

Eko Electricity Distribution Plc
Annual Report -- 31 December 2013

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Corporate Information

Registration Number RC. 638862

Directors:

Name

Charles Momoh
Oladele Amoda
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. Tiemiye Belo-Osagie Street
Parkview Estate, Ikoyi
Lagos

Solicitor:

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

Bankers:

First City Monument Bank
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
Wema Bank Nigeria Plc
Ecobank Nigeria Limited

Results at a Glance

	<u>2013</u> N'000	<u>2012</u> N'000	<u>Change</u> %
Revenue	<u>35,288,213</u>	<u>32,208,138</u>	10
Loss before minimum tax and income tax	<u>(10,742,489)</u>	<u>(11,641,978)</u>	8
Minimum tax	<u>(375,667)</u>	<u>(185,091)</u>	(103)
Loss for the year	<u>(11,118,156)</u>	<u>(11,827,069)</u>	6
Total assets	<u>74,081,345</u>	<u>85,135,172</u>	(13)
Net current assets/ (liabilities)	<u>3,468,203</u>	<u>(38,658,152)</u>	109
Equity	<u>66,687,494</u>	<u>29,148,548</u>	129

Directors' Report

For the year ended 31 December 2013

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 2013.

Principal Activity and Business Review

Eko Electricity Distribution Plc ("the Company") was incorporated in Nigeria on 8 November 2005 as a public 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 comprises 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.

During the year, the FGN completed its planned privatization of the electricity sector effectively handing over 5 generation and 10 distribution companies to new owners under various Share Sale Agreements. As a result, 60% interest of 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 10% from ₦32.21 billion to ₦35.29 billion while gross profit increased by ₦2.9 billion from ₦654.80 million in the prior year to ₦3.56 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:

	2013	2012
	₦'000	₦'000
Revenue	35,288,213	32,208,138
Gross profit	3,555,439	654,798
Operating loss	(10,743,449)	(11,676,337)
Loss before minimum tax and income tax	(10,742,489)	(11,641,978)
Minimum Tax	(375,667)	(185,091)
Income Tax	-	-
Loss for the year	(11,118,156)	(11,827,069)

No dividend has been recommended by the directors (2012: Nil).

Directors and their Interests

The Directors who served during the year were as follows:

<u>Name</u>	<u>Designation</u>	<u>Date (Resigned)/Appointed</u>
Charles Momoh	Chairman	1 November 2013
Mohammed Dikwa		(1 November 2013)
Engr. Oladele Amoda	Managing Director	
Benjamin Dikki Ezra (Obaro Osauzo)*		1 November 2013
Ernest Oji		1 November 2013
Dr. Tunji Olowolafe		1 November 2013
Dere Otubu		1 November 2013
George Etomi		1 November 2013

* 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>
	2013
Charles Momoh	3,530,441
Ernest Oji	384,185
Tunji Olowolafe	1,078,680
Dere Otubu	534,716
George Etomi	129,255

For the purpose of Section 277 of the Companies and Allied Matters Act of Nigeria, none of the Directors has notified the Company of any declarable interests in contracts with the Company, except as disclosed in Note 25 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 2013	31 December 2012
	% Number	% Number
West Power and Gas Ltd.	60 6,000,000	- -
Bureau of Public Enterprises	32 3,200,000	80 8,000,000
Ministry of Finance Incorporated	8 800,000	20 2,000,000
Total	100 10,000,000	100 10,000,000

On 21 February 2013, West Power and Gas Ltd (WPG), the Bureau of Public Enterprises (BPE) and the Ministry of Finance Incorporated entered into a Share Sale Agreement under which WPG acquired a 60% stake in the Company. The acquisition of the Company by WPG was finalised on 31 October 2013 resulting in the change in the shareholding as reflected above. Both BPE and the Ministry of Finance Incorporated jointly own 40% interest in the Company and represent the interest of the Federal Government of Nigeria (FGN) in the Company.

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.

Subsequent to WPG's acquisition of 60% equity interest in the Company, the Board met two times for meetings to set and monitor strategy as well as approve key policies pertinent to the operations of the Company.

The attendance of Directors at board meetings in the period following the acquisition was as follows:

DIRECTORS	DESIGNATION	Nov 19, '13	Dec 17, '13
Charles Momoh	Chairman	X	X
Oladele Amoda	Managing Director	X	X
Dikki Ezra Benjamin (Obaro Osauzo)*	Director	X	X
Ernest Oji	Director	X	X
Dr. Tunji Olowolafe	Director	X	X
Dere Otubu	Director	X	X
George Etomi	Director	X	X

* = Alternate Director

X = Attended

- = Absent

Sub Committees of the Board

During the year under review, the Board established Committees in accordance 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. Board Finance, Audit and General Purpose Committee

The members of this committee are as follows:

	Designation
Dere Otubu	Chairman
George Etomi	
Dr. 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 and coordinating audits of the financial operations of the Company. The Committee shall also be responsible for the following:

- To review, evaluate and advise the Board regarding the Company's medium and long term financial goals, objectives, programs and practices that are required to provide sound financial management and to safeguard assets.
- Review of the Company's audited financial statements prior to submission to the Board and to provide the auditors with a means of access to the Board in order to preserve their independence in their relationship with Management.
- To inform the Board of key developments and challenges facing the Company's finances.
- To provide guidance and support to management to ensure that the Company remains sustainable and successful.
- To review the financial plan of the Company and make recommendations to the Board as part of its oversight functions.
- To review the Company's progress with respect to the implementation of such financial plan.
- 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
Dr. 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 ensuring that the accountability of the Company's executive team for the management of strategy and technical operations of the Company is upheld.

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

The members of this committee are as follows:

Dr. Tunji Olowolafe	Designation
Dere Otubu	Chairman
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 of 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.

Material Agreements

The Company has entered into the following material agreements:

1. **Deed of Assignment of Pre-completion Receivables and Liabilities**

During the year, the Company signed a deed of assignment of pre-completion receivables and liabilities with the Nigerian Electricity Liability Management Company Limited (NELMCO). 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 the Deed of Assignment, management has transferred the net liability to NELMCO. See Note 21.

2. **Technical Agreement with Related Party**

During the year, the Company entered into an Operations, Management and Maintenance agreement 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 25

Geographical Presence

To enable the Company operate within the Eko Zone where it distributes electricity, it has 11 Business Districts excluding the Head Office. Each Business District 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 (2012: 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 30 to the financial statements.

Employment and Employees

As a consequence of the successful privatization of the power sector, The Bureau of Public Enterprises (BPE) disengaged all the Company's employees as at 31 October 2013 (prior to the sale of the Company). All benefits due to the disengaged employees including retirement benefits, gratuity and all allowances were settled. The Company on 1 November 2013 re-engaged some of the employees that were disengaged by BPE on a contractual basis for a period of not less than 6 months and an option to re-engage qualifying employees after the six month period. As such, as at the year end, all employees of the Company were on a six month contract. Although the Company currently has contract staff, it has continued to develop policies that would govern the permanent employees it will recruit in the future. Some of the Company's currently effective policies are as follows:

(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 the Company's 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 9 physically challenged persons in its employment (2012: 2). 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 provided. 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.

Auditors

The previous auditors, Messrs Pedabo Audit Services (Chartered Accountants), who audited the prior financial statements up to 31 December 2012, resigned their appointment as auditors and Messrs KPMG Professional Services was appointed to fill the vacancy created on 23 May 2014.

Messrs KPMG Professional Services have indicated their willingness to continue in office as auditors of the Company in accordance with Section 357(2) of the Companies and Allied Matters Act of Nigeria.

Lagos, Nigeria

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 2013

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 have explained in Note 27 to the financial statements why they believe the Company will remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

D. S. M-
Signature

Dere Otubu
Name
FRC#: FRC/2013/IODN/00000004695

26/9/14
Date

CF=338
Signature

Oladele Amoda
Name
FRC#: FRC/2016/NSE/00000014444

26/5/16
Date

Report of the Finance, Audit and General Purpose Committee To the members of Eko Electricity Distribution Plc

In accordance with the terms of reference as contained in the Company's Finance, Audit and General Purpose Committee Charter and the provisions of section 359(6) of the Companies and Allied Matters Act of Nigeria we, the Members of the Finance, Audit and General Purpose 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 2013 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 Finance, Audit and General Purpose Committee are:

- 1) Dere Otubu
- 2) George Etomi
- 3) Tunji Olowolafe
- 4) Ernest Oji
- 5) Obaro Osauzo

Chairman

Dere Otubu



Chairman

FRC/2013/TODN/00000004695

26/9

2016

**KPMG Professional Services**

KPMG Tower
Bishop Abiodun Cole Street
Victoria Island
PMB 40014, Falmes
Lagos

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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, 2013, 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 14 to 61.

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.

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Partners:

Abiodun F. Ede	Adediji O. Lami	Adesola A. Ede	Adesola F. Adesola
Adesola E. Ajayi	Ajoke O. Olanrewaju	Ayodele A. Soyinka	Ayodele H. Oshinwa
Ayemil L. Sani	Chibuzor N. Anyanwu	Goodluck C. Oki	Ikem M. Adesola
Joseph O. Igbo	Kebi O. Olanrewaju	Mohammed M. Adesola	Oludayo F. Oshinwa
Oludayo I. Salawu	Olanrewaju I. James	Olunike O. Olanrewaju	Oludayo A. Sowande
Oludayo O. Ayodele	Oludayo A. Olanrewaju	Oludayo I. Olanrewaju	Victor U. Olanrewaju

Associate Partners:

Paula C. Ede
Temitope A. Olanrewaju



Basis for Qualified Opinion

We were appointed as auditors of the Company on 23 May 2014 and thus did not observe the counting of physical inventories at the beginning and end of the year. We were also unable to satisfy ourselves by alternative means concerning inventory quantities held at 31 December 2012 and 2013 which are stated in the statement of financial position at ₦1.67 billion and ₦1.4 billion respectively. Since opening inventories enter into the determination of the financial performance and cash flows, we were also unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of **Eko Electricity Distribution Plc.** as at 31 December, 2013 and of its financial performance and its cash flows for the year then ended 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.

Other Matter

The financial statements of Eko Electricity Distribution Plc. for the year ended 31 December 2012 were audited by another auditor whose report dated 6 August 2013 expressed an unqualified opinion on those financial statements.

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, 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: *awotoye*

Oluwafemi D. Awotoye, FCA

FRC/2013/ICAN/00000001182

For: KPMG Professional Services

Chartered Accountants

26 September 2016

Lagos, Nigeria



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

	Notes	2013 N'000	2012 N'000
Revenue			
Cost of sales	9	35,288,213	32,208,138
Gross profit	10	(31,732,774)	(31,553,340)
Other income		3,555,439	654,798
Administrative expenses	11	2,119,195	2,191,836
Results from operating activities	10	(16,418,083)	(14,522,971)
		(10,743,449)	(11,676,337)
Finance income			
Finance costs	12	22,839	34,359
Net finance income	12	(21,879)	-
		960	34,359
Loss before minimum tax and income tax		(10,742,489)	(11,641,978)
Minimum tax			
Loss before income tax	14(a)	(375,667)	(185,091)
Income tax expense	14(b)	(11,118,156)	(11,827,069)
		-	-
Loss for the year		(11,118,156)	(11,827,069)
Other comprehensive income, net of tax		-	-
Total comprehensive income		(11,118,156)	(11,827,069)

The accompanying notes on pages 18 to 61 form an integral part of these financial statements.

Statement of Changes in Equity

<i>For the year ended 31 December 2012</i>			
Note	Share capital N'000	Retained earnings N'000	Total N'000
	5,000	40,401,080	40,406,080
Balance at 1 January 2012			
Total comprehensive income			
Loss for the year	-	(11,827,069)	(11,827,069)
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Transaction with owners	-	(11,827,069)	(11,827,069)
Contributions			
Federal government funding	20(b)	569,537	569,537
Total transaction with owners	-	569,537	569,537
Balance at 31 December 2012	5,000	29,143,548	29,148,548
<i>For the year ended 31 December 2013</i>			
	5,000	29,143,548	29,148,548
Balance as at 1 January 2013			
Total comprehensive income			
Loss for the year	-	(11,118,156)	(11,118,156)
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Transaction with owners	-	(11,118,156)	(11,118,156)
Contributions			
Gains on derecognition of net liabilities	21	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

The accompanying notes on pages 18 to 61 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December

	Notes	2013 €'000	2012 €'000
Cash flows from operating activities:			
Loss for the year		(11,118,156)	(11,827,069)
Adjustments for:			
- depreciation of property, plant and equipment	15	6,694,475	6,691,302
- amortisation of intangible assets	16	3,560	-
- impairment loss on receivables	18	792,744	-
- finance income	12	(22,839)	(34,359)
- finance costs	12	21,879	-
- loss on disposal of Property, plant and equipment	12	71,596	-
- write down of bad and defective inventory materials	10(b)	427,214	-
- write-off of Property, plant and equipment	15	295,637	19,000
- minimum tax	14(a)	375,667	185,091
		(2,458,223)	(4,966,035)
Changes in:			
- Inventories		(155,934)	914,220
- Trade and other receivables		(21,851,554)	(7,039,730)
- Trade and other payables		25,916,372	12,350,330
- Deferred revenue		104,620	- (61,328)
Cash generated from operating activities		1,555,281	1,197,457
Income taxes paid	14(d)	-	-
Net cash generated from operating activities		1,555,281	1,197,457
Cash flows from investing activities:			
Acquisition of property, plant and equipment	15	(995,709)	(1,376,805)
Acquisition of intangible assets	16	(82,616)	-
Proceeds from disposal of property, plant and equipment		27,810	-
Interest received	12	13,665	34,359
Cash used in investing activities		(1,036,850)	(1,342,446)
Cash flows from financing activities:			
Loan received	22(d)	316,433	-
Federal government funding	20(b)	-	569,537
Cash generated from financing activities		316,433	569,537
Net increase in cash and cash equivalents		834,864	424,548
Cash and cash equivalents as at 1 January		2,890,548	2,466,000
Cash no longer available for operations	21	(492,976)	-
Cash and cash equivalents as at 31 December		3,232,436	2,890,548

The accompanying notes on pages 18 to 61 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 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 Apapa, Ajele, Agham, Orile, Ojo, Festac, Ibeju, Ijora, Lagos Island, 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 is currently governed by 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 and became effective on 1 February 2015 after the termination of "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.

During the year, 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.

These are the Company's first financial statements prepared in accordance with IFRSs and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. An explanation of how the transition from the Statements of Accounting Standards previously applicable in Nigeria (NGAAP) to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 31.

Details of the Company's accounting policies are included in Note 7. The financial statements were authorised for issue by the Board of Directors on 26 September 2016.

Going concern basis of accounting

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations for at least twelve months from the year end. See Note 27 for more details.

Notes to the Financial Statements

3 Functional and presentation currency

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

4 Use of estimates and judgments

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 – Reliable measurement of the cost of NIPP Assets transferred to the Company during the year

Note 26 – Elimination of Assets and Liabilities taken over by NELMCO

(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 2014 is included in the following notes:

Note 7(a) – Revenue Recognition – Adoption of a revenue model to estimate deferred revenue from prepaid arrangements and unbilled revenue from Post-paid 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 26 – 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 financial instruments and assets granted by customers and/or by Government, which are initially recognized at fair value.

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 and in preparing the opening IFRS statement of financial position at 1 January 2012 for the purposes of the transition to IFRS.

(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 prepaid 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.

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

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.

Notes to the Financial Statements

(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.

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.

(ii) Non-derivative financial assets – measurement

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.

(iii) 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

(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.

Notes to the Financial Statements

(ii) *Defined contribution plan*

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

In line with the provisions of the Pension Reform Act 2004, the Company has instituted a defined contribution pension scheme for all staff effective from 1 November 2013. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is recognized in profit or loss as employee benefit expense in the periods during which services are rendered by employees. Employees contribute 7.5 % each of their basic salary, transport and housing allowances to the Fund on a monthly basis. The Company's contribution is 7.5% of each employee's basic salary, transport and housing allowances. Prior to 1 November 2013, the Company contributed 7.5% of each employee's basic salary, transport and housing allowances to a closed pension fund managed by the National Electric Power Authority Superannuation Fund Limited.

(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.

(i) *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.

Notes to the Financial Statements

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.

(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, are 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.

Notes to the Financial Statements

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

Deferred tax assets and liabilities are offset only if 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.

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 2013, 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

- IAS 32 Offsetting Financial Assets and Financial Liabilities

- IFRIC 21 Levies

Effective for the financial year commencing 1 January 2016

- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

Effective for the financial year commencing 1 January 2018

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*

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

IFRS 10, IFRS 12 and IAS 27 amendment Investment entities, Recoverable Amount Disclosures for Non-Financial Assets (Amendment to IAS 36), Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39), Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) 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

Amendments to IAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities

The amendments clarify when an entity can offset financial assets and financial liabilities. This amendment is effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

IFRIC 21 Levies

Levies have become more common in recent years, with governments in a number of jurisdictions introducing levies to raise additional income. Current practice on how to account for these levies is mixed. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37 Provisions, Contingent Liabilities and Assets. The Interpretation is effective for annual periods commencing on or after 1 January 2014 with retrospective application.

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 current effective date of IFRS 9 is 1 January 2018. The Company will adopt the standard in the first annual period beginning on or after the mandatory effective date. 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.

The Company will assess the impact once the standard has been finalised and becomes effective.

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 2018, with early adoption permitted. The Company will adopt the Standard for the annual reporting period beginning 1 January 2018.

IFRS 16 Leases

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

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

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company will adopt the standard for the year ending 31 December 2019.

Notes to the financial statements

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendment is effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments to IAS 16 and IAS 38 are not applicable to the Company.

9 Revenue

Revenue comprises:

	2013	2012
	N'000	N'000
Sale of electricity	35,233,436	32,208,138
Customer-granted Pre-paid meters	54,777	-
	<u>35,288,213</u>	<u>32,208,138</u>

Estimation of deferred revenue from prepaid customers and unbilled revenue from postpaid customers.

The Company estimates deferred revenue from prepaid customers 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. Revenue deferred (i.e. excluded from current year revenues) amounted to N201.62 million and this has been recognized as deferred revenue (Note 24).

For unbilled receivables, a consumption factor is also determined based on billings for the year and this is used to multiply the number of outstanding days till the year end from the last billing date. Unbilled receivables (i.e. included in current year revenues) amounted to N2.68 billion, and this has been included as part of trade receivables (Note 18).

10 Expenses by nature

Expenses by nature comprise:

	2013	2012
	N'000	N'000
(a) Cost of sales		
Cost of Energy	25,293,247	25,162,952
Depreciation (Note 15 (a))	6,439,527	6,390,388
Total cost of sales	<u>31,732,774</u>	<u>31,553,340</u>

Notes to the financial statements

(b) Administrative expenses

	2013 N'000	2012 N'000
Depreciation (Note 15 (a))	254,947	300,913
Amortisation (Note 16)	3,560	-
Maintenance expenses	1,012,789	3,032,368
Consultancy fees (Note 10 (c))	272,817	58,448
Employee benefit expenses (Note 13(b)(i))	10,623,907	9,987,651
Directors' remunerations (Note 13(b)(iv))	227,777	-
Auditor's remuneration	15,000	7,690
Transport, travels and insurance	199,485	175,610
Rent expense	56,796	32,078
Consumables	274,506	66,396
Loss on disposal of property, plant and equipment	71,596	-
Write-off of property, plant and equipment (Note 15)	295,637	19,000
Write-down of bad and defective inventory materials	427,214	-
Impairment of trade receivables	792,744	-
Impairment of subsidy receivables	953,579	-
Others	935,729	842,817
Total administrative expenses	16,418,083	14,522,971

(c) Consultancy fees

Included in consultancy fees are fees amounting to N245.12 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 IT, Procurement, Integration, strategic support and turnaround strategies (Note 25(b)) which were provided by WSL. The fee is a fixed amount of \$15 million (N2.34 billion) per annum.

11 Other income

	2013 N'000	2012 N'000
Commission income (Note 18 (a))	423,135	-
Service re-connection fee	217,148	194,587
Government subsidies (Note 11 (a))	1,202,399	1,136,963
Others	276,513	860,286
	2,119,195	2,191,836

(a) Government subsidies

Government subsidies relate to MYTO Subsidy earned for the year.

Notes to the financial statements

12 Finance income and cost

	2013	2012
	N'000	N'000
Finance income		
Interest income on bank balances	13,665	34,359
Fair value gain on loans and borrowings	9,174	-
Total finance income	<u>22,839</u>	<u>34,359</u>
Finance cost		
Interest expense on loans and borrowings	21,879	-
Total finance cost	<u>21,879</u>	<u>-</u>
Net finance income	<u>960</u>	<u>34,359</u>

13 Employee benefit expense and director's remuneration

(i) Employee benefit expense during the year amounted to:

	2013	2012
	N'000	N'000
Salaries	10,119,959	9,987,651
Pension costs	503,948	-
	<u>10,623,907</u>	<u>9,987,651</u>

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

	2013	2012
	Number	Number
Finance	329	487
Admin	433	705
Operations	1,809	2,523
	<u>2,571</u>	<u>3,715</u>

Notes to the financial statements

- (iii) 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:

		2013	2012
		Number	Number
Below	- N1,000,000	647	1,087
N1,000,001	- N2,000,000	773	924
N2,000,001	- N3,000,000	769	1,169
N3,000,001	- N4,000,000	187	263
N4,000,001	- N5,000,000	76	128
Above	- N5,000,000	119	144
		<u>2,571</u>	<u>3,715</u>

- (iv) Directors' remuneration

Directors' remuneration earned during the year includes:

	2013	2012
	N'000	N'000
Remuneration including pension contribution	13,507	10,516
Fees as directors	227,777	-
	<u>241,284</u>	<u>10,516</u>

The directors' remuneration shown above includes:

	2013	2012
	N'000	N'000
Chairman	49,609	-

Other directors received remuneration emoluments in the following ranges:

		2013	2012
		Number	Number
N'000	N'000		
Nil	Nil	-	2
Below	- 10,000	-	-
10,001	- 20,000	1	1
20,001	- 30,000	5	-

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 2013 is N375.67 million (2012: N185.09 million).
- (b) The Company is subject to tax under the Companies Income Tax Act as amended to date. Companies Income Tax and Tertiary Education Tax was not charged during the year as the Company did not have taxable or assessable profit for the year ended 31 December 2013 (2012: 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:

		2013 N'000
Loss before minimum tax and income tax		(10,742,489)
Income tax using the statutory tax rate	30%	(3,222,747)
Effect of:		
Movement in unrecognized deferred tax assets		
Tax incentives	(-20%)	2,184,660
Non-deductible expenses	1%	(68,894)
Total income tax expense	(-10%)	1,106,981
	0%	-

(d) Movement in current tax liability

	31 Dec 2013 N'000	31 Dec 2012 N'000
Balance at 1 January	185,091	-
Charge for the year (minimum tax (Note 14(a)))	375,667	185,091
Tax liability transferred to NELMCO (Note 21)	(185,091)	-
Balance at end of year	375,667	185,091

(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:

	2013 N'000	2012 N'000
Deductible temporary differences (will never expire)	15,990,838	13,899,338
Tax losses (will never expire)	6,911,857	6,818,697
	22,902,695	20,718,035

Notes to the financial statements

15 Property, plant and equipment

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

	Land and buildings N'000	Distribution network assets N'000	Equipment fixtures & fittings N'000	Motor vehicles N'000	Capital work in progress N'000	Total N'000
Cost						
Balance at 1 January 2012	397,986	116,769,627	354,277	1,206,340	749,660	119,478,066
Additions	7,547	886,701	74,207	111,582	839,000	1,919,037
Transfers	4,952	716,814	-	-	(721,766)	-
Write-offs	-	-	-	-	(19,000)	(19,000)
Balance at 31 December 2012	410,485	118,353,142	428,484	1,318,128	867,894	121,378,133
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)	-	-
Write-offs	-	-	-	-	(295,637)	(295,637)
Balance at 31 December 2013	480,690	120,649,597	497,561	1,089,556	601,901	123,319,306
Depreciating						
Balance at 1 January 2012	36,351	45,907,623	287,692	648,666	-	46,880,132
Charge for the year	9,249	6,390,388	47,303	243,761	-	6,691,302
Balance at 31 December 2012	45,600	52,298,012	335,395	892,427	-	53,571,434
Balance at 1 January 2013	45,600	52,298,012	335,395	892,427	-	53,571,434
Charge for the year	10,028	6,439,527	47,205	197,715	-	6,684,475
Disposals	-	-	-	(260,052)	-	(260,052)
Balance at 31 December 2013	55,628	58,737,539	382,599	881,090	-	60,056,856
Carrying amounts						
At 1 January 2012	361,635	70,862,004	66,785	557,880	749,660	72,597,964
At 31 December 2012	364,885	66,055,130	93,089	425,701	867,894	67,806,709
At 31 December 2013	425,062	61,912,058	114,962	208,466	601,901	63,262,449

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

	2012 N'000	2013 N'000
Cost of sales		
General and administrative expenses	6,439,527	6,694,475
	254,947	300,913
	6,694,475	6,995,388

(b) No item of property, plant and equipment has been pledged as collateral.

Notes to the financial statements

- (c) The Company had capital commitments amounting to N140.4 million.
- (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 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 is yet to reach a final settlement for these assets as at the date of approval of these financial statements.
- (f) Reconciliation of additions to property, plant and equipment in statement of cashflows

	2013	2012
	N'000	N'000
Additions to property, plant and equipment	2,545,267	1,919,037
Recognition of NIPP assets	(1,549,558)	(542,232)
Acquisition of property, plant and equipment for cashflows	995,709	1,376,805

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

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	Intangible assets in progress	Total
	N'000	N'000	N'000
Cost			
Balance at 1 January 2012	-	-	-
Additions during the year	-	-	-
Balance at 31 December 2012	-	-	-
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
Amortisation			
Balance at 1 January 2012	-	-	-
Charge for the year	-	-	-
Balance at 31 December 2012	-	-	-
Balance at 1 January 2013	-	-	-
Charge for the year	3,560	-	3,560
Balance at 31 December 2013	3,560	-	3,560
Carrying amounts:			
At 1 January 2012	-	-	-
At 31 December 2012	-	-	-
At 31 December 2013	39,156	39,900	79,056

Notes to the financial statements

17 Inventories

	31 Dec 2013	31 Dec 2012	1 Jan 2012
	N'000	N'000	N'000
Consumable spare parts	1,371,053	1,631,123	2,567,625
Other Consumables	27,072	38,282	16,000
	<u>1,398,125</u>	<u>1,669,405</u>	<u>2,583,625</u>

Consumable spare parts and other consumables included in profit or loss as part of expenses amounted to N890.39 million.

During the year, an allowance of N427.21 million was recorded to write down inventories to their net realisable value. The basis of the write down was as a result of inventory inspection carried out by the Company and a determination based on current operations that some items were carried above their net realisable value.

No inventories have been pledged as collateral.

18 Trade and other receivables

	31 Dec 2013	31 Dec 2012	1 Jan 2012
	N'000	N'000	N'000
Trade receivables	2,976,728	7,568,012	3,199,000
Accrued receivables	2,675,346	3,807,859	2,110,790
Government subsidies (Note 11(a))	-	836,963	-
Other receivables (Note 18(a))	453,202	555,685	419,000
Other deposits (Note 18(b))	4,003	-	-
	<u>6,109,279</u>	<u>12,768,519</u>	<u>5,728,790</u>

- (a) Included in other receivables is a commission receivable of N423.14 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 N1.1 billion (Note 23) 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.

- (b) 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.

Notes to the financial statements

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

	2013 N'000	2012 N'000
Changes in trade and other receivables		
Impairment loss	6,659,240	(7,039,730)
Trade and other receivables transferred to NELMCO	(792,744)	-
Interest expense on CAPMI recorded against trade receivables	(27,716,143)	-
	(1,907)	-
	(21,851,554)	(7,039,730)

Information about the Company's exposure to credit and market risks and impairment losses for trade receivables is included in Note 28.

19 Cash and cash equivalents

	31 Dec 2013 N'000	31 Dec 2012 N'000	1 Jan 2012 N'000
Bank balances	3,231,210	2,880,381	2,466,000
Cash on hand	1,226	10,167	-
	<u>3,232,436</u>	<u>2,890,548</u>	<u>2,466,000</u>

20 Capital and reserves

(a) Share capital comprise:

	31 Dec 2013 N'000	31 Dec 2012 N'000	1 Jan 2012 N'000
<i>Authorized:</i>			
10,000,000 ordinary shares of 50k each	5,000	5,000	5,000
<i>Issued, called-up and fully paid:</i>			
10,000,000 ordinary shares of 50k each	5,000	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.

(b) Federal Government Funding

This represents contributions from the Federal Government in 2012 to support the Company to meet its objectives of improving electricity distribution in the Zone. The amount has been recognised in retained earnings as it is considered as contribution from a shareholder.

Notes to the financial statements

21 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 26). 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:

	2013
	N'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)
	<u>48,657,102</u>

22 Loans and borrowings

Loans and borrowings comprise:

	31 Dec 2013	31 Dec 2012	1 Jan 2012
	N'000	N'000	N'000
Non-current liabilities			
Loans from customers (Note 22 (a))	<u>122,214</u>	<u>-</u>	<u>-</u>
Current liabilities			
Loans from customers (Note 22 (a))	55,017	-	-
Loan from a related party (Note 22 (b))	<u>150,000</u>	<u>-</u>	<u>-</u>
	<u>205,017</u>	<u>-</u>	<u>-</u>

(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 during the 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 N3.16 million (2012: Nil).

(b) Loan from related party - WPG Services Limited

The Company obtained a total facility of N500 million from a related party, WPG Services Limited from which it drew down the amount of N150 million during the year. The facility is non-interest bearing, unsecured and payable on demand. The carrying amount of N150 million has therefore been classified as current in these financial statements.

Notes to the financial statements

(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 subsequent to year end, 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 be 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) Reconciliation of loans received to statement of cashflows is as follows:

	2013	2012
	N'000	N'000
Changes in loans and borrowings	327,231	-
Fair value gain included in loans and borrowings	9,174	-
Interest expense on loans and borrowings	(21,879)	-
Interest expense on CAPMI recorded against trade receivables	1,907	-
	316,433	-

23 Trade and other payables

	31 Dec 2013	31 Dec 2012	1 Jan 2012
	N'000	N'000	N'000
Trade payables	1,731,198	35,915,450	26,669,342
Employee related liabilities	708,386	10,378,536	4,070,000
Payable to NELMCO (Note 23(a))	1,103,031	-	-
Accruals	2,484,155	714,598	172,365
Other payables	432,300	8,665,686	11,870,000
	6,459,070	55,674,270	42,781,708

- (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.

Notes to the financial statements

- (b) Reconciliation of changes in trade and other payables to the statement of cashflows

	2013	2012
	₦'000	₦'000
Changes in trade and other payables	(49,215,200)	12,892,562
Recognition of NIPP assets	(1,549,558)	(542,232)
Trade and other payables transferred to NELMCO	76,681,130	
	<u>25,916,372</u>	<u>12,350,330</u>

24 Deferred revenue

	31 Dec 2013	31 Dec 2012	1 Jan 2012
	₦'000	₦'000	₦'000
Advance collections from prepaid customers	201,616	127,263	188,591
Deferred income on CAPMI scheme	30,267	-	-
	<u>231,883</u>	<u>127,263</u>	<u>188,591</u>

25 Related party transactions

- (a) Parent and Ultimate Controlling party

Effective 1 November 2013, a majority of the Company's shares were acquired by West Power and Gas Ltd from BPE and MOFI. Consequently, the Company's parent and ultimate controlling party became and has been West Power and Gas Limited. There were no transactions with West Power and Gas Ltd during the year.

- (b) WPG Services Limited

During the year, 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 ₦245.12 million (2012: Nil). Also, the Company obtained a loan of ₦150 million from WPG Services Limited. As at year end, an amount of ₦150 million was due to WPG Services Limited (2012: 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 2013	31 Dec 2012
	₦'000	₦'000
Short-term benefits	<u>368,393</u>	<u>401,020</u>

Notes to the financial statements

26 Contingent liabilities

Transfer of pre-completion liabilities and trade receivables

As part of the privatization initiative and the restructuring of the Nigerian power sector, the Nigeria Electricity Liability Management Company Ltd/Gte (NELMCO) was established to take over and manage the stranded assets and liabilities in the Power sector. As a result, all trade receivables and the liabilities of the Company as at 31 October 2013 were assigned to NELMCO by the National Council on Privatization under the relevant Deeds of Assignment. However, the Company and NELMCO are yet to agree on the individual trade debtors and liabilities transferred. Nevertheless, the directors, based on independent legal advice obtained as well as their understanding of the Share Purchase Agreement between WPG, 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. These include liabilities for litigations and claims against the Company as at 31 October 2013. As such, the Company will neither realise those receivables in its own capacity or settle any liabilities incurred on or before 31 October 2013. On this basis, a net credit of ₦48.66 billion which represents net liabilities transferred to NELMCO has been recorded in equity as it represents a shareholder contribution to the Company (Note 21). Any difference between the amounts transferred per these financial statements and those to be agreed to by NELMCO may result in an increase or decrease to the net amount recorded in equity.

27 Going concern

The Company reported a loss of ₦11.12 billion (2012: ₦11.83 billion) for the year ended 31 December 2013. The Company had historically incurred losses due to the existing pricing regime which did not allow it to recover all its costs through price increases.

The Company is dependent on the parent company, West Power and Gas Ltd for continued financial support.

Please also refer to Note 28 which detail the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments; and its exposures to credit risk and liquidity risk.

The directors have reviewed the Company's forecasts and projections, which take into account reasonable changes in the sector such as absence of MYTO subsidies, reduction in Aggregate Technical Commercial and Collection Losses, progressive increases in pricing tariffs, continued deferral on the payment of certain proportion of the MO bill, capital investments required to improve service delivery and reduce losses. On the basis of these, the Company obtained a working capital facility of ₦500 million from its related party, WPG Services Limited. ₦150 million had been drawn down on this loan as at year end. The working capital loan is payable on demand. Subsequent to year end, the Company obtained a shareholder loan facility with a 7-year tenor amounting to \$125 million from its parent, WPG in order to finance its capital expenditure requirements.

Notes to the financial statements

Also, by virtue of the deeds of assignment of pre-completion receivables and payables signed with NELMCO during the year, the Company is able to retain a portion of its cash inflows for the purpose of settling only obligations arising after 1 November 2013.

Based on these factors, the directors expect the Company to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business. Thus the directors consider it appropriate to continue to adopt the going concern basis in preparing the annual financial statements.

28 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.

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	31 Dec 2013	31 Dec 2012	1 Jan 2012
		₦'000	₦'000	₦'000
Trade and other receivables	18	6,109,279	12,768,319	5,728,790
Cash balances	19	3,232,436	2,890,548	2,466,000
		<u>9,341,715</u>	<u>15,659,067</u>	<u>8,194,790</u>

Notes to the financial statements

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.

Management is optimistic based on the support received from the regulators and Ministry of Power that at least 78.98% of the year end balance is collectible and have recorded an impairment allowance amounting to N792.74 with respect to the outstanding receivables at the year end. The impairment is required mainly to cater for the losses that arise from non delivery of bills to certain customers as well as difficulties in enforcing payments from certain classes of customers due to certain geographical challenges such as coverage and accessibility.

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

- Investment in prepaid meters and conversion of more post paid customers to prepaid through the CAPMI scheme launched during the year;
- 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
- Setting KPIs for employees to drive debt collections

Subsidy receivables

Subsidy receivables include subsidies from the Government with respect to energy sold to customers within the R1 and R2 billing classes. The Company recognises subsidy on the basis of units to energy sold to R1 and R2 customers.

Management has assessed the collectibility of the carrying amount of the receivable and on the basis of historical trend, concluded that subsidies not received during the year are not collectible as budgetary allocations for subsequent years do not provide for payment of past subsidies. Therefore, an impairment loss of N953.58 million has been recorded against the carrying amount of subsidy receivables.

Notes to the financial statements

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 (2012: Nil).

(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.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Notes	Carrying amount N'000	Contractual cash flows N'000	0 - 6 months		6 - 12 months N'000	1 - 2 years		2 - 3 years	
			N'000			N'000		N'000	
Non-derivative financial liabilities									
1 January 2012									
Loans and borrowings	22	42,781,708	42,781,708	-	-	-	-	-	-
Trade and other payables	23	42,781,708	42,781,708	42,781,708	-	-	-	-	-
				42,781,708	-	-	-	-	-
31 December 2012									
Loans and borrowings	22	55,674,270	55,674,270	-	-	-	-	-	-
Trade and other payables	23	55,674,270	55,674,270	55,674,270	-	-	-	-	-
				55,674,270	-	-	-	-	-
31 December 2013									
Loans and borrowings	22	327,231	336,405	201,924	41,531	56,302	36,649	-	-
Trade and other payables	23	6,459,070	6,459,070	6,459,070	-	-	-	-	-
		6,786,301	6,795,475	6,660,994	41,531	56,302	36,649	-	-

(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.

Exposure to currency risk

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

<i>in thousands of US Dollars</i>	31 Dec 2013	31 Dec 2012	1 Jan 2012
Financial liability			
Trade and other payables	170	-	-
Net statement of financial position exposure	170	-	-

Sensitivity analysis

A strengthening 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.

	Increase/(decrease) in profit or loss
31 December 2013	
USD (5 percent strengthening)	₦'000
31 December 2012	1,318
USD (5 percent strengthening)	

A weakening of the US Dollar against the Naira at 31 December would have had the equal but opposite effect on the above naira to the amounts shown above, on the basis that all other variables remain constant.

The following significant exchange rates were applied during the year

USD		Fair value	
2013	155.44	2012	155.25
Average rate		Reporting date spot rate	
N	155.20	N	155.27
2013		2012	

(p)

Pair values versus carrying amounts

Financial instruments shown in the statement of financial position in respect of the company's 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 value.

The Company's financial instruments are categorised as follows;

	31 December 2013	Note
Financial assets not measured at fair value	-	
Trade and other receivables	6,109,279	18
Cash and cash equivalents	3,232,436	19
Financial liabilities not measured at fair value	9,341,715	
Loans and receivables	6,459,070	
Other financial liabilities	6,786,301	
Total	6,459,070	

31 December 2012		Financial assets not measured at fair value		Trade and other receivables		Cash and cash equivalents	
Loans and receivables	N'000	12,768,519	2,890,548	15,659,067	-	12,768,519	2,890,548
Other financial liabilities	N'000	-	-	-	-	-	15,659,067
Total	N'000						

Financial liabilities not
measured at fair value

Trade and other payables

23

-	55,674,270	55,674,270
-	55,674,270	55,674,270

1 January 2012

Financial assets not
measured at fair value

Trade and other receivables

18

Cash and cash equivalents

19

Loans and receivables	Other financial liabilities	Total
₦'000	₦'000	₦'000
5,728,790	-	5,728,790
2,466,000	-	2,466,000
8,194,790	-	8,194,790

Financial liabilities not
measured at fair value

Trade and other payables

23

-	42,781,708	42,781,708
-	42,781,708	42,781,708

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.

29 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:

	31 Dec 2013	31 Dec 2012	1 Jan 2012
	₦'000	₦'000	₦'000
Total liabilities	7,393,851	55,986,624	42,970,299
Less: Cash and cash equivalents	(3,232,436)	(2,890,548)	(2,466,000)
Adjusted net debt	4,161,415	53,096,076	40,504,299
Total equity	66,687,494	29,148,548	40,406,080
Net adjusted debt to equity ratio	0.06	1.82	1.00

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.

30 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 became effective 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) 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 which will take effect on 1 June 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 50%.

(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").

31 Explanation of the transition to IFRSs

As stated in Note 2 (a), these are the Company's first financial statements prepared in accordance with IFRS.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2013, the comparative information presented in these financial statements for the year ended 31 December 2012 and in preparation of an opening IFRS statement of financial position at 1 January 2012 (the Company's date of transition).

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous Nigerian GAAP. An explanation of how the transition from previous Nigerian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Notes to the Financial Statements

- 31 Explanation of the transition to IFRSs (Cont'd)
Reconciliation of Nigerian GAAP Statements to IFRSs
(a) Statement of financial position as at

in thousands of Naira

ASSETS	Notes	Nigerian GAAP (SAS)	Correction of Errors	Effect of transition to IFRS	IFRS
Property, plant and equipment	a, b, g, h, i, m	82,131,326	(20,283,023)	749,660	72,597,964
Construction work-in-progress	g, i	390,000	(138,426)	(251,574)	-
Total non-current assets		92,521,326	(20,421,449)	498,086	72,597,964
Inventories	j	3,081,711	-	(498,086)	2,583,625
Trade and other receivables	d, f, m	3,199,001	2,110,789	419,000	5,728,790
Cash and cash equivalents		2,466,000	-	-	2,466,000
Other debtors	m	419,000	-	(419,000)	-
Total current assets		9,165,712	2,110,789	(498,086)	10,778,415
Total assets		101,687,038	(18,310,660)	-	83,376,379
EQUITY					
Share capital		5,000	-	-	5,000
Retained earnings	z	(39,156,001)	(20,762,958)	100,330,039	40,401,080
Deposit for shares	n	6,780,039	-	(6,780,039)	-
Total equity		(32,375,962)	(20,762,958)	93,540,000	40,406,089
LIABILITIES					
Deferred grant income	A	93,540,000	-	(93,540,000)	-
Total non-current liabilities		93,540,000	-	(93,540,000)	-
Trade and other payables	c, o	24,578,000	2,263,708	15,940,000	42,781,708
Deferred revenue	e	-	188,591	-	188,591
Other creditors	o	15,940,000	-	(15,940,000)	-
Tax liability	f	-	-	-	-
Total current liabilities		40,518,000	2,452,299	-	42,970,299
Total liabilities		134,058,000	2,452,299	(93,540,000)	42,970,299
Total equity and liabilities		101,687,038	(18,310,660)	-	83,376,379

	Nigerian GAAP (SAS)	Correction of Errors	Effect of transition to IFRS	IFRS
	69,179,614	(2,240,584)	867,670	67,806,700
	1,229,776	(860,192)	(349,584)	-
	70,409,390	(3,100,776)	498,086	67,806,700
	2,167,491	-	(498,086)	1,669,405
	7,567,012	4,644,822	556,685	12,768,519
	2,890,548	-	-	2,890,548
	556,685	-	(556,685)	-
	13,181,736	4,644,822	(498,086)	17,328,472
	83,591,126	1,544,046	-	85,135,172

	Nigerian GAAP (SAS)	Correction of Errors	Effect of transition to IFRS	IFRS
	5,000	-	-	5,000
	(66,396,628)	(2,337,632)	97,877,808	29,143,548
	7,349,576	-	(7,349,576)	-
	(59,047,052)	(2,337,632)	90,528,232	29,143,548
	90,528,232	-	(90,528,232)	-
	90,528,232	-	(90,528,232)	-
	33,060,725	3,569,324	19,044,221	55,674,270
	19,044,221	127,263	(19,044,221)	127,263
	-	185,091	-	185,091
	52,104,946	3,881,678	-	55,986,624
	142,633,178	3,881,678	(90,528,232)	55,986,624
	83,591,126	1,544,046	-	85,135,172

Notes to the Financial Statements

(b)

Reconciliation of profit or loss and other comprehensive income for the year ended 31 December 2012

<i>in thousands of Naira</i>	Notes	Nigerian GAAP (SAS)	Correction of errors	Effect of transition to IFRS	IFRS
Revenue	d,e	30,449,740	1,758,398	-	32,208,138
Cost of sales	a,c,g,p	(24,399,566)	(1,335,406)	(5,818,368)	(31,553,340)
Other income		6,050,174	422,992	(5,818,368)	654,797
Administrative expenses	f,k,r	4,401,000	(2,174,805)	(34,359)	2,191,836
Depreciation	b,p,q	(14,147,000)	(11,744)	(364,227)	(14,522,971)
Interest and similar charges	p	(6,095,743)	-	6,095,743	-
Results from operating activities	q	(75,058)	-	75,058	-
Finance income		(9,866,627)	(1,763,557)	(46,153)	(11,676,338)
Net finance costs	r	-	-	34,359	34,359
		-	-	34,359	34,359
Loss before minimum and income taxes		(9,866,627)	(1,763,557)	(11,794)	(11,641,978)
Minimum tax		-	(185,091)	-	(185,091)
Loss before tax	t	(9,866,627)	(1,948,648)	(11,794)	(11,827,069)
Tax expense		-	-	-	-
Loss for the year		(9,866,627)	(1,948,648)	(23,588)	(11,827,069)
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the year		(9,866,627)	(1,948,648)	(23,588)	(11,827,069)

Notes to the financial statements

Notes to reconciliation of Nigerian GAAP Statements to IFRS

a) *Impact of change in useful life of items of plant and machinery*

On transition to IFRS, the useful lives of certain items within the plant and machinery class of the Company's property, plant and equipment were revised to better reflect the economic conditions of those assets as at transition date. The impact of this is shown below:

Statement of financial position

in thousands of Naira

Decrease in Property, plant and equipment
Net adjustment to retained earnings

31-Dec-12	1-Jan-12
(4,181,024)	(3,628,441)
(4,181,024)	(3,628,441)

Statement of profit or loss and other comprehensive income

in thousands of Naira

Increase in cost of sales
Adjustment before income tax

31-Dec-12
552,583
552,583

b) *Impact of change in useful life of items of furniture and fittings*

On transition to IFRS, the useful lives of certain items within the furniture and fittings class of the Company's property, plant and equipment were revised to better reflect the economic conditions of those assets as at transition date. The impact of this is shown below:

Statement of financial position

in thousands of Naira

Decrease in Property, plant and equipment
Net adjustment to retained earnings

31-Dec-12	1-Jan-12
(138,113)	(126,369)
(138,113)	(126,369)

Statement of profit or loss and other comprehensive income

in thousands of Naira

Increase in administrative expenses
Adjustment before income tax

31-Dec-12
11,744
11,744

Notes to the financial statements

c) Cost of energy purchases

Under NGAAP, billings for energy purchased from the Market operator were erroneously recognised as cost of sale in the month of receipt of billing as against the month to which the billing relates to. On transition to IFRS, cost of energy purchased was recorded in the period in which the cost was incurred. The impact of this on retained earnings is as follows:

Statement of financial position

in thousands of Naira

Increase in trade and other payables
Net adjustment to retained earnings

31-Dec-12	1-Jan-12
2,854,727	2,091,342
(2,854,727)	(2,091,342)

Statement of profit or loss and other comprehensive income

in thousands of Naira

Increase in cost of sales
Adjustment before income tax

31-Dec-12
763,385
763,385

d) Accrual on postpaid energy sales

Under NGAAP, revenue on energy sold to customers on the Company's postpaid platform was erroneously recorded in the period in which energy sold is billed as against the period when energy was delivered to customers. On transition to IFRS, this error has now been corrected with the impact on retained earnings as follows:

Statement of financial position

in thousands of Naira

Increase in trade and other receivables
Net adjustment to retained earnings

31-Dec-12	1-Jan-12
3,807,859	2,110,789
(3,807,859)	(2,110,789)

Statement of profit or loss and other comprehensive income

in thousands of Naira

Increase in revenue
Adjustment before income tax

31-Dec-12
(1,697,070)
(1,697,070)

e) Deferred revenue on prepaid energy sales

Under NGAAP, revenue on prepaid energy sales were erroneously recognised on cash basis with no estimation for energy not yet consumed at reporting date. On transition to IFRS, estimation of prepaid energy not yet consumed at reporting date was done and with the value thereon deferred to the period of consumption. The impact of this on retained earnings is as follows:

Notes to the financial statements

in thousands of Naira

	31-Dec-12	1-Jan-12
Increase in deferred revenue	127,263	188,591
Net adjustment to retained earnings	(127,263)	(188,591)

Statement of profit or loss and other comprehensive income

in thousands of Naira

	31-Dec-12
Increase in revenue	61,328
Adjustment before income tax	61,328

j) *Accumulated depreciation of items of plant and machinery*

Under NGAAP, the accumulated depreciation of certain items within the plant and machinery class of the Company's property, plant and equipment were erroneously recognised as a result of wrong computation of their useful lives. On transition to IFRS, this error has now been corrected with the impact on retained earnings as follows:

Statement of financial position

in thousands of Naira

	31-Dec-12	1-Jan-12
Decrease in accumulated depreciation	(539,131)	(539,131)
Net adjustment to retained earnings	539,131	539,131

g) *MYTO Subsidy income*

Under NGAAP, subsidy payments made by the Federal Government to the Market operator on behalf of the Company were recorded as other income within the statement of profit or loss and other comprehensive income. Also, the subsidy income was erroneously recognised on cash basis. On transition to IFRS, the income is now recognised on accrual basis. The impact on retained earnings is as follows:

Statement of financial position

in thousands of Naira

	31-Dec-12	1-Jan-12
Increase in trade and other receivables	836,963	-
Net adjustment to retained earnings	(836,963)	-

Statement of profit or loss and other comprehensive income

in thousands of Naira

	31-Dec-12
Increase in other income	(836,963)
Adjustment before income tax	(836,963)

h) *Completed items of Construction work-in-progress*

Under NGAAP, certain items of capital expenditure under construction were completed but disclosed as construction work-in-progress in the statement of financial position. On transition to IFRS, these have been correctly reclassified to Property, plant and equipment within the statement of financial position with depreciation appropriately computed thereon.

Notes to the financial statements

The impact of this reclassification is as follows:

Statement of financial position

in thousands of Naira

	31-Dec-12	1-Jan-12
Increase in Property, plant and equipment	837,099	134,770
Decrease in construction work-in-progress	(860,192)	(138,426)
Net adjustment to retained earnings	(23,093)	(3,656)

i) Recognition of NIPP assets

Under NGAAP, items of Property, plant and equipment received from NIPP by the Company were not recorded. On transition to IFRS, these have been correctly recognised as Property, plant and equipment within the statement of financial position with depreciation appropriately computed thereon.

Statement of financial position

in thousands of Naira

	31-Dec-12	1-Jan-12
Increase in Property, plant and equipment	702,324	171,887
Increase in trade and other payables	714,398	172,365
Net adjustment to retained earnings	(12,274)	(479)

Statement of profit or loss and other comprehensive income

in thousands of Naira

	31-Dec-12
Increase in administrative expenses	11,795
Adjustment before income tax	11,795

in thousands of Naira

	31-Dec-12
Increase in depreciation - cost of sales	19,437
Adjustment before income tax	19,437

j) Minimum taxes

Under NGAAP, income taxes were not recorded in the 2012 financial year despite being the first year after expiration of its pioneer period. On transition to IFRS, 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 impact on retained earnings is as follows:

Statement of financial position

in thousands of Naira

	31-Dec-12	1-Jan-12
Increase in tax payable	185,091	-
Net adjustment to retained earnings	(185,091)	-

Notes to the financial statements

Statement of profit or loss and other comprehensive income

in thousands of Naira

Increase in minimum tax	31-Dec-12
Adjustment before income tax	185,091
	<u>185,091</u>

k) *Construction Work-in-progress (CWIP) classified as inventory*

Under NGAAP, certain transformers and meters were classified as inventory. On transition to IFRS, these have been correctly reclassified to construction work-in-progress within the statement of financial position.

The impact of this reclassification is as follows:

Statement of financial position

in thousands of Naira

	31-Dec-12	1-Jan-12
Increase in Construction work-in-progress	498,086	498,086
Decrease in inventory	(498,086)	(498,086)
Net adjustment to retained earnings	-	-

l) *Deferred grant income*

Under NGAAP, a deferred grant income was recognised with respect to items of Property, plant and equipment transferred to the Company by the Federal Government. On transition to IFRS, the deferred grant income was derecognised as these transactions do not qualify as Government grants because Government acted in its capacity as an owner of the Company. The impact on retained earnings is as follows:

Statement of financial position

in thousands of Naira

	31-Dec-12	1-Jan-12
Decrease in deferred grant income	(90,528,232)	(93,540,000)
Net adjustment to retained earnings	<u>90,528,232</u>	<u>93,540,000</u>

Notes to the financial statements

Statement of profit or loss and other comprehensive income

in thousands of Naira

Decrease in other income	31-Dec-12
Adjustment before income tax	3,011,768
	<u>3,011,768</u>

m) *Change in depreciation rate*

Under NGAAP, the Company recorded prior year adjustments to account for a revision in its depreciation rates for Property, plant and equipment, which ought to be effective in 2011 financial year. This prior year adjustment was recorded in 2012 financial statements with an adjustment to retained earnings. However, on transition to IFRS, this restatement has been treated on the transition date to IFRS and not the comparative period. The impact on retained earnings is shown below:

Statement of financial position

in thousands of Naira

	31-Dec-12	1-Jan-12
Decrease in Property, plant and equipment	-	(17,374,000)
Net adjustment to retained earnings	-	<u>(17,374,000)</u>

n) *Construction work-in-progress*

Under NGAAP, construction work-in-progress was disclosed separately in the statement of financial position. On transition to IFRS, this has been reclassified to Property, plant and equipment within the statement of financial position with no impact on net assets or retained earnings.

The impact of this reclassification is as follows:

Statement of financial position

in thousands of Naira

	31-Dec-12	1-Jan-12
Increase in Property, plant and equipment	369,584	251,574
Decrease in Construction work-in-progress	(369,584)	(251,574)
Net adjustment to retained earnings	-	<u>-</u>

o) *Other receivables*

Under NGAAP, other receivables were disclosed separately in the statement of financial position. On transition to IFRS, this has been reclassified to trade and other receivables within the statement of financial position with no impact on net assets or retained earnings.

The impact of this reclassification is as follows:

Statement of financial position

in thousands of Naira

	31-Dec-12	1-Jan-12
Increase in trade and other receivables	556,685	419,000
Decrease in other debtors	(556,685)	(419,000)
Net adjustment to retained earnings	-	<u>-</u>

Notes to the financial statements

p) Federal Government funding

Under NGAAP, annual budgetary allocations from the Federal Government to the Company were disclosed separately in the statement of financial position as deposit for shares. On transition to IFRS, this funding being a shareholder contribution to the Company has been reclassified to equity - retained earnings. The impact on retained earnings is shown below:

Statement of financial position

in thousands of Naira

	31-Dec-12	1-Jan-12
Decrease in deposit for shares	(7,349,576)	(6,780,039)
Net adjustment to retained earnings	7,349,576	6,780,039

q) Other payables

Under NGAAP, other payables were disclosed separately in the statement of financial position. On transition to IFRS, this has been reclassified to trade and other payables within the statement of financial position with no impact on net assets or retained earnings.

The impact of this reclassification is as follows:

Statement of financial position

in thousands of Naira

	31-Dec-12	1-Jan-12
Increase in trade and other payables	19,044,221	15,940,000
Decrease in other creditors	(19,044,221)	(15,940,000)
Net adjustment to retained earnings	-	-

r) Depreciation

Under NGAAP, depreciation on Property, plant and equipment was disclosed separately in the statement of profit or loss and other comprehensive income. On transition to IFRS, depreciation on distribution network assets were classified as Cost of sales and depreciation on all other asset classes were classified as administrative expenses in the statement of profit or loss and other comprehensive income. This reclassification had no effect on net assets or retained earnings.

The impact of this reclassification is as follows:

Statement of profit or loss and other comprehensive income

in thousands of Naira

	31-Dec-12
Increase in depreciation - cost of sales	5,818,368
Increase in depreciation - administrative expenses	289,169
Decrease in depreciation	(6,095,743)
	-

Notes to the financial statements

s) Finance costs

Under NGAAP, bank charges were disclosed as interest and similar charges in the statement of profit or loss and other comprehensive income. On transition to IFRS, these have been reclassified as administrative expenses in the statement of profit or loss and other comprehensive income. This reclassification had no effect on retained earnings.

The impact of this reclassification is as follows:

Statement of profit or loss and other comprehensive income

in thousands of Naira

	31-Dec-12
Increase in administrative expenses	75,058
Decrease in interest and similar charges	(75,058)
	-

t) Finance income

Under NGAAP, interest income on bank balances held were disclosed as other income in the statement of profit or loss and other comprehensive income. On transition to IFRS, interest income was reclassified from other income to finance income in the statement of profit or loss and other comprehensive income. This reclassification had no effect on retained earnings.

The impact of this reclassification is as follows:

Statement of profit or loss and other comprehensive income

in thousands of Naira

	31-Dec-12
Increase in finance income	34,359
Decrease in other income	(34,359)
	-

Notes to the financial statements

v) Retained earnings

The above changes increased/ (decreased) retained earnings (each net of related tax) as follows:

<i>in thousands of Naira</i>	Note	31-Dec-12	1-Jan-12
Impact of change in useful life of items of plant and machinery	a	(4,181,024)	(3,628,441)
Impact of change in useful life of items of furniture and fittings	b	(138,113)	(126,369)
Cost of energy purchases	c	(2,854,727)	(2,091,342)
Accrual on postpaid energy sales	d	3,807,859	2,110,790
Deferred revenue on prepaid energy sales	e	(127,263)	(188,591)
Accumulated depreciation of items of plant and machinery	f	539,131	539,131
MYTO Subsidy income	g	836,963	-
Completed items of Construction work-in-progress	h	(23,093)	(3,656)
Recognition of NIPP assets	i	(12,274)	(479)
Change in depreciation rate	m	-	(17,374,000)
Minimum taxes	j	(185,091)	-
Deferred grant income	l	90,528,232	93,540,000
Federal Government funding	p	7,349,576	6,780,039
		<u>95,540,176</u>	<u>79,557,081</u>

v) Statement of cash flows

The transition from Nigerian GAAP to IFRS had no material impact on the statement of cash flows.

Other National Disclosures

Other National Disclosures

Value added statement

For the year ended 31 December 2013

	31 Dec 2013	%	31 Dec 2012	%
	N'000		N'000	
Revenue	35,288,213		32,208,138	
Bought-in-materials and services				
- Local	(30,827,955)		(29,359,439)	
- Foreign	-		-	
	4,460,258		2,848,699	
Other income	2,119,195		2,191,836	
Value added	6,579,453	100%	5,040,535	100%
To employees:				
- as salaries, wages and other staff costs	10,623,907	161%	9,987,651	198%
To Government as:				
- taxes	375,667	6%	185,091	4%
Retained in the business:				
- to maintain and replace property, plant and equipment	6,694,475	102%	6,691,302	133%
- to maintain and replace intangible assets	3,560	0%	3,560	0%
- to deplete reserves	(11,118,156)	(-169%)	(11,827,069)	(-235%)
	6,579,453	100%	5,040,535	100%

Other National Disclosures Financial Summary

Statement of profit or loss and other comprehensive income

	2013	2012
	N'000	N'000
Revenue	35,288,213	32,208,138
Results from operating activities	(10,743,449)	(11,676,337)
Loss before taxation	(10,742,489)	(11,641,978)
Loss for the year	(11,118,156)	(11,827,069)
Total comprehensive income for the year	(11,118,156)	(11,827,069)

Statement of financial position

	31 Dec 2013	31 Dec 2012	1 Jan 2012
	N'000	N'000	N'000
Employment of Funds			
Property, plant and equipment	63,262,449	67,806,700	72,597,964
Intangible assets	79,056	-	-
Net current assets/(liabilities)	3,468,203	(38,658,152)	(32,191,884)
Non current liabilities	(122,214)	-	-
Net assets	66,687,494	29,148,548	40,406,080
Funds Employed			
Share capital	5,000	5,000	5,000
Retained earnings	66,682,494	29,143,548	40,401,080
	66,687,494	29,148,548	40,406,080

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.