Port Harcourt Electricity Distribution Plc.

Annual Report and Financial Statements
For the Year Ended 31 December 2023

Port Harcourt Electricity Distribution Plc.

Financial Statements

For the Year Ended 31 December 2023

Contents

	Page
Corporate information	3
Report of the directors	4
Statement of directors' responsibilities	6
Audit committee report	7
Statement of corporate responsibility	8
Independent auditor's report	9
Statement of profit or loss and other comprehensive income	14
Statement of financial position	15
Statement of changes in equity	16
Statement of cash flows	17
Notes to the financial statements	18
Other national disclosures:	
Value added statement	68
Five-year financial summary	69

Corporate Information

Company registration number
RC 638702

Directors

Engr. Olice Dickson Kemenanabo	Non-Executive Director	(Appointed August 2023)
Mr. Ologbaraete Pinnick	Managing Director	(Appointed April 2026)
Engineer Kola Adesina, MFR	Non-Executive Director	(Appointed September 2022)
Mr. Ogheneruemu Dickens Sanomi	Non-Executive Director	(Appointed August 2017)
Dr. Abdul Wahaab Adebayo Ibraheem	Non-Executive Director	(Appointed April 2026)
Mr. Ayodeji Ariyo Gbeleyi	Non-Executive Director	(Appointed April 2026)
T. Iboroma Akpana	Non-Executive Director	(Appointed July 2022; Removed April 2026)
Mr. Ismaila Danladi Shuaibu	Non-Executive Director	(Appointed July 2022; Resigned April 2026)
Mr. Emmanuel Emuejevoke Okotete	Non-Executive Director	(Appointed July 2022; Resigned April 2026)
Dr. Alex Ayoola Okoh	Non-Executive Director	(Appointed May 2017; Resigned April 2026)
Mr. Ignatius .O. Ayewoh	Non-Executive Director	(Appointed January 2024; Removed June 2024)
Engr Dr. Edevbie Mattew	Non-Executive Director	(Appointed April 2026)
Dr. Benson Uwheru	Managing Director	(Appointed July 2022; Resigned April 2026)

Corporate office
1 Moscow Road
Port Harcourt
Rivers State

Company secretary
Sterling Law Alliance
5c Isaiah Odolu Street, Off Birabi Street
GRA Phase 1
Port Harcourt
Rivers State

Principal bankers
Ecobank Plc.
First Bank of Nigeria Limited
Polaris Bank Limited
United Bank for Africa Plc.
Zenith Bank Plc.
Keystone Bank
Globus Bank
Sterling Bank
Guaranty Trust Bank Limited
Wema Bank Plc.

Independent auditor
PricewaterhouseCoopers
Chartered Accountants
FF Millenium Towers
Plot 13/14 Ligali Ayorinde Street
Victoria Island
Lagos

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31 December 2023, to the members of Port Harcourt Electricity Distribution Plc. ("the Company"). This report discloses the financial performance and state of affairs of the Company.

Incorporation and address

Port Harcourt Electricity Distribution Plc. was incorporated in Nigeria under the Companies and Allied Matters Act as a Public Limited Company on 8 November 2005. The Company is domiciled in Nigeria. The registered business address is:

1 Moscow Road
Port Harcourt
Rivers State

Principal activities

The Company is in the business of distribution and marketing of electric power to customers in the following states in Nigeria: Akwa Ibom, Bayelsa, Cross River and Rivers states.

State of affairs

In the opinion of the directors, the state of the Company's affairs is satisfactory and there has been no material change since the reporting date which would affect the financial statements as presented, apart from the disclosures in note 31.

Results for the year

The Company's results for the year are set out on page 14. The loss for the year of ₦14.2 billion (2022: ₦22.8 billion) has been absorbed in accumulated deficit.

Economic and business performance review

The Company had the following:

	31 December 2023	31 December 2022
Total number of customers	716,584	691,404
Total energy received (in thousands of kilowatts)	2,160,442	1,977,505
Total cash collections (in thousands of Naira)	75,066,108	56,999,162

Property, plant and equipment

Information relating to movement in property, plant and equipment is as shown in note 13 to the financial statements. In the opinion of the directors, the market value of the Company's property, plant and equipment is not materially different from the carrying value shown in the financial statements.

Directors' interest in shares

Pursuant to Section 303 of the Companies and Allied Matters Act, none of the directors have any direct interest in the shares of the Company as notified by them and recorded in the Register.

Directors' interests in contracts

None of the directors has notified the Company for the purpose of Section 303 of the Companies and Allied Matters Act of their direct or indirect interest in contracts or proposed contracts with the Company during the year apart from disclosures made in note 26.

Shareholdings

As of 31 December 2023 and 31 December 2022, the shares of the Company were held as follows:

	2023		2022	
	No. of shares	Percentage	No. of shares	Percentage
4Power Consortium Limited	6,000,000	60%	6,000,000	60%
Bureau of Public Enterprises	3,200,000	32%	3,200,000	32%
Ministry of Finance	800,000	8%	800,000	8%
	10,000,000	**100%**	**10,000,000**	**100%**

Equal employment opportunity

The Company pursues an equal employment opportunity policy. It does not discriminate against any person on the ground of race, religion, colour or physical disability.

Employment of disabled persons

The Company has a policy of fair consideration of job applications by disabled persons having regard to their abilities and aptitude. The Company's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees.

However, no disabled person was employed by the Company in the year. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should as far as possible be identical with that of other employees.

Employee health, safety and welfare

Health and safety regulations are in force within the Company's premises and employees are aware of existing regulations. Careful attention is given to employees' health with Health Maintenance Organizations.

Fire prevention and fire-fighting equipment are installed in strategic locations within the Company's premises. Field staff are also provided with Personal Protective Equipment.

Dividend

The directors are not recommending the payment of dividends to its shareholders in respect of the year ended 31 December 2023 (2022:nil).

Donations

The Company made donations of ₦10 million to charitable institutions and organisations during the year (2022:nil).

S/N	Organisation	31 December 2023 ₦'000	31 December 2022 ₦'000
1	Okochiri Community	1,000	-
2	Donation NESI 10 YEAR ANNIVERSARY	3,000	-
3	Women Meet Initiative	975	-
4	Donation Security Summit	3,000	-
5	Rivers Police (PCRC)	2,000	-
		9,975	-

Auditors

Messrs. PricewaterhouseCoopers will not be continuing in office as auditors of the Company upon the expiration of their current term. Accordingly, a resolution for the appointment of new auditors will be proposed at the Annual General Meeting in accordance with the Companies and Allied Matters Act, 2020 (CAMA).

By order of the Board



Francis Elechi
Company Secretary STERLING LAW ALLIANCE
FRC/2022/PRO/NBA/002/783526
6 November 2026

Statement of Directors' Responsibilities

The Companies and Allied Matters Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include:

a) ensuring that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act and Financial Reporting Council of Nigeria (Amendment) Act, 2023;

b) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; and

c) preparing the Company's financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates that are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and Financial Reporting Council of Nigeria (Amendment) Act, 2023.

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The directors have made an assessment of the Company's ability to continue as a going concern. See note 29 to these financial statements for more details.



Ologbaraete Pinnick
Managing Director/ CEO
FRC/2025/PRO/IODN/002/721969

6 November 2026



Olice Kemenanabo
Chairman
FRC/2022/PRO/DIR/003/303573

6 November 2026

Introduction
The Audit Committee of Port Harcourt Electricity Distribution Plc is pleased to present its report for the year ended 31 December 2023. This report provides shareholders and stakeholders with an overview of the committee's activities, oversight responsibilities, and its role in promoting the integrity and transparency of the Company's financial reporting process.

Composition and Independence
The Audit Committee comprises five independent non-executive directors:
Mr. Ogheneruemu Dickens Sanomi (Chairperson)
Mr. Abdul Wahab Ibraheem
Engineer. Kolawole Semiu Adesina, MFR
Engr. Matthew Edevbie
Mr. Ayodeji Gbeleyi
All members are independent, having no relationships or interests that could impair their objectivity, in accordance with regulatory requirements and the Company's policies.

Scope of Work
During the year, the Audit Committee performed its duties in accordance with its charter, which includes the following key responsibilities:

1. Oversight of the Audit
The Committee supervised the work of the external auditor, PricewaterhouseCoopers (PwC) Chartered Accountants, reviewing their audit plan, scope, and findings.

2. External Auditor Selection and Independence
The Committee recommended the appointment of PwC as the Company's independent external auditor, assessed their independence, and approved their audit fees.

3. Review of Financial Statements
The Committee reviewed the audited financial statements and discussed significant accounting policies and audit-related matters with management.

4. Internal Control and Risk Management
The Committee evaluated the effectiveness of the Company's internal control systems and monitored the adequacy of risk management processes.

5. Fraud and Legal Compliance
The Committee considered potential fraud risks and ensured monitoring of compliance with applicable laws and regulations.

External Auditor Independence and Performance
The Audit Committee recognizes the importance of maintaining the independence of PwC, both in fact and appearance. The Committee received confirmation of their independence and assessed their performance, concluding that their work was effective and that no significant concerns arose during the audit.

Conclusion and Recommendation
The Audit Committee is satisfied that it has effectively fulfilled its responsibilities in overseeing the financial reporting process, internal controls, and risk management frameworks. We are confident that the audited financial statements present fairly the financial position and results of operations of Port Harcourt Electricity Distribution Plc.

Based on our review and assessment, the Committee recommends the approval of the audited financial statements for the year ended 31 December 2023 and their inclusion in the Company's Annual Report.



Mr. Ogheneruemu Dickens Sanomi
Chair Audit Committee
FRC/2019/IODN/00000019618
6 November 2026

Statement of Corporate Responsibility

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

a) We have reviewed the financial statements, and based on our knowledge the:

i) audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made, and

ii) audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for, the periods covered by the audited financial statements;

b) We certify that we:

i) are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Company is made known to us by other officers of the Companies, particularly during the period in which the audited financial statement report is being prepared,

ii) have evaluated the effectiveness of the Company's internal controls within 90 days prior to the date of its audited financial statements, and

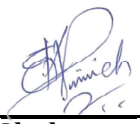
iii) certify that the Company's internal controls are effective as of that date;

c) We disclosed to the Company's auditors:

i) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data, and have identified for the Company's auditors any material weaknesses in internal controls, and

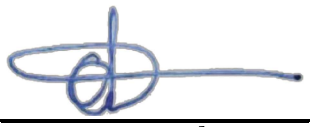
ii) whether or not, there is any fraud that involves management or other employees who have a significant role in the Company's internal control; and

d) We have indicated in the report, whether or not, there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.



Ologbaraete Pinnick
Managing Director/ CEO
FRC/2025/PRO/IODN/002/721969

6 November 2026



Ogaga Ologe
Chief Financial Officer
FRC/2013/PRO/DIR/003/00000001091

6 November 2026

Independent auditor's report

To the Members of Port Harcourt Electricity Distribution Plc.

Report on the audit of the financial statements

Our opinion

In our opinion, Port Harcourt Electricity Distribution plc.'s ("the company's") financial statements give a true and fair view of the financial position of the company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with international financial reporting standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

What we have audited

Port Harcourt Electricity Distribution Plc.'s financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 December 2023;
- the statement of financial position as at 31 December 2023;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of material accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Material uncertainty related to going concern

We draw attention to Note 29 in the financial statements, which indicates that the company incurred a net loss of ₦14.17 billion during the year ended 31 December 2023 and, as of that date, the company's current liabilities exceeded its current assets by ₦94.79 billion. As stated in Note 29, these events or conditions, along with other matters as set forth in Note 29 indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables (₦243.62 billion) *Refer to notes 3.1.2, 4.2, 17 and 17.3 of the financial statements* The company bills its customers monthly using the Multi-Year Tariff Order (MYTO). Customers are classified based on their payment pattern as prepaid and post-paid. The risk of impairment to trade receivables relates to only post-paid customers because some customers do not make payment as and when due on the bills. We focused on this area due to the materiality of the trade receivable of ₦253.00 billion and resulting impairment of ₦243.62 billion, and because it requires significant judgement both for timing of recognition of impairment and estimation of the amount of such impairment. The expected credit loss (ECL) model requires significant judgement in measuring ECL especially incorporating forward looking information (such as forecast inflation and Gross Domestic Product (GDP)) in building the economic scenarios used in the ECL model. The company utilised the 'simplified approach' model for the trade receivable. Under the simplified approach, the provision combines the historical loss rate with forward looking assumptions which takes management's view of the future of the customer into account.	*We adopted a substantive approach in assessing the allowance for impairment made by the directors. We performed the following procedures:* • We obtained an understanding of the company's business process and accounting policies for classifying its customers based on tariff bands and estimating the expected credit loss (ECL) for these customers; • We tested the calculation of the historical loss rate across the aging buckets; • We challenged management regarding the forward-looking assumptions (forecast inflation and Gross Domestic Product) and compared those assumptions against publicly available information; • We compared the impairment calculated by management against the amount already recognised in the books; and • We reviewed the IFRS 9 disclosures for reasonableness.
Recognition of tariff shortfall (₦45.0 billion) *Refer to notes 2.9.1, 7 and 17.2 of the financial statements* The Nigerian Electricity Regulatory Commission (NERC) regulates electricity tariffs in the Nigerian electricity supply industry through the periodic issuance of tariff orders known as the Multi-Year Tariff Order (MYTO). The MYTO ensures prices charged by licensees are fair to consumers and are sufficient to allow licensees recover the cost of energy purchased from the Nigerian Bulk Electricity Trading Plc. (NBET), including a reasonable return on the capital invested in the business. NERC implemented MYTO reviews in 2020 which had a material and immediate impact on end-user tariffs payables by all classes of electricity customers in the country. Prior to this review, there existed a wide tariff gap due to the absence of cost reflective tariffs which has not been completely eliminated. As a result, the company is not able to pass on the full cost of energy purchased to end users leading to tariff shortfalls (due from customers to Discos). The tariff shortfall will be fully settled under the financing plan of the Power Sector Recovery Plan (PSRP) approved by the Federal Government. Based on the orders, the company recognised a tariff shortfall of ₦104.3 billion (for 2015 – 2018) in 2018, ₦82.0 billion (for 2019-2020) in 2020, ₦23.5 billion in 2021, ₦9.7 billion in 2022 and ₦45.0 billion in 2023. The cumulative balance subsequent to applying credit notes from NBET is ₦22.9 billion. We focused on this area due to the significance of the transaction and the materiality of tariff shortfall recognised.	*Our procedures included the following:* • We examined the NERC orders to obtain an understanding of the considerations for recognition; • We checked that the tariff shortfall amount recognised by the company was in line with the NERC orders; • We involved our accounting technical specialists in evaluating the appropriateness of the accounting treatment of these transactions by management; • We examined the credit notes received from NBET for reasonableness; • We evaluated the adequacy of the disclosures in the financial statements.

Revenue recognition – Unmetered post-paid customers *Refer to notes 4.7 and 5 of the financial statements* Port Harcourt Electricity Distribution Plc recognises revenue from electricity supplied to post-paid customers, including customers who do not have functional meters installed. Revenue from these customers is determined using estimated billing methodologies in line with tariff orders and regulatory directives issued by the Nigerian Electricity Regulatory Commission (NERC). During the year, a significant proportion of the company's revenue was derived from unmetered post-paid customers. The estimation of revenue from these customers involves the application of NERC-approved energy caps, feeder classifications, customer tariff classes, and other billing parameters. Under the applicable NERC regulations, the company is not permitted to bill unmetered customers above the prescribed cap applicable to their feeder and customer category. We considered this area to be a key audit matter due to: • The financial significance of revenue from unmetered post-paid customers to the company's financial statements. • The complexity of the billing process, which involves large volumes of customer data. • The level of management judgment involved in determining estimated consumption and applying appropriate billing caps. • The risk that customers could be billed above approved NERC caps due to errors in customer classification, feeder assignments, tariff application, or weaknesses in system configuration. • The heightened regulatory scrutiny associated with compliance with NERC's estimated billing framework.	*Our procedures included the following:* • Obtained and documented the process used by the entity to derive energy consumption for unmetered customers, including data sources, assumptions, and allocation; • Independently recalculated the energy allocation for unmetered post-paid customers using management's input data and regulatory guidelines to validate accuracy; • Evaluated whether the entity's estimation or allocation methodology aligns with NERC requirements, is consistently applied, and produces reasonable results; • Inspected NERC regulations for penalties or sanctions applicable for non-compliance with MYTO tariff rates and assess whether the entity's billing practices expose it to such penalties; • Reviewed the entity's billing, allocation, and revenue -recognition records to confirm that they reflect the methodology and tariff structures mandated by NERC/ MYTO; • Compared the tariff rates used in billing to approved MYTO (or CAPMI where applicable) rates to ensure that recognised revenue is calculated based on correct regulatory tariffs.

Other information

The directors are responsible for the other information. The other information comprises the Corporate information, Report of the directors, Statement of directors' responsibilities, Statement of corporate responsibility, Audit committee report, Value added statement and Five-Year financial summary, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 in accordance with IFRS Accounting Standards and the requirements of the Companies and Allied Matters Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

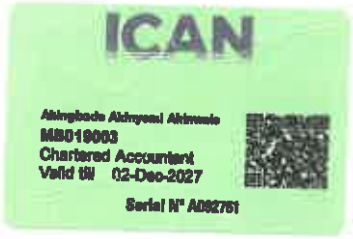
Report on other legal and regulatory requirements

The Companies and Allied Matters Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from locations not visited by us;

iii) the company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.



Akinyemi Akingbade

For: **PricewaterhouseCoopers**

9 November 2026

Chartered Accountants
Lagos, Nigeria

Engagement Partner: Akinyemi Akingbade
FRC/2013/PRO/ICAN/004/00000004012

	Notes	31 December 2023 ₦'000	31 December 2022 ₦'000
Revenue from contracts with customers	5	92,185,993	84,218,547
Cost of sales	6	(117,000,156)	(73,668,496)
Gross (loss)/profit		(24,814,163)	10,550,051
Other income	7	48,919,208	13,586,642
Administrative expenses	8	(13,661,507)	(10,209,142)
Net impairment losses on financial assets	9	(20,320,951)	(32,309,527)
Operating loss		(9,877,413)	(18,381,976)
Finance income	10	1,388,597	231,335
Finance cost	10	(4,794,863)	(4,430,728)
Finance cost - net		(3,406,266)	(4,199,393)
Loss before income tax		(13,283,679)	(22,581,369)
Income tax expense	11	(881,750)	(267,840)
Loss for the year		(14,165,429)	(22,849,209)
Other comprehensive income			
Other comprehensive income, net of tax		-	-
Total comprehensive loss for the year		**(14,165,429)**	**(22,849,209)**
Loss per share in naira (basic & diluted)	12	(1,417)	(2,285)

The notes on pages 18 - 66 form an integral part of these financial statements.

Port Harcourt Electricity Distribution Plc.

Financial Statements
As at 31 December 2023
Statement of Financial Position

	Notes	31 December 2023 ₦'000	31 December 2022 ₦'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	117,813,979	116,953,427
Intangible assets	14	241,165	224,765
Right-of-use assets	15.1.1	48,175	148,230
Total non-current assets		118,103,319	117,326,422
Current assets			
Inventories	19	486,940	953,474
Contract assets	18	219,404	749,555
Trade and other receivables	17	32,727,890	106,609,773
Cash and cash equivalents	16	18,349,062	17,866,911
Total current assets		51,783,296	126,179,713
Total assets		**169,886,615**	**243,506,135**
LIABILITIES			
Non-current liabilities			
Borrowings	21	8,051,252	11,965,080
Lease liabilities	15.1.2	1,192	66,018
Government grants	22	6,914,359	8,917,368
Contract liabilities	23	10,335,995	6,266,356
Total non-current liabilities		25,302,798	27,214,822
Current liabilities			
Trade and other payables	20	129,498,951	189,617,787
Borrowings	21	9,079,768	8,184,859
Lease liabilities	15.1.2	31,624	41,791
Government grants	22	2,003,312	2,003,312
Contract liabilities	23	2,495,121	1,684,844
Current tax liabilities	11	3,467,512	2,585,762
Total current liabilities		146,576,288	204,118,355
Total liabilities		**171,879,086**	**231,333,177**
EQUITY			
Share capital	24.1	5,000	5,000
Accumulated deficit	24.2	(62,733,917)	(50,589,857)
Revaluation reserve	24.3	60,736,446	62,757,815
Total equity		(1,992,471)	12,172,958
Total equity and liabilities		**169,886,615**	**243,506,135**

The notes on pages 18 - 66 form an integral part of these financial statements.

The financial statements and other national disclosures on pages 14 to 69 were approved and authorized for issue by the board of directors on 6 November 2026 and were signed on its behalf by:

Ologbaraete Pinnick	**Olice Kemenanabo**	**Ogaga Ologe**
Managing Director/CEO	Chairman	Chief Financial Officer
FRC/2025/PRO/IODN/002/721969	FRC/2022/PRO/DIR/003/303573	FRC/2013/PRO/DIR/003/00000001091

Statement of Changes in Equity

	Share Capital	Accumulated Deficit	Revaluation Reserve	Total Equity
	₦'000	₦'000	₦'000	₦'000
Balance at 1 January 2022	5,000	(29,025,440)	64,042,607	35,022,167
Loss for the year	-	(22,849,209)	-	(22,849,209)
Other comprehensive income	-	-		-
Total comprehensive loss for the year	-	(22,849,209)	-	(22,849,209)
Transfer of excess depreciation due to revaluation (note 24.3)	-	1,284,792	(1,284,792)	-
Balance at 31 December 2022	**5,000**	**(50,589,857)**	**62,757,815**	**12,172,958**
Balance at 1 January 2023	5,000	(50,589,857)	62,757,815	12,172,958
Loss for the year	-	(14,165,429)	-	(14,165,429)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	(14,165,429)	-	(14,165,429)
Transfer of excess depreciation due to revaluation (note 24.3)	-	2,021,369	(2,021,369)	-
Balance at 31 December 2023	**5,000**	**(62,733,917)**	**60,736,446**	**(1,992,471)**

The notes on pages 18 - 66 form an integral part of these financial statements.

	Notes	31 December 2023 ₦'000	31 December 2022 ₦'000
Cash flows from operating activities			
Cash generated from operations	25	11,120,041	10,810,744
Income tax paid	11.3	-	-
Net cash inflow from operating activities		**11,120,041**	**10,810,744**
Cash flow from investing activities			
Payments for property, plant and equipment	13.4	(4,521,353)	(3,546,045)
Interest received	10	1,388,597	231,335
Purchase for intangible assets	14	(53,480)	(14,500)
Lease prepayment	15.1.1	(16,870)	(78,580)
Net cash outflow from investing activities		**(3,203,106)**	**(3,407,790)**
Cash flow from financing activities			
Proceeds from borrowings	21.6	164,144	1,744,133
Receipts from government grants	22	105,320	-
Principal elements of lease payments	15.1.2	(31,207)	(15,800)
Interest paid on borrowings	21.5	(2,479,620)	(1,951,856)
Repayment of borrowings	21.5	(5,183,133)	(3,015,754)
Net cash outflow from financing activities		**(7,424,496)**	**(3,239,277)**
Net increase in cash and cash equivalents		492,439	4,163,677
Cash and cash equivalents at the beginning of the year		16,366,534	12,202,857
Cash and cash equivalents at the end of the year	16	**16,858,973**	**16,366,534**

The notes on pages 18 - 66 form an integral part of these financial statements.

1 General information

Port Harcourt Electricity Distribution Plc. ('the Company' or 'PHED') is one of the eleven (11) electricity distribution companies in Nigeria. The Company was licensed in 2006 by the Nigeria Electricity Regulatory Commission (NERC) to distribute and market electricity to consumers in four states in the South-South region of Nigeria: Akwa Ibom, Bayelsa, Cross River and Rivers States.

The Company currently services about 716,584 customers.

Business Transition

In 1999, the Federal Government of Nigeria set up the Electric Power Sector Implementation Committee (EPIC) to undertake a comprehensive study of the electricity power industry. The EPIC created Power Holding Company of Nigeria (PHCN), a company registered under the Companies and Allied Matters Act, to assume the assets, liabilities and employees of the former Federal Government parastatal - National Electric Power Authority ("NEPA") that was in charge of electricity generation, transmission and distribution in Nigeria. PHCN was set up to achieve greater operational autonomy. The shares of PHCN were fully owned by the Federal Government of Nigeria.

In 2005, PHCN was unbundled to form 6 electricity generation, 1 electricity transmission and 11 electricity distribution companies with the intent of sale of shares in these companies to private investors. PHED is one of the electricity distribution companies. The Federal Government also set up a special purpose agency, Nigeria Electricity Liability Management Company Limited (NELMCO) to take over some assets and liabilities of these companies in order to sell the shares of the companies carrying only core assets and liabilities to intending investors.

On 1 November 2013, 4Power Consortium Limited bought 60% shares in PHED from the Federal Government.

All electricity companies are regulated by Nigerian Electricity Regulatory Commission (NERC), a Federal Government regulatory body that ensures efficiency, stability and reliability in the supply of electricity in Nigeria. On 1 November 2013, NERC set up interim rules that will regulate the electricity generation, transmission and distribution companies in Nigeria that were privatized from PHCN. These rules will be in force until such a time as determined by NERC when market forces and operations will determine prices and operations in the power sector. These rules include pricing of electricity, distribution areas, etc.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

2.1 Basis of preparation

a) Compliance with IFRS

The financial statements for the year ended 31 December 2023 have been prepared in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB), the requirements of the Companies and Allied Matters Act (CAMA) and the Financial Reporting Council of Nigeria (Amendment) Act, 2023 (FRC).

The preparation of financial statements, in conformity with generally accepted accounting principles under IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

2.1 Basis of preparation (continued)

***b)* Basis of measurement**

The financial statements have been prepared under the historical cost basis except for the following items which are measured on an alternative basis on each reporting date:

Item	Measurement Basis
Property, plant and equipment	Revaluation
Government grants	Fair value
Inventory	Lower of cost and net realisable value
Non-derivative financial instruments	Initially at fair value and subsequently at amortised cost effective rate

The financial statements are presented in Naira. All values are rounded to the nearest thousand (₦'000), except where otherwise indicated.

2.1.1 Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. Refer to note 29 for further information on going concern.

2.1.2 Changes in accounting policies and disclosures

***a)* New standards, amendments and interpretations adopted by the Company**

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023. The adoption of these amendments have not had any material impact on the disclosures or on the amounts reported in these financial statements. Details of these standards and interpretations are set out below:

(i) Disclosure of accounting policies – Amendments to IAS 1 and IFRS Practice Statement 2 (effective for reporting periods beginning on or after 1 January 2023)

These amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

(ii) Definition of accounting estimates – Amendments to IAS 8 (effective for reporting periods beginning on or after 1 January 2023)

This clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

(iii) Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (effective for reporting periods on or after 1 January 2023)

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

• right-of-use assets and lease liabilities, and

• decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The entity should recognise the cumulative effect of initially applying this amendment as an adjustment to the opening balance of retained earnings at that date.

b) **New standards, amendments and interpretations not yet adopted by the Company**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2023, and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and or foreseeable future transactions.

(i) Non-current liabilities with covenants – Amendments to IAS 1 (effective 1 January 2024)

This amendment clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. This amendment is not expected to have a material impact on the financial statements.

(ii) Lease liability in a sale and leaseback – Amendments to IFRS 16 (effective 1 January 2024)

This amendment includes requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. This amendment is not expected to have impact on the financial statements.

(iii) Presentation of financial statements on classification of liabilities - Amendments to IAS 1 (effective for reporting periods beginning on or after 1 January 2024)

The amendments issued by the IASB on January 23, 2020 impact only the presentation of liabilities in the statement of financial position - not the amount or timing of recognition of any asset, liability income or expenses. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability. The classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendment also clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

(iv) Supplier finance arrangements – Amendments to IAS 7 and IFRS 7 (effective 1 January 2024)

The objective of the new disclosures is to provide information about supplier finance arrangements that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following the carrying amounts of financial liabilities that are part of supplier finance arrangements and the line items in which those liabilities are presented, the carrying amount of the financial liabilities for which suppliers have already received payment from the finance providers, the range of payment due dates for both the financial liabilities that are part of supplier finance arrangements, and comparable trade payables that are not part of such arrangements, non-cash changes in the carrying amounts of financial liabilities and access to supplier finance arrangements facilities and concentration of liquidity risk with finance providers.

(v) Lack of Exchangeability - Amendments to IAS 21 (effective 1 January 2025)

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. These amendments will require companies to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in current and future reporting periods and on foreseeable future transactions.

(vi) IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective 1 January 2027)

Issued in May 2024, IFRS 19 allows for certain eligible subsidiaries of parent entities that report under IFRS Accounting Standards to apply reduced disclosure requirements.

b) **New standards, amendments and interpretations not yet adopted by the Company (continued)**

(vii) Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (effective 1 January 2026)

On 30 May 2024, the IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

• clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;

• clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;

• add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and

• update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

(viii) IFRS 18 Presentation and Disclosure in Financial Statements (effective 1 January 2027)

IFRS 18 will replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the company's financial statements. From the high-level preliminary assessment performed, the following potential impacts have been identified:

• Although the adoption of IFRS 18 will have no impact on the company's net profit, the company expects that grouping items of income and expenses in the statement of profit or loss into the new categories will impact how operating profit is calculated and reported. From the high level impact assessment that the company has performed, the following items might potentially impact operating profit:

a. Foreign exchange differences currently aggregated in the line item 'other income and other gains/(losses) – net' in operating profit might need to be disaggregated, with some foreign exchange gains or losses presented below operating profit. IFRS 18 has specific requirements on the category in which derivative gains or losses are recognised – which is the same category as the income and expenses affected by the risk that the derivative is used to manage. Although the company currently recognises some gains or losses in operating profit and others in finance costs, there might be a change to where these gains or losses are recognised, and the company is currently evaluating the need for change.

• The line items presented on the primary financial statements might change as a result of the application of the concept of 'useful structured summary' and the enhanced principles on aggregation and disaggregation. In addition, since goodwill will be required to be separately presented in the statement of financial position, the company will disaggregate intangible assets and present them separately in the statement of financial position.

a. management-defined performance measures;

b. a break-down of the nature of expenses for line items presented by function in the operating category of the statement of profit or loss – this break-down is only required for certain nature expenses; and

c. for the first annual period of application of IFRS 18, a reconciliation for each line item in the statement of profit or loss between the restated amounts presented by applying IFRS 18 and the amounts previously presented applying IAS 1.

• From a cash flow statement perspective, there will be changes to how interest received and interest paid are presented. Interest paid will be presented as financing cash flows and interest received as investing cash flows, which is a change from current presentation as part of operating cash flows.

The Company will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with IFRS 18.

c) **Early adoption of standards and interpretations**

The Company has not early adopted any standards or interpretations during the year.

2.2 Functional currency and translation of foreign currencies

a) **Functional and presentation currency**

Items included in the financial statements of the entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Naira (₦), which is the Company's functional and presentational currency.

b) **Transactions and balances**

Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

2.3 Revenue from contract with customers

Revenue primarily represents the sales 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 when it supplies electricity to a customer. Delivery is deemed complete when the risks and rewards associated with ownership have been transferred to the buyer as contractually agreed, that is 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.

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

Category of revenue	Nature and timing of satisfaction of performance obligations, including payments terms	Revenue recognition
Postpaid revenue	The performance obligation of the Company is satisfied over time as electricity is supplied to the customers. Billing is done on a monthly basis and payment is contractually expected within 30 days of billing.	Revenue is recognised over time as electricity is provided. The amount of revenue to recognise during the year is assessed based on the unit delivered method. The stand-alone selling price is determined based on the NERC approved tariff for the different categories of customers. Billings to customers are recognised as revenue based on the evaluation of whether collection of consideration is probable.
Prepaid revenue	Satisfaction of performance obligation is same as post-paid revenue. Payment is received in advance of consumption of electricity.	Revenue is recognised over time as electricity is provided. In case of prepaid customers, an estimate is made for unearned revenue as at year end and this is included in the statement of financial position as 'contract liability'.

The Company has disaggregated its revenue based on the customer tariff class and customer payment type.

2.4 Property, plant and equipment

Property, plant and equipment are initially stated at cost. After recognition as an asset, they are carried at revalued amount (except for computer & communication equipment measured at cost), being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses for all classes of property, plant and equipment except land. Valuations are performed every five years with sufficient regularity to ensure that the carrying amount of a revalued asset does not differ materially from its fair value at the reporting date.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of assets are recognized, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognized in profit or loss, the increase is first recognized in profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from property, plant and equipment revaluation surplus to retained earnings.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight line method to write down their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Asset class	Depreciation rate	Useful life
Building	2% - 3%	33 - 50 years
Plant and machinery	2.85%- 5%	20 - 35 years
Computer equipment	10%	10 years
Furniture and fittings	10%	10 years
Motor vehicles	20%	5 years

2.4 Property, plant and equipment (continued)

Where the cost of a part of an item of property, plant and equipment is significant when compared to the total cost, that part is depreciated separately based on the pattern which reflects how economic benefits are consumed.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance reporting date. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in profit or loss. When revalued assets are sold, it is the Company's policy to transfer any amounts included in revaluation reserve in respect of those assets to retained earnings.

Transfer of assets from customers

When electricity distribution items such as transformers, are purchased by or transferred by customers, the Company assesses whether such assets are being transferred to the Company and if the items meet the definition of an asset, that is, if the Company has control, if the cost can be reliably measured and if it is probable that economic benefit will flow to the Company from the use of the items. If this is met, such items would be recognized at fair value on initial recognition in property, plant and equipment with an increase in 'other income' in the period when the assets are transferred from customers.

Work in progress

Work in progress is stated at cost, which includes cost of construction, plant and equipment and other direct costs. Work in progress is not depreciated until such time that the relevant assets are substantially completed and available for their intended use.

Major spare parts and stand-by equipment qualify as property, plant and equipment when the Company expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment under work in progress.

Derecognition

The carrying amount of an item of PPE must be derecognized on disposal or when no future benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of PPE are included in the income statement when the item is derecognised.

2.5 Impairment of assets

Intangible assets, with a definite useful life, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.6 Intangible assets

Software

Software, not integral to the related hardware acquired by the Company, is stated at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight-line method to allocate the cost of software over its estimated useful life.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The estimated useful life is ten (10) years and the amortisation is recognized in 'profit or loss'.

The expected useful life is reviewed on an annual basis and, if necessary, changes in useful life are accounted for prospectively.

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

2.7 Financial instruments

Investments and other financial assets

a) Classification

The Company classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at 'fair value through other comprehensive income' (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

c) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The financial statements have been prepared under the historical cost basis except for the following items which are measured on an alternative basis on each reporting date:

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

2.7 Financial instruments (continued)

Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

d) Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables and for other receivables, the Company applies the IFRS 9 general model for measuring their expected credit losses (ECL).

2.8 Inventories

Distribution materials, meters and stationaries are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of first in, first out (FIFO) principle. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completions and the estimated costs necessary to make the sale.

Plant and machinery equipment such as meters and transformers in inventories are reclassified to property, plant and equipment when they are issued and put to use.

2.9 Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less loss allowance. The Company holds the trade receivables with the objective to collect contractual cash flows and therefore measures them subsequently at amortised costs using the effective interest method. Information about the impairment of trade receivables and the Company's exposure to credit risk and interest rate risk can be found in note 3.

2.9.1 Tariff Shortfall

Tariff shortfalls arising from the difference between actual end-user tariffs approved by the Nigerian Electricity Regulatory Commission ("NERC") and cost-reflective tariffs allowed by NERC for recovery are based on regulatory orders and subject to recovery through means other than billings to customers. Tariff shortfalls are recognised in profit or loss as other income in the periods that they are approved by NERC. Tariff shortfalls relating to prior periods are recognised in 'other income' in the current period upon NERC's approval.

2.10 Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are initially recognized at their fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Share capital

The Company has only one class of shares; ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded as share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve.

2.12 Cash and cash equivalents

For the purpose of presentation in the statement of cashflows, cash and cash equivalents includes cash in hand, deposits held at call with financial institutions, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.13 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for Nigeria adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.
The current income tax charge is calculated on the basis of the tax laws enacted. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax are recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in 'other comprehensive income' or directly in 'equity', respectively.

2.14 Leases

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
- the Company has the right to operate the asset; or
- the Company designed the asset in a way that predetermines how and for what purpose it will be used.

The Company primarily leases vehicles and buildings (used as office space and residential use). The lease terms are typically for fixed periods ranging from 1 year to 3 years but may have extension options as described below. On renewal of a lease, the terms may be renegotiated.

Contracts may contain both lease and non-lease components. The Company has elected not to separate lease and non-lease components. Lease terms are negotiated on an individual basis and contain different terms and conditions, including extension and termination options. The lease agreements do not impose any covenants, however, leased assets may not be used as security for borrowing purposes.

Leases in which the Company is a lessee

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities

At the commencement date of a lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

2.14 Leases (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the Company's incremental borrowing rate (IBR) as the rate implicit in the lease cannot be readily determined. The IBR represents the rate that PHED would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company has used a one-year commercial lending rate as a starting point and adjusts it against a risk-free interest rate to derive a spread. The spread is then applied on Federal Government of Nigeria bonds' interest rates with the same maturity period as the lease term.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced by the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset where applicable.

The Company presents lease liabilities separately from other liabilities in the statement of financial position.

2.14.1 Right-of-use assets

Right-of-use assets are initially measured at cost, comprising of the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Company presents right-of-use assets separately from property, plant and equipment in the statement of financial position.

2.14.2 Short-term leases and leases of low-value assets

Short-term leases are those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Low-value assets are assets that have values less than ₦1,000,000 when new, e.g., small IT equipment and small items of office furniture, and depends on the nature of the asset. Lease payments on short-term leases and leases of low-value assets would be recognized as expenses in profit or loss on a straight-line basis over the lease term.

2.14.3 Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
Otherwise, the Company considers other factors, including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

2.15 Employee benefits

2.15.1 Wages, salaries and annual leave

Wages, salaries, bonuses, other contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the Company.

2.15.2 Defined contribution plan

The Company operates a defined contribution scheme for its employees in line with the Pension Reform Act 2014. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company contributes 10% while employees contribute 8% of basic, housing and transport allowances towards the scheme. Staff contributions are funded through payroll deductions while the Company's contribution is charged to the profit or loss account in the year in which they relate. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Company and employees. The Company's contributions to the defined contribution schemes are charged to profit or loss account in the year to which they relate.

2.16 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.17 Contingent liabilities

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

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

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

2.18 Government grants

The Company benefits from Federal Government intervention in the power sector through funds provided to ensure liquidity in the industry and assets granted to power sector participants. The Federal Government of Nigeria, through the Central Bank of Nigeria, provides finance to these power sector participants at subsidised interest rates.

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognized in the statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

In accounting for government grant, the deferred income approach was adopted whereby the government grant is recognised systematically in the profit or loss over the useful life of the loan.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

2.19 Statement of cash flows

The statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities.

The cash flows from operating activities are determined by using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

2.19 Statement of cash flows (continued)

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposit held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.20 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax effects.

Borrowings are eliminated from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non- cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs. Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

2.21 Cost of sales

Cost of sales includes the cost of energy, depreciation of distribution assets, staff cost of distribution (technical) staff and other direct costs for the distribution of energy.

Cost of energy refers to all costs incurred in the purchase of energy from suppliers. This comprises cost of electricity purchased from the Nigerian Bulk Electricity Trading Company (NBET), service charges from the Market Operator (MO) and cost of energy purchase from bilateral contract with First Independent Power Limited (FIPL).

2.22 Interest income

Interest income is accrued on a time basis in the profit or loss by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.23 Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing:
- the profit/(loss) attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2.24 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on its financial and operational performance.

The Company has a risk management function that manages the financial risks relating to the Company's operations under the policies approved by the Board of directors. The Company's liquidity, credit, foreign currency, interest rate and price risks are continuously monitored. The Board approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk and credit risk.

3.1.1 Market risk

a) **Foreign exchange risk**

Foreign exchange risk arises when future commercial transactions and recorded assets and liabilities are denominated in a currency that is not the entity's functional currency e.g., foreign denominated loans, purchases & sales transactions, etc. The Company did not have any material balance denominated in foreign currency as at 31 December 2023 as a result, no foreign currency sensitivity analysis is provided.

b) **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. Borrowings obtained at variable rates give rise to interest rate risk. The Company does not have any short term loans with variable interest and as such is not exposed to interest rate risk. The Company's long term borrowings have fixed interest rate.

c) **Price risk**

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk. There are no financial instruments exposed to price risk.

3.1.2 Credit risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers including outstanding receivables. The Company has policies in place to ensure that credit limits are set for commercial customers taking into consideration the customers' tariff class, past trading relationship, credit history and other factors. When customers default in paying bills on due date, the Company disconnects supply to such customers and charges a fee on reconnection.

Management monitors the aging analysis of receivables on a periodic basis.

Financial instruments exposed to credit risk

		Maximum exposure	
	Notes	31 December 2023 ₦'000	31 December 2022 ₦'000
Cash and cash equivalents	16	18,349,062	17,866,911
Trade receivables (gross)	17.1	253,001,764	230,860,536
Other receivables (gross)*	17.2	1,157,126	929,170
Gross amount		**272,507,952**	**249,656,617**
Impairment**	17.3, 17.5	(244,443,423)	(225,118,927)
Net amount		**28,064,529**	**24,537,690**

**Impairment of financial assets has been estimated in line with IFRS 9. See details below:

Impairment of financial assets

The following are the Company's financial assets that are subject to IFRS 9's expected credit loss model:
•Trade receivables
•Contract assets
•Other receivables*
•Cash and cash equivalents

*Other receivables exclude tariff shortfalls, prepayments and staff advances, as these are not financial instruments.

a Trade receivables

The Company applies the simplified approach in measuring the expected credit losses (ECL) which recognises a lifetime expected loss allowance for all trade receivables. Trade receivables represent the amount of receivable from third-party customers for the supply of power. The expected credit loss rate for this receivable is determined using a provision matrix approach.

The provision matrix approach is based on the historical credit losses experienced within five (5) years before 1 January 2023 and 31 December 2023. The historical loss rates are adjusted to reflect forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the Brent oil price and Gross Domestic product (GDP) growth rate of Nigeria (being the country in which it provides its services) to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.
On that basis, the loss allowance as at 31 December 2023 in accordance with IFRS 9 was determined as follows:

Age of trade receivables	0 - 3 months	4 - 6 months	7 - 9 months	10 - 12 months	Above 12 months	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Gross carrying amount	18,960,717	18,243,196	18,057,721	21,489,067	176,251,063	253,001,764
Default rate	84.01%	85.67%	87.45%	93.17%	100.00%	96.29%
Lifetime ECL	(15,928,500)	(15,628,426)	(15,790,978)	(20,020,380)	(176,251,063)	(243,619,347)
Net carrying amount	3,032,217	2,614,770	2,266,743	1,468,687	-	9,382,417

3.1.2 Credit risk (continued)

On that basis, the loss allowance as at 31 December 2022 in accordance with IFRS 9 was determined as follows:

Age of trade receivables	0 - 3 months	4 - 6 months	7 - 9 months	10 - 12 months	Above 12 months	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Gross carrying amount	13,646,045	12,126,515	9,506,764	10,491,326	185,089,886	230,860,536
Default rate	74.59%	83.63%	92.19%	96.47%	100.00%	97.16%
Lifetime ECL	(10,179,261)	(10,141,387)	(8,764,079)	(10,120,943)	(185,089,886)	(224,295,556)
Net carrying amount	3,466,784	1,985,128	742,685	370,383	-	6,564,980

b Contract assets

The Company applies the simplified approach in measuring the expected credit losses (ECL) which recognises a lifetime expected loss allowance for all contract assets. The expected credit loss rate for contract assets is determined using a provision matrix approach.

The provision matrix approach is based on the historical credit losses of trade receivables experienced within five (5) years before 1 January 2023 and 31 December 2023. The historical loss rates are adjusted to reflect forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the Brent oil price and Gross Domestic product (GDP) growth rate of Nigeria (being the country in which it provides its services) to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors. These rates are prorated to reflect the period over which the contract assets are expected to be billed and settled.

Based on this assessment, they identified the expected losses as at 1 January 2023 was assessed to be insignificant. The loss allowance as at 31 December 2023 in accordance with IFRS 9 was determined as follows:

Age of contract assets	0 - 3 months	4 - 6 months	7 - 9 months	10 - 12 months	Above 12 months	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Gross carrying amount	1,215,859	-	-	-	-	1,215,859
Default rate	81.95%	0.00%	0.00%	0.00%	0.00%	81.95%
Lifetime ECL	(996,455)	-	-	-	-	(996,455)
Net carrying amount	219,404	-	-	-	-	219,404

c Other receivables

The Company applied the IFRS 9 general model for measuring their expected credit losses (ECL). This requires a three- stage approach in recognising the expected loss allowance. A day one provision will now be required on these instruments. The three-stage model will require monitoring of credit risk to determine when there has been a significant increase. The ECL has been calculated using the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The three (3) stage model also incorporates forward looking estimates. The ECL recognised for the period is a probability-weighted estimate of credit losses discounted at the effective interest rate of the financial asset. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Analysis of stage classifications against credit rating:

Company internal credit rating as at 31 December 2023	External credit rating*	Gross carrying amount (stage 1)	Gross carrying amount (stage 2)	Gross carrying amount (stage 3)	Total
		₦'000	₦'000	₦'000	₦'000
Moderate	S&P B-	333,812	-	823,190	1,157,002
Low	S&P CCC/C	124	-	-	124
Total		**333,936**	**-**	**823,190**	**1,157,126**

3.1.2 Credit risk (continued)

Company internal credit rating as at 31 December 2022	External credit rating*	Gross carrying amount (stage 1)	Gross carrying amount (stage 2)	Gross carrying amount (stage 3)	Total
		₦'000	₦'000	₦'000	₦'000
Moderate	S&P B-	105,831		823,190	929,021
Low	S&P CCC/C	149	-	-	149
Total		**105,980**	**-**	**823,190**	**929,170**

*The Company has mapped these instruments to external credit ratings based on similar characteristics.
The identified expected losses as at 31 December 2023 are as follows:

	Stage 1	Stage 2	Stage 3	Total
	₦'000	₦'000	₦'000	₦'000
Gross carrying amount	333,936	-	823,190	1,157,126
Default rate	0.27%	0.00%	100%	71.22%
Lifetime ECL	(886)	-	(823,190)	(824,076)
Net carrying amount	333,050	-	-	333,050

The identified expected losses as at 31 December 2022 are as follows:

	Stage 1	Stage 2	Stage 3	Total*
	₦'000	₦'000	₦'000	₦'000
Gross carrying amount	105,980	-	823,190	929,170
Default rate	0.17%	0.00%	100%	88.61%
Lifetime ECL	(181)	-	(823,190)	(823,371)
Net carrying amount	105,799	-	-	105,799

Roll forward movement in loss allowance
The loss allowance recognised in the year is impacted by a variety of factors, as described below:
i. Releases for financial instruments derecognised in the period;
ii. Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the year, arising from regular refreshing of inputs to models;

The following table explains the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL ₦'000	Lifetime ECL ₦'000	Lifetime ECL ₦'000	₦'000
Loss allowance as at 31 December 2022	181	0	823,190	823,371
Financial assets that have been derecognised during the period	-	-	-	-
Changes in PDs/LGDs/EADs	705	0	-	705
Loss allowance as at 31 December 2023	886	-	823,190	824,076

There were no collateral pledged as security for financial assets held as at 31 December 2023 (2022: nil).

d Cash and cash equivalents
The Company applied the IFRS 9 general model for measuring expected credit losses (ECL) to cash and cash equivalents. This requires a three-stage approach in recognising the expected loss allowance. A day one provision will now be required on these instruments. The three stage model will require monitoring of credit risk to determine when there has been a significant increase. The ECL has been calculated using the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The three (3) stage model also incorporate forward looking estimates.
The ECL recognised for the period is a probability-weighted estimate of credit losses discounted at the effective interest rate of the financial asset. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

3.1.2 Credit risk (continued)

The Company assessed the cash and cash equivalents to determine their expected credit losses. Based on this assessment, they identified the expected losses as at 1 January 2023 and 31 December 2023 to be insignificant. The assets are assessed to be in stage 1.

The Company considers both quantitative and qualitative indicators in classifying these financial assets into the relevant stages for impairment calculation. Impairment provision is recognised in three stages based on days past due.

Using the criteria stated, a worst case staging is assigned to every receivable.
Stage 1: This stage includes financial assets that are less than 30 days past due (performing).
Stage 2: This stage includes financial assets that have been assessed to have experienced a significant increase in credit risk using the days past due criteria (i.e., the outstanding receivables amounts are more than 30 days past due but less than 90 days past due) and other qualitative indicators such as external credit rating (as far as available) and actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations.
Stage 3: This stage includes financial assets that have been assessed as being in default. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The Company categorises a receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due.

Probability of Default (PD)	This is the probability that the counterparty will default in fulfilling obligations within a predetermined time frame. The rating of the counterparty is used to determine the PD. The respective ratings were mapped to S&P's rating.
Loss Given Default (LGD)	This relates to the share of the financial asset that is lost if the borrower defaults. It is the inverse of the recovery rate and it is determined after taking into consideration the potential cash recovery, collateral realization and other credit enhancements. The 12-month and lifetime LGD was determined using Moody's senior unsecured corporate rate.
Exposure at default (EAD)	The EAD is the maximum exposure of the receivable to credit risk without taking account of any collateral but adjusted for repayment pattern and interest receivable.
Macroeconomic indicators	Macroeconomic indicators assessed to affect the credit risk of the asset is used to arrive at scalar adjustments which is used to adjust the expected credit losses under three scenarios – base case, optimistic and pessimistic.
Probability weightings	The Z score was used to calculate the probability of having a best, downturn and optimistic scenarios by comparing Nigeria's inflation and GDP growth rate historical experience from 2000 - 2023. 33% weight was assigned to best case, 31% for optimistic and 36% for downturn.

Sensitivity analysis
The tables below shows information on the sensitivity of the carrying amounts of the Company's financial assets to the methods, assumptions and estimates used in calculating impairment losses on the financial assets at the end of the reporting period. These methods, assumptions and estimates have a significant risk of causing material adjustments to the carrying amounts of the Company's financial assets.

Simplified approach:

Expected cash flow recoverable from trade receivables:

The table below demonstrates the sensitivity to a 10% change in the expected cash flows from trade receivables:

Effect on loss before tax	**31 December 2023 ₦'000**	**31 December 2022 ₦'000**
Increase/(decrease) in estimated cash flows by:		
10%	(938,242)	(656,498)
(10%)	938,242	656,498

3.1.2 Credit risk (continued)

A 10% increase in the estimated cash flows would decrease loss before tax by ₦938 million while a corresponding 10% decrease in the estimated cash flows will increase the loss before tax by ₦938 million.

The table below shows the sensitivity of the expected credit loss on trade receivables to an inverse and positive change in the forward looking macroeconomic variables:

	31 December 2023 ₦'000	31 December 2022 ₦'000
Effect on ECL to change in brent oil price		
Increase/decrease		
10%	2,678,665	9,050,826
(10%)	(2,678,665)	(9,050,826)
Effect on ECL to change in GDP growth rate		
Increase/decrease		
10%	1,403,026	1,923,441
(10%)	(1,403,026)	(1,923,441)

The above shows the effect of 10% changes (increase/decrease) in the forward looking macroeconomic variables incorporated in the ECL model on the profit before tax.

Expected cash flow recoverable from contract assets:

The table below demonstrates the sensitivity to a 10% change in the expected cash flows from contract assets:

	31 December 2023 ₦'000	31 December 2022 ₦'000
Effect on loss before tax		
Increase/(decrease) in estimated cash flows by:		
10%	(21,940)	-
(10%)	21,940	-

A 10% increase in the estimated cash flows would decrease loss before tax by ₦22 million while a corresponding 10% decrease in the estimated cash flows will increase the loss before tax by ₦22 million.

The table below shows the sensitivity of the expected credit loss on contract assets to an inverse and positive change in the forward looking macroeconomic variables:

	31 December 2023 ₦'000	31 December 2022 ₦'000
Effect on ECL to change in brent oil price		
Increase/decrease		
10%	12,873	-
(10%)	(12,873)	-
Effect on ECL to change in GDP growth rate		
Increase/decrease		
10%	6,743	-
(10%)	(6,743)	-

The above shows the effect of 10% changes (increase/decrease) in the forward looking macroeconomic variables incorporated in the ECL model on the profit before tax.

3.1.2 Credit risk (continued)

General approach:

The table below demonstrates the sensitivity of the Company's loss before tax to movements in the probability of default (PD) and loss given default (LGD) for other receivables, with all other variables held constant:

	31 December 2023	31 December 2022
Effect on loss before tax	**₦'000**	**₦'000**
Increase/decrease in LGD and PD		
10%	177	17,086
(10%)	(177)	(17,086)

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	31 December 2023	31 December 2022
	₦'000	**₦'000**
Cash and cash equivalents		
B-	17,979,300	17,042,665
B	103,396	763,795
Not rated	266,366	60,451
	18,349,062	**17,866,911**

Fitch - National long-term rating

This is based on Fitch national long-term rating. National credit ratings are an assessment of credit quality relative to the rating of the lowest credit risk in a country. This lowest risk will normally, although not always, be assigned to all financial commitments issued or guaranteed by the sovereign state.

National ratings are not intended to be internationally comparable and are denoted by a special identifier for the country concerned. The performance of National ratings will also not be strictly comparable over time, given the moving calibration of the entire scale to the entity or entities with the lowest credit risk in a country, whose creditworthiness relative to other entities internationally may change significantly over time.

These above ratings are explained as follows:

'AA' National ratings denote expectations of very low default risk relative to other issuers or obligations in the same country. The default risk inherent differs only slightly from that of the country's highest rated issuers or obligations.

'A' National ratings denote expectations of low default risk relative to other issuers or obligations in the same country. However, changes in circumstances or economic conditions may affect the capacity for timely repayment to a greater degree than is the case for financial commitments denoted by a higher rated category.

'BBB' National ratings denote a moderate default risk relative to other issuers or obligations in the same country. However, changes in circumstances or economic conditions are more likely to affect the capacity for timely repayment than is the case for financial commitments denoted by a higher rated category.

'BB' National ratings denote an elevated default risk relative to other issuers or obligations in the same country. Within the context of the country, payment is uncertain to some degree and capacity for timely repayment remains more vulnerable to adverse economic change over time.

'B' National ratings denote that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

'Non rated' are banks or cash in hand that are not rated by Fitch.

"+" or "-" are used with a rating symbol to indicate the relative position of a credit within the rating category.

This is based on Fitch national long-term rating.

3.1.2 Credit risk (continued)

	Notes	31 December 2023 ₦'000	31 December 2022 ₦'000
Other receivables			
Counter parties without external credit rating:			
Group 2	17.2	1,157,126	929,170

3.1.3 Liquidity risk

Management of liquidity risk

Cash flow forecasting is performed by the finance department. The finance department monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs. Prudent liquidity risk management implies maintaining sufficient cash. Due to the dynamic nature of the underlying businesses, the Company's finance department maintains flexibility in funding. Management monitors rolling forecasts of the Company's liquidity reserve comprising cash and cash equivalents on the basis of expected cash flow.

Maturity analysis

The table below analyses financial liabilities of the Company into relevant maturity periods based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year ₦'000	Between 1 and 2 years ₦'000	Between 2 and 5 years ₦'000	Beyond 5 years ₦'000	Total ₦'000
At 31 December 2023					
Trade and other payables*	97,992,341	-	-	-	97,992,341
Borrowings	9,079,768	5,018,112	12,110,712	-	26,208,592
Lease liabilities	31,624	1,200	-	-	32,824
At 31 December 2022					
Trade and other payables*	165,542,277	-	-	-	165,542,277
Borrowings	8,184,859	5,993,206	7,266,135	9,335,794	30,779,994
Lease liabilities	41,791	66,018	-	-	107,809

*Trade and other payables exclude value added tax (VAT) payable, minimum tax payable, withholding tax (WHT), security deposit and payroll related accruals as these are non-financial instruments.

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Various financial ratios and internal targets are assessed and reported to the board of directors on a quarterly basis to monitor and support the key objectives set out above. These ratios and targets include:

– Earnings before interest, tax, depreciation and amortization (EBITDA);
– Current asset ratio;
– Interest cover; and
– Gearing ratio.

The Company's objective is to maintain these financial ratios in excess of any debt covenant restrictions and use them as a performance measurement and hurdle rate. The failure of a covenant test could render the facilities in default and repayable on demand at the option of the lender.

Total capital is calculated as equity plus net debt. The gearing ratios as at the end of December 2023 and December 2022 are as follows:

3.2 Capital risk management (continued)

	Notes	31 December 2023 ₦'000	31 December 2022 ₦'000
Total borrowings	21	17,131,020	20,149,939
Total trade and other payables	20	129,498,951	189,617,787
Less: cash and cash equivalents	16	(18,349,062)	(17,866,911)
Net debt		128,280,909	191,900,815
Total equity		(1,992,471)	12,172,958
Total capital		126,288,438	204,073,773
Gearing ratio		102%	94%

3.3 Fair value estimation

The table below analyses financial instruments whose fair values have been disclosed by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of the Company's borrowings as at 31 December 2023 is as follows: This fall within level 2.

	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities	₦'000	₦'000	₦'000	₦'000
Borrowings	17,131,020	11,225,652	20,149,939	12,680,722

The fair value of the borrowings for disclosure was determined by a discounted cash flow of the expected future cash outflows at the statement of financial position date using the maximum prime lending rate in Nigeria as at the statement of financial position date for a similar tenure and amount.

The fair value amounts disclosed above are all recurring fair value measurements. There were no non-recurring fair value measurements as at 31 December 2023 and 31 December 2022.
The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in Level 1 comprise primarily Nigerian Stock Exchange (NSE) listed instruments classified as trading securities or available for sale instruments.

b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

3.3 Fair value estimation (continued)

c) Financial instrument in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Techniques, such as discounted cash flow analysis, are used to determine fair value for the financial instruments included in level 3.

Financial instruments by category

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of profit or loss or other comprehensive income.

These categories are at amortized cost for both assets and liabilities. The following table shows the carrying values of assets and liabilities for each of these categories at 31 December 2023 and 31 December 2022:

	31 December 2023 ₦'000	31 December 2022 ₦'000
Assets		
Amortized cost:		
Cash and cash equivalents	18,349,062	17,866,911
Trade and other receivables*	32,727,890	106,609,773
	51,076,952	**124,476,684**
Liabilities		
Amortized cost:		
Trade and other payables**	97,992,340	165,542,277
Borrowings	17,131,020	20,149,939
	115,123,360	**185,692,216**

*Trade and other receivables exclude prepayments, tarrif shortfall, withholding tax and staff advances, as these are not financial instruments.

**Trade and other payables exclude value added tax (VAT) payable, minimum tax payable, withholding tax (WHT), security deposit and payroll related accruals as these are non-financial instruments. The fair value of the financial assets and liabilities approximate

Fair valuation methods and assumptions

i) Trade and other receivables

Trade and other receivables are carried at amortized cost net of impairment charge. The estimated fair value of trade and other receivables represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine the fair value. These fall under level 3 in the fair value hierarchy.

ii) Trade and other payables

Trade and other payables are carried at amortized cost. The estimated fair value of the payables represent the discounted amount of estimated future cash flows expected to be paid. These are short term hence the fair value is the carrying amount as the impact of discounting is not material. These fall under level 3 in the fair value hierarchy.

4 Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

4.1 Useful lives and residual value of property, plant and equipment

The residual values, depreciation methods and useful lives of property, plant and equipment are reviewed for reasonableness at least annually. The review is based on the current market situation. The review of useful lives did not significantly impact depreciation.

The residual value of the Company's property, plant and equipment is estimated as follows:

Asset class	Percentage
Building	1%
Plant and machinery	1%
Computer equipment	1%
Furniture and fittings	1%
Motor vehicles	1%

4.2 Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default, expected loss rates and maximum contractual period. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3.1.2.

4.3 Deferred taxation

The Company has a deferred tax asset of ₦ 66.97billion (2022: ₦60.7 billion) arising from tax losses, accelerated capital deductions and provisions. Management is of the view that there are no sufficient profits against which the deferred tax asset would be offset. These deferred tax assets have not been recognized in the financial statements.

Tax estimates are based on the position taken in the tax returns with respect to situations in which the applicable tax legislation is subject to interpretation.

4.4 Impairment assessment of non-financial assets

The Company has substantial investments in tangible long-lived assets comprising mainly of network distribution assets, land and building. The Company conducts impairment reviews of these assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable in accordance with the relevant accounting standards. Determining whether an asset is impaired requires an estimation of the value in use, which requires the Company to estimate the future cash flows, a growth rate (that reflects the economic environments in which the Company operates) and a pre-tax discount rate (that reflects the current market assessments of the time value of money and the risks specific to the asset) in order to calculate the present value. Where the expected cash flows are less than the asset's carrying amount, an impairment loss may arise. After reviewing the business environment as well as the Company's objectives and past performance management has concluded that, there is no impairment.

4.5 Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors, including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the lessee.

4.6 Revaluation of Property, Plant & Equipment (PP&E)

The Company revalues its property, plant and equipment every five (5) years in line with her accounting policy on property, plant and equipment (see note 13). The valuation is usually undertaken by independent valuers and their valuation is based on open market value using the 'Depreciated Replacement Cost (DRC)' method. This method equates the open market value of an asset to the estimated total cost of the item as 'new' at the date of valuation less an allowance for depreciation to account for age, wear & tear and obsolescence.

4.7 Revenue recognition

Revenue from prepaid electricity customers is recognized based on estimated consumption patterns. Management has determined, using historical vending and consumption data, that prepaid electricity credits are substantially consumed by the earlier of 90 days after vending or the customer's next vending transaction. This assessment requires significant judgment regarding customer consumption behavior and involves estimation uncertainty because actual consumption may differ from the pattern assumed. Changes in these assumptions could affect the timing of revenue recognition and deferred revenue balances.

Revenue from unmetered post-paid customers is recognised based on estimated electricity consumption in accordance with approved regulatory billing methodologies and applicable tariffs. The estimation of revenue involves significant judgement, as actual consumption is not directly measured. Management applies historical consumption patterns, customer classification data, energy distribution statistics, and regulatory guidelines in determining the estimated units billed.

5 Revenue from contracts with customers	31 December 2023 ₦'000	31 December 2022 ₦'000
Electricity distribution	**92,185,993**	**84,218,547**

Revenue represents charges on the power distributed to customers. The revenue is recognised overtime. The Company's revenue is analysed based on the customer categories as follows:

By customer payment type:		
Postpaid customers	75,816,856	71,626,801
Prepaid customers	16,369,137	12,591,746
	92,185,993	**84,218,547**
By customer tariff class:		
Residential	43,905,825	46,890,497
Commercial	22,990,556	18,589,382
Industrial	16,988,125	11,708,937
Government and others	8,301,487	7,029,731
	92,185,993	**84,218,547**

During the year, total energy billed amounted to ₦92.19billion (2022: ₦84.2billion), while total receipts within the year amounted to ₦75 billion (2022: ₦57.1 billion).

Revenue recognised (note 23.1) in the reporting period that was included in the contract liability at the beginning of the period is ₦9.9 million (2022: ₦30.8 million).

6 Cost of sales	Note	31 December 2023 ₦'000	31 December 2022 ₦'000
Cost of energy		108,703,715	65,467,297
Depreciation of plant and machinery	13.2	3,830,598	3,694,976
Staff cost	8.1	2,392,425	2,228,954
Distribution maintenance costs		852,680	288,919
Other electricity distribution cost		1,220,738	1,988,350
		117,000,156	**73,668,496**

Total cost of energy during the year amounted to ₦108.7 billion (2022: ₦65.5 billion) while total payments for energy during the year amounted to ₦55.3 billion (2022: ₦37.3 billion).

Other electricity distribution cost relates to costs incurred in the distribution of power to customers other than those itemized above.

7 Other income	31 December 2023 ₦'000	31 December 2022 ₦'000
Tariff shortfall*	45,018,000	9,744,000
Reconnection fee	266,901	190,750
Miscellaneous non operating revenue**	585,311	266,112
Other charges on customers***	2,587	95,581
Termination gain on leases	-	8,078
Vendor registration	8,348	-
Third party asset income****	929,732	152,058
Gain on vendor's account reconciliation	-	1,051,226
	46,810,879	11,507,805
Amortization of grant:		
On borrowings (note 22)*****	2,108,329	2,078,837
	48,919,208	**13,586,642**

*Tariff shortfall relates to the differential between the revenue tariff shortfall approved by NERC (Nigerian Electricity Regulation Commission) and the actual end-user tariff charged to the customers. The tariff shortfall is being settled by the Federal Government of Nigeria in form of credit note from NBET (Nigerian Bulk Electricity Trading).

**Miscellaneous non operating revenue relates to insurance claim, deductions for staff penalties received during the year, reimbursement from ITF and NSITF to cover cost of staff training.

***Other charges on customers relates to penalties for meter tampering or theft of electricity.

****Third party asset income refers to transformers donated by customers which is capitalized at fair value.

*****Government grants have been received based on the CBN-NEMSF and CBN-NMMP loans obtained from NESI-Stabilisation Strategy Limited at the below market rate. There are no unfulfilled conditions or contingencies attached to these grants.

8 Expenses by nature

	Note	31 December 2023 ₦'000	31 December 2022 ₦'000
Included in administrative expenses:			
Depreciation on property, plant and equipment	13.2	759,934	837,489
Depreciation charge on right of use assets	15.1.1	32,067	44,484
Amortization of intangible asset	14	37,080	46,145
Staff costs	8.2	1,157,885	1,493,545
Other staff related expenses*		2,173,261	1,304,538
Sales Promotion Expenses		50,628	17,246
Audit fee		60,000	29,000
Billing related expenses		26,492	2,244,386
Consultancy		98,238	9,025
Directors fee/Expenses		227,019	64,600
Donations		9,975	-
Insurance expenses		30,324	46,393
Outsourced collection expenses		2,822,442	-
Legal fees		140,887	60,995
Management Support Fees**	26b	2,848,425	1,934,996
Minimum tax levy		-	468,034
Outsourced services		80,794	73,092
Printing, stationery, internet and software expenses		224,838	206,304
Professional body subscription***		31,627	54,686
Provision for legal cases		-	16,000
Short term rent		34,418	36,568
Termination loss on leases	15.1.2	40,420	-
Security expenses		265,272	186,413
Transport and travelling expenses		982,803	668,641
Penalty		1,164,974	-
Other operating expenses****		361,704	366,562
		13,661,507	**10,209,142**

*Other staff related expenses include employee reimbursement for employees on official assignment of N1.4b (2022:N796m).
**Management support fees relates to cost incurred for the provision of technical service assistance provided by the Technical Partner (Income Electrix Limited) to the company.
***The amount on the Professional body subscription relates to amounts paid to various professional bodies including the Association of Nigerian Electricity Distribution Companies (ANED).
****Other operating expenses relates to other regulatory and ancillary running expenses of the business.

	31 December 2023 ₦'000	31 December 2022 ₦'000
8.1 Staff Cost		
Operations Labour- Payroll	648,096	434,611
Maintenance Labour	701,447	776,235
Billing and collection Labour	23,499	24,446
Customer Services Labour	264,974	236,370
Sales Labour (Payroll)	754,409	757,292
Cost of sales	**2,392,425**	**2,228,954**
8.2 Executive salaries	212,752	634,182
General Administrative staffs	336,858	289,463
Contract Staff	485,491	420,049
NYSC	4,471	36,062
Role Based Pay	-	1,200
Outsourced Drivers	118,313	112,589
Administrative expenses	**1,157,885**	**1,493,545**

9 Impairment losses on financial assets	31 December 2023 ₦'000	31 December 2022 ₦'000
Increase in impairment losses on trade receivables (note 17.3)	19,323,791	32,694,887
Increase/(decrease) in impairment losses on other receivables (note 17.5)	705	(385,360)
Increase in impairment losses on contract assets (note 18)	996,455	-
	20,320,951	32,309,527

10 Finance income and cost	31 December 2023 ₦'000	31 December 2022 ₦'000
Finance cost		
Lease interest expense (notes 15.1.2)	(652)	(9,475)
Interest on CBN-NEMSF 1 loan (note 21.4.2)	(1,136,789)	(1,575,727)
Interest on CBN-NEMSF RAMP UP loan (note 21.4.4)	(2,428,113)	(1,836,102)
Interest on CBN-NMMP loan (note 21.4.3)	(619,547)	(607,969)
Interest on intercompany loans (note 21.3)	(145,051)	(29,512)
Interest on bank loans (note 21.4.1)	(160,479)	(182,103)
Interest on bank overdrafts	(304,232)	(189,840)
	(4,794,863)	(4,430,728)
Finance income		
Interest income	1,388,597	231,335
	(3,406,266)	**(4,199,393)**

	31 December 2023 ₦'000	31 December 2022 ₦'000
11 Company income and deferred tax		
11.1 Income tax expense		
Company income tax	678,269	-
Education tax	203,481	267,840
Total tax in statement of comprehensive income	**881,750**	**267,840**

As at year end, the company is not liable to pay minimum tax (2022: 468 million). This has been recognised within operating expenses in line with IFRIC 21 'levies'.

	31 December 2023 ₦'000	31 December 2022 ₦'000
11.2 Reconciliation of effective tax to statutory tax		
The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:		
Loss before tax	(13,283,679)	(22,581,369)
Tax calculated at statutory tax rate of 30%	(3,985,104)	(6,774,411)
Education tax	203,481	267,840
Effect of permanent differences	4,663,373	5,645,943
Effect of deferred tax asset on tax losses not recognised	-	124,753
Impact of minimum tax rule	-	468,034
Company income tax	**881,750**	**(267,841)**

Income tax is calculated at thirty percent (30%) of the estimated profit for the year. The charge for taxation in these financial statements is based on the provisions of the companies Income Tax Act, CAP C21, LFN, 2004 as amended.

	31 December 2023 ₦'000	31 December 2022 ₦'000
11.3 Current income tax liability		
Balance at 1 January	2,585,762	2,317,922
Charge for the year:		
Company income tax	678,269	-
Education tax	203,481	267,840
Minimum income tax	-	-
	3,467,512	2,585,762
Payment during the year	-	-
	3,467,512	2,585,762

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets of ₦66.97 billion for the company have not been recognised as at 31 December 2023 (2022:₦60.7billion) because it is not probable that future taxable profits will be available against which they can be utilised.

12 Loss per share

Basic loss per share is calculated by dividing the attributable loss to equity holders of the company by the weighted average number of common shares outstanding during the year. The basic loss per share is calculated using the number of shares in issue as at the statement of financial position date.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potential dilutive shares at the reporting date (2022: nil), thus the basic loss per share and diluted loss per share have the same value.

	31 December 2023 ₦'000	31 December 2022 ₦'000
Loss attributable to equity holders of the Company (₦'000)	(14,165,429)	(22,849,209)
Weighted average number of shares in issue ('000')	10,000	10,000
Basic and diluted loss per share (₦)	(1,417)	(2,285)

13 Property, plant and equipment	Land ₦'000	Building ₦'000	Plant and machinery ₦'000	Motor Vehicles ₦'000	Furniture & fittings ₦'000	Computer & communication equipment ₦'000	Asset under construction ₦'000	Total ₦'000
Year ended 31 December 2022								
Opening net book value	4,171,354	2,565,550	107,964,625	2,733,224	258,700	85,716	8,620	117,787,789
Addition	-	45,166	3,489,537	115,785	37,214	9,729	672	3,698,103
Depreciation	-	(52,514)	(3,694,976)	(688,236)	(67,236)	(29,503)	-	(4,532,465)
Closing net book value	**4,171,354**	**2,558,202**	**107,759,186**	**2,160,773**	**228,678**	**65,942**	**9,292**	**116,953,427**
At 31 December 2022								
Revalued Amount	4,171,354	2,786,008	123,157,207	3,236,440	491,950	201,623	9,292	134,053,874
Accumulated depreciation	-	(227,806)	(15,398,021)	(1,075,667)	(263,272)	(135,681)	-	(17,100,447)
Net book value	**4,171,354**	**2,558,202**	**107,759,186**	**2,160,773**	**228,678**	**65,942**	**9,292**	**116,953,427**
Year ended 31 December 2023								
Opening Net book Value	4,171,354	2,558,202	107,759,186	2,160,773	228,678	65,942	9,292	116,953,427
Addition	-	-	5,105,115	6,886	35,832	30,578	272,674	5,451,085
Depreciation	-	(62,067)	(3,830,598)	(634,845)	(39,463)	(23,560)	-	(4,590,533)
Closing net book value	**4,171,354**	**2,496,135**	**109,033,703**	**1,532,814**	**225,047**	**72,960**	**281,966**	**117,813,979**
At 31 December 2023								
Revalued Amount	4,171,354	2,786,008	128,262,322	3,243,326	527,782	232,201	281,966	139,504,959
Accumulated depreciation	-	(289,873)	(19,228,619)	(1,710,512)	(302,735)	(159,241)	-	(21,690,980)
Net book value	**4,171,354**	**2,496,135**	**109,033,703**	**1,532,814**	**225,047**	**72,960**	**281,966**	**117,813,979**
Net Book Value								
At 31 December 2023	**4,171,354**	**2,496,135**	**109,033,703**	**1,532,814**	**225,047**	**72,960**	**281,966**	**117,813,979**
At 31 December 2022	**4,171,354**	**2,558,202**	**107,759,186**	**2,160,773**	**228,678**	**65,942**	**9,292**	**116,953,427**

During the year, the Company received transformers (assets) donated by customers, and these assets have been recognised at fair value. Consistent with the principles of IFRS 13 Fair Value Measurement, fair value represents the price that would be received to sell the asset in an orderly market transaction at the measurement date. The Company applied the market approach in determining fair value, using observable market prices for identical or comparable assets available at the reporting date.

The resulting fair value measurement has been classified within Level 2 of the IFRS 13 fair value hierarchy, as it was primarily based on observable inputs rather than unadjusted quoted prices for identical assets.

The recognised fair value amount was recorded as third party asset income in other income (see note 7) in line with the treatment applied when assets are acquired at no cost, and the asset is subsequently measured in accordance with IAS 16.

There are no restrictions or conditions attached to the donated assets and it is available for use in the ordinary course of the Company's operations.

13 Property, plant and equipment (continued)

13.1 Assets pledged as security

None of the company's assets have been pledged as security.

13.2 Depreciation

Depreciation expense of ₦791 million (2022:₦837.5 million) has been charged to administrative expenses and ₦3.8 billion (2022: ₦3.7 billion) has been charged to cost of sales.

13.3 Carrying amounts that would have been recognised if property, plant and equipment were stated at cost.

If the company's property, plant and equipment were stated on the historical cost basis, the amount would be as follows:

2023	Land ₦'000	Building ₦'000	Plant and machinery ₦'000	Motor vehicle ₦'000	Furniture & fittings and computer equipment ₦'000	Total ₦'000
Cost	1,895,371	748,136	59,012,677	806,680	1,844,654	64,307,518
Accumulated depreciation	-	(350,167)	(15,782,806)	(715,457)	(497,068)	(17,345,498)
Net book Value	**1,895,371**	**397,969**	**43,229,871**	**91,223**	**1,347,586**	**46,962,020**
2022						
Cost	1,895,371	748,136	53,907,562	799,794	1,808,822	59,159,685
Accumulated depreciation	-	(289,269)	(13,359,947)	(678,401)	(448,717)	(14,776,334)
Net book Value	**1,895,371**	**458,867**	**40,547,615**	**121,393**	**1,360,105**	**44,383,351**

The Company engaged accredited independent valuers-Knight Frank Nigeria (with FRCN number FRC/2013/0000000000584) to determine the value of its property, plant and equipment. The date of the most recent valuation is 2 November 2021.

13.4 Reconciliation of Payments for property, plant and equipment for cash flow purpose

	31 December 2023 ₦'000	31 December 2022 ₦'000
PPE additions (note 13)	5,451,085	3,698,103
Third party asset income (note 7)	(929,732)	(152,058)
	4,521,353	**3,546,045**

14 Intangible assets

	Software ₦'000
At 1 January 2022	
Cost	360,867
Accumulated amortisation	(104,457)
Net book value	**256,410**
Year ended 31 December 2022	
Opening net book value	256,410
Additions	14,500
Amortisation charge	(46,145)
Closing balance	**224,765**
At 31 December 2022	
Cost	375,367
Accumulated amortisation	(150,602)
Net book value	**224,765**

14 Intangible assets (continued)

	Software ₦'000
At 1 January 2023	
Cost	375,367
Accumulated amortisation	(150,602)
Net book value	**224,765**
Year ended 31 December 2023	
Opening net book value	224,765
Additions	53,480
Amortisation charge	(37,080)
Closing balance	**241,165**
At 31 December 2023	
Cost	428,847
Accumulated amortisation	(187,682)
Net book value	**241,165**

Intangibles assets mainly represents the cost of information technology software in the company's operations. This asset has a 10 year useful life.

15 Leases

15.1 Amounts recognised in the statement of financial position

15.1.1 Right-of-use assets

	Building ₦'000
At 1 January 2022	
Cost	516,407
Accumulated amortisation	(389,358)
Net book value	**127,049**
Year ended 31 December 2022	
Opening net book value	127,049
Additions during the year:	
- Prepaid lease	78,580
- Initial lease liabilities	114,134
Lease termination*	(127,049)
Depreciation charge	(44,484)
Closing net book value	**148,230**
At 1 January 2023	
Cost	582,072
Accumulated amortisation	(433,842)
Net book value	**148,230**
Year ended 31 December 2023	
Opening net book value	148,230
Additions during the year:	
- Prepaid lease	16,870
- Initial lease liabilities	63,371
Lease termination*	(148,229)
Depreciation charge	(32,067)
Closing net book value	**48,175**

*Lease termination relates to the termination of some office space lease contracts.

15.1.2 Lease liabilities

	Building ₦'000
At 1 January 2022	135,127
Additions	114,134
Interest expense	9,475
Lease termination*	(135,127)
Payments made during the period	(15,800)
Closing balance as at 31 Dec. 2022	**107,809**
At 1 January 2023	107,809
Additions	63,371
Interest expense	652
Lease termination*	(107,809)
Payments made during the period	(31,207)
Closing balance as at 31 Dec. 2023	**32,816**

*Lease termination relates to the termination of some office space lease contracts.

	31 December 2023 ₦'000	31 December 2022 ₦'000
Current lease liabilities	31,624	41,791
Non-current lease liabilities	1,192	66,018
	32,816	**107,809**

15.2 Amounts recognised in the statement of profit or loss

	Building 31 December 2023 ₦'000	Building 31 December 2022 ₦'000
Depreciation charge on right-of-use assets	32,067	44,485
Interest expense (included in finance cost)	652	9,475
Termination loss(gain) (included in operating expenses/other income)	40,420	(8,078)
	73,139	**45,882**

15.3 Amounts recognised in the statement of cash flows

	31 December 2023 ₦'000	31 December 2022 ₦'000
Financing activities-total cash outflow for leases	31,207	15,800

		31 December 2023 ₦'000	31 December 2022 ₦'000
16	**Cash and cash equivalents**		
	Cash at bank	14,219,991	14,160,718
	Short-term fixed deposits and investments	4,129,071	3,706,193
		18,349,062	**17,866,911**
	For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:		
	Cash at bank	14,219,991	14,160,718
	Short-term fixed deposits and investments	4,129,071	3,706,193
	Bank overdraft	(1,490,089)	(1,500,377)
		16,858,973	**16,366,534**

		31 December 2023 ₦'000	31 December 2022 ₦'000
17	**Trade and other receivables**		
	Trade receivable	253,001,764	230,860,536
	Loss allowance (note 17.3)	(243,619,347)	(224,295,556)
	Net trade receivables	**9,382,417**	**6,564,980**
	Other receivables (note 17.2)	24,169,549	100,868,164
	Loss allowance (note 17.5)	(824,076)	(823,371)
	Net other receivables	23,345,473	100,044,793
		32,727,890	**106,609,773**

		31 December 2023 ₦'000	31 December 2022 ₦'000
17.1	Trade receivables relates to billed receivables from sales of electricity which consist of the following based on customer classification:		
	Residential	140,864,201	128,536,594
	Commercial	55,844,546	50,957,359
	Industrial	35,174,932	32,096,629
	Government and others	21,118,085	19,269,954
		253,001,764	**230,860,536**

		31 December 2023 ₦'000	31 December 2022 ₦'000
17.2	**Other Receivables**		
	Staff loans and advances	34,640	35,225
	Receivables from collection agents*	1,144,549	914,108
	Prepayments (note 17.4)	36,467	4,438
	Tariff shortfall**	22,941,441	99,899,480
	Insurance claim receivable	12,452	14,913
		24,169,549	**100,868,164**

*Receivables from collection agents relates to monies collected from customers not yet remitted to the Company by its collection agents (G-Pay, Easy pay International Services Limited, Express Payment Solutions, Interswitch Limited and ITEX).

**Tariff shortfall relates to the differential between the revenue tariff approved by Nigerian Electricity Regulatory Commission (NERC), the independent regulatory body with authority of the electric power industry in Nigeria, and the actual end-user tariff charged to the customers. The tariff is being settled by the Federal Government of Nigeria in form of credit note from NBET to reduce payable to NBET.

		31 December 2023 ₦'000	31 December 2022 ₦'000
17.3	**Loss allowance (trade receivable)**		
	At 1 January 2023	224,295,556	191,600,669
	Increase in impairment loss for the year (note 9)	19,323,791	32,694,887
	At 31 December 2023	**243,619,347**	**224,295,556**

		31 December 2023 ₦'000	31 December 2022 ₦'000
17.4	**Prepayment**		
	Prepaid insurance	36,467	4,438
		36,467	**4,438**

		31 December 2023 ₦'000	31 December 2022 ₦'000
17.5	**Loss allowance (other receivables)**		
	At 1 January	823,371	1,208,731
	Impairment writeback for the year (note 9)*	705	(385,360)
	At 31 December	**824,076**	**823,371**

		31 December 2023 ₦'000	31 December 2022 ₦'000
17.6	**Reconciliation of working capital (receivables)**		
	Difference in trade receivables (note 17)	(22,141,228)	(31,673,125)
	Difference in other receivables (note 17)	76,698,615	66,471,837
	Credit note (note 27)	(121,977,327)	(78,606,850)
		(67,419,940)	**(43,808,138)**

		2023 ₦'000	2022 ₦'000
18	**Contract assets**		
	Contract assets	1,215,859	749,555
	Impairment	(996,455)	-
		219,404	**749,555**

Contract assets represent revenue earned for electricity supplied but not yet billed at the reporting date. Based on the Company's established billing cycle, customer consumption is billed in arrears. The billing cycle typically runs from the 27th of one month to the 26th of the following month. Accordingly, energy consumed between 27 December 2023 and 26 January 2024 relates to performance obligations satisfied before year-end but will be billed in February 2024. This unbilled portion of revenue is therefore recognised as a contract asset in accordance with IFRS 15. They are derived by using a consumption factor based on billings for the year multiplied by the number of outstanding days till the period end from the last billing date.

Contract assets are recognised to the extent that performance obligations have been performed by the Company and that revenue has been recognised in accordance with IFRS 15 Revenue, but for which the Company's right to consideration is not yet unconditional. When the right to consideration becomes unconditional, the contract asset is transferred to trade receivables.

		31 December 2023 ₦'000	31 December 2022 ₦'000
19	**Inventories**		
	Distribution materials	432,195	869,152
	Meters	34,077	47,632
	Stationeries	20,668	36,690
		486,940	**953,474**

Distribution materials relates to transformers, insulators and other electrical operating equipment. During the reporting period, there was no write-down of inventory to net realisable value. None of the Company's inventories has been pledged as collateral to secure debt.

	Note	31 December 2023 ₦'000	31 December 2022 ₦'000
20 Trade and other payables			
Trade payable	20.1	95,203,742	164,761,743
Accrued expenses		2,526,311	425,398
Statutory payables*		29,352,931	22,333,234
Payroll related payable		1,685,645	1,274,242
Provision (note 20.2)		222,244	327,262
Minimum tax payable		468,034	468,034
Other payable**		40,044	27,874
		129,498,951	**189,617,787**

*Statutory payables represent WHT credit note and VAT payables.
**Other payables represents stamp duty deductions and insurance payable.

	31 December 2023 ₦'000	31 December 2022 ₦'000
20.1 Trade payables relate to amounts owed to Company vendors which is further classified as:		
NBET and Market operator (note 27)*	91,964,157	161,488,561
Related parties	3,111,595	2,042,532
Other vendors	127,990	1,230,650
	95,203,742	**164,761,743**

*The payables to NBET and Market operator are secured by a corporate guarantee of N5.9billion from 4 Power Consortium Limited (2022 N5.9billion). N1.3billion (2022 N1.3billion) is the guarantee to the Market Operator while the guarantee to NBET is N4.6billion (2022 N4.6billion).

	31 December 2023 ₦'000	31 December 2022 ₦'000
20.2 Provision		
At 1 January 2023	327,262	49,992
Additions in the year	-	277,270
Write back	(105,018)	-
At 31 December 2023	**222,244**	**327,262**

Provisions relate to the amount provided for legal claims based on the lawyers' best estimates of the most likely outcome of the legal cases as well as provisions for penalties arising from non-compliance with laws and regulations.

	31 December 2023 ₦'000	31 December 2022 ₦'000
21 Borrowings		
Current		
Bank overdrafts (note 21.2)	1,490,089	1,500,377
Intercompany loan (note 21.3)	677,584	532,533
Bank borrowings (note 21.1)	6,912,095	6,151,949
	9,079,768	**8,184,859**
Non-current		
Bank borrowings (note 21.1)	**8,051,252**	**11,965,080**

21.1 Break down of bank borrowings

Bank borrowings	Current		Non-current	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	₦'000	₦'000	₦'000	₦'000
Bank loans	455,287	505,087	54,776	372,093
CBN-NEMSF Loan	2,826,510	3,463,951	288,940	2,037,493
CBN-NMMP Loan	736,722	735,808	1,763,118	1,880,180
CBN-NEMSF 2 Loan	2,893,576	1,447,103	5,944,418	7,675,314
	6,912,095	**6,151,949**	**8,051,252**	**11,965,080**

21.2	**Bank overdrafts**	**1,490,089**	**1,500,377**

The bank overdraft represent Keystone Bank and Ecobank overdrawn balances on current accounts to enable the Company augment its working capital. The overdrafts attract an average interest rate of 18% and is secured by promissory note by the Company and corporate guarantee by 4Power Consortium Limited.

		31 December 2023 ₦'000	31 December 2022 ₦'000
21.3	**Intercompany loan**		
		677,584	**532,533**

Intercompany loan relates to loan obtained by the company from 4 Power Consortium Limited which was renegotiated in 2020 for another 12 Months and subsequently rolled over at an interest rate of 15%. This transaction was made at terms equivalent to those that prevail in arm's length transactions.

The principal and interest remain unpaid as at 31st December 2023.

Movements on the borrowings are as follows:		
Opening balance	532,533	503,021
Interest during the period	145,051	29,512
Closing balance	**677,584**	**532,533**

21.4 Bank borrowings

21.4.1 Keystone bank loan

Asset financing facility: N520 million obtained in August 2020 and N730 million in April 2021 to part finance the purchase of 100 units (2021: 50 units 2020: 50 units) of Toyota and Nissan pickup vehicles. The loans were utilized solely for this purpose per agreement. The facilities have a tenor of 48 Months with equal Monthly rental of principal and interest at 20% interest rate per annum. In August 2022, N89 million was also obtained to part finance the purchase of official vehicle (Brand new Lexus LX 570) for management staff. The facility has a tenor of 24 Months with equal Monthly rental of principal and interest at 20% interest rate per annum.

	31 December 2023 ₦'000	31 December 2022 ₦'000
Bank loans		
Current	455,287	505,087
Non-current	54,776	372,093
	510,063	**877,180**
Movements on the borrowings are as follows:		
At 1 January	877,180	1,047,530
Additions	-	89,862
Interest during the period	160,479	182,103
Principal repayments	(344,434)	(272,171)
Interest paid	(183,162)	(170,144)
At 31 December	**510,063**	**877,180**

21.4.2 CBN-NEMSF Loan

Current	2,826,510	3,463,951
Non-current	288,940	2,037,493
	3,115,450	**5,501,444**
Movements on the borrowings are as follows:		
At 1 January	5,501,444	7,156,871
Interest during the period	1,136,789	1,575,727
Principal repayments	(2,997,815)	(2,713,660)
Interest paid	(524,968)	(517,494)
At 31 December	**3,115,450**	**5,501,444**

21.4.3 CBN-NMMP Loan (continued)

	31 December 2023 ₦'000	31 December 2022 ₦'000
21.4.3 CBN-NMMP Loan		
Current	736,722	735,808
Non-current	1,763,118	1,880,180
	2,499,840	**2,615,988**

Movements on the borrowings are as follows:	31 December 2023 ₦'000	31 December 2022 ₦'000
At 1 January	2,615,987	2,299,926
Interest during the period	619,547	607,969
Principal repayments	(377,069)	(29,923)
Interest paid	(358,625)	(261,985)
At 31 December	**2,499,840**	**2,615,987**

	31 December 2023 ₦'000	31 December 2022 ₦'000
21.4.4 CBN-NEMSF 2 Loan		
Current	2,893,576	1,447,103
Non-current	5,944,418	7,675,314
	8,837,994	**9,122,417**
Movements on the borrowings are as follows:		
At 1 January	9,122,417	7,443,695
Additions	164,144	1,654,271
Interest during the period	2,428,113	1,836,102
Principal repayment	(1,463,815)	-
Interest paid	(1,412,865)	(1,002,233)
Transferred to deferred intervention fund	-	(809,418)
At 31 December	**8,837,994**	**9,122,417**

Non-current Loan type/ Purpose	**Tenure/interest rate**	**Available facility ₦'000**	**Draw down to 2023 ₦'000**
Central Bank of Nigeria - Nigeria Electricity Market Stabilisation Facility (CBN - NEMSF)	10 years; 5% from 1 Mar 2020 till Feb 2023 and 9% onwards.	19,882,765	19,882,765
Central Bank of Nigeria - National Mass Metering Programme Facility (CBN - NMMP)	10 years; 5% till 28 Feb. 2023 and 9% onwards	4,568,759	4,568,759
Central Bank of Nigeria-Nigeria Electricity Market Stabilisation Facility (CBN-NEMSF 2)	10 years; 5% till 28 Feb. 2023 and 9% onwards	23,558,998	16,450,544

The Federal Government of Nigeria through the Central Bank of Nigeria ("CBN"), the Federal Ministry of Petroleum Resources, the Federal Ministry of Power and the Nigerian Electricity Regulatory Commission ("NERC") incorporated a special purpose vehicle - NESI Stabilization Strategy Ltd to oversee the implementation and repayment of the CBN-Nigerian Electricity Market Stabilization Facility ("CBN-NEMSF" or "the facility"). The facility is aimed at settling the outstanding payment obligations due to the market participants during the Interim Rules Period ("IRP Debts") as well as the legacy gas debt of the PHCN generation companies owed to gas suppliers ("Legacy Gas Debt") which has been transferred to the Nigerian Electricity Liability Management Company Limited by Guarantee ("NELMCO").

Port Harcourt Electricity Distribution Company Plc. was the beneficiary of ₦19.9 billion facility. The sum of ₦19.9 billion has been disbursed as at 31 December 2023 of which ₦6.6 billion was received in cash in 2015 and the balance was applied to settle amount due to market participants over the years.

In 2020, the Federal Government established the National Mass Metering Program ("NMMP") which enables distribution companies to provide about six (6) million "free" meters over the next 18-36 months to unmetered consumers. This is provided via the CBN financing framework to provide financial support-via a loan facility-to the distribution companies and local meter manufacturers.

21.4.4 CBN-NEMSF 2 Loan (continued)

Repayment of the loan is secured against the Regulator's reset of the Multi Year Tariff Order 2 (MYTO 2) by issuing the MYTO 2.1 and the approval of the distribution companies tariff plan.

In 2021, the Federal Government of Nigeria through the Central Bank of Nigeria-Nigerian Electricity Market Stabilization issued a new facility ("CBN-NEMSF2" or " the facility"). The purpose of this facility is to part-finance solely, PHED's (the borrower) obligations to NBET & MO and its operations arising from the under-collection under the Service-Based Tariff scheme in line with the ramp up programme. The facility is also aimed at financing critical projects for the borrower in line with MYTO approved CAPEX by NERC.

Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that the directors expect would be available to the Company at the reporting date.

21.4 Interest expense on borrowings	**31 December 2023 ₦'000**	**31 December 2022 ₦'000**
Keystone bank loan	160,479	182,103
CBN-NEMSF Loan	1,136,789	1,575,727
CBN-NMMP Loan	619,547	607,969
CBN-NEMSF 2 Loan	2,428,113	1,836,102
Intercompany loan	145,051	29,512
	4,489,979	4,231,413

21.5 Repayment of borrowings	**31 December 2023 ₦'000**	**31 December 2022 ₦'000**
Principal		
Keystone bank loan	344,434	272,171
CBN-NEMSF Loan	2,997,815	2,713,660
CBN-NMMP Loan	377,069	29,923
CBN-NEMSF 2 Loan	1,463,815	-
	5,183,133	3,015,754
Interest		
Keystone bank loan	183,162	170,144
CBN-NEMSF Loan	524,968	517,494
CBN-NMMP Loan	358,625	261,985
CBN-NEMSF 2 Loan	1,412,865	1,002,233
Total	2,479,620	1,951,856

21.6 Proceeds from borrowings	**31 December 2023 ₦'000**	**31 December 2022 ₦'000**
Keystone bank loan	-	89,862
CBN-NEMSF 2 Loan	164,144	1,654,271
Total	**164,144**	**1,744,133**

22 Government grants

Government grant relates to the loan obtained from the Federal Government of Nigeria through the Central Bank of Nigeria ('CBN-NEMSF1 & NEMSF2)') at a rate below the prevailing market as described in note 21. The difference between the below market interest loan received and the fair value of loan has been recognised as government grant. The fair value of the grant was recognized initially on the grant date and subsequently amortized on a straight line basis over the tenure of the loan. There were no unfulfilled conditions relating to the grant as at the reporting date.

In 2020, the Federal Government established the National Mass Metering Program ('NMMP') which enables distribution companies to provide about six (6) million "free" meters over the next 18-36 months to unmetered consumers. This is provided via the CBN financing framework to provide financial support-via a loan facility to the distributions companies and local meter manufacturers.

22 Government grants (continued)

Analysis of government grant	**31 December 2023 ₦'000**	**31 December 2022 ₦'000**
At 1 January	10,920,680	12,190,100
Additions in the period	105,320	809,417
Recognized in profit or loss (note 7)	(2,108,329)	(2,078,837)
As at 31 December	**8,917,671**	**10,920,680**
Current	2,003,312	2,003,312
Non - current	6,914,359	8,917,368
	8,917,671	**10,920,680**

The deferred income approach was adopted whereby the government grant is recognised systematically in the profit or loss over the useful life of the loan.

23 Contract liabilities	**31 December 2023 ₦'000**	**31 December 2022 ₦'000**
CAPMI Deposit*	1,430,782	1,435,759
MAP Liability **	8,600,636	5,164,715
Payables to collection agent***	463,184	133,173
Prepaid customers****	-	9,885
Security deposit*****	2,336,514	1,207,668
	12,831,116	**7,951,200**
Current	2,495,121	1,684,844
Non - current	10,335,995	6,266,356
	12,831,116	**7,951,200**

*The Credit Advance Payment for Meter Installation (CAPMI) optional scheme has been designed to allow willing customers advance money in exchange for the installation of meters. Once meters have been installed under this scheme issued by Nigerian Electricity Regulatory Commission (NERC), customers are then refunded for the cost of the meter by way of monthly reductions on the variable energy charge element of their electricity bills over time.
The CAPMI optional scheme was abolished by NERC with effect from 1 November 2016 and there were no further additions to the scheme after this date.
Management commenced the monthly reductions on all concerned customer's electricity bills with effect from January 2017.

**The MAP liability is as a result of the Meter Asset Provider (MAP regulation) issued in 2018. On 5 April 2019, NERC in accordance with the MAP regulations issued permits to meter asset providers to supply, install, maintain and replace meters over its technical life on behalf of the DISCOs. The MAPs would assist, as investors, in closing the metering gap and thus eliminate estimated billing in the Nigerian Electricity Supply Industry (NESI). Once the meters have been installed, the customers pay the meter asset providers directly. The customers are then refunded for the cost of the meter by way of monthly reductions on the variable energy charge element of their electricity bills over time. Hence the liability recognised in the current year as about 49,000 customers were metered in 2023 alone (2022: 33,000 customers).

***Payables to collection agents relates to money received from the collection agents to fund their energy wallets for which units of electricity which are yet to be credited to the agent. The collection agents include Easy pay International Services Limited, Express Payment Solutions Limited and Board Shift Technologies Limited.

****Prepaid customers relates to the portion of prepaid vending from prepaid customers not yet consumed as at the end of the year. The portion of this prepaid revenue included in revenue in the year is ₦9.9 million (2022: ₦30.8 million). See note 5.

*Security deposit represents deposits by customers at the point of registration as customers to cover for eventual default in settlement of electricity bills. The deposits per customer are determined by the company and usually covers customers' estimated bills for 1 – 3 months.

23.1 Contract liability reconciliation	31 December 2023 ₦'000	31 December 2022 ₦'000
At 1 January	7,951,200	4,462,178
Additions during the year	4,889,801	3,519,830
Amount recognised as revenue (Note 5)	(9,885)	(30,808)
At 31 December	12,831,116	7,951,200

24 Equity 24.1 Share capital	31 December 2023 ₦'000	31 December 2022 ₦'000
Minimum share capital 10 million ordinary shares of 50 kobo each	**5,000**	**5,000**
Issued 10 million ordinary shares of 50 kobo each	**5,000**	**5,000**

24.2 Accumulated deficit	31 December 2023 ₦'000	31 December 2022 ₦'000
At 1 January	(50,589,857)	(29,025,440)
Loss for the year	(14,165,429)	(22,849,209)
Transfer of excess depreciation due to revaluation	2,021,369	1,284,792
At 31 December	**(62,733,917)**	**(50,589,857)**

24.3 Revaluation reserve		
At 1 January	62,757,815	64,042,607
Transfer of excess depreciation due to revaluation	(2,021,369)	(1,284,792)
At 31 December	**60,736,446**	**62,757,815**

Revaluation reserve relates to the surplus on Property, Plant and Equipment (PPE) which arose as a result of the revaluation of the Company's assets in 2016 and 2021. There was no revaluation in the current period.

25 Cash generated from operations	31 December 2023 ₦'000	31 December 2022 ₦'000
Loss before income tax	(13,283,679)	(22,581,369)
Adjustments for:		
Impairment losses on financial assets (note 9)	20,320,951	32,309,527
Depreciation charge on property, plant and equipment (note 13)	4,590,533	4,532,465
Depreciation charge on right of use asset (note 15)	32,067	44,484
Third party asset income (note 7)	(929,732)	(152,058)
Amortization of intangible asset (note 14)	37,080	46,145
Termination loss/(gain) on leases	40,420	(8,078)
Lease interest expense (note 15.1.2)	652	9,475
Interest expense on loans (note 10)	4,489,979	4,231,413
Interest income (note 10)	(1,388,597)	(231,335)
Government grant amortised to profit or loss (note 7)	(2,108,329)	(2,078,837)
Minimum tax levy (note 8)	-	468,034
Adjustments for movement in working capital:		
Decrease in trade and other receivables (note 17.6)	(67,419,940)	(43,808,138)
Increase in contract assets (note 18)	(466,304)	(749,555)
Decrease/(increase) in inventory (note 19)	466,534	(382,326)
Increase in contract liabilities (note 23)	4,879,916	3,489,022
Increase in trade and other payables (note 20)	61,858,490	35,671,875
	11,120,041	**10,810,744**

26 Related party transactions

Related party transactions for the year ended 31 December 2023:

a Parent entity

Name	Type	Ownership interest	
		2023	2022
4Power Consortium	Parent entity	60%	60%

4Power Consortium is made up of nine equity companies including Bayelsa Electricity Company Limited, First Independent Power Company Limited, Taleveras Group of Companies Limited, Lilleker Brothers (Nigeria), Income Electrix Limited/CESC Limited Joint Venture, Skyview Power Technologies Limited, Akwa Ibom Investment Corporation (AKICORP), Paradise Power Nigeria Limited and CESC.

4Power Consortium	1 January 2023 ₦'000	Additions ₦'000	Payments ₦'000	31 December 2023 ₦'000
Vehicle Lease*	71,043	50,090	(48,673)	72,460
Loan payable	532,533	145,051	-	677,584
	603,576	**195,141**	**(48,673)**	**750,044**

*Vehicle lease relates to short-term lease which have been expensed during the year.

4Power Consortium	1 January 2022 ₦'000	Additions ₦'000	Payments ₦'000	31 December 2022 ₦'000
Vehicle Lease*	67,615	21,858	(18,430)	71,043
Loan payable	503,021	29,512	-	532,533
	570,636	**51,370**	**(18,430)**	**603,576**

b Operations and management agreement

In November 2013, the Company entered into an operations and management contract with Income Electrix Limited (as a local technical partner) for the provision of technical service assistance including extensive services on IT, procurement, integration, strategic personnel support and turnaround strategies.

	1 January 2023 ₦'000	Additions ₦'000	Payments ₦'000	31 December 2023 ₦'000
Operations and maintenance	1,676,222	2,848,425	(1,752,693)	2,771,954
Secondment fee	92,484	209,092	(234,583)	66,993
	1,768,706	**3,057,517**	**(1,987,276)**	**2,838,947**

	1 January 2022 ₦'000	Additions ₦'000	Payments ₦'000	31 December 2022 ₦'000
Operations and maintenance	860,248	1,934,996	(1,119,022)	1,676,222
Secondment fee	65,205	368,851	(341,572)	92,484
	925,453	**2,303,847**	**(1,460,594)**	**1,768,706**

Additions during the year have been recognised within the 'administrative expenses' (note 8) under 'profit or loss' while the closing balance have been recognised in 'payables due to related parties' (note 20.1).

c Metering contract with related parties

In 2016, the Company entered into a metering supply contract with three related parties valued at ₦1.8 billion. In April 2017, the Company also entered into meter installation contract valued at ₦739.5 million with Kilowatt Engineering Services to install meters. In 2020, Armese Ltd. renewed its metering contract with the Company for ₦3.0 billion for the supply of 71,194 meters under the Metering Asset Program (MAP).

The following table provides the amount owed to each of these related parties for the relevant years:

	1 January 2022 ₦'000	Additions ₦'000	Payments ₦'000	Write-offs ₦'000	31 December 2022 ₦'000
Armese Limited	60,519	-	-	(60,519)	-
Leighton Energy Synergy	66,736	-	-	(66,736)	-
Invotec Limited	500	-	-	(500)	-
	127,755	**-**	**-**	**(127,755)**	**-**

Write-offs relates to subsequent reconciliation efforts between the entity and its related parties on the actual payables due to related parties.

d Procurement, construction and commissioning of 33KV Commercial Feeder

In September 2018, the Company entered into a contract with Modev Nigeria Limited for the procurement, construction and commissioning of a 33 KVA commercial feeder in the University of Port Harcourt's Teaching Hospital (UPTH) valued at thirty million naira (₦30 million).

	1 January 2022 ₦'000	Additions ₦'000	Payments ₦'000	Write-offs ₦'000	31 December 2022 ₦'000
Modev Nigeria Limited	**6,617**	**-**	**-**	**(6,617)**	**-**

The balance has been recognised in 'payables due to related parties' (note 20.1). Write-offs relates to subsequent reconciliation efforts between the entity and its related parties on the actual payables due to related parties.

e Ancillary services performed by related parties

Ancillary services performed by related parties are shown below:

	1 January 2023 ₦'000	Additions ₦'000	Payments ₦'000	31 December 2023 ₦'000
Chakel Security Services: Security services	7,279	129,280	(130,158)	6,401
Kilowatt Engineering: Transformer maintenance and repairs	195,504	56,514	(58,231)	193,787
	202,783	185,794	(188,389)	200,188

	1 January 2022	Additions	Payments	Adjustment	31 December 2022
	₦'000	₦'000	₦'000	₦'000	₦'000
Tegwa-Tegwa: Weeding of injection sub station	3,664	-	-	(3,664)	-
Chakel Security Services: Security services	2,723	28,656	(24,100)	-	7,279
Kilowatt Engineering: Transformer maintenance and repairs	240,722	64,184	(109,402)	-	195,504
	247,109	92,840	(133,502)	(3,664)	202,783

Additions during the year have been recognised partly within distribution expenses in 'cost of sales' (note 6) and security expenses in 'administrative expenses' (note 8) under 'profit or loss' while the closing balance have been recognised in 'payables due to related parties' (note 20.1). The adjustment relates to write-offs subsequent to reconciliation efforts between the entity and its related parties on the actual payables due to related parties.

f Payment collection and energy vending services performed by related parties

In 25 February 2019, the Company entered into a payment collection and energy vending agreement with Easy pay International Services Limited. The energy vending agreement brings about the contract liability as outlined in note 23. The collection agreement brings about a receivable which represents the monies collected on behalf of the Company which is yet to be remitted as at 31 December 2022.

	1 January 2023	Additions	Payments	31 December 2023
	₦'000	₦'000	₦'000	₦'000
Payable to Easy pay International Services Limited	78,618	692,685	(692,094)	79,209

	1 January 2022	Additions	Payments	31 December 2022
	₦'000	₦'000	₦'000	₦'000
(Receivables from)/Payable to Easy pay International Services Limited	(173,325)	36,559,471	(36,307,528)	78,618

The companies disclosed in notes 26b - 26f have key management personnel in common with Port Harcourt Electricity Distribution Plc. and are therefore, related parties of the Company.

g Key management compensation

Key management includes the directors (executive and non-executive). The compensation paid or payable to key management for employee services is shown below:

	31 December 2023	31 December 2022
Remuneration paid to the Company's directors was:	₦'000	₦'000
Salaries and wages	187,414	199,250
Other short term benefits*	227,019	71,620
	414,433	270,870
*Other short term benefits relates to director's fees and board expenses.		
Fees and other emoluments disclosed above includes amount paid to:		
Highest paid director	187,414	199,250

There was no other compensation paid during the period. There were no loans to key management personnel.

The number of directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	31 December 2023	31 December 2022
	₦'000	₦'000
₦10,000,001 - ₦20,000,000	0	8
Above ₦20,000,000	9	1
	9	9

Employees information

The average number of persons employed by the Company during the period is as follows:	Number	Number
Senior Management	19	17
Management	124	116
Senior staff	1,255	1,113
Junior staff	1,107	1,027
	2,505	2,273

Staff cost for employees and contractors:	31 December 2023 ₦'000	31 December 2022 ₦'000
Salaries and allowances (including the executive directors emoluments)	3,355,634	3,527,823
Pension costs- defined contribution plans	194,676	194,676
	3,550,310	**3,722,499**

Of this amount, ₦2.4 billion representing direct staff costs was reclassed to cost of sales (2022: ₦2.2 billion).

Other-paid employees of the Company, other than directors, whose duties were wholly or mainly discharged in Nigeria received remuneration (excluding pension contributions) in the following ranges:

	Number	Number
Below ₦1,000,000	812	1,027
₦1,000,000 - ₦2,000,000	1248	848
₦2,000,000 - ₦3,000,000	200	195
₦3,000,000 - ₦4,000,000	157	138
₦4,000,000 - ₦5,000,000	29	23
Above ₦5,000,000	59	42
	2,505	**2,273**

i Transactions with key management personnel

There were no transactions with key management personnel or their close family members (2022:nil).

j Loans to directors

The Company did not lend money to any of its directors during the year under review (2022:nil).

k Payments on behalf of key management personnel

There were no payments on behalf of key management personnel during the year under review (2022:nil).

l Terms and conditions

All related party transactions were made on normal commercial terms and conditions and market rates. The outstanding related party balances are unsecured and are repayable in cash.

27 Nigerian Bulk Electricity Trading Plc (NBET) and Operator of the Nigerian Electricity Market (Market Operator)

The Nigerian Bulk Electricity Trading Plc (NBET) is a government owned public limited company. It is an electricity trading licensee that engages in the purchase of electric power from independent power producers and generation companies and responsible for the subsequent resale to distribution companies and eligible consumers.

The Operator of the Nigerian Electricity Market, an operational arm of the Transmission Company of Nigeria (TCN) is responsible for the operations of the electricity market and the administration of metering systems among generation, transmission and distribution companies.

The table below shows the amount due to NBET and Market operator.

	31 December 2022 ₦'000	Credit notes ₦'000	Additions ₦'000	Payments ₦'000	31 December 2023 ₦'000
NBET	130,592,049	(121,977,327)	95,443,199	(46,153,075)	57,904,846
Market Operators	30,896,512	-	12,663,753	(9,500,954)	34,059,311
	161,488,561	**(121,977,327)**	**108,106,952**	**(55,654,029)**	**91,964,157**

	31 December 2021 ₦'000	Credit notes ₦'000	Additions ₦'000	Payments ₦'000	31 December 2022 ₦'000
NBET	181,494,172	(78,248,850)	57,275,830	(29,929,103)	130,592,049
Market Operators	27,330,922	(358,000)	11,362,815	(7,439,225)	30,896,512
	208,825,094	**(78,606,850)**	**68,638,645**	**(37,368,328)**	**161,488,561**

28 Capital commitments and contingent liabilities

a Capital commitments

The Company had no capital commitments as of the balance sheet date (2022:nil).

b Contingent liabilities

A contingent liability is a potential liability that may occur depending on the outcome of an uncertain future event. At the balance sheet date, the Company had 22 (2022: 35) pending court cases where the plaintiff's claim in total is to the tune of ₦4.4 billion (2022: ₦9 billion). In the opinion of the Directors and based on independent legal advice, there are no significant claims likely to crystallise from these legal cases, hence no provision has been made in these financial statements (2022: ₦277 million).

Transfer of pre-takeover liabilities and receivables

As part of the privatisation process, the Company through the Bureau of Public Enterprise (BPE) signed a deed of assignment of the pre-takeover liabilities and trade receivables with Nigerian Electricity Liability Management Company (NELMCO) effective 31 October 2013. The directors, based on independent legal advice obtained as well as their understanding of the Share Sale Agreement between 4Power Consortium, BPE and Ministry of Finance Incorporated, are of the opinion that all pre-takeover trade receivables and liabilities (crystalized or contingent) as at 31 October 2013 have been effectively transferred to NELMCO. Therefore, the Company believes that it will neither realise those receivables nor settle any liability existing as at 31 October 2013 and no recognition of impairment is required.

29 Going concern

The Company recorded a net loss of ₦14.17 billion (2022: ₦22.85 billion) and its current liabilities exceeded its current assets by ₦94.79 billion (2022: ₦77.94 billion), and the Company had an accumulated deficit of ₦62.73 billion (2022: ₦50.59 billion) as at 31 December 2023.

The dynamics of the Nigerian Electricity Supply Industry require distribution companies to settle energy and market obligations arising from electricity supplied through the market while recovering the related costs from end users through regulated tariffs and collections. During the year, the Company's ability to fully recover and collect the cost of electricity supplied to customers continued to place pressure on its profitability, liquidity and ability to settle its market obligations.

As at 31 December 2023, the Company's outstanding market obligations disclosed in the financial statements amounted to approximately ₦92 billion, inclusive of accrued interest. Subsequent year end, the Company has agreed a five-year repayment plan with the Market Operator in respect of outstanding obligations. Discussions with NBET regarding certain disputed amounts and an appropriate repayment arrangement remain ongoing.

The Company's operations are also affected by collection challenges in the AFAM host communities within its franchise area. Although electricity supply to the affected communities continues, collections remain materially constrained, resulting in the accumulation of significant receivables and pressure on the Company's cash flows and ability to settle market obligations. Management continues to engage the Nigerian Electricity Regulatory Commission (NERC), other electricity-market institutions and representatives of the affected communities with a view to improving collections, reconciling outstanding receivables and agreeing an appropriate regulatory treatment.

These conditions, particularly the Company's recurring losses, net current liability position, accumulated deficit, and continuing collection challenges, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, its ability to realise its assets and discharge its liabilities in the normal course of business.

Management's assessment and mitigating actions
In assessing the appropriateness of the going concern basis, the directors have considered the Company's financial position, expected future operating performance and cash flows, including a six-year cash-flow analysis covering 2023 to 2028, together with the underlying assumptions. The directors have also considered the Company's subsequent financial and operational performance and the measures implemented to improve liquidity, revenue generation, collection efficiency and settlement of market obligations.

The principal measures and developments considered by the directors include the following:

a. Strategic operational initiatives and improved collections
The directors have continued to implement measures aimed at reducing Aggregate Technical, Commercial and Collection (ATC&C) losses, improving billing accuracy and increasing collections. These measures include:
i. continued deployment of meters under applicable metering programmes, including the Meter Asset Provider (MAP) and other intervention programmes;
ii. continued enumeration, account regularisation and connection of customers to improve the completeness and accuracy of the Company's customer database and revenue assurance;
iii. initiatives to improve collection efficiency through increased metering, enhanced billing accuracy, revenue protection and demand-side management;
iv. implementation of network optimisation, transformer replacement and expansion projects to improve supply reliability and reduce technical losses;
v. continued implementation of revenue protection initiatives designed to reduce energy and revenue losses; and
vi. collaboration with development partners and other stakeholders on network expansion and electricity access initiatives.

These initiatives have resulted in improvements in certain key operating indicators following 31 December 2023. The Company's registered customer base increased from 716,584 in 2023 to 917,684 as at October 2026, an increase of approximately 201,100 customers. Metered customers increased from 474,246 to 580,883, representing metering penetration of approximately 63.3% as at 31 October 2026.

Collection efficiency also improved from approximately 68% in 2023 to an average of 88% between January and October 2026. Over the same period, monthly revenue increased from approximately ₦8.2 billion to ₦22.0 billion, while monthly collections increased from approximately ₦6.1 billion to ₦19.0 billion.

b. Financial restructuring, liquidity management and settlement of obligations
Management continues to pursue measures aimed at improving the Company's liquidity and managing its financial obligations. These include:
i. the agreement of a structured five-year repayment arrangement with the Market Operator for outstanding legacy obligations;
ii. securing intervention funding through the DISREP, MAP and MAF programmes and undertaking strategic investments aimed at strengthening the Company's operational and financial position.

iv. engagement with suppliers and other stakeholders in relation to financing and payment arrangements intended to manage short-term working-capital requirements;

v. continued engagement aimed at recovering outstanding amounts from customers, including Federal, State and Local Government Ministries, Departments and Agencies;

vi. implementation of cost-management measures, including the discontinuation of certain recurring service arrangements that formed part of the Company's 2023 cost base; and

vii. a structured payment arrangement with the Nigeria Revenue Service in respect of outstanding tax liabilities arising from the tax audit covering 2013 to 2019.

Management has also indicated that from January 2025 through October 2026, the Company met 100% of its market and statutory obligations as and when due, representing an improvement in its ability to meet current obligations as they fall due.

c. Regulatory Engagement and Stakeholder Management
The directors continue to engage NERC and other relevant stakeholders on matters affecting the Company's commercial and financial position. These engagements include:
i. implementation of applicable service-based tariff arrangements;

ii. engagement with the relevant State Electricity Regulatory Commissions and other stakeholders as the regulatory framework for the electricity market evolves;

iii. engagement with NERC, other electricity-market institutions and the AFAM host communities to address collection challenges, reconcile outstanding receivables and establish an appropriate regulatory treatment;

iv. continued public enlightenment and customer engagement aimed at improving payment behaviour and collections; and

v. exploration of bilateral and other commercial arrangements for qualifying customers and feeders where these arrangements are commercially viable.

d. Human capital and organisational initiatives
The directors continue to implement initiatives aimed at strengthening workforce capability and operational effectiveness, including graduate and engineering trainee programmes, fit-to-role assessments, targeted training interventions, leadership restructuring and rotational assignments across operational units.

Directors' conclusion

In reaching their conclusion, the directors have considered the Company's six-year cash-flow analysis covering 2023 to 2028, the assumptions underlying the projection, subsequent management accounts and the improvements in the Company's operational and cash-collection performance following 31 December 2023.

The directors have also considered the challenges associated with the Company's ability to sustain improvements in collection efficiency, execute its operational initiatives, settle legacy market obligations pursuant to agreed or anticipated repayment arrangements, recover significant outstanding receivables, secure the anticipated benefits from intervention funding, and achieve the assumptions incorporated in its cash-flow forecasts.

Based on the measures implemented and the Company's forecast cash flows, the directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future and have therefore continued to adopt the going concern basis in preparing these financial statements.

Notwithstanding the above, the Company's recurring losses, net current liability position, accumulated deficit, legacy market obligations and continuing collection challenges indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

The financial statements have therefore been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classification of assets and liabilities that would be necessary if the Company were unable to continue as a going concern.

30 Non-audit services
No non-audit services were provided by PricewaterhouseCoopers (PwC) to the Company during the year under review.

31 Events after reporting period

The Electricity Act 2023 empowers states to enact laws establishing State Electricity Regulatory Commissions (SERCs) with jurisdiction over electricity activities within their respective territories. This development is expected to decentralize electricity regulation, enhance operational efficiency, and ultimately improve electricity generation, distribution, and access—particularly in underserved areas.

Within the PHED franchise area, only Bayelsa State has successfully secured the transfer of regulatory oversight. Akwa Ibom State has passed the requisite legislation establishing its State Electricity Regulatory Commission and is currently awaiting the formal transfer order.

PHED is presently undertaking the delineation of its assets along state lines to support the operationalization of the Bayelsa Electricity Regulatory Commission and to prepare for the anticipated establishment of additional SERCs. Furthermore, PHED is expected to establish subsidiary companies (SubCos) in each state that successfully obtains regulatory oversight. These SubCos will serve as the primary interface with the respective State Electricity Regulatory Commissions.

Also, in April 2024, the Nigerian Electricity Regulatory Commission (NERC) announced the implementation of a new tariff regime in the Nigerian Electricity Market. Under this regime, subsidies on Band A feeders and customers—defined as those receiving a minimum of 20 hours of electricity supply per day—were removed.

As a result, Band A tariffs increased by approximately 300%. This adjustment has led to a significant improvement in revenue collections, with average monthly collections increasing by approximately 40%, from about ₦7 billion to ₦10 billion. Management is currently implementing network strengthening and improvement initiatives aimed at upgrading additional feeders to Band A status. Successful execution of these initiatives is expected to further enhance revenue collections.

Port Harcourt Electricity Distribution Plc

Other national disclosures

Port Harcourt Electricity Distribution Plc.

Other National Disclosures
For the Year Ended 31 December 2023
Value Added Statement

	Notes	31 December 2023 ₦'000	%	31 December 2022 ₦'000	%
Revenue from contracts with customers	5	92,185,993	(931)	84,218,547	(450)
Other income	7	48,919,208	(494)	13,586,642	(73)
Bought in materials and services		(151,005,819)	1,525	(116,516,177)	623
Value eroded		**(9,900,618)**	**100**	**(18,710,988)**	**100**
Distributed as follows:					
Employees					
Salaries and wages	6,8	3,550,310	(35)	3,722,499	(20)
Providers of capital					
Interest on borrowings	10	(4,794,863)	48	(4,430,728)	24
Maintenance of assets					
Depreciation	13	4,590,533	(47)	4,532,465	(24)
Amortization	14	37,080	(1)	46,145	(1)
Government					
Taxation	8, 11.3	881,750	(8)	267,840	(1)
Retained for growth and expansion					
Loss attributable to members		(14,165,428)	143	(22,849,209)	122
Value eroded		**(9,900,618)**	**100**	**(18,710,988)**	**100**

The value added statement is presented in these financial statements for the purpose of complying with the National Disclosures of the Financial Reporting Council of Nigeria (FRCN).

Port Harcourt Electricity Distribution Plc.

Other National Disclosures
For the Year Ended 31 December 2023
Five-year Financial Summary

STATEMENT OF FINANCIAL POSITION

	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2019 ₦'000
ASSETS EMPLOYED					
Non-current assets	118,103,319	117,326,422	118,171,248	64,437,257	65,375,782
Current assets	51,783,296	126,179,713	187,244,370	203,092,638	202,336,851
TOTAL ASSETS	**169,886,615**	**243,506,135**	**305,415,618**	**267,529,895**	**267,712,633**
LIABILITIES					
Current liabilities	(146,576,288)	(204,118,355)	(246,857,546)	(248,967,838)	(248,781,239)
Non-current liabilities	(25,302,798)	(27,214,822)	(23,535,905)	(12,969,041)	(13,338,610)
TOTAL LIABILITIES	**(171,879,086)**	**(231,333,177)**	**(270,393,451)**	**(261,936,879)**	**(262,119,849)**
NET (LIABILITIES)/ASSETS	**(1,992,471)**	**12,172,958**	**35,022,167**	**5,593,016**	**5,592,784**
CAPITAL AND RESERVES					
Share capital	5,000	5,000	5,000	5,000	5,000
Accumulated deficit	(62,733,917)	(50,589,857)	(29,025,440)	(11,723,821)	(12,229,308)
Revaluation reserve	60,736,446	62,757,815	64,042,607	17,311,837	17,817,092
	(1,992,471)	**12,172,958**	**35,022,167**	**5,593,016**	**5,592,784**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2023 ₦'000	2022 ₦'000	2021 ₦'000	2020 ₦'000	2019 ₦'000
Revenue from contracts with customers	92,185,993	84,218,547	72,969,394	57,144,010	49,884,008
(Loss)/profit before tax	(13,283,679)	(22,581,369)	(17,832,601)	451,706	(8,812,043)
Income tax expense	(881,750)	(267,840)	(347,450)	(451,474)	-
Total comprehensive (loss)/income	(14,165,429)	(22,849,209)	(18,180,051)	232	(8,812,043)
Basic and diluted (loss)/earnings per share	(1,417)	(2,285)	(1,818)	0	(881)

The five-year financial summary is presented in these financial statements for the purpose of complying with the National Disclosures of the Financial Reporting Council of Nigeria (FRCN).