

**Eko Electricity Distribution Plc**  
**Annual Report -- 31 December 2014**

<b>Contents</b>	<b>Page</b>
Corporate Information	1
Results at a Glance	2
Directors' Report	3
Statement of Directors' Responsibilities	9
Report of the Audit and Compliance Committee	10
Independent Auditor's Report	11
Statement of Financial Position	13
Statement of Profit or Loss and Other Comprehensive Income	14
Statement of Changes in Equity	15
Statement of Cash Flows	16
Notes to the Financial Statements	17
Other National Disclosures	54

## **Corporate Information**

**Registration Number RC. 638862**

**Directors:**

**Name**

Charles Momoh - Chairman  
Engr. Oladele Amoda - Managing Director/CEO  
Benjamin Ezra Dikki (Obaro Osauzo)\*  
Ernest Oji  
Dr. Tunji Olowolafe  
Dere Otubu  
George Etomi  
\*Obaro Osauzo is the alternate director to Benjamin  
Ezra Dikki on the Board of Directors

**Registered and Principal Office Address:**

24/25, Marina  
Lagos

**Auditor:**

KPMG Professional Services  
KPMG Tower  
Bishop Aboyade Cole Street  
Victoria Island  
Lagos

**Company Secretary:**

GEP Nominees Limited  
1b, Prof. Tihamiyu Belo-Osagie Street  
Parkview Estate, Ikoyi  
Lagos

**Solicitor:**

George Etomi & Partners (Legal practitioners)  
1b, Prof. Tihamiyu Belo-Osagie Street  
Parkview Estate, Ikoyi  
Lagos

**Bankers:**

First City Monument Bank Ltd  
First Bank of Nigeria Limited  
Skye Bank Plc  
Zenith Bank Plc  
Mainstreet Bank Limited  
Union Bank of Nigeria Plc  
Keystone Bank Nigeria Plc  
Fidelity Bank Plc  
Enterprise Bank Plc  
United Bank for Africa Plc  
Access Bank Plc  
Wema Bank Plc  
Ecobank Nigeria Limited



## Results at a Glance

	2014 ₦'000	2013 ₦'000	Change %
Revenue	<u>40,764,783</u>	<u>35,288,213</u>	16
Loss before minimum tax and income tax	<u>(5,990,790)</u>	<u>(10,742,489)</u>	44
Minimum tax	<u>(354,439)</u>	<u>(375,667)</u>	6
Income tax	<u>(116,653)</u>	<u>-</u>	100
Loss for the year	<u>(6,461,882)</u>	<u>(11,118,156)</u>	42
Total assets	<u>72,402,769</u>	<u>74,081,345</u>	(2)
Net current assets	<u>3,326,913</u>	<u>3,468,203</u>	(4)
Equity	<u>60,225,612</u>	<u>66,687,494</u>	(10)



## Directors' Report

*For the year ended 31 December 2014*

The Directors present their report on the affairs of Eko Electricity Distribution Plc ("the Company"), together with the financial statements and auditor's report for the year ended 31 December 2014.

### Principal Activity and Business Review

Eko Electricity Distribution Plc ("the Company") was incorporated in Nigeria on November 8, 2005 as a public limited liability company to take over as a going concern, the electricity distribution activities and related business of the Power Holding Company of Nigeria ("PHCN") within the Eko zone, which comprised of 11 districts namely Apapa, Ajele, Agbara, Orile, Ojo, Festac, Ibeju, Ijora, Lagos Island, Lekki and Mushin districts.

As part of the Federal Government of Nigeria's ("FGN's") initiative to transform the power sector, the Nigerian Electricity Regulatory Commission (NERC) was established in October 2005 as required under the Electric Power Sector Reform Act (EPSRA) 2005. NERC is Nigeria's independent regulatory agency for the Nigerian electricity industry comprising generation, transmission and distribution sectors and regulates the activities of the Company.

In 2013, the FGN completed its planned privatization of the electricity sector effectively handing over 6 generation and 10 distribution companies to new owners under various share sale agreements. As a result of this, 60% equity interest in the Company was acquired by a Nigerian Company, West Power and Gas Ltd. ("WPG"). In 2008, NERC introduced a Multi-Year Tariff Order (MYTO) as the framework for determining the industry pricing structure and this forms the basis of revenue earned by the Company after taking into consideration changes as applicable per the rules for the interim period as issued by NERC on 3 December 2013.

During the year, the Company's revenue increased by 16% from ₦35.29 billion to ₦40.76 billion while gross profit increased by ₦5.83 billion from ₦3.56 billion in the prior year to ₦9.39 billion in the current year. Increase in revenue is as a result of increased availability of energy for distribution in the current year compared to prior year as well as improved efforts to bring more customers into the billing net.

### Operating Results

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

	2014	2013
	₦'000	₦'000
Revenue	40,764,783	35,288,213
Gross profit	9,393,237	3,555,439
Operating loss	(5,629,827)	(10,743,449)
Loss before minimum tax and income tax	(5,990,790)	(10,742,489)
Minimum Tax	(354,439)	(375,667)
Income Tax	(116,653)	-
Loss for the year	(6,461,882)	(11,118,156)

No dividend has been recommended by the directors (2013: Nil).



#### Directors and their Interests

The Directors who served during the year were as follows:

<u>Name</u>	<u>Designation</u>
Charles	Chairman
Engr. Oladele Amoda	Managing Director
Benjamin Ezra Dikki (Obaro Osauzo)*	
Ernest Oji	
Dr. Tunji	
Dere Otubu	
George Etomi	Independent Director

\* Obaro Osauzo is the alternate director to Benjamin Ezra Dikki who is the representative of BPE (Bureau of Public Enterprises) on the Board of Directors.

The interests of the Directors in the issued share capital of the Company as recorded in the register of members and as notified by them for the purpose of section 275 of the Companies and Allied Matters Act of Nigeria are as follows:

	<u>Ordinary Shares of ₦1 each</u>	
	2014	2013
Atlantic Meridean Limited (through Charles	3,534,000	3,530,441
Kagera Limited (through Dr. Tunji Olowolafe)	2,466,000	1,078,680
Ernest Oji	-	384,185
Dere Otubu	-	534,716
George Etomi	-	129,255

For the purpose of Section 277 of the Companies and Allied Matters Act of Nigeria, no other Director has notified the Company of any declarable interests in contracts with the Company, except as disclosed in Note 27 to the financial statements.

#### Shareholding Structure

The shareholding structure of the Company is as follows:

	<u>Ordinary Shares of 50 Kobo each</u>			
	31 December 2014		31 December 2013	
	%	Number	%	Number
West Power and Gas Ltd.	60	6,000,000	60	6,000,000
Bureau of Public Enterprises	32	3,200,000	32	3,200,000
Ministry of Finance Incorporated	8	800,000	8	800,000
<b>Total</b>	<b>100</b>	<b>10,000,000</b>	<b>100</b>	<b>10,000,000</b>

#### Corporate Governance

Subsequent to WPG's acquisition of 60% equity interest in the Company, and consistent with applicable NERC rules, the Board re-emphasized the maintenance of high standards of corporate governance, central to achieving the Company's objective of maximizing shareholder value. As a result, the Board has a schedule of matters reserved specifically for its decision and the Directors have been empowered by the provision of access to learning appropriate professional skills and knowledge development.

NERC rules requires that the Company has at least five directors of which at least one must be an Independent Director. The Company has seven (7) directors, five (5) non-executive directors, one (1) independent director and one (1) executive director.

The Managing Director has extensive knowledge of the power sector while the non-executive directors bring to the table their broad knowledge of business, financial, commercial and technical experience.

The attendance of Directors at board meetings during the year was as follows:

DIRECTORS	DESIGNATION	Mar 24, '14	Apr 28, '14	Jul 24, '14	16 Oct, '14
Charles Momoh	Chairman	X	X	X	-
Engr. Oladele Amoda	Managing Director	X	X	X	X
Ezra Dikki (Obaro Osauzo)*	Director	X	X	X	X
Ernest Oji	Director	X	X	-	X
Tunji Olowolafe	Director	X	X	X	X
Dere Otubu	Director	X	X	X	X
George Etomi	Director	X	X	-	X

X = Attended

- = Absent

\* = Alternate director

#### Sub Committees of the Board

During the year under review, the Board has established Committees consistent with NERC rules, each with written terms of reference approved by the Board. Currently, there are three (3) sub-committees that have been approved.

The sub-committees are established to assist the Board to effectively and efficiently perform guidance and oversight functions, amongst others.

#### 1. Finance and General Purpose Committee

The members of this committee are as follows:

Dere Otubu	Designation
George Etomi	Chairman
Tunji Olowolafe	
Ernest Oji	
Obaro Osauzo	

The primary objective of the Committee is to carry out oversight functions on matters relating to or affecting the Company's financial direction and the development and implementation of necessary initiatives. The Committee shall also be responsible for proffering independent recommendations to the Board on financial matters. The Committee shall also be responsible for the following:

- To provide oversight with respect to capital structure, cash flows and key financial ratios of the Company and make recommendations with respect to the Company's financial policies.
- Review policies with respect to distributions to shareholders generally, make recommendations with respect to the declaration of dividends, and also recommend the repurchase of shares of the Company from time to time consistent with authority levels established by the Board.



- Review the Company's liquidity position, including the Company's credit facilities.
- To review the Company's credit ratings and monitor its activities with respect to credit rating agencies.
- To review financial plan and make recommendations on behalf of the Board as part of its oversight functions.
- Periodically review the Company's investor relation's program, shareholder profile and analyst
- To assist the Board in fulfilling its responsibilities relating to managing the financial activities of the Company.
- Any additional matters delegated to the Committee by the Board

**2. Board Strategy and Technical Matters Committee**

The current composition of the committee is as follows:

Members	Designation
Ernest Oji	Chairman
Tunji Olowolafe	
George Etomi	
Dere Otubu	
Obaro Osauzo	

The primary objective of the Committee is to assist the Board in its oversight of the strategic and technical operations and activities of the Company in delivering its business plans whilst not diluting the accountability of the Company's executive team for the management of strategy and technical operations of the Company.

**3. Board Human Resources and Administration Committee**

The members of this committee are as follows:

	Designation
Tunji Olowolafe	Chairman
Dere Otubu	
Ernest Oji	
George Etomi	
Obaro Osauzo	

The Board Human Resources and Administration Committee is responsible for assisting the Board of Directors in fulfilling its oversight responsibilities in relation to:

- The compensation of the Managing Director/Chief Executive Officer and senior management;
- The selection and retention of staff;
- Planning for the succession of staff;
- Professional development for staff; and
- The management of pension and significant benefit plans for employees; and any additional matters delegated to the Human Resources Committee by the Board.

Subsequent to year end, the following board sub-committees have been created;

- a) Legal, Corporate Governance and Regulatory Committee
- b) Audit and Compliance Committee



**Material Agreements**

The Company has entered into the following material agreements:

**1. Deeds of assignment of pre-completion receivables and liabilities**

The Company signed a deed of assignment of pre-completion receivables and liabilities with the Nigerian Electricity Liability Management Company Limited (NELMCO) effective 31 October 2013. As part of the privatization initiative and the restructuring of the Nigerian power sector, NELMCO was established to take over and manage the stranded assets and liabilities in the Power sector.

**(a) Pre-Completion receivables**

Per the Deed of Assignment of pre-completion receivables, all the trade receivables of the Company as at 31 October 2013 were transferred to NELMCO without recourse. Further interpretation accorded to the definition of pre-completion receivables by NERC during the year expanded this to include cash and cash equivalents held as at 31 October 2013.

**(b) Pre-Completion liabilities**

Per the Deed of Assignment of pre-completion liabilities, all liabilities and contingent liabilities of the Company as at 31 October 2013 were transferred to NELMCO subject to certain terms and conditions, which management believes do not limit the transfers.

On the basis of this agreement, management derecognised qualifying assets and liabilities as at 31 October 2013 from the 2013 financial statements.

**2. Technical Agreement with Related Party**

The Company entered has an operations, management and maintenance contract with WPG Services Limited (a related party) for the provision of technical service assistance including extensive services on IT, Procurement, Integration, strategic support and turnaround strategies. See Note 27 (b).

**Geographical Presence**

To enable the Company operate within the Eko Zone where it distributes electricity, it has 11 districts excluding the head office. Each business unit is headed by a business manager who reports to the leadership team based at the head office.

**Property, plant and equipment**

Information relating to changes in property, plant and equipment is given in Note 15 to the financial statements.

**Charitable Contributions**

No contributions or donations was made to charitable organisations during the year (2013: Nil). In accordance with Section 38(2) of the Companies and Allied Matters Act of Nigeria, the Company did not make any donation to any political association, or for any political purpose in the course of the year.

**Events after the reporting period**

Events after the reporting period have been disclosed in Note 31 to the financial statements.



## **Employment and Employees**

### **(a) *Employment Consultation and Training:***

The Company places considerable value on the involvement of its employees in major policy matters and keeps them informed on matters affecting them as employees and on various factors affecting the performance of the Company. This is achieved through regular meetings with employees and consultations with their representatives. Training is conducted for the Company's employees as the need arises.

Management, professional and technical expertise are the Company's major assets. The Company continues to invest in developing such skills. The Company has in-house training facilities, complemented, when and where necessary, with external training for its employees.

### **(b) *Dissemination of Information***

In order to maintain shared perception of our goals, the Company is committed to communicating information to employees in a fast and effective manner, as possible. This is considered critical to the maintenance of team spirit and high employee morale.

### **(c) *Employment of physically challenged persons:***

The Company has 6 physically challenged persons in its employment (2013: 9). Applications for employment by physically challenged persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming physically challenged, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that training, career development and promotion of physically challenged persons should, as far as possible, be identical with that of other employees.

### **(d) *Employee Health, Safety and Welfare:***

The Company places a high premium on the health, safety and welfare of its employees in their places of work. To this end, the Company has various forms of insurance policies, including workmen's compensation and group life insurance, to adequately secure and protect its employees. It is the Company's goal to ensure that incident free safety record in operations is amongst the best, both locally and globally, upon which it has set its safety policy.

## **Auditor**

Messrs. KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditors to the Company. In accordance with Section 357 (2) of the Companies and Allied Matters Act of Nigeria therefore, the Auditors will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

Lagos, Nigeria  
21 December, 2016

**G.E. & P. NOMINEES**  
BY ORDER OF  
THE BOARD

GEP Nominees Limited



**Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended 31 December 2014**

The directors accept responsibility for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The directors have made an assessment of the Company's ability to continue as a going concern and no reason to believe the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Signature

Obaro Osauzo

Name

FRC/2016/ICAN/00000015408

Date

21/12/16

Signature

Oladele Amoda

Name

FRC/2016/NSE/00000014444

Date

21/12/16

## **Report of the Audit and Compliance Committee**

**To the members of Eko Electricity Distribution Plc**

In accordance with the terms of reference as contained in the Company's Audit and Compliance Committee Charter and the provisions of section 359(6) of the Companies and Allied Matters Act of Nigeria we, the Members of the Audit and Compliance Committee of Eko Electricity Distribution Plc, having carried out our functions hereby report that:

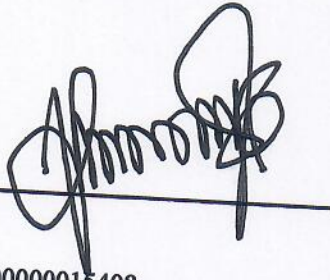
- (a) the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;
- (b) the scope and planning of the audit for the year ended 31 December 2014 are satisfactory;
- (c) having reviewed the independent auditor's memorandum of recommendations on accounting procedures and internal controls, we are satisfied with management responses thereon.

Members of the Audit and Compliance Committee are:

- 1) Obaro Osauzo
- 2) George Etomi
- 3) Tunji Olowolafe
- 4) Ernest Oji
- 5) Dere Otubu
- 6) Engr. Oladele Amoda

Chairman

Obaro Osauzo



Chairman

FRC/2016/ICAN/00000015408

21 December, 2016





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

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234 (1) 271 8599  
Internet [www.kpmg.com/ng](http://www.kpmg.com/ng)

## **INDEPENDENT AUDITOR'S REPORT**

To the Members of **Eko Electricity Distribution Plc**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **Eko Electricity Distribution Plc** ("the Company"), which comprise the statement of financial position as at 31 December, 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 13 to 53.

### **Directors' Responsibility for the Financial Statements**

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011, 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Basis for Qualified Opinion**

We were appointed auditors of Eko Electricity Distribution Plc on June 10, 2014 and thus did not observe the counting of the physical inventories at the beginning of the year. We were unable to satisfy ourselves by alternative means concerning the opening inventory quantities. Since opening inventories enter into the determination of the financial performance and cashflows, we were unable to determine whether adjustments might have been necessary in respect of the loss for the year reported in the statement of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

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#### **Partners:**

Abiola F. Bada	Adebisi O. Lemikanra	Adekunle A. Elebute	Adetola P. Adeyemi
Adewale K. Ajayi	Ajibola O. Olomola	Ayodele A. Soyinka	Ayodele H. Othiniwa
Ayobami L. Salami	Chibuzor N. Anyanachi	Goodluck C. Obi	Ibitomi M. Adepoju
Joseph O. Tegbe	Kabir O. Okunola	Mohammed M. Adama	Oladapo R. Okubadejo
Oladimeji I. Salaudeen	Olanike I. James	Olumide O. Olayinka	Olusegun A. Sowande
Oluwafemi O. Awotoye	Oluwatoyin A. Gbagi	Ogunlayo I. Ogungbenro	Victor U. Onyenkpa

#### **Associate Partners:**

Nneka C. Eluma  
Temitope A. Onitiri





**Qualified Opinion on the Financial Performance and Cash Flows**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the statement of profit or loss and other comprehensive income and the statement of cash flows give a true and fair view of the financial performance and cash flows of Eko Electricity Distribution Plc for the year ended 31 December 2014 in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

**Opinion on the Financial Position**

In our opinion, the statement of financial position gives a true and fair view of the financial position of Eko Electricity Distribution Plc as at 31 December 2014 in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

**Report on Other Legal and Regulatory Requirements**

*Compliance with the Requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria*

In our opinion, except for the impact of the matters described in the basis for Qualified Opinion paragraph, proper books of account have been kept by the Company, so far as appears from our examination of those books and 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.

Signed: *Oluwafemi O. Awotoye*  
Oluwafemi O. Awotoye, FCA  
FRC/2013/ICAN/00000001182  
For: KPMG Professional Services  
Chartered Accountants  
21 December 2016  
Lagos, Nigeria





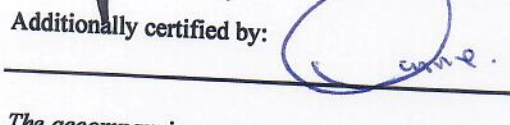
**Statement of Financial Position**  
*As at*

	Notes	31 Dec 2014 ₦'000	31 Dec 2013 ₦'000
<b>ASSETS</b>			
Property, plant and equipment			
Intangible assets	15	57,655,754	63,262,449
<b>Non-current assets</b>	16	70,513	79,056
Inventories		57,726,267	63,341,505
Prepayments	17	527,392	1,398,125
Trade and other receivables	18	1,173,848	-
Cash and cash equivalents	19	10,910,632	6,109,279
<b>Current assets</b>	20	2,064,630	3,232,436
<b>Total assets</b>		14,676,502	10,739,840
		72,402,769	74,081,345
<b>EQUITY</b>			
Share capital			
Retained earnings	21	5,000	5,000
<b>Total equity</b>		60,220,612	66,682,494
		60,225,612	66,687,494
<b>LIABILITIES</b>			
Loans and borrowings			
<b>Non-current liabilities</b>	23	827,568	122,214
		827,568	122,214
Loans and borrowings	23	1,222,669	205,017
Trade and other payables	24	8,980,768	6,459,070
Deferred revenue	25	289,146	231,883
Provisions	26	10,247	-
Current tax liabilities	14(d)	846,759	375,667
<b>Current liabilities</b>		11,349,589	7,271,637
<b>Total liabilities</b>		12,177,157	7,393,851
<b>Total equity and liabilities</b>		72,402,769	74,081,345

These financial statements were approved by the Board of Directors on 21 December, 2016 and signed on its behalf by:

 ) Managing Director: Oladele Amoda  
FRC/2016/NSE/00000014444

 ) Director: Obaro Osauzo  
FRC/2016/00000015408

Additionally certified by:  ) Chief Financial Officer: Tinuade Sanda  
FRC/2015/ICAN/00000012005

The accompanying notes on pages 17 to 53 form an integral part of these financial statements.

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

	Notes	2014 ₦'000	2013 ₦'000
Revenue	9	40,764,783	35,288,213
Cost of sales	10(a)	(31,371,546)	(31,732,774)
Gross profit		9,393,237	3,555,439
Other income	11	386,504	2,119,195
Administrative expenses	10(b)	(15,409,568)	(16,418,083)
Results from operating activities		(5,629,827)	(10,743,449)
Finance income	12	37,523	22,839
Finance costs	12	(398,486)	(21,879)
Net finance (costs)/income		(360,963)	960
Loss before minimum tax and income tax		(5,990,790)	(10,742,489)
Minimum tax	14(a)	(354,439)	(375,667)
Loss before income tax		(6,345,229)	(11,118,156)
Income tax expense	14(b)	(116,653)	-
Loss for the year		(6,461,882)	(11,118,156)
Other comprehensive income, net of tax		-	-
Total comprehensive income		(6,461,882)	(11,118,156)

*The accompanying notes on pages 17 to 53 form an integral part of these financial statements.*



## Statement of Changes in Equity

<u>For the year ended 31 December 2013</u>	<u>Note</u>	<u>Share capital</u> ₦'000	<u>Retained earnings</u> ₦'000	<u>Total</u> ₦'000
Balance as at 1 January 2013		5,000	29,143,548	29,148,548
Total comprehensive income		-	(11,118,156)	(11,118,156)
Loss for the year		-	-	-
Other comprehensive income		-	(11,118,156)	(11,118,156)
Total comprehensive income		-	-	-
Transaction with owners		-	(11,118,156)	(11,118,156)
Contributions		-	-	-
Gains on derecognition of net liabilities	22	-	48,657,102	48,657,102
Total transaction with owners		-	48,657,102	48,657,102
Balance at 31 December 2013		5,000	66,682,494	66,687,494
<u>For the year ended 31 December 2014</u>				
Balance as at 1 January 2014		5,000	66,682,494	66,687,494
Total comprehensive income		-	(6,461,882)	(6,461,882)
Loss for the year		-	-	-
Other comprehensive income		-	(6,461,882)	(6,461,882)
Total comprehensive income		-	-	-
Balance at 31 December 2014		5,000	60,220,612	60,225,612

*The accompanying notes on pages 17 to 53 form an integral part of these financial statements.*

**Statement of Cash Flows**  
For the year ended 31 December

**Eko Electricity Distribution Plc**  
Annual Report  
31 December 2014

	Notes	2014 N'000	2013 N'000
<b>Cash flows from operating activities:</b>			
Loss for the year		(6,461,882)	(11,118,156)
<b>Adjustments for :</b>			
- depreciation of property, plant and equipment	15	6,664,792	6,694,475
- amortisation of intangible assets	16	8,543	3,560
- impairment loss on receivables	19(d)	3,032,470	792,744
- bad debt written off	19(d)	1,035,355	-
- finance income	12	(37,523)	(22,839)
- finance costs	12	398,486	21,879
- loss on disposal of Property, plant and equipment	10(b)	4,392	71,596
- write down of bad and defective inventory materials	10(b)	884,322	427,214
- write-off of Property, plant and equipment	15	220,147	295,637
- provisions		10,247	-
- education tax	14(b)	116,653	-
- minimum tax	14(a)	354,439	375,667
		<u>6,230,441</u>	<u>(2,458,223)</u>
<b>Changes in:</b>			
- Inventories		(13,590)	(155,935)
- Trade and other receivables	19(d)	(8,869,178)	(21,851,554)
- Prepayments		(1,173,848)	-
- Trade and other payables	24(c)	2,188,946	25,916,372
- Deferred revenue		57,263	104,620
<b>Cash (used in)/ generated from operating activities</b>		<u>(1,579,966)</u>	<u>1,555,281</u>
Income taxes paid	14(d)	-	-
<b>Net cash (used in)/ generated from operating activities</b>		<u>(1,579,966)</u>	<u>1,555,281</u>
<b>Cash flows from investing activities:</b>			
Acquisition of property, plant and equipment	15(f)	(1,079,402)	(995,709)
Acquisition of intangible assets	16	-	(82,616)
Proceeds from disposal of property, plant and equipment		1,942	27,810
Interest received	12	4,669	13,665
<b>Cash used in investing activities</b>		<u>(1,072,791)</u>	<u>(1,036,850)</u>
<b>Cash flows from financing activities:</b>			
Loan received	23(e)	2,242,803	316,433
Repayments - principal	23(e)	(674,683)	-
Interest paid	23(e)	(83,760)	-
<b>Cash generated from financing activities</b>		<u>1,484,360</u>	<u>316,433</u>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<u>(1,168,397)</u>	<u>834,864</u>
Cash and cash equivalents as at 1 January		3,232,436	2,890,548
Cash no longer available for operations	22	-	(492,976)
<b>Cash and cash equivalents as at 31 December</b>		<u>2,064,039</u>	<u>3,232,436</u>

The accompanying notes on pages 17 to 53 form an integral part of these financial statements.



## **Notes to the Financial Statements**

### **1 Reporting entity**

Eko Electricity Distribution Plc ("the Company") is a public liability company and was incorporated in Nigeria on 8 November 2005 to take over as a going concern, the electricity distribution activities and related business of the Power Holding Company of Nigeria (PHCN) in the Eko zone, which comprises of 11 districts namely; Apapa, Ajele, Agbara, Orile, Ojo, Festac, Ibeju, Ijora, Islands, Lekki and Mushin districts. The Company is domiciled in Nigeria and has its registered office address at 24/25, Marina, Lagos.

The Company supplies electricity within the captive regions above based on a licence granted to it by the Nigerian Electricity Regulatory Commission (NERC). The licence is for a period of 15 years and expires in 2028 with an option to renew for another 10 years. Based on the terms and conditions of the licence and regulations as contained in the Electrical Power Sector Reform Act (EPSRA) 2005, the Company is a monopoly within its geographical coverage area and operates under a price control regime known as the Multi Year Tariff Order (MYTO). As a result of the privatization of the power sector, the business activity of the Company during the year was governed by "the rules for the interim period between completion of privatization and the start of the Transitional Electricity Market (TEM) of the Nigerian Electricity Supply Industry (NESI)" as issued by NERC.

Effective 1 November 2013, West Power and Gas Ltd a Nigerian Company, acquired 60% interest in the Company thereby acquiring control of the Company. The remaining 40% shareholding is held by Bureau of Public Enterprises (32%) and Ministry of Finance Incorporated (8%). The acquisition of the 60% interest in the Company was as a result of the privatization initiative of the power sector embarked on by the Federal Government of Nigeria.

### **2 Basis of Accounting**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011. The financial statements were authorised for issue by the Board of Directors on 21/12/2014...

Details of the Company's accounting policies are included in Note 7.



## Notes to the Financial Statements

Eko Electricity Distribution Plc  
Annual Report  
31 December 2014

### 3 Functional and presentation currency

These financial statements are presented in Nigerian Naira (₦), which is the Company's functional currency. All amounts stated in Naira have been rounded to the nearest thousand, unless otherwise indicated.

### 4 Use of judgments and estimates

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

#### (a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:  
*Note 15(e) – Reliable measurement of the cost of NIPP Assets transferred to the Company during the year*

#### (b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments in the year ending 31 December 2015 is included in the following notes:

*Note 19(a) - Recognition of accrued receivables – adoption of a revenue model to estimate unbilled revenue from Post-paid arrangements*

*Note 25 - Recognition of deferred revenue - determination of a consumption factor to estimate deferred revenue from prepaid arrangements*

*Note 14(e) – Recognition of deferred tax assets: availability of future taxable profit against which carryforward tax losses can be used*

*Note 17 – Write down of Inventories to Net Realizable Values*

*Note 28 – Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources*

### 5 Basis of measurement

The financial statements have been prepared on the historical cost basis except for recognition of the following items, which are measured on an alternative basis on each reporting date.

S/N	Items	Measurement bases
1	Property, plant and equipment	Refer to Note 7 (d)
2	Assets granted by customers and/or by Government	Refer to Note 7 (d)
3	Intangible assets	Refer to Note 7 (e)
4	Inventories	Refer to Note 7 (h)
5	Loans and borrowings	Refer to Note 7 (f)



## **Notes to the Financial Statements**

### **6 Measurement of fair values**

Some of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. The Chief Financial Officer (CFO) has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of Directors.

The CFO regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the CFO assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Board of Directors.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

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

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



## **Notes to the Financial Statements**

### **7 Significant accounting policies**

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

#### **(a) Revenue**

Revenue primarily represents the sales value of electricity and other related energy services supplied to customers during the year and excludes Value Added Tax. The Company generally recognizes revenue upon delivery of goods to customers on purchases, or upon completion of services rendered. Delivery is deemed complete when the risks and rewards associated with ownership have been transferred to the buyer as contractually agreed i.e the electricity has been consumed by the customers, compensation has been contractually established and collection of the resulting receivable is probable. Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of electricity to postpaid customers is the value of the volume of units supplied during the year including an estimate of the value of volume of units supplied to these customers between the date of their last meter reading (which coincides with the last invoice date) and the year-end. In case of prepaid meter customers, an estimate is made for unearned revenue as at year-end and this is included in the statement of financial position as deferred revenue.

In line with the applicable tariff framework, prices charged by the Company for electricity distribution are regulated. However, the Company is allowed to recover excess costs incurred through future price increases charged on future deliveries. Similarly, where current regulated rates are determined to be excessive, the Company may be subject to a rate reduction in the future against future deliveries. The Company does not recognise an asset or liability, as the case may be, on account of under-recovery or over-recovery except where it is obligated to provide future services at a loss in which case a provision is recognised. Revenue from rendering of services is recognised when such services are rendered.

The Company receives transfers of certain items of PPE from customers. The Company assesses whether the transferred item meets the definition of an asset, and if so recognizes the transferred asset as PPE. At initial recognition, the asset is measured at fair value, and a corresponding amount is recognized as revenue when the Company has no future performance obligations.

#### **(b) Finance income and finance costs**

Finance income comprises interest income on short-term deposits with banks.

Interest income on short-term deposits is recognised using the effective interest method.

Finance costs comprise interest expense on interest bearing borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss using the effective interest method.



## **Notes to the Financial Statements**

### **(c) Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency (Nigerian Naira) using the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in foreign currency are not translated.

### **(d) Property, plant and equipment**

#### **i Recognition and measurement**

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

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

Assets under construction are stated at cost which includes cost of materials and direct labour and any costs incurred in bringing it to its present location and condition.

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

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

#### **ii Subsequent expenditure**

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

#### **iii Depreciation**

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.



## Notes to the Financial Statements

*Eko Electricity Distribution Plc*  
Annual Report  
31 December 2014

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

	Life (years)
Land	
Buildings	40-50
Distribution network assets	40-50
Motor vehicles	10-30
Equipment, fixtures & fittings	5
Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.	5

### (e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Acquired computer software licences are capitalized on the basis of costs incurred to acquire and bring the specific software to the useful state.

#### *Subsequent expenditure*

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

#### *Amortization*

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

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

The estimated useful life is as follows:

Computer Software	5 years
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### (f) Financial instruments

The Company classifies non-derivative financial assets as loans and receivables.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

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



## **Notes to the Financial Statements**

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

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

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

### ***Loans and receivables***

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

### ***Cash and cash equivalents***

In the statement of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Company's cash management. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

### **(ii) Non-derivative financial liabilities – measurement**

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

### **(g) Subsidies**

The Company recognizes an unconditional government grant relating to the MYTO reimbursement for R1 and R2 customers in profit or loss as other income when the grant becomes receivable.

### **(h) Inventories**

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



## Notes to the Financial Statements

Eko Electricity Distribution Plc  
Annual Report  
31 December 2014

### (i) Leases

#### (i) *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. At inception or on reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

#### (ii) *Leased assets*

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

#### (iii) *Lease payments*

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

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

### (j) Impairment

#### (i) *Non-derivative financial assets*

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

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers.

#### *Financial assets measured at amortised cost*

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



## **Notes to the Financial Statements**

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

An impairment loss is calculated as the difference between an asset's carrying amount and the estimated recoverable amount. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

### **(ii) Non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **(k) Employee benefits**

#### **(i) Short term employee benefits**

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

A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### **(ii) Defined contribution plan**

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



## **Notes to the Financial Statements**

The Company operates a defined contribution pension scheme. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is recognised in profit or loss as employee benefit expense in the periods during which services are rendered by employees. During the year, the Pension Reform Act (PRA), 2014 which repealed the Pension Reform Act (PRA), 2004 became effective on 1 July 2014. This resulted in employee's contribution of 8% (PRA 2004: 7.5%) each of their basic salary, transport and housing allowance to the fund on a monthly basis. The Company's contribution under the PRA 2014 is 10% (PRA 2004: 7.5%) of each employee's basic salary, transport and housing allowance.

### **(iii) Termination benefits**

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

### **(l) Provisions and contingent liabilities**

#### *Provisions*

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

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

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

#### *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.



## **Notes to the Financial Statements**

### **(m) Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

#### **(i) Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

The Company is subject to the Companies Income Tax Act (CITA). Total amount of tax payable under CITA is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year; and Minimum tax (determined based on the sum of the highest of 0.25% of revenue of ₦500,000, 0.5% of gross profit, 0.25% of paid up share capital and 0.5% of net assets; and 0.125% of revenue in excess of ₦500,000). Taxes based on taxable profit for the period are treated as income tax in line with IAS 12; whereas Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore not presented in the income tax expense line item in profit or loss.

Where the minimum tax charge is higher than the Company Income Tax, a hybrid tax situation exists. In this situation, the CIT is recognized in the income tax expense line in profit or loss and the excess amount is presented above the income tax line as Minimum tax.

#### **(ii) Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

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

### **(n) Share capital**

#### **Ordinary shares**

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



## **Notes to the Financial Statements**

### **8 New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

#### ***Effective for the financial year commencing 1 January 2014***

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendment to IAS 36)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
- IFRIC 21 Levies

#### ***Effective for the financial year commencing 1 January 2015***

- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

#### ***Effective for the financial year commencing 1 January 2016***

- IFRS 14 Regulatory Deferral Accounts
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Equity method in Separate Financial Statements (Amendments to IAS 27)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Annual Improvements to IFRSs 2012- 2014 Cycle - various standards
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- Disclosure Initiative (Amendments to IAS 1)
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

#### ***Effective for the financial year commencing 1 January 2018***

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from contracts with customers

#### ***Effective for the financial year commencing 1 January 2019***

- IFRS 16 Leases

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

Amendments to IFRS 11, IAS 16, IAS 38 and IFRIC 14 are not applicable to the business of the entity and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:



## **Notes to the Financial Statements**

### *IFRS 9 Financial Instruments*

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The effective date of IFRS 9 was 1 January 2015. The effective date has been postponed to 1 January 2018. The Company will adopt the standard in the first annual period beginning on or after the mandatory effective date (once specified). The impact of the adoption of IFRS 9 has not yet been estimated as the standard is still being revised and impairment and macro-hedge accounting guidance is still outstanding.

### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

### *IFRS 16 Leases*

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as operating leases or finance leases as required by IAS 17 and introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

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

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group / Company are yet to carry out an assessment to determine the impact that the initial application of IFRS 16 could have on its business; however, the Group / Company will adopt the standard for the year ending 31 December 2019.



## Notes to the Financial Statements

### 9 Revenue

Revenue comprises:

	2014	2013
	₦'000	₦'000
Sale of electricity	40,698,599	35,233,436
Customer-granted pre-paid meters	66,184	54,777
	<u>40,764,783</u>	<u>35,288,213</u>

### 10 Expenses by nature

Expenses by nature comprise:

	2014	2013
	₦'000	₦'000
(a) Cost of sales		
Cost of Energy (Note 10 (d))	24,847,711	25,293,247
Depreciation (Note 15 (a))	6,523,835	6,439,527
Total cost of sales	<u>31,371,546</u>	<u>31,732,774</u>
(b) Administrative expenses		
	2014	2013
	₦'000	₦'000
Depreciation (Note 15 (a))	140,957	254,947
Amortisation (Note 16)	8,543	3,560
Maintenance expenses	962,893	1,012,789
Consultancy fees (Note 10 (c))	2,623,704	272,818
Employee benefit expenses (Note 13(a))	5,561,395	10,623,906
Directors' remuneration (Note 13(d))	276,504	227,777
Auditor's remuneration	26,000	15,000
Transport, travels and insurance	201,801	199,485
Rent expense	41,955	56,796
Consumables	69,294	274,506
Loss on disposal of property, plant and equipment	4,392	71,596
Write-off of property, plant and equipment (Note 15)	220,147	295,637
Write-down of bad and defective inventory materials	884,322	427,214
Impairment of trade receivables	3,032,470	792,744
Bad debt written off	1,035,355	-
Impairment of subsidy receivables	-	953,579
Office expenses	319,836	935,729
Total administrative expenses	<u>15,409,568</u>	<u>16,418,083</u>



## Notes to the Financial Statements

### (c) Consultancy fees

Included in consultancy fees are fees amounting to ₦2.40 billion (2013: ₦434.14 million), which relates to a technical support services agreement between the Company and WPG Services Limited (WSL). Based on the agreement, the services covered include ATC&C loss reduction, Network planning, automation and IT services, maintenance planning and revenue cycle management services (Note 27(b)) which were provided by WSL. The fee is a fixed amount of \$15 million (₦2.40 billion) per annum.

### (d) Imbalance deductions

Included in cost of energy are deductions accruing to the Company for receiving less energy from the national grid than its MYTO 2 allocation of 11% during the year. Due to energy generation and transmission grid inadequacy affecting the industry, energy made available into the grid has been allocated among all distribution companies on an easily understandable basis by NERC over a 5-year period from 2012 to 2016 financial year (EKEDP's energy allocation per MYTO is 11%). The MYTO also provides for a mechanism whereby in the event that a distribution company is unable to absorb its allocated energy, such energy will be allocated to other distribution companies. The company taking delivery of excess energy compensates the company unable to take delivery of its allocated energy through deductions in the total cost of energy purchased for the month in which the excess energy was supplied.

## 11 Other income

	2014	2013
	₦'000	₦'000
Commission income (Note 11 (a))	-	423,135
Re-connection fee	171,570	217,148
Embedded generation registration fees	70,614	-
Contractor registration fees	18,486	50,789
Service connection fee	55,208	225,724
Customer granted assets	49,608	-
Government subsidies (Note 11 (b))	-	1,202,399
Insurance compensation	1,016	-
Stationeries transferred from old PHCN	20,002	-
	<u>386,504</u>	<u>2,119,195</u>

- (a) Commission income represents commission earned from NELMCO on account of collection of legacy debts in line with the Deed of Assignment of Pre-completion Receivables. The Company earns a commission of 20% of any legacy trade receivables as at 31 October which it collects. No income was earned during the year as the Company did not collect cash with respect to the pre-completion receivables transferred.



## Notes to the Financial Statements

### (b) Government subsidies

Government subsidies relate to MYTO Subsidy from R1 and R2 customers earned during the year. The Company did not earn any MYTO subsidy income during the year as the MYTO for the year did not provide for subsidy payments to be made to the Company. Also, subsidies earned in prior year remain unpaid as at the date of approval of these financial statements.

### 12 Finance income and cost

	2014	2013
	₦'000	₦'000
<b>Finance income</b>		
Interest income on bank balances	4,669	13,665
Fair value gain on loans and borrowings	32,854	9,174
<b>Total finance income</b>	<b>37,523</b>	<b>22,839</b>
<b>Finance cost</b>		
Interest expense on loans and borrowings	206,900	21,879
Net foreign exchange loss	64,009	-
Interest on market operator's bill (Note 12(a))	127,577	-
<b>Total finance cost</b>	<b>398,486</b>	<b>21,879</b>
<b>Net finance (cost)/ income</b>	<b>(360,963)</b>	<b>960</b>

#### (a) Interest on market operator's bill

This represents interest arising from the Company's default with respect to minimum/baseline remittances on the Market Operator's (MO) invoices during the year. In line with the Interim Rules, the Company is required to remit a minimum of 97.65% of the MO monthly bills up to April 2014 and then 98.24% from May 2014 onwards. In line with the Interim Rules, shortfall on base line remittance attracts interest at NIBOR plus 7.5%. The interest was unpaid as at the year end and has been included as part of amounts due to the MO in trade and other payables. In the prior year, interest on shortfall amounted to ₦8.2 million as the Interim Rules became effective in November 2013. This amount was not recorded in the prior year financial statements as it was not material.

### 13 Employee benefit expense and director's remuneration

#### (a) Employee benefit expense during the year amounted to:

	2014	2013
	₦'000	₦'000
Salaries	5,229,577	10,119,958
Pension costs	331,818	503,948
	<b>5,561,395</b>	<b>10,623,906</b>



## Notes to the Financial Statements

- (b) The average number of full time persons employed by the Company during the year was as follows:

	2014	2013
	Number	Number
Finance	257	329
Admin	281	433
Operations	1,615	1,809
	<u>2,153</u>	<u>2,571</u>

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

	2014	2013
	Number	Number
Below - N1,000,000	511	647
N1,000,001 - N2,000,000	686	773
N2,000,001 - N3,000,000	641	769
N3,000,001 - N4,000,000	156	187
N4,000,001 - N5,000,000	66	76
Above - N5,000,000	93	119
	<u>2,153</u>	<u>2,571</u>

- (d) Directors' remuneration  
 Directors' remuneration paid during the year includes:

	2014	2013
	₦'000	₦'000
Fees as directors	12,500	14,500
Other emoluments	264,004	213,277
	<u>276,504</u>	<u>227,777</u>

The directors' remuneration shown above includes:

	2014	2013
	₦'000	₦'000
Chairman	64,336	49,609

The other directors received remuneration in the following ranges:

	2014	2013
	Number	Number
Below - N40,000,000	5	6
N40,000,001 - N50,000,000	1	-
	<u>6</u>	<u>6</u>



## Notes to the Financial Statements

### 14 Taxation

- (a) The Company has applied the provisions of the Companies Income Tax Act that mandates a minimum tax assessment, where a taxpayer does not have taxable profit which would generate an eventual tax liability when assessed to tax. The Company's assessment based on the minimum tax legislation for the year ended 31 December 2014 is ₦354.44 million (2013: ₦375.67 million).
- (b) The Company is subject to tax under the Companies Income Tax Act as amended to date. Companies Income Tax was not charged during the year as the Company did not have taxable profit for the year ended 31 December 2014 (2013: Nil). However, Tertiary Education Tax on assessable profit amounting to ₦116.65 million was charged during the year (2013: Nil). No deferred tax has been recorded on loss incurred to date by the Company because of the uncertainties around the recoverability of the losses (Note 14(e)).

(c) **Reconciliation of effective tax rates**

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

		2014		2013
		₦'000		₦'000
Loss before minimum tax and income tax		(5,990,790)		(10,742,489)
Income tax using the statutory tax rate	30%	(1,797,237)	30%	(3,222,747)
Effect of:				
Tertiary education tax	(2%)	116,653	0%	-
Movement in unrecognized deferred tax assets	(3%)	171,916	(20%)	2,184,660
Tax incentives	1%	(34,465)	1%	(68,894)
Non-deductible expenses	(35%)	2,071,097	(10%)	1,106,981
Changes in estimates related to prior years	7%	(411,310)	0%	-
Total income tax expense	(2%)	116,653	0%	-

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

	31 Dec 2014	31 Dec 2013
	₦'000	₦'000
Balance at 1 January	375,667	183,715
Minimum tax (Note 14(a))	354,439	375,667
Tertiary education tax (Note 14(b))	116,653	-
Tax liability transferred to NELMCO (Note 22)	-	(183,715)
Balance at end of year	846,759	375,667



## Notes to the Financial Statements

(e) **Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom:

	<u>2014</u>	<u>2013</u>
	₦'000	₦'000
Deductible temporary differences (will never expire)	19,339,438	15,990,838
Tax losses (will never expire)	3,735,173	6,911,857
	<u>23,074,611</u>	<u>22,902,695</u>



## Notes to the Financial Statements

### 15 Property, plant and equipment

The movement in property, plant and equipment was as follows:

	Land and buildings	Distribution network assets	Equipment fixtures & fittings	Motor vehicles	Capital work in progress	Total
Cost	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Balance at 1 January 2013	410,485	118,353,142	428,484	1,318,128	867,894	121,378,133
Additions	-	1,934,543	69,077	79,886	461,761	2,545,267
Transfers	70,205	361,912	-	-	(432,117)	-
Disposals	-	-	-	(308,458)	-	(308,458)
Write-offs	-	-	-	-	(295,637)	(295,637)
Balance at 31 December 2013	480,690	120,649,597	497,561	1,089,556	601,901	123,319,305
Balance at 1 January 2014	480,690	120,649,597	497,561	1,089,556	601,901	123,319,305
Additions	-	837,435	90,010	171,388	185,744	1,284,577
Transfers	-	311,413	-	-	(311,413)	-
Disposals	-	-	-	(8,084)	-	(8,084)
Write-offs	-	-	-	-	(220,147)	(220,147)
Balance at 31 December 2014	480,690	121,798,445	587,571	1,252,860	256,085	124,375,651
Depreciation						
Balance at 1 January 2013	45,600	52,298,012	335,394	892,427	-	53,571,433
Charge for the year	10,028	6,439,527	47,205	197,715	-	6,694,475
Disposals	-	-	-	(209,052)	-	(209,052)
Balance at 31 December 2013	55,628	58,737,539	382,599	881,090	-	60,056,856
Balance at 1 January 2014	55,628	58,737,539	382,599	881,090	-	60,056,856
Charge for the year	10,721	6,523,835	39,242	90,994	-	6,664,792
Disposals	-	-	-	(1,751)	-	(1,751)
Balance at 31 December 2014	66,349	65,261,374	421,841	970,333	-	66,719,897
Carrying amounts						
At 31 December 2013	425,062	61,912,058	114,962	208,466	601,901	63,262,449
At 31 December 2014	414,341	56,537,071	165,730	282,527	256,085	57,655,754



- (a) The depreciation charge for the year is allocated as follows:

	2014	2013
	₦'000	₦'000
Cost of sales	6,523,835	6,439,527
General and administrative expenses	140,957	254,947
	<u>6,664,792</u>	<u>6,694,475</u>

- (b) The fixed and floating assets of the Company are held as security for shareholder's loan obtained during the year (Note 23(c)).
- (c) The Company had capital commitments amounting to ₦1.25 billion (2013: ₦140.40 million) as at year end.
- (d) Capital work in progress represents on going construction works on substations handled by third party vendors not yet completed as at year end.
- (e) Included in additions to network distribution assets are management's best estimate of the cost of National Integrated Power Project (NIPP) assets transferred to the Company during the year. Management has estimated the fair value of these assets as ₦205.18 million at initial recognition. Management is yet to reach a final settlement for these assets with the manufacturer as at the date of approval of these financial statements.

- (f) Reconciliation of additions to property, plant and equipment in statement of cashflows

	2014	2013
	₦'000	₦'000
Additions to property, plant and equipment	1,284,577	2,545,267
Recognition of NIPP assets	(205,175)	(1,549,558)
Acquisition of property, plant and equipment for cashflows	<u>1,079,402</u>	<u>995,709</u>

The amounts relating to NIPP assets are included in other payables and have been adjusted for in the statement of cashflows.



## Notes to the financial statements

Eko Electricity Distribution Plc  
Annual Report  
31 December 2014

### 16 Intangible assets

Intangible assets relate to the Company's accounting, billing and internal audit software application packages. The movement on these accounts during the year was as follows:

	Computer software ₦'000	Intangible assets in progress ₦'000	Total ₦'000
<b>Cost</b>			
Balance at 1 January 2013	-	-	-
Additions during the year	42,716	39,900	82,616
Balance at 31 December 2013	42,716	39,900	82,616
Balance at 1 January 2014	42,716	39,900	82,616
Additions during the year	-	-	-
Balance at 31 December 2014	42,716	39,900	82,616
<b>Amortisation</b>			
Balance at 1 January 2013	-	-	-
Charge for the year	3,560	-	3,560
Balance at 31 December 2013	3,560	-	3,560
Balance at 1 January 2014	3,560	-	3,560
Charge for the year	8,543	-	8,543
Balance at 31 December 2014	12,103	-	12,103
<b>Carrying amounts:</b>			
At 31 December 2013	39,156	39,900	79,056
At 31 December 2014	30,613	39,900	70,513

- (a) Intangible asset in progress relate to an accounting software application yet to be deployed as at year end. Management has performed an impairment test of this asset and no impairment loss has been recorded in these financial statements on the basis that its recoverable amount exceeded its carrying amount in these financial statements.

### 17 Inventories

Inventories comprise:

Consumable spare parts  
Other Consumables

	31 Dec 2014 ₦'000	31 Dec 2013 ₦'000
Consumable spare parts	503,896	1,371,053
Other Consumables	23,496	27,072
	527,392	1,398,125



## Notes to the financial statements

Inventories recognised as expense include consumable spare parts and other consumables used in maintenance during the year. They are recorded as maintenance expenses under administrative expenses and amounted to ₦618.48 million (2013: ₦890.39 million).

During the year, an allowance of ₦884.32 (2013: ₦427.21 million) was recorded to write down inventories to their net realisable value.

Inventories amounting to ₦467.86 million are held as a security for the Company's shareholder loan (Note 23 (c)).

### 18 Prepayments

Prepayments comprise:

	31 Dec 2014	31 Dec 2013
	₦'000	₦'000
Current		
Rents		
Prepaid transaction cost on loan (Note 18 (a))	35,595	-
	1,138,253	-
	<u>1,173,848</u>	<u>-</u>

- (a) Amount represents transaction costs paid in advance relating to the portion of loan issued by West Power and Gas Ltd (WPG) to the Company which was yet to be drawn as at year end. The directors believe that the loan will be fully drawn within 12 months after the financial year-end and has therefore classified this prepayment as current in the statement of financial position (Note 23).

### 19 Trade and other receivables

Trade and other receivables comprise:

	31 Dec 2014	31 Dec 2013
	₦'000	₦'000
Trade receivables		
Accrued receivables (Note 19(a))	7,700,167	2,976,728
Other receivables (Note 19(b))	2,677,015	2,675,346
Other deposits (Note 19(c))	533,449	453,202
	1	4,003
	<u>10,910,632</u>	<u>6,109,279</u>

- (a) Included in accrued receivables are unbilled receivables, which are derived by determination of a consumption factor based on billings for the year and multiplied by the number of outstanding days till the year end from the last billing date.
- (b) Included in other receivables is a commission receivable of ₦423.14 million from NELMCO on account of collections of legacy debts in line with the Deed of Assignment of Pre-Completion Receivables. The amount has not been offset against the amount payable to NELMCO of ₦1.1 billion (Note 24(a)) because a right of offset does not exist.

As part of the Deed of Assignment of Pre-completion Receivables signed between the Company and NELMCO, the Company earns a commission of 20% of any legacy trade receivables as at 31 October 2013 which it collects.



## Notes to the financial statements

- (c) Other deposits relate to the balance in two (2) escrow accounts opened with a commercial bank. The accounts are maintained solely as a guarantee for payments to two vendors operating the Credit Advanced Payment for Metering Implementation (CAPMI) scheme with the Company.

- (d) Reconciliation of changes in trade and other receivables to statement of cashflows is as follows:

	2014	2013
	₦'000	₦'000
Changes in trade and other receivables		
Impairment loss on trade and other receivables	(4,801,353)	6,659,240
Bad debt written off	(3,032,470)	(792,744)
Trade and other receivables transferred to NELMCO	(1,035,355)	-
Interest expense on CAPMI recorded against trade receivables	-	(27,716,143)
	-	(1,907)
	<u>(8,869,178)</u>	<u>(21,851,554)</u>

Information about the Company's exposure to credit and market risks and impairment losses for trade receivables is included in Note 29.

### 20 Cash and cash equivalents

Cash and cash equivalents comprise

	31 Dec 2014	31 Dec 2013
	₦'000	₦'000
Bank balances	2,061,948	3,231,210
Cash on hand	2,682	1,226
	<u>2,064,630</u>	<u>3,232,436</u>

### 21 Capital and reserves

Share capital comprise:

	31 Dec 2014	31 Dec 2013
	₦'000	₦'000
<i>Authorized:</i>		
10,000,000 ordinary shares of 50k each	5,000	5,000
<i>Issued, called-up and fully paid:</i>		
10,000,000 ordinary shares of 50k each	5,000	5,000

#### Ordinary Shares

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the general meetings of the Company.



## Notes to the financial statements

### 22 Gains on derecognition of net liabilities

Gains on derecognition of net liabilities represent the net effect of trade receivables and liabilities transferred to NELMCO on 31 October 2013 as part of the pre-conditions to the sale of 60% equity interest in the Company (see Note 28). As a result, all trade receivables and liabilities as at 31 October 2013 were derecognised. The directors are of the opinion that this is a shareholder contribution to the Company and have disclosed this amount directly in equity. The impact of the derecognition of the receivables and liabilities was as follows:

	2014	2013
	₦'000	₦'000
- Elimination of employee liabilities	-	6,644,679
- Elimination of trade and other payables	-	70,036,451
- Elimination of tax liabilities	-	185,091
- Elimination of garnisheed bank account balances	-	(465,230)
- Elimination of cash transferred to NELMCO	-	(27,746)
- Elimination of trade and other receivables	-	(27,716,143)
		<b>48,657,102</b>

### 23 Loans and borrowings

Loans and borrowings comprise:

#### Non-current liabilities

Loans from customers (Note 23 (a))

#### Current liabilities

Loans from customers (Note 23 (a))

Loans from related parties (Note 23 (b) and 23 (c))

	31 Dec 2014	31 Dec 2013
	₦'000	₦'000
Loans from customers (Note 23 (a))	<b>827,568</b>	<b>122,214</b>
Loans from customers (Note 23 (a))	292,300	55,017
Loans from related parties (Note 23 (b) and 23 (c))	930,369	150,000
	<b>1,222,669</b>	<b>205,017</b>

#### (a) Customer loan (CAPMI)

This represents amounts received from customers with respect to procurement of meters in line with the Credit Advanced Payment for Metering Implementation (CAPMI) scheme initiated by NERC and implemented by the Company in the prior year. The tenor for the individual loans vary from 12 months to 36 months at an interest rate of 12% per annum. The loans are to be repaid through monthly deductions from the fixed charge component of energy billings to customers.

Interest expense for the year amounted to ₦42.16 million (2013: ₦3.16 million).



## Notes to the financial statements

(b) Loan from related party - WPG Services Limited

In 2013, the Company obtained a total facility of ₦500 million from a related party, WPG Services Limited from which ₦150 million was drawn down in the prior year. The facility is non-interest bearing, unsecured and payable on demand. An additional ₦41.07 million was drawn during the year. This amount together with the prior year loan balance of ₦150 million were fully repaid during the year.

(c) Loan from related party - West Power and Gas Ltd

Under the terms and conditions of the loan agreement between the Company and West Power and Gas Ltd, its parent company, the Company has access to a total amount of \$145 million to finance working capital and capital expenditure requirements. The line available for working capital requirements is \$20 million while \$125 million is available to be drawn for capital expenditure requirements. The loan is to disbursed in Naira and US Dollar in a ratio of 30:70.

The loan is secured on an all asset debenture charge over fixed and floating assets of the Company as well as all cash flows and revenues accruing to the Company from all electricity distributed to end users and off-takers.

The loan is repayable after a moratorium of 6 months from drawdown date. Interest is repayable monthly during the moratorium period. No amount was drawn down during the year. Interest is payable at 19% per annum for Naira drawdowns and LIBOR plus margin of 8.5% per annum, subject to a floor of 11% per annum for US Dollar drawdowns.

(d) Breach of loan covenants

The terms and conditions of the loan agreement between the Company and West Power and Gas Ltd contain certain financial covenants, which the Company is expected to meet at year end. These covenants include:

- (i) Senior debt service coverage ratio: defined as EBITDA achieved for a financial year divided by the aggregate of the borrower's principal repayments for all its outstanding senior loans plus interest payments falling due in the following financial year, where senior loans are all long-term loans with an initial maturity of more than one year.
- (ii) Interest cover ratio: defined as EBITDA divided by interest expense for the year.
- (iii) Debt to equity ratio: defined as total liabilities divided by total equity.

The Company was not in compliance with the debt to equity ratio as specified in the loan agreement. The loan balance and any interest due becomes payable on demand in an event of a breach of the loan covenant. The loan balance due at year-end was due to be repaid within 12 months after the reporting date. Therefore, there is no additional impact of the loan covenant breach on the classification of the loan balance in the statement of financial position.



## Notes to the financial statements

(e) Reconciliation of loans received to statement of cashflows is as follows:

	2014	2013
	₦'000	₦'000
Changes in loans and borrowings	1,723,006	327,231
Fair value gain included in loans and borrowings	32,854	9,174
Interest expense on loans and borrowings	(207,491)	(21,879)
Exchange loss on loans and borrowings	(64,009)	-
Repayments - principal	674,683	-
Interest paid	83,760	-
Interest expense on CAPMI recorded against trade receivables	-	1,907
	<b>2,242,803</b>	<b>316,433</b>

### 24 Trade and other payables

Trade and other payables comprise:

	31 Dec 2014	31 Dec 2013
	₦'000	₦'000
Trade payables	2,726,717	1,731,198
Employee related liabilities	237	701,383
Payable to NELMCO (Note 24(a))	1,138,931	1,103,031
Statutory liabilities (Note 24(b))	1,880,636	436,061
Accruals	3,182,864	2,484,155
Other payables	51,383	3,242
	<b>8,980,768</b>	<b>6,459,070</b>

- (a) This represents amount due to NELMCO with respect to cash collections received from customers in respect of the legacy debts which had been transferred to NELMCO in line with the deed of assignment of pre-completion receivables. Per the deed, these collections by the Company should be remitted to NELMCO.
- (b) This represents statutory deductions which are mandated by law or statute. They include Value Added Tax (VAT), Withholding Tax (WHT) and Pay As You Earn (PAYE) liabilities.
- (c) Reconciliation of changes in trade and other payables to the statement of cashflows is as follows:

	2014	2013
	₦'000	₦'000
Changes in trade and other payables	2,521,698	(49,215,200)
Interest accrued on baseline remittance shortfall on market operator's bill	(127,577)	-
NIPP assets recognised during the year	(205,175)	(1,549,558)
Trade and other payables transferred to NELMCO	-	76,681,130
	<b>2,188,946</b>	<b>25,916,372</b>



## Notes to the financial statements

### 25 Deferred revenue

Deferred revenue comprises:

	31 Dec 2014	31 Dec 2013
	N'000	N'000
Advance collections from prepaid customers (Note 25(a))	258,879	201,616
Deferred income on CAPMI scheme	30,267	30,267
	<u>289,146</u>	<u>231,883</u>

- (a) This represents advance collections from prepaid customers. This is derived by calculating an energy consumption factor for each customer based on energy unit purchases during the year and using this to prorate the last units of energy purchased by the customer before the year end.

### 26 Provisions

	31 Dec 2014	31 Dec 2013
	N'000	N'000
Balance at 1 January	-	-
Provisions made during the year (Note 26(a))	10,247	-
Balance at 31 December	<u>10,247</u>	<u>-</u>

- (a) Based on the understanding of the Directors on the terms of the Share Sale Agreement (SSA), in the prior year, the Company took the position that the cash at 1 November 2013, belonged to the Company. However, based on correspondence with NERC and NELMCO and industry trend, the Directors have assessed that the Company may have to pay NELMCO the cash at 1 November 2013 and as such, the Directors have opted to record their estimate of the potential cash out flow with respect to this as a payable to NELMCO.

The amount is derived after adjusting the cash balance as at 31 October 2013 for balances held in mareva bank accounts (as the Company has no access to the mareva bank accounts) as well as certain payments made to the Market Operator in November 2013 on pre-completion liabilities already transferred to NELMCO. The total balance in the mareva accounts has been accounted for directly in equity together with other balances as at 31 October 2013 in line with the applicable Deeds of Assignment of pre-completion receivables/liabilities in prior year.

Based on communication with NERC, the cash balances were due to be remitted to NELMCO on 27 November 2014. As a result, the provision is classified as current in the statement of financial position.



## Notes to the financial statements

### 27 Related party transactions

#### (a) Parent and Ultimate Controlling party

Effective 1 November 2013, a majority of the Company's shares was acquired by West Power and Gas Ltd from BPE and MOFL. Consequently, the Company's parent and ultimate controlling party became and has been West Power and Gas Ltd. Under the terms of a loan agreement for the sum of \$145 million granted by West Power and Gas Ltd in 2013, an amount of \$7.86 million was drawn by the Company during the year. Interest expense incurred on loan amounted to \$850,691 (₦156.31 million) with a balance of \$5,410,622 (₦930.37 million) due to WPG on the loan as at year end (2013: Nil).

#### (b) WPG Services Limited

In 2013, the Company entered into an operations, management and maintenance contract with WPG Services Limited for the provision of technical service assistance including extensive services on IT, Procurement, Integration, strategic support and turnaround strategies. During the year, expenses incurred by the Company with respect to services provided on this contract amounted to \$15 million (₦2.40 billion) (2013: \$2,782,948 (₦434.14 million)). The Company also had a short term loan of ₦150 million from WPG Services Limited obtained in prior year. An additional amount of ₦41.07 million was drawn in current year and fully repaid together with the previous amount drawn. The loan was not interest bearing. As at year end, no amount was due to WPG Services Limited (2013: ₦150 million).

#### (c) Other related party transactions

During the year, the Company had transactions with the following related parties:

##### (i) Alpha Consortium Limited

Alpha Consortium Limited (ACL) provided installation and maintenance services and also supplied electrical equipment to the Company during the year. The total charge to profit or loss on transactions with ACL during the year was ₦3.58 million (2013: Nil). No amount was due to ACL as at year end (2013: Nil).

##### (ii) George Etomi & Partners Legal Practitioners

George Etomi & Partners provided legal services to the Company during the year. The total expenses incurred during the year with respect to the services provided by George Etomi & Partners was ₦62.02 million (2013: Nil). No amount was due to George Etomi & Partners as at year end (2013: Nil).

### Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. These are the directors and employees of the Company from Principal Manager up to the Managing Director.

*Key management personnel compensation comprised:*

	31 Dec 2014	31 Dec 2013
	₦'000	₦'000
Short-term benefits	243,851	368,393



## **Notes to the financial statements**

### **28 Contingent liabilities**

#### **(a) Transfer of pre-completion liabilities and trade receivables**

As part of the privatisation completion, the Company through the Bureau of Public Enterprises signed a deed of assignment of pre-completion receivables and liabilities with the Nigerian Electricity Management Company Limited (NELMCO) effective 31 October 2013. The Company and NELMCO are yet to agree on the individual trade debtors and liabilities transferred as at 1 November 2013. The Directors, based on independent legal advice obtained as well as their understanding of the Share Purchase Agreement between West Power and Gas Ltd, BPE and the Ministry of Finance Incorporated are of the opinion that all liabilities (crystallised or contingent) as at 31 October 2013 have been effectively transferred. The Company does not have an estimate of those debtors and liabilities since in its view this is the responsibility of NELMCO. The Company believes that it will neither realise those receivables nor settle any liabilities existing as at 31 October 2013 and as such, no recognition of provision is required other than that recognized during the year (Note 26). If in the process of agreeing the individual trade debtors and liabilities, certain items are identified and agreed to be borne by the Company, the amounts would be recorded in the period they were identified.

#### **(b) Litigations and claims**

The Company is involved in certain litigations and claims (separate from those taken over by NELMCO). Maximum exposure based on the damages being claimed by the litigants amounts to ₦6.32 million (2013:Nil). Based management's assessment supported by the views of the respective solicitors handling the cases on behalf of the Company, the Directors believe the risk of material loss to the Company is remote and as such no provisions have been recorded.

### **29 Financial risk management**

#### **Financial risk management overview**

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

- Credit risk
- Liquidity risk
- Market risk

#### **Risk management framework**

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors is also responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.



## Notes to the financial statements

The Company's internal audit oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

### (a) Credit risk

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

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

	Note	2014 ₦'000	2013 ₦'000
Trade and other receivables	19	10,910,632	6,109,279
Cash and cash equivalents*	20	2,061,948	3,231,210
		<u>12,972,580</u>	<u>9,340,489</u>

\*The carrying amount of cash and cash equivalents excludes amounts held as petty cash.

#### Trade receivables

The Company has a large customer base within its licensed area of supply. To further mitigate credit risk, the Company is continually increasing the share of prepaid customers in its portfolio. The Company's exposure to credit risk is influenced by the individual characteristics of each customer.

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

At 31 December 2014, the ageing of trade and other receivables that were not impaired was as follows;

	31 Dec 2014 ₦'000	31 Dec 2013 ₦'000
Neither past due nor impaired	3,043,172	6,109,279
Past due 1 - 30 days	2,022,629	-
Past due 31 - 60 days	66,017	-
Past due 91 - 120 days	1,180,759	-
Past due 120 days and above	1,387,591	-
	<u>7,700,167</u>	<u>6,109,279</u>



## Notes to the financial statements

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

	31 Dec 2014	31 Dec 2013
	₦000	₦000
Balance as at 1 January	792,744	-
Impairment loss recognised	3,032,470	792,744
Balance as at 31 December	3,825,214	792,744

Management monitors the Company's trade and other receivables for indicators of impairment. During the year, ₦1.04 billion was written off as bad debt. As at 31 December 2014, the amounts remained uncollected and based on changes in the industry, the directors believe that chances of collection is remote and as such have impaired the amounts in full. It is included as part of Bad debt written off in Note 10.

The Company has strategies to minimize credit losses going forward as follows:

- Continued investment in prepaid meters and conversion of more post paid customers to the prepaid platform;
- More efficient internal processes e.g timely billings and delivery of bills, system automation of billings and collections, system of issuing letters of demand and notices to non-paying customers;
- Aggressive disconnections; and
- Setting KPIs for employees to drive debt collections

### Other receivables

Other receivables include commission receivable from NELMCO, staff debtors and sundry receivables. The Company reviews the balances due from this category on a periodic basis taking into consideration factors such as continued business/ employment relationship and ability to offset amounts against transactions due to the parties. Where such does not exist, the amounts are impaired. No impairment was recorded with respect to these receivables in the current year (2013: Nil).

### Cash and cash equivalents

The Company held cash and cash equivalents of as at 31 December 2014 ₦2.06 billion (2013: ₦3.23 billion). The cash and cash equivalents are held with Nigerian banks.

### (b) Liquidity risk

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



## Notes to the financial statements

The Company ensures that it has sufficient cash on demand to meet expected operational expenses after making payments for monthly bills with respect to energy purchases. The Company has access to a \$25 million working capital facility from its parent company, West Power and Gas Ltd. to meet operational expenses on a need basis (Note 23(c)). The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Notes	Non-derivative financial liabilities	Carrying amount ₹'000	Contractual cash flows					
			Total ₹'000	0 to 6 months ₹'000	6 - 12 months ₹'000	1 - 2 years ₹'000	2 - 3 years ₹'000	
	<b>31 December 2013</b>							
	Loans and borrowings	23	327,231	336,406	201,924	41,531	56,302	36,649
	Trade and other payables*	24	6,023,009	6,023,009	6,023,009	-	-	-
			<b>6,350,240</b>	<b>6,359,415</b>	<b>6,224,933</b>	<b>41,531</b>	<b>56,302</b>	<b>36,649</b>
	<b>31 December 2014</b>							
	Loans and borrowings	23	2,050,237	2,101,319	345,560	1,079,642	182,949	493,168
	Trade and other payables*	24	7,100,132	7,100,132	7,100,132	-	-	-
			<b>9,150,369</b>	<b>9,201,451</b>	<b>7,445,692</b>	<b>1,079,642</b>	<b>182,949</b>	<b>493,168</b>
	Carrying amount of trade and other payables does not include statutory liabilities.							
	Market risk							

\*Carrying amount of trade and other payables does not include statutory liabilities.

### (c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company manages market risks by keeping costs low through various cost optimization programs. Moreover, market developments are monitored and discussed regularly, and mitigating actions are taken where necessary.

### Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company, the Nigerian Naira (NGN). The currency in which these transactions primarily are denominated is the US Dollar (USD). The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

In managing currency risk, the Company aims to reduce the impact of short-term fluctuations on earnings. Although the Company has various measures to mitigate exposure to foreign exchange rate movement, over the longer term, permanent changes in exchange rates would have an impact on profit. The Company monitors the movement in the currency rates on an ongoing basis.



## Notes to the financial statements

Eko Electricity Distribution Plc  
Annual Report  
31 December 2014

### Exposure to currency risk

The Company's main exposure to currency risks arose from foreign currency denominated balances as follows:

*in thousands of*  
Financial liability  
Loans and borrowings  
Trade and other payables

	31 Dec 2014	31 Dec 2013
	USD	USD
	5,411	-
	170	170
	<b>5,581</b>	<b>170</b>

### Net statement of financial position exposure

#### Sensitivity analysis

A reasonable possible strengthening (weakening) of the US Dollar, as indicated below against the Naira at 31 December would have increased (decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period and has no impact on equity. The analysis assumes that all other variables, in particular interest rates, remain constant.

31 December 2014  
USD (20 percent strengthening/(weakening))

Increase/(decrease) in profit or loss  
₦'000  
216,543 (216,543)

31 December 2013  
USD (20 percent strengthening/(weakening))

5,277 (5,277)

The following significant exchange rates were applied during the year

USD	Average rate		Reporting date spot rate	
	2014	2013	2014	2013
	₦	₦	₦	₦
	183.75	155.25	194.00	155.20

This is the rate at which the Company sourced foreign exchange from its approved vendor during the year.

#### (d) Fair values

##### Fair values versus carrying amounts

The carrying amounts shown in the statement of financial position in respect of the Company's financial instruments are shown below. This consists of financial assets and financial liabilities not measured at fair value. As a consequence, the analysis below does not include fair value information for these financial instruments as their carrying amount is a reasonable approximation of their fair values.



## Notes to the financial statements

Eko Electricity Distribution Plc  
Annual Report  
31 December 2014

The Company's financial instruments are categorised as follows:

31 December 2014		Note	Loans and receivables N'000	Other financial liabilities N'000	Total N'000
<b>Financial assets not measured at fair value</b>					
Trade and other receivables	19		10,910,632	-	10,910,632
Cash and cash equivalents	20		2,064,630	-	2,064,630
			<b>12,975,262</b>	<b>-</b>	<b>12,975,262</b>
<b>Financial liabilities not measured at fair value</b>					
Loans and borrowings	23		-	2,050,237	2,050,237
Trade and other payables*	24		-	7,100,132	7,100,132
			<b>-</b>	<b>9,150,369</b>	<b>9,150,369</b>
<b>31 December 2013</b>					
<b>Financial assets not measured at fair value</b>					
Trade and other receivables	19		6,109,279	-	6,109,279
Cash and cash equivalents	20		3,232,436	-	3,232,436
			<b>9,341,715</b>	<b>-</b>	<b>9,341,715</b>
<b>Financial liabilities not measured at fair value</b>					
Trade and other payables*	24		-	6,023,009	6,023,009
			<b>-</b>	<b>6,023,009</b>	<b>6,023,009</b>

\*Carrying amount of trade and other payables does not include statutory liabilities. Trade and other receivables and trade and other payables are the Company's short term financial instruments. Accordingly, management believes that their carrying amounts approximate their fair values.

### 30 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity.

The Company monitors capital using a ratio of adjusted net debt to equity. For this purpose, adjusted net debt is defined as total liabilities less cash and cash equivalents. Equity comprises all components of equity. The Company's adjusted net debt to equity ratio was as follows:



## Notes to the financial statements

*Eko Electricity Distribution Plc*  
Annual Report  
31 December 2014

Total liabilities
Less: Cash and cash equivalents
Adjusted net debt
Total equity
Net adjusted debt to equity ratio

31 Dec 2014	31 Dec 2013
₦'000	₦'000
12,177,157	7,393,851
(2,064,630)	(3,232,436)
10,112,527	4,161,415
60,225,612	66,687,494
0.17	0.06

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

### 31 Events after the reporting date

#### (a) Transitional Electricity Market (TEM)

Subsequent to year end, the Transitional Electricity Market of the Nigerian Electricity Supply Industry, which is expected to introduce a contractual trading regime in Nigeria's electricity supply industry commenced on 1 February 2015 after the termination of the "the rules for the interim period between completion of privatization and the start of the Transitional Electricity Market" as issued by Nigerian Electricity Regulatory Commission.

#### (b) Tariff increase

##### *MYTO 2.1*

On 1 January 2015, the Nigerian Electricity Regulatory Commission (NERC) issued MYTO 2.1. The tariff for all categories of customers increased with the exception of R1 and R2 customers, whose tariff increase will take effect on 1 July 2015. Following the tariff increase of MYTO 2.1, on 1 February 2015, the Minister of Power declared the commencement of Transitional Electricity Market (TEM). MYTO 2.1 tariff was the basis for TEM pricing. On 17 March 2015, NERC issued an Order reversing the TEM tariff contained in MYTO 2.1 with immediate effect. The new Order amends MYTO 2.1 reducing the tariffs across all customer categories by about 2% with the exception of R1 which remained constant. There have been continuous objections to the increased rates by Labour Unions and other stakeholders, and on 13 July 2016, NERC was ordered via a Federal High Court judgement to reverse the tariff increases and revert to the old tariff.

##### *MYTO 2015*

Effective 1 February 2016, the Company initiated the implementation of the MYTO 2015 EKEDP tariff order released on 21 December 2015. The order abolishes the fixed charge element of the previous tariff rates and only allows a variable charge. The fixed charge has now been built into the variable tariff determination model. The MYTO 2015 tariff results in an average increase of 28% in 2016 tariff over 2015 tariff rates across all customer category. There have been continuous objections to the increased rates by Labour Unions and other stakeholders, but as at the approval of these financial statements, the rates are still in force.



## Notes to the financial statements

### (c) CBN Intervention Fund

The Central Bank of Nigeria commenced disbursement to market participants who have met the condition precedent to the disbursement of the CBN-Nigerian Electricity Market Stabilization Facility ("CBN-NEMSF"). The NEMSF, also known as the CBN Intervention fund, amounting to ₦213 billion, 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"). The loans are repayable over a 10-year period at interest rate of 10%. The Company has received three (3) tranches totalling ₦5.21 billion as at the date of authorization of these financial statements.

### (d) CBN floating of currency

On 20 June 2016, the Central Bank of Nigeria released its revised guidelines for the operation of the Nigerian inter-bank foreign exchange market which removed the ceiling on the exchange rate of ₦196.50 to the United States Dollar (USD). This resulted in a significant weakening of the Naira against the major currency, USD by approximately 42%. The Company's major foreign exchange balances are held in loans and borrowings and trade payables (See Note 29(c)).

The Company has assessed the impact of the revised guidelines on its currency exposure (See Note 29(c)). As at 31 December 2014, the Company's net exposure was \$5.58 million (₦1.08 billion) (See Note 29(c)). If the rate of exchange as at date of issue of the financial statements of ₦456:\$1 were applied, this would have been valued at ₦2.54 billion, representing a 134% increase in the net liability with a foreign exchange loss of ₦1.45 billion recognized in profit or loss.

### (e) Wind down of CAPMI Scheme

Subsequent to year end, NERC in a circular dated 25 August 2016 issued a directive on the wind down of the CAPMI scheme. The scheme which commenced in May 2013 was designed to assist distribution companies with easy meter financing from customers as well as encourage mass roll out of meters. However, due to the inability of the distribution companies to meet the aforementioned objectives, NERC has therefore slated the deadline for the wind down of the scheme as 1 November 2016. In view of this, all customers that have paid for meters are expected to be metered within 60 days of issuance of the directive (latest 30 October 2016).

### 32 Non-audit services provided by KPMG Professional Services

During the year, KPMG Professional Services also provided advisory services to the Company amounting to ₦21,139,135.



**Other National Disclosures**



**Other National Disclosures  
Value added statement  
For the year ended 31 December 2014**

	31 Dec 2014	%	31 Dec 2013	%
	₦'000		₦'000	
Revenue	40,764,783		35,288,213	
Bought-in-materials and services				
- Local	(34,907,347)		(30,827,956)	
- Foreign	-		-	
Other income	5,857,436		4,460,257	
Value added	386,504		2,119,195	
	<u>6,243,940</u>	<u>100%</u>	<u>6,579,452</u>	<u>100%</u>
To employees:				
- as salaries, wages and other staff costs	5,561,395	89%	10,623,906	161%
To Government as:				
- taxes	471,092	8%	375,667	6%
Retained in the business:				
- to maintain and replace property, plant and equipment	6,664,792	106%	6,694,475	102%
- to maintain and replace intangibles assets	8,543	0%	3,560	0%
- to deplete reserves	(6,461,882)	-103%	(11,118,156)	-169%
	<u>6,243,940</u>	<u>100%</u>	<u>6,579,452</u>	<u>100%</u>



## Other National Disclosures Financial Summary

*Eko Electricity Distribution Plc  
Annual Report  
31 December 2014*

### Statement of profit or loss and other comprehensive income

	2014	2013	2012
	₦'000	₦'000	₦'000
Revenue	40,764,783	35,288,213	32,208,138
Results from operating activities	(5,629,827)	(10,743,449)	(11,664,542)
Loss before taxation	(5,990,790)	(10,742,489)	(11,630,183)
Loss for the year	(6,461,882)	(11,118,156)	(11,813,898)
Total comprehensive income for the year	(6,461,882)	(11,118,156)	(11,813,898)

### Statement of financial position

	31 Dec 2014	31 Dec 2013	31 Dec 2012	1 Jan 2012
	₦'000	₦'000	₦'000	₦'000
<b>Employment of Funds</b>				
Property, plant and equipment	57,655,754	63,262,449	67,806,701	71,886,946
Intangible assets	70,513	79,056	-	-
Net current assets	3,326,913	3,468,203	(38,658,152)	(32,019,518)
Non current liabilities	(827,568)	(122,214)	-	-
<b>Net assets</b>	<b>60,225,612</b>	<b>66,687,494</b>	<b>29,148,549</b>	<b>39,867,428</b>
<b>Funds Employed</b>				
Share capital	5,000	5,000	5,000	5,000
Retained earnings	60,220,612	66,682,494	29,143,548	39,862,428
	<b>60,225,612</b>	<b>66,687,494</b>	<b>29,148,548</b>	<b>39,867,428</b>

The financial information presented above reflects historical summaries based on International Financial Reporting Standards. Information related to prior periods has not been presented as it is based on a different financial reporting framework (Nigerian GAAP) and is therefore not directly comparable.