM paid a total amount of ₦743.7 million, out of its outstanding balance.

(c) Transactions with key management personnel

Key management personnel compensation comprised:

	Dec 31 2018	Dec 31 2017
	₦'000	**₦'000**
Salaries	401,607	347,543
Employer Pension Contribution	36,518	34,666
Other Benefits	128,040	138,982
	566,165	521,191

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.

Notes to the Financial Statements

24 Contingencies

(a) Contingent liabilities

(i) Transfer of pre-acquisition liabilities and trade receivables

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 31 October 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 31 October 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 ₦26 million (2017: ₦50 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.

(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 ₦54.45 million (2017:₦11.28 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, Integrated Energy Distribution & Marketing ("IEDM") Limited paid a total amount of ₦743.7 million out of a fair valued amount of ₦6.174 billion owed IBEDC as at December 31, 2018.

Also, the company embarked on some bold initiatives to increase billing and revenue collection. Some of these initiatives are:

(a) Asset and customer enumeration exercise ("ACE")

The ACE exercise was conceptualized to capture and provide up to date records of all electrical assets and customers within IBEDC franchise area for subsequent integration into the billing database in order to enhance revenue growth and customer service.

The ACE exercise has added 251,282 new customers to IBEDC's database between its takeoff and 30th August 2019, raising customer population to 1.43 million. This is expected to rise to 2 million when the exercise is concluded in last quarter of 2019. Also, the exercise identified and captured 15,383 distribution transformers as against the baseline figure of 13,755 in Asset Register.

(b) Curbing revenue leakages by disarming unauthorised individuals from operating in IBEDC network

During 2019, management deployed strategies to curb the illegal activities of certain unauthorized individuals within IBEDC network, such as educating members of the public to only deal with lawful IBEDC staff with approved I.D. card through radio jingles; community engagements and other electronic media etc.

Notes to the Financial Statements

(c) Introduction of Distribution Transformer ("DT") Metering

During 2019, IBEDC plans to meter all its distribution transformers to enhance energy sales and accounting and curtail energy theft. DT meter deployment is cost effective, non invasive and reliable source for much needed visibility into the distribution network. The DT meters help capture transformer loading/overloading information, thereby reducing certain technical and non-technical losses.

(d) Introduction of Advanced Metering Infrastruture ("AMI")

With AMI solution, all DT meters and customer meter activities become visible and easy to monitor on the AMI system. The goal of IBEDC on AMI is the incorporation of smart meters for enhanced revenue collection and improved operational efficiencies through energy accounting.

(e) Adoption of the Meter Asset Provider ("MAP") Scheme

IBEDC has already signed a Metering Service Agreement ("MSA") with the seven approved Meter Asset Providers to supply and install energy meters to close the present metering gap of 988,915 customers across the franchise area. The meter deployment plan has already been submitted to NERC.

(f) Prepaid Meter Monitoring Initiative ("PPM")

One of the major initiatives the company is implementing to curb revenue leakages is the creation of dedicated PPM monitoring teams in each business hub to monitor PPM performance across IBEDC franchise. Members of each team would have necessary experience to detect meter bypass/energy theft.

(g) NERC order relating to MYTO shortfall

NERC issued Order No. NERC/GL/174A effective July 1, 2019 relating to impact of non-implementation of 2016-2018 minor reviews of the Multi Year Tariff Order ("MYTO"). The Order spelt out the shortfall in revenue associated with the non-implementation of tariff reviews which DisCos are to recognize in their financial statements. Accordingly, the shortfall of ₦161.9 billion will be recognized in the accounts of IBEDC Plc in 2019 financial statements. Listed below are the objectives of the NERC order:

(i) Reflect the impact of changes in the Minor Review Order variables for the relevant years and ascertain revenue shortfall in view of the differentials.

(ii) Determine and recognise the historical tariff deficits pursuant to the objective of resolving the impairment of financial records of DisCos.

(iii) Develop and implement a framework to manage future revenue shortfalls in the industry including a minimum market remittance requirement to account for the differences between cost reflective tariffs and allowed tariffs in the settlement of invoices issued by NBET and MO.

(iv) Establish interim payments arrangements, and reaffirm the payment securisation requirement and flow of funds from Discos to NBET and MO.

(v) Steer the market to gradual activation of market contracts in line with the requirements of the Transitional Electricity Market ("TEM").

(vi) Reaffirm the obligation of core investors in DisCos under the performance agreement and Share Purchase Agreement executed with the Bureau of Public Enterprises ("BPE").

(h) Interest in Fund and Electronic Transfer Solution ("FETS")

In June 3, 2019, Mr. Dan D. Kunle became a Director in FETS and has declared his interest in the Company to other members of the Board.

26 Going concern

The Company reported a loss before tax of ₦58.72 billion for the year ended December 31, 2018 (2017: ₦58.36 billion) and as of that date, the Company's total liabilities exceeded its total assets by ₦69.47 billion (2017: total liabilities exceeded total assets by ₦10.65 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.

Notes to the Financial Statements

The Directors are confident that the Company will be able to realise its assets and discharge its liabilities in the normal course of business. Hence, these financial statements have been prepared using accounting policies applicable to a going concern.

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 2018	Dec 31 2017
	₦'000	₦'000
Trade and other receivables	46,533,966	27,301,181
Cash at bank	9,335,178	8,420,484
	55,869,144	35,721,665

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**
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

	Maximum Demand	**Non-maximum Demand**	**Total**
2017	**₦'000**	**₦'000**	**₦'000**
Private individuals/companies	14,671,392	59,038,890	73,710,282
Government institutions	4,828,766	805,446	5,634,212
Total	19,500,158	59,844,336	79,344,494

At December 31, 2018, the ageing of trade receivables is as follows:

	Dec 31 2018	**Dec 31 2017**
	₦'000	**₦'000**
Current	13,628,335	6,353,821
Past due 0-30 days	5,439,997	2,494,610
Past due 31-90 days	4,626,623	3,533,374
Past due 91-120 days	4,228,020	2,458,800
Past due 120 days and above	85,193,055	64,503,889
	113,116,030	79,344,494

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

	Dec 31 2018	**Dec 31 2017**
	₦'000	**₦'000**
Balance at 1 January	60,801,652	42,790,540
Net impairment loss recognised (Note 16(a))	13,250,791	18,011,112
Balance at 31 December	74,052,443	60,801,652

Notes to the Financial Statements

Expected credit loss assessment for customers as at December 31, 2017 and December 31, 2018

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, 2018.

	Weighted average loss rate	**Gross Carrying Amount (N)**	**Loss Allowance (N)**
Prepaid customer (PPM) *	20%	695,065,441	139,013,088
Government agencies	25%	4,790,650,798	1,197,662,700
Metered maximum demand customer	15%	1,890,454,070	283,568,110
Manufacturers Association of Nigeria ("MAN") **	100%	8,667,419,852	8,667,419,852
Unmetered maximum demand customer	35%	708,626,823	248,019,388
Metered non-maximum demand customer (High tier) C1, D1	25%	5,204,753,560	1,301,188,390
Metered non-maximum demand customer (Middle tier) R2	35%	16,293,467,902	5,631,022,507
Metered non-maximum demand customer (Low tier) R1	65%	129,397,098	84,108,113
Metered Others (A1, S1)	10%	70,371,521	7,037,152
Unmetered non-maximum demand customer (High tier) C1, D1	65%	12,477,308,514	8,110,250,534
Unmetered non-maximum demand customer (Middle tier) R2	78%	61,326,748,480	47,834,863,814
Unmetered non-maximum demand customer (Low tier) R1	64%	753,106,147	481,987,934
Unmetered Others (A1, S1)	61%	108,690,103	66,300,963
Total		113,116,060,307	74,052,442,545

* 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.

Notes to the Financial Statements

(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 ₦9.43 billion (2017: ₦18.01 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.

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 ₦9.34 billion as at year end (2017: ₦8.42 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.

Notes to the Financial Statements

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, 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
Non-derivative financial liabilities					
December 31, 2017					
Trade and other payables	134,866,197	134,866,197	25,799,976	46,276,143	62,790,078
Loans and borrowings	25,930,855	25,930,855	-	-	25,930,855
	160,797,052	160,797,052	25,799,976	46,276,143	88,720,933

(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, 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

Notes to the Financial Statements

	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
ICAP & CAPMI payables	3,722,467	-	3,722,467
	3,722,467	218,613,286	222,335,753

	Receivables	Other financial Assets	Total
	₦'000	**₦'000**	**₦'000**
December 31, 2017			
Financial assets not measured at fair value			
Trade and other receivables	27,301,181	-	27,301,181
Cash and cash equivalents	8,421,036	-	8,421,036
	35,722,217	-	35,722,217

	Loans and Borrowings	Other financial liabilities	Total
December 31, 2017	**₦'000**	**₦'000**	**₦'000**
Financial liabilities not measured at fair value			
Trade and other payables	-	134,866,197	134,866,197
ICAP & CAPMI payables	5,663,352	-	5,663,352
	5,663,352	134,866,197	140,529,549

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, 2018, the future minimum lease payments under non-cancellable leases were payable within 1 year and amounted to ₦46.20 million (2017: ₦31.39 million).

(ii) *Amounts recognised in profit or loss*

Lease expenses recognised in profit or loss during the year amounted to ₦81.08 million (2017: ₦76.57 million). This is included in administrative expenses as rent expense.

Notes to the Financial Statements

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.

Also, receivables from Kainji Dam residents in Niger State, amounting to ₦8.72 million forms part of non-paying customers receivables in the year under review.

(b) IFRS 9 FINANCIAL INSTRUMENTS

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line in the statement of profit or loss and OCI. Previously, the Company's approach was to include the impairment of trade receivables in billing and collection expenses. Consequently, the Company reclassified impairment losses amounting to NGN 13.25 billion, recognised under IAS 39, from 'billing and collection expenses' to 'impairment loss on trade receivables and contract assets' in the statement of profit and loss and OCI for the year ended December 31, 2018.

Notes to the Financial Statements

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of reserves and retained earnings

	Impact of adopting IFRS 9 on opening balance
	₦'000
Initial recognition of expected credit losses under IAS 39	70,227,125
Additional credit loss allowance under IFRS 9	3,269,265
Contract Asset	556,052
Recognition of expected credit losses under IFRS 9	74,052,442

30 New standards and interpretations not yet adopted

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 standard in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

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*
• IFRS 19 *Employee Benefits (Amended)*

Effective for the financial year commencing January 1, 2020

• IFRS 17 *Insurance Contracts*
• 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, IFRS 12 and IAS 28 amendment Investment entities, Sale or Contribution of Assets between an Investor and its Associate or joint Venture (Amendment to IFRS 10 and IAS 28), 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*.

Notes to the Financial Statements

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.

The Company is yet to carry out an assessment to determine the impact that the initial application of IFRS 16 could have on its business; however, the Company will adopt the standard for the year ending December 31, 2019.

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 and will be adopted by the Company for the year ending December 31, 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".

The Company will adopt this amendment for the year ending December 31, 2019, that is, one year later than the effective date of IFRS 9.

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.

The Company will adopt this amendment for the year ending December 31, 2019.

IFRS 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.

The Company will adopt this amendment for the year ending December 31, 2019.

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 14 *Insurance Contract.* IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

An entity shall apply IFRS 17 Insurance Contracts to:

(a) Insurance contracts, including reinsurance contracts, it issues;

(b) Reinsurance contracts it holds; and

(c) Investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

Notes to the Financial Statements

Some contracts meet the definition of an insurance contract but have as their primary purpose the provision of services for a fixed fee. Such issued contracts are in the scope of the standard, unless an entity chooses to apply to them IFRS 15 *Revenue from Contracts with Customer* s and provided the following conditions are met:

(a) the entity does not reflect an assessment of the risk associated with an individual customer in setting the price of the contract with that customer

(b) the contract compensates the customer by providing a service, rather than by making cash payments to the customer; and

(c) the insurance risk transferred by the contract arises primarily from the customer’s use of services rather than from uncertainty over the cost of those services

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

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 of 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

Notes to the Financial Statements

(c) improved definitions of an asset and a liability, and guidance supporting these definitions; and

(d) clarifications in 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, 2018

	Dec 31 2018 ₦'000	%	Dec 31 2017 ₦'000	%
Revenue	81,721,119		70,182,887	
Brought in materials and services				
- Local	(106,061,393)		(101,187,888)	
	(24,340,274)		(31,005,001)	
Finance income	1,572,988		2,014,211	
	(22,767,286)	100	(28,990,790)	100
To employees:				
- Wages, salaries and other staff costs	5,908,223	(26)	5,479,112	(19)
To providers of finance:				
- Finance cost and similar charges	24,611,909	(108)	19,210,435	(66)
To government as:				
- Taxes	102,164	-	87,740	-
Retained in the business:				
To maintain and replace:				
- Property, plant and equipment	4,912,501	(22)	4,411,084	(15)
- Intangible assets	517,061	(2)	272,702	(1)
- To deplete reserve	(58,819,144)	258	(58,451,863)	201
	(22,767,286)	100	(28,990,790)	100

Five Years Financial Summary

Statement of profit or loss and other comprehensive income

	2018	2017	2016	2015	2014
	₦'000	₦'000	₦'000	₦'000	₦'000
Revenue	81,721,119	70,182,887	61,378,229	50,452,107	49,100,316
Loss before income tax	(58,716,980)	(58,364,123)	(16,119,956)	(17,799,985)	(8,257,893)
Loss for the year	(58,819,144)	(58,451,863)	(11,195,914)	(11,376,483)	(8,257,893)
Total comprehensive (loss) / income for the year	(58,819,144)	(58,451,863)	(11,195,914)	(11,376,483)	(8,257,893)

Statement of financial position

	2018	2017	2016	2015	2014
	₦'000	₦'000	₦'000	₦'000	₦'000
Employment of funds					
Property, plant and equipment	107,393,437	108,655,258	109,622,689	110,139,550	112,973,785
Intangible Asset	1,266,170	1,109,530	74,033	-	-
Deferred tax (liabilities) / Assets	2,774,899	2,774,899	(8,097,248)	(13,021,290)	(20,329,011)
Loans and borrowings	(22,752,086)	(25,930,855)	(26,129,691)	(1,072,179)	-
Net current liabilities	(158,153,096)	(97,260,364)	(2,682,081)	(14,864,798)	(87,008)
Net assets	(69,470,676)	(10,651,532)	72,787,702	81,181,283	92,557,766
Funds employed					
Share capital	5,000	5,000	5,000	5,000	5,000
Retained earnings	(116,910,034)	(58,090,890)	25,348,344	33,741,925	45,118,408
Revaluation reserves	47,434,358	47,434,358	47,434,358	47,434,358	47,434,358
	(69,470,676)	(10,651,532)	72,787,702	81,181,283	92,557,766