

Abuja Electricity Distribution Plc

Annual Report

31 December 2013

Contents	Page
Corporate Information	1
Directors' Report	2
Statement of Directors' Responsibilities	9
Audit Committee's Report	10
Independent Auditor's Report	11
Statement of Financial Position	13
Statement of Profit or Loss and Other Comprehensive Income	14
Statement of Changes in Equity	15
Statement of Cash Flows	16
Notes to the Financial Statements	17
Other National Disclosures	
- Value Added Statement	54
- 3 Year Financial Summary	55

Corporate Information

Registration	638681	
Directors:	Amb. Shehu Malami Benjamin Ezra Dikki John Albert Jones Neil Croucher Siyanga Malumo Emmanuel Katepa Ahmad Saci Maiyaki	Chairman South African/ Managing director Zambian Zambian
Registered Office Address:	1 Ziguinchor Street Off IBB Way Wuse Zone 4 Abuja	
Business Office Address:	1 Ziguinchor Street Off IBB Way Wuse Zone 4 Abuja	
Company Secretary:	Mrs. Olajumoke Delano 1 Ziguinchor Street Off IBB Way Wuse Zone 4 Abuja	
Auditor:	KPMG Professional Services KPMG Tower Bishop Aboyade Cole Street Victoria Island Lagos	
Bankers:	United Bank for Africa Plc First Bank of Nigeria Limited Zenith Bank Plc Union Bank of Nigeria Plc Diamond Bank Plc Ecobank Nigeria Limited Unity Bank Plc Access Bank Plc Guaranty Trust Bank Plc Sterling Bank Plc Skye Bank Plc	

Directors' Report

For the year ended 31 December 2013

The directors present their report on the affairs of Abuja Electricity Distribution Plc ("the Company"), together with the financial statements and auditor's report for the year ended 31 December 2013. The financial statements of the Company for the year ended 31 December 2013 were approved on the same date as those of the years ended 31 December 2014 and 31 December 2015. The financial statements for the year ended 31 December 2015 should be referred to, for a better understanding of the Company's most recent financial position and operating results.

Principal Activity and Business Review

Abuja Electricity Distribution Plc ("the Company" or "AEDC") was incorporated in Nigeria on 8 November 2005 as a public liability company to take over electricity distribution activities and related business of the Power Holding Company of Nigeria ("PHCN") in the Federal Capital Territory (FCT) Abuja and Niger, Kogi and Nasarawa states.

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 6 generation and 11 distribution companies to new owners under various share sale agreements. As a result of this, 60% interest of the Company was acquired by a Nigerian company, Kann Utility Company Limited ("KANN"). 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.

Also during the year, the Company's revenue increased by 42% from ₦25.3 billion to ₦36.0 billion while gross loss reduced by 83.6% from ₦8.06 billion to ₦1.32 billion. Increase in revenue is as a result of more 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. Gross loss decreased mainly because of the recognition of MYTO subsidies of ₦5.75 billion recognized as a reduction to cost of sales during the year.

Operating Results

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

	2013	2012
	N'000	N'000
Revenue	36,025,798	25,345,342
Gross loss	(1,319,989)	(8,058,576)
Operating loss	(13,371,972)	(20,221,282)
Loss before minimum tax and income tax	(13,370,753)	(20,216,713)
Minimum tax	(418,581)	-
Income tax	-	-
Loss for the year	(13,789,334)	(20,216,713)

Summary of financial position

Total assets	96,028,465	130,740,018
Total liabilities	10,234,247	31,156,466
Equity	85,794,218	99,583,552

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>Nationality</u>	<u>Designation</u>	<u>Date (Resigned)/Appointed</u>
Bolanle Onagoruwa			(28 January 2013)
Benjamin Ezra Dikki			28 January 2013
Mohammed Kyari Dikwa			(1 November 2013)
Amb. Shehu Malami		Chairman	1 November 2013
Felix Ohiwerei			1 November 2013
John Albert Jones			1 November 2013
Siyanga Malumo	Zambian		1 November 2013
Neil Croucher	South African	Managing Director	1 November 2013
Michael Tarney	British		1 November 2013
* Audu Uba Mohammed			1 November 2013
* <i>Audu Uba Mohammed is the alternate director to Benjamin Ezra Dikki who is the representative of BPE on the board</i>			

Subsequent to the year end, Felix Ohiwerei and Micheal Tarney resigned as directors of the Company on 24 July 2015 and 12 Nov 2015 respectively. On 11 December 2015, Emmanuel Katepa and Ahmad Maiyaki were appointed to the board.

The directors indicate that they do not have any interests required to be disclosed under Section 275 of the Companies and Allied Matters Act of Nigeria.

In accordance with 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.

Shareholding Structure

The shareholding structure of the Company is as follows:

	<u>Ordinary Shares of 50 Kobo each</u>			
	<u>31 December 2013</u>		<u>31 December 2012</u>	
	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>
KANN Utility Company Limited	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, KANN Utility Company Ltd (KANN), the Bureau of Public Enterprises (BPE) and the Ministry of Finance Incorporated entered into a share sale agreement under which KANN acquired a 60% stake in the Company. The acquisition of the Company shares by KANN 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 FGN in the Company.

Corporate Governance

Post-acquisition of the Company by KANN, 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.

The NERC rules requires that the Company has at least five directors of which at least one must be an independent director. The Company currently has seven (7) directors. The Company does not have an independent director but is in the process of evaluating and selecting one.

The executive director in person of the managing director has extensive knowledge of the power sector and is supported by a strong leadership team (see section on leadership team) while the non-executive directors bring to the table their broad knowledge of business, financial, commercial and technical experience.

Post-acquisition of the Company by KANN, the board met four 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 1, '13	Nov 11, '13	Nov 12, '13	Nov 29, '13
Amb. Shehu Malami	Chairman	X	X	X	X
Neil Croucher	Managing Director	X	X	X	X
Michael Tarney	Director	-	X	X	X
Felix Ohiwerei	Director	-	-	X ¹	X ¹
John Albert Jones	Director	X	X	-	X ¹
Siyanga Malumo	Director	-	-	-	X
Audu Uba Mohammed	Alternate Director	X	X	X	X

X¹ = Attended by proxy; X = Attended; - = Absent

Sub Committees of the Board

The board has established committees consistent with NERC rules, each with written terms of reference approved by the board. Currently, there are five (5) 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. The Audit Committee

The current composition of the audit committee is as follows:

Members	Designation
Mr. Audu Uba Mohammad	Chairman
Mr. Collins M Chabuka	Secretary
Mr. John Albert Jones	
Mr. Siyanga Malumo	
Mr. Neil Croucher	Ex-officio

The audit committee's overall purpose is to enhance confidence in the integrity of the Company's processes and procedures relating to internal control and corporate reporting. On the invitation of the Chairman of the Audit Committee, representatives of Management and the external auditors attend meetings. The Audit Committee is responsible for the review of financial reporting, appointment and provision of oversight for the work of the external auditor. The Audit Committee makes recommendations to the Board concerning internal financial controls, effectiveness of its internal audit functions viz a viz compliance with internal processes and procedures.

The Committee also reviews the arrangement by which staff of the Company may, in confidence, raise concerns about possible improprieties in financial and non financial matters. It also ensures statutory compliance with the provisions of Company and Allied Matters Act of Nigeria.

The Audit sub-committee did not have any meetings during the year under review.

2. Finance Committee

The current composition of the finance committee is as follows:

Members	Designation
Mr. John Albert Jones	Chairman
Andrew Atterbury	Secretary
Mr. Audu Uba Mohammed	
Mr. Michael Tarney	
Mr. Neil Croucher	Ex-officio

The finance committee makes recommendations to the Board concerning the revenue requirement of the Company as well as reviews of the Company's investment plans and financial performance.

The finance committee did not have any meetings during the year under review.

3. Executive Committee

The executive committee is responsible for proposing candidates for appointment to the board, bearing in mind the balance and structure of the Board as well as assessing the performance of the Chief Executive Officer. The Committee also considers corporate governance issues, ensures strict compliance and makes recommendation to the Board. In addition, this Committee advises the Board on the provisions of all relevant Nigerian extant laws, NERC's Regulations Orders, Codes and Standards as well as to monitor regulatory developments and advises the board.

The members of the executive committee are as follows:

Executive Committee Members	Designation
Mr. Siyanga Malumo	Chairman
Company Secretary	Secretary
Mr. Audu Uba Mohammed	
Mr. Felix Ohiwerei	
Mr. Neil Croucher	Ex-officio

In the year under review, the Executive Committee did not meet.

4. Security Health Safety and Environment Committee

Members	Designation
Mr. Audu Uba Mohammed	Chairman
Collins M Chabuka	Secretary
Mr. Siyanga Malumo	
Amb. Shehu Malami	
Mr. Neil Croucher	Ex-officio

The Security Health Safety and Environment Committee is responsible for updating the Company on current issues in health and safety in the electricity sector as well as ensuring that the Company maintains strict compliance with NERC's Health and Safety Code as well as other relevant codes of the Commission. From the date of establishment to the year end, the Security Health Safety and Environment Committee did not have any meeting.

5. Remuneration and Employee Development Committee

Members	Designation
Mr. Felix Ohiwerei	Chairman
Mrs. Tolu Ighodalo Mark-Ojie	Secretary
Mr. Audu Uba Mohammed	
Mr. Michael Tarney	
Mr. Neil Croucher	Ex-officio

The Remuneration and employee development committee is responsible for reviewing the contract terms, remuneration and other benefits of the Executive Directors and Senior Management of the Company. The Committee also reviews the reports of external consultants for services rendered, which assist the Committee in their duties.

The Chairman and other Directors may be invited to attend meetings of the Committee, but do not take part in any decision making directly affecting their own remuneration. The Committee undertakes an external and independent review of remuneration levels on a periodic basis, to ensure that employment policies are strictly adhered to.

In the year under review, the Remuneration and Employee Development Committee did not have any meeting.

Leadership team

The board has delegated the day to day running of the Company to the leadership team of the Company headed by the Managing Director. The leadership team comprises:

Name	Designation
Neil Croucher	Managing Director/CEO
Andrew Atterbury	Chief Finance Officer
Mrs. Tolu Ighodalo Mark-Ojie	Executive Director - Human Resources & Corporate Services
Joe Chiyassa	Executive Director - Technical Services
Collins M Chabuka	Chief Risk Officer
	Executive Director - Corporate Planning & Business Development (CP&BD)
Omokhoa Okaisabor	
Ernest Mupwaya	Executive Director - Commercial Services

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 through the Bureau of Public Enterprises 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

Prior to the acquisition of the Company by KANN, it entered into a Deed of Assignment of Pre-Completion Receivables with NELMCO where all its trade receivables as at 31 October 2013 were transferred to NELMCO. The assignment of trade receivables is without recourse.

(b) Pre-Completion liabilities

The Deed of Assignment of Pre-Completion liabilities transfers all liabilities and contingent liabilities of the Company as at 31 October 2013 to NELMCO subject to certain terms and conditions which management believes do not limit the transfers.

On the basis of this agreement, management has derecognized qualifying assets and liabilities from these financial statements. See Notes 11 and 24.

2. Technical agreement with related party

See Note 22(c) to these financial statements.

Geographical presence

To enable the Company operate in the Federal Capital Territory, Abuja and Kogi, Nasarawa and Niger states where it distributes electricity, it has 28 business units excluding the head office. Each business unit is headed by a business manager who reports to the leadership team based at the head office.

Property, plant and equipment

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

Charitable contributions

No contributions or donations was made to charitable organisations during the year (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 are disclosed in Note 28 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 in full. 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 our goals, the Company is committed to communicating information to employees in a fast and effective manner. This is considered critical to the maintenance of team spirit and high employee morale.

(c) Employment of physically challenged persons:

The Company has two physically challenged person 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 arranged. It is the policy of the Company that training, career development and promotion of physically challenged persons should, as far as possible, be identical with that of other employees.

(d) Employee health, safety and welfare:

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

Auditor

Messrs KPMG Professional Services was appointed as independent auditor on 1 November 2013 by the Board of Directors.

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

Abuja, Nigeria
17 June 2016



BY ORDER OF
THE BOARD
Mrs. Olajumoke Delano
Company Secretary
FRC/2014/ICADN/00000006727

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 annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act 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 no reason to believe the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:




Signature

NEIL FREDERICK CROUCHER
Name

FRC/2015/IODN/00000011019

17 June 2016
Date



Signature

AMB. SHEHU MALAMI
Name

FRC/2015/IODN/00000011270

17 June 2016
Date

Report of the Audit Committee

To the members of Abuja Electricity Distribution Plc

In accordance with the terms of reference as contained in the Company's audit committee Charter and the provisions of section 359(6) of the Companies and Allied Matters Act of Nigeria we, the members of the Audit Committee of Abuja 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 Audit Committee are:

- 1) Mr. Audu Uba Mohammed
- 2) Collins M Chabuka
- 3) Mr. John Albert Jones
- 4) Mr Siyanga Malumo
- 5) Mr. Neil Croucher

Chairman

Secretary

Ex-Officio



Mr. Audu Uba Mohammed

Chairman

17 JUNE 2016

FRC/2014/CIPSMN/00000010485



INDEPENDENT AUDITOR'S REPORT

To the Members of **Abuja Electricity Distribution Plc Report**
on the Financial Statements

We have audited the accompanying statement of financial position of **Abuja Electricity Distribution Plc** ("the Company) as at 31 December, 2013, and we were engaged to audit the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 13 to 52.

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. Because of the matter described in the Basis for Disclaimer of Opinion on the Financial Performance and Cash Flows Paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of profit or loss and other comprehensive income and cash flows.

We conducted our audit of the statement of financial position 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 opinion on the financial position.

Basis for Disclaimer of Opinion on the Financial Performance and Cash flows

We were unable to obtain sufficient appropriate audit evidence about the completeness and accuracy of amounts included in profit or loss for the year ended 31 December 2013 as a result of the following matters:



1. Inability to Audit Opening Balances

We were appointed as auditors to the Company on 1 November 2013. We were unable to obtain sufficient and appropriate audit evidence to determine whether the opening balances carried forward from the Company's prior year financial statements were free of material misstatements because management was unable to provide supporting documentation to validate the balances. As such, we were unable to determine the extent to which adjustments are required to the current year statements of profit or loss and other comprehensive income and cash flows.

2. Unavailability of Sufficient Appropriate Supporting Documentation

We were unable to obtain sufficient and appropriate audit evidence requires to perform relevant substantive procedures in items of revenue earned and expenses incurred from 1 January 2013 to 31 October 2013. Management was unable to provide the information required due to ineffective operation of the system of internal controls required to ensure complete and accurate capturing of items of revenue earned and expenses incurred for the same period.

Consequently, we were unable to determine whether adjustments might have been necessary in respect of the loss for the year reported in the statement of profit or loss and other comprehensive income and the net cash flows from the operating activities reported in the statement of cash flows.

Disclaimer of Opinion on the Financial Performance and Cash flows

Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the financial performance and cash flows paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Company's financial performance and cash flows for the year ended 31 December 2013. Accordingly, we do not express an opinion on the financial performance and cash flows for the year ended 31 December 2013.

Opinion on the Financial Position

In our opinion, the statement of financial position give a true and fair view of the financial position of Abuja Electricity Distribution Plc ("the Company") as at 31 December 2013 in accordance with International Financial Reporting Standards and in the manner required the Company and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act 2011

Other Matter

The financial statements of Abuja Electricity Distribution Plc. for the year ended 31 December 2012 were audited by another auditor whose report dated 31 March 2014 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 the statement of profit or loss and other comprehensive income are in agreement with the books of account.

Signed: *Chibuzor Anyanechi*

Chibuzor N. Anyanechi, FCA
FRC/2013/ICAN/00000000789
For: KPMG Professional Services
Chartered Accountants
18 November 2016
Lagos, Nigeria





Statement of financial position

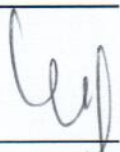
As at

	Notes	31 Dec 2013 N'000	31 Dec 2012 N'000	1 Jan 2012 N'000
ASSETS				
Property, plant and equipment	15	88,805,163	92,108,027	96,015,104
Intangible assets	16	19,847	-	-
Non-current assets		88,825,010	92,108,027	96,015,104
Inventories	17	434,388	1,469,731	890,269
Trade and other receivables	18	3,799,561	21,664,065	17,887,173
Prepayments		26,646	370,195	346,708
Cash and cash equivalents	19	2,942,860	15,128,000	11,432,060
Current assets		7,203,455	38,631,991	30,556,210
Total assets		96,028,465	130,740,018	126,571,314
EQUITY				
Share capital	20	5,000	5,000	5,000
Retained earnings		85,789,218	99,578,552	118,133,061
Total equity		85,794,218	99,583,552	118,138,061
LIABILITIES				
Deferred revenue		102,003	-	-
Trade and other payables	21	9,564,708	29,263,948	6,311,326
Current tax liabilities	14(d)	418,581	1,847,603	1,847,603
Loans and borrowings	23	148,955	44,915	274,324
Current and total liabilities		10,234,247	31,156,466	8,433,253
Total equity and liabilities		96,028,465	130,740,018	126,571,314

These financial statements were approved by the Board of Directors on 17 June 2016 and signed on its behalf by:

Amb. Shehu Malami  Director
FRC/2015/IODN/00000011270

Neil Frederick Croucher  Chief Executive Officer
FRC/2015/IODN/00000011019

Additionally certified by:
Andrew Atterbury  Chief Finance Officer
FRC/2014/IODN/00000010424

The notes on pages 17 to 52 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

For the year ended 31 December

	Notes	2013 N'000	2012 N'000
Revenue	8	36,025,798	25,345,342
Cost of sales	9	(37,345,787)	(33,403,918)
Gross loss		(1,319,989)	(8,058,576)
Other income	10	923,709	771,133
Administrative expenses	9	(13,668,537)	(12,933,839)
Other gains	11	692,845	-
Operating loss		(13,371,972)	(20,221,282)
Finance income	12	4,462	4,569
Finance costs	12	(3,243)	-
Net finance income		1,219	4,569
Loss before minimum tax and income tax	13	(13,370,753)	(20,216,713)
Minimum tax	14(a)	(418,581)	-
Loss before income tax		(13,789,334)	(20,216,713)
Income tax expense	14(b)	-	-
Loss for the year		(13,789,334)	(20,216,713)
Other comprehensive income, net of tax		-	-
Total comprehensive income		(13,789,334)	(20,216,713)

The notes on pages 17 to 52 are an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2013

	Note	Share capital N'000	Retained earnings N'000	Total equity N'000
Balance at 1 January 2012		5,000	118,133,061	118,138,061
Total comprehensive income				
Loss for the year		-	(20,216,713)	(20,216,713)
Other comprehensive income		-	-	-
Total comprehensive income		-	(20,216,713)	(20,216,713)
Transaction with owners				
Contributions				
Federal government funding	20(b)	-	1,662,204	1,662,204
Total transaction with owners		-	1,662,204	1,662,204
Balance at 31 December 2012		5,000	99,578,552	99,583,552
Balance as at 1 January 2013		5,000	99,578,552	99,583,552
Total comprehensive income				
Loss for the year		-	(13,789,334)	(13,789,334)
Other comprehensive income		-	-	-
Total comprehensive income		-	(13,789,334)	(13,789,334)
Transaction with owners		-	-	-
Balance at 31 December 2013		5,000	85,789,218	85,794,218

The notes on pages 17 to 52 are an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December

	Notes	2013 N'000	2012 N'000
Cash flows from operating activities:			
Loss for the year		(13,789,334)	(20,216,713)
Adjustments for :			
- depreciation of property, plant and equipment	15	5,078,219	5,057,252
- amortization of intangible asset	16	3,502	-
- impairment loss on inventories	9	447,635	663,057
- impairment loss on receivables	9	601,824	1,742,258
- finance income	12	(4,462)	(4,569)
-finance cost	12	3,243	-
- net amounts transferred to NELMCO	11	(692,845)	-
- tax expense	14 (a)	418,581	-
		(7,933,637)	(12,758,715)
Changes in:			
- Inventories	17 (c)	587,708	(1,242,519)
- Trade and other receivables	18 (b)	(20,445,267)	(5,519,150)
- Prepayment		343,549	(23,487)
- Trade and other payables	21 (b)	17,696,119	22,952,622
- Deferred revenue		102,003	-
		(9,649,525)	3,408,751
Cash (used in)/generated from operating activities			
Income taxes paid		-	-
		(9,649,525)	3,408,751
Net cash (used in)/generated from operating activities			
Cash flows from investing activities:			
Acquisition of property, plant and equipment	15	(284,765)	(1,150,175)
Acquisition of intangible assets	16	(23,349)	-
Interest received	12	4,462	4,569
		(303,652)	(1,145,606)
Cash used in investing activities			
Cash flows from financing activities:			
Loan from a related party	22(c)	145,712	-
Federal government funding		-	1,662,204
Repayment of bank borrowings		(44,915)	(229,409)
		100,797	1,432,795
Cash generated from financing activities			
Net (decrease)/increase in cash and cash equivalents			
		(9,852,380)	3,695,940
Cash and cash equivalents at 1 January		15,128,000	11,432,060
Cash no longer available for operations	11	(2,332,760)	-
		2,942,860	15,128,000
Cash and cash equivalents at 31 December			

The notes on pages 17 to 52 are an integral part of these financial statements.

Notes to the Financial Statements

1 Reporting entity

Abuja 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 Federal Capital Territory (FCT), Niger, Kogi and Nasarawa states. The Company is domiciled in Nigeria and has its registered office address at 1 Ziguinchor street off IBB Way Wuse Zone 4, Abuja.

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 rules for the interim period between completion of privatization and the start of the Transitional Electricity Market of the Nigerian Electricity Supply Industry" as issued by Nigerian Electricity Regulatory Commission. This rule was meant to terminate in March 2014 but has been extended for an additional four months.

During the year, on 1 November 2013, a Nigerian Company, KANN Utility Company Limited 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 (IFRSs) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

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 29.

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 17 June 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 reporting date.

Notes to the Financial Statements

3 Functional and presentation currency

These financial statements are presented in Nigerian Naira (NGN), 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:

Notes 11 and 24 - Elimination of Assets and Liabilities taken over by NELMCO

Notes 15(d) – Leases – Whether arrangements for NIPP Assets and Non Core Assets held by NELMCO contain a lease

(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 2013 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 26(a) - Impairment of trade receivables

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

Note 15(b) – Estimated Useful lives and residual values of Property Plant and equipment

Note 17 – Write down of Inventories to Net Realizable Values

Note 24 – 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 assets granted by customers or by Government which are initially recognized at fair value, financial instruments measured based on fair value and PPE measured at deemed cost on transition.

6 Measurement of fair values

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

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

Notes to the Financial Statements

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.

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 postpaid customers is the value of the volume of units supplied during the year including an estimate of the value of volume of units supplied to these customers between the date of their last meter reading (which coincides with the last invoice date) and the year-end. In case of prepaid meter customers, an estimate is made for unearned revenue as at year-end and this is included in the statement of financial position as deferred revenue.

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

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

Notes to the Financial Statements

(b) Finance income and finance costs

Finance income comprises interest income on short-term deposits with banks and foreign exchange gains.

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

Finance costs comprise interest expense on interest bearing borrowings and foreign exchange losses. 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.

Foreign exchange gains and losses are recognised on net basis.

(c) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of that asset. The capitalization of borrowing costs commences from the date of incurring of expenditure relating to the qualifying asset and ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Borrowing costs relating to the period after acquisition, construction or production are expensed. In the case of a specific borrowing arrangement, the respective borrowing costs incurred in that particular arrangement during the period is used. For non-specific borrowing arrangements, a financing rate is determined and applied. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(d) Foreign currency transactions

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

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

(e) 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. The cost of certain items of property, plant and equipment at 1 January 2012, the Company's date of transition to IFRS, was determined with reference to its fair value at that date. 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 and borrowing costs (refer Note 7(c)).

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.

Notes to the Financial Statements

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

iii *Depreciation*

Depreciation is calculated to write off the cost 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.

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

	Life (years)
Land	Over the remaining lease period
Buildings	50
Distribution network assets	15-50
Motor vehicles	5
Equipment fixtures & fittings	5

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

iv *Derecognition of PPE*

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

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

v *Contribution of assets by customer*

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

Notes to the Financial Statements

(f) Intangible assets

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

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. The estimated useful lives are as follows:

Computer software	5 Years
-------------------	---------

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

(g) Financial instruments

The Company classifies non-derivative financial assets as loans and receivables. Non derivative financial assets comprise of trade and other receivables and cash and cash equivalents.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Non derivative financial liabilities comprise of trade and other payables and loans and borrowings.

(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 – measurements

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at 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.

Notes to the Financial Statements

(iii) Non-derivative financial liabilities – measurements

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

(h) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that have maturity periods less than 3 months and form an integral part of the Company's cash management. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

(i) 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.

(j) Grants

Government grants

The Company recognizes an unconditional government grant relating to the MYTO reimbursement for R1 and R2 customers in profit or loss as a reduction to cost of sales when the grant becomes receivable. Other government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant.

Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

(k) Inventories

Inventories comprise consumables and spares used for maintenance of distribution network assets. Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on standard costing to the extent that these approximate actual costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

(l) Leases

i Determining whether an arrangement contains a lease

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

Notes to the Financial Statements

ii Leased assets

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

iii Lease payments

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

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

(m) Impairment

i Non-derivative financial assets

Financial 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.

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

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

Notes to the Financial Statements

(o) 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 that has occurred on the assets dedicated to that contract.

Contingent liabilities

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

Contingent liabilities are only disclosed and not recognized as liabilities in the statement of financial position. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

(p) Minimum tax

Minimum tax is recognised where the revenue for the year is in excess of five hundred thousand Naira and the Company has no taxable income as a result of allowable expenses for a tax year being more than the taxable income, or the income tax computed is less than the minimum tax. It is measured in line with the provisions of the Company Income Tax Act. Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, is not presented in the income tax expense line in the profit or loss.

(q) Income tax

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

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income tax, if any.

Notes to the Financial Statements

It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset if the Company:

- has legal enforceable right to set off the recognised amount; and
- Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(ii) Deferred tax

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

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

Deferred tax assets and liabilities are offset only if the Company:

- has legal enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

(r) Operating Loss

Operating loss is the result generated from the continuing principal revenue producing activities of the Company as well as other income and expenses related to operating activities. Operating loss excludes net finance costs, share of profit of equity accounted investees and income taxes.

(s) Other Income

Other income comprises interest income service reconnection fees, amortisation of government grants, CAPMI installation fees, customer granted assets and connection fees.

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 2018

- IFRS 9 Financial Instruments

Notes to the Financial Statements

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:

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 will result in the Company no longer offsetting two of its master netting arrangements. 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 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 (once specified). The impact of the adoption of IFRS 9 has not yet been estimated as the standard is still being revised and impairment and macro-hedge accounting guidance is still outstanding.

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

8 Revenue

Revenue comprise amounts derived from delivering of electricity and other related activities across the Company's distribution network in the Federal Capital Territory (FCT) Abuja, Kogi, Nasarawa and Niger States.

Notes to the Financial Statements

9 Expenses by nature

	<u>2013</u>	<u>2012</u>
	N'000	N'000
Cost of Energy (Note 9(a))	31,511,216	21,268,428
Consumables and other direct costs	385,738	7,398,647
Depreciation (Note 15(a))	5,078,219	5,057,252
Maintenance	696,595	-
Consultancy fees (Note 9(b))	355,450	-
Staff and related costs (Note 13(b)(i))	8,573,060	9,389,680
Directors' remunerations (Note 13(b)(iii))	24,556	-
Bank charges	46,522	68,022
Auditor's remuneration	52,000	7,950
Amortization of intangible assets (Note 16)	3,502	-
Transport and travels and insurance	66,416	29,315
Rent expense	109,301	33,910
Impairment of bad and defective inventory materials	447,635	663,057
Impairment of trade receivables	601,824	1,742,258
Office stationery and utilities	3,062,290	679,238
Total cost of sales and administrative expenses	<u><u>51,014,324</u></u>	<u><u>46,337,757</u></u>

(a) Government subsidies

Cost of energy is net of MYTO Subsidy of ₦5.75 billion for the year ended December 2013. As at year end, ₦958.33 million remained unpaid (Notes 18 and 26).

(b) Consultancy fees

Included in consultancy fees is ₦285.45 million which is in respect of operations and management services provided by a related party (KANN Utility Company Limited (the parent)) which includes extensive services on IT, procurement, integration, strategic support and turnaround strategies (Note 22(c)).

10 Other income

	<u>2013</u>	<u>2012</u>
	N'000	N'000
Commission income (Note 10(a))	218,603	-
Service re-connection fee	470,743	393,222
Excess service charge	3,653	-
Connection fees	230,710	377,911
	<u><u>923,709</u></u>	<u><u>771,133</u></u>

Notes to the Financial Statements

(a) Commission income

This represents accrued income on legacy trade receivables collected on behalf of Nigeria Electricity Liability Management Company (NELMCO) during the year. 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. Remittance of collections to NELMCO is expected to be net of the commission (Notes 18(a)).

11 Other gains

Other gains represents 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 the Company (see Note 24). As a result, all trade receivables and liabilities as at 31 October 2013 were derecognised. The directors are of the opinion that this is an exceptional income and have disclosed this amount separately in profit or loss.

The impact of the derecognition of the liabilities and trade receivables was as follows:

	<u>2013</u>
	<u>N'000</u>
- Elimination of tax payable (Note 14(d))	1,847,603
- Elimination of employee liabilities	3,608,408
- Elimination of trade and other payables	35,277,541
- Elimination of garnisheed bank account balances	(2,332,760)
- Elimination of trade receivables	(37,707,947)
	<u>692,845</u>

12 Finance income and finance costs

	<u>2013</u>	<u>2012</u>
	<u>N'000</u>	<u>N'000</u>
<i>Finance income</i>		
Interest income on short term deposit	4,462	4,569
Total finance income	<u>4,462</u>	<u>4,569</u>
<i>Finance cost</i>		
Interest on working capital facility (Note 23(a))	(3,243)	-
Total finance costs	<u>(3,243)</u>	<u>-</u>
Net finance income	<u>1,219</u>	<u>4,569</u>

13 Loss before minimum and income taxes

(a) Loss before minimum and income taxes is stated after charging the following:

	<u>2013</u>	<u>2012</u>
	<u>N'000</u>	<u>N'000</u>
Depreciation (Note 15 (a))	5,078,219	5,057,252
Employee benefit expense (Note 13(b)(i))	8,573,060	9,389,680
Directors' remuneration (Note 13(b)(iii))	24,556	-
Auditor's remuneration	52,000	7,950
Exceptional gains (Note 11)	692,845	-
	<u>692,845</u>	<u>-</u>

Notes to the Financial Statements

(b) Employee benefit expense and director's remuneration

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

	<u>2013</u>	<u>2012</u>
	<u>N'000</u>	<u>N'000</u>
Wages	8,201,194	8,982,392
Pension costs	371,866	407,288
	<u>8,573,060</u>	<u>9,389,680</u>

(ii) As a result of the privatisation completed during the year, the Company disengaged all employees and re-hired 3,601 of them for an initial period of six months. These employees are considered as contract staff as the basis of employment is strictly on short term contracts to enable the Company continue its operations seamlessly until new management employs permanent staff. As such the directors do not believe that additional disclosures on employees are required.

(iii) Directors' remuneration

Directors' remuneration paid during the year includes:

	<u>2013</u>	<u>2012</u>
	<u>N'000</u>	<u>N'000</u>
Fees as directors	24,556	-

The directors' remuneration shown above includes:

	<u>2013</u>	<u>2012</u>
	<u>N'000</u>	<u>N'000</u>
Chairman	5,667	-
Highest paid director	5,667	-

The number of other directors (excluding the Chairman and highest paid director) who received emoluments excluding pension contributions and certain benefits were within the following range:

	<u>2013</u>	<u>2012</u>
	<u>Number</u>	<u>Number</u>
Nil	1	-
N3,500,000 - N4,000,000	5	-

14 Taxation

(a) **Minimum Tax**

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 N418.58 million.

Notes to the Financial Statements

(b) **Income Tax expense**

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
	% ₦'000
Loss before minimum tax and income tax	(13,370,753)
Income tax using the statutory tax rate	30 (4,011,226)
Effect of:	
unrecognized deferred tax assets	(18) 2,446,381
Tax exempt income	1 (207,854)
Non-deductible expenses	(13) 1,772,699
Total income tax expense	- -

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

	2013	2012
	₦'000	₦'000
Balance at 1 January	1,847,603	1,847,603
Charge for the year (minimum tax (Note 14(a)))	418,581	-
Transfer to NELMCO (Note 11)	(1,847,603)	-
Balance at 31 December	418,581	1,847,603

(e) **Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of unrelieved tax losses, because it is not probable that future taxable profits will be available against which the Company can use the benefits therefrom.

Due to the fact that the Company has not filed its tax returns from inception to date and certain uncertainties around the determination of the tax basis of assets and liabilities, the directors have limited their estimate of unrecognised deferred tax assets to unrelieved tax losses of ₦7.93 billion (deferred tax asset of ₦2.38 billion) and allowance for doubtful debt of ₦601.84 million (deferred tax asset of ₦180.55 million) arising in the current year as this represents their best estimate of the amount the Company would be able to recover in the future if it generates future taxable income.

Notes to the Financial Statements

15 Property, plant and equipment

The movement in property plant and equipment was as follows:

	Land		Buildings		Distribution network assets		Office equipment fixtures & fittings		Motor vehicles		Capital work in progress		Total	
	N'000		N'000		N'000		N'000		N'000		N'000		N'000	
Cost														
Balance at 1 January 2012	10,934,173	-	3,085,439	-	80,770,725	36,731	-	-	-	1,188,036	-	96,015,104	-	
Additions	-	-	-	-	-	-	-	-	-	1,150,175	-	1,150,175	-	
Transfers	-	-	-	-	663,378	3,018	-	-	-	(666,396)	-	-	-	
Balance at 31 December 2012	10,934,173	-	3,085,439	-	81,434,103	39,749	-	-	-	1,671,815	-	97,165,279	-	
Balance at 1 January 2013	10,934,173	-	3,085,439	-	81,434,103	39,749	-	-	-	1,671,815	-	97,165,279	-	
Additions	-	-	-	-	1,490,590	24,718	-	-	25,017	235,030	-	1,775,355	-	
Transfer	-	-	43,130	-	483,746	4,919	-	-	-	(531,795)	-	-	-	
Balance at 31 December 2013	10,934,173	-	3,128,569	-	83,408,439	69,386	-	-	25,017	1,375,050	-	98,940,634	-	
Depreciation														
Balance at 1 January 2012	-	-	-	-	-	-	-	-	-	-	-	-	-	
Charge for the year	218,684	-	92,947	-	4,736,843	8,778	-	-	-	-	-	5,057,252	-	
Balance at 31 December 2012	218,684	-	92,947	-	4,736,843	8,778	-	-	-	-	-	5,057,252	-	
Balance at 1 January 2013	218,684	-	92,947	-	4,736,843	8,778	-	-	-	-	-	5,057,252	-	
Charge for the year	218,684	-	93,461	-	4,752,238	13,002	-	-	834	-	-	5,078,219	-	
Balance at 31 December 2013	437,368	-	186,408	-	9,489,081	21,780	-	-	834	-	-	10,135,471	-	
Carrying amounts														
At 1 January 2012	10,934,173	-	3,085,439	-	80,770,725	36,731	-	-	-	1,188,036	-	96,015,104	-	
At 31 December 2012	10,715,489	-	2,992,492	-	76,697,260	30,971	-	-	-	1,671,815	-	92,108,027	-	
At 31 December 2013	10,496,805	-	2,942,161	-	73,919,358	47,606	-	-	24,183	1,375,050	-	88,805,163	-	

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

Cost of sales	2012	2013
General and administrative expenses	N'000	N'000
	4,736,843	4,752,238
	320,409	325,981
	5,057,252	5,078,219

Notes to the Financial Statements

- (b) Estimation of useful lives and residual values of PPE
The Company has used its internal engineers to evaluate the useful lives and residual values of items of PPE based on the level of network performance and the equipment manufacturers estimated/recommended useful life. Reassessment of useful life has been performed as at year end.
- (c) The Company had capital commitments amounting to ₦1.10 billion as at reporting date.
- (d) The Company is yet to obtain full legal title to its Land. The recognition of land is on the basis that the share sale agreement signed with the current shareholders of the Company by the Federal Government of Nigeria during the privatization process, recognizes that the properties belong to the Company and the Company has unfettered access to the properties. As such, the Directors believe the Company has beneficial ownership to the land and will continue to derive economic benefits from these landed properties. The Directors are in the process of perfecting the title to all the affected land. The value of the land as at the year end was ₦10.50 billion (2012: ₦10.72 billion).
- (e) Capital work in progress represents on going construction works on substations handled by third party vendors not yet completed as at year end.

16 Intangible assets

Intangible assets comprise the cost of software acquired. The movement in the account during the year is as follows:

	<u>31 Dec 2013</u>
	N'000
Cost	
Balance at 1 January	-
Additions	23,349
Balance at 31 December	<u>23,349</u>
Amortisation	
Balance at 1 January	-
Charge for the year	3,502
Balance at 31 December	<u>3,502</u>
Carrying amount	
At 31 December	<u><u>19,847</u></u>

17 Inventories

	<u>31 Dec 2013</u>	<u>31 Dec 2012</u>	<u>1 Jan 2012</u>
	N'000	N'000	N'000
Consumable spare parts	418,728	1,431,865	857,037
Other Consumables	15,660	37,866	33,232
	<u>434,388</u>	<u>1,469,731</u>	<u>890,269</u>

- (a) Inventories recognised as expense include consumable spare parts and other consumables used in maintenance during the year. They are included in maintenance cost in cost of sales and amounted to ₦279.70 billion.

Inventories were written down to net realisable value during the year. The loss arising on the write-down of ₦447.6 million was included in profit or loss (2012: ₦663.06 million).

Notes to the Financial Statements

The basis of the write down was as a result of the inventory inspection carried out by the management and a determination based on current operations that certain items might be obsolete.

(c) Reconciliation of changes in inventory to statement of cashflows is as follows:

	<u>31 Dec 2013</u>	<u>31 Dec 2012</u>
	<u>N'000</u>	<u>N'000</u>
Changes in inventory	1,035,343	(579,462)
Write down of inventory	(447,635)	(663,057)
	<u>587,708</u>	<u>(1,242,519)</u>

18 Trade and other receivables

	<u>31 Dec 2013</u>	<u>31 Dec 2012</u>	<u>1 Jan 2012</u>
	<u>N'000</u>	<u>N'000</u>	<u>N'000</u>
Trade receivables	2,407,297	19,959,947	16,071,702
Government subsidies (Note 9(a))	958,333	-	-
Advance payments (Note 18(a))	433,931	-	-
Other receivables	-	1,704,118	1,815,471
	<u>3,799,561</u>	<u>21,664,065</u>	<u>17,887,173</u>

(a) Advance payments relate to excess payments made by the Company to NELMCO on account of collections of legacy debts in line with the Deed of Assignment of Pre-Completion Receivables. In November 2013, the Company paid ₦1.15 billion to NELMCO which was considered by the directors to be in excess of the actual collection made against legacy debts during the month of November 2013 by ₦433.93 million after considering other adjustments such as commission of ₦229.56 million (inclusive of VAT) on legacy debt collected not deducted. The directors are confident that the excess amount paid to NELMCO would be recovered through future collections made against legacy debts. The amount has not been offset against the amount payable to NELMCO of ₦320.98 million (Note 21) because a right of offset does not exist.

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

	<u>31 Dec 2013</u>	<u>31 Dec 2012</u>
	<u>N'000</u>	<u>N'000</u>
Changes in trade and other receivables	17,864,504	(3,776,892)
Impairment loss on trade and other receivables	(601,824)	(1,742,258)
Elimination of trade receivables transferred to NELMCO	(37,707,947)	-
	<u>(20,445,267)</u>	<u>(5,519,150)</u>

Information about the Company's exposure to credit and market risks and impairment losses for trade receivables is included in Note 26 (a) and (c).

19 Cash and cash equivalents

	<u>31 Dec 2013</u>	<u>31 Dec 2012</u>	<u>1 Jan 2012</u>
	<u>N'000</u>	<u>N'000</u>	<u>N'000</u>
Bank balances	2,795,652	15,128,000	9,202,121
Short term deposits	147,208	-	2,229,939
	<u>2,942,860</u>	<u>15,128,000</u>	<u>11,432,060</u>

Notes to the Financial Statements

Included in bank balances and short term deposits are amounts of ₦173.78 million and ₦147.20 million respectively held by the Company with respect to pre-completion employee liabilities not yet remitted to NELMCO (Note 21(a)).

20 Share capital and reserves

(a) Share capital comprise:

	<u>31 Dec 2013</u>	<u>31 Dec 2012</u>	<u>1 Jan 2012</u>
	N'000	N'000	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 viewed as contribution from a shareholder. See note 29(f).

21 Trade and other payables

	<u>31 Dec 2013</u>	<u>31 Dec 2012</u>	<u>1 Jan 2012</u>
	N'000	N'000	N'000
Trade payables	6,846,823	23,755,783	3,055,729
Employee retirement benefits	-	1,983,910	1,056,167
Payable to NELMCO (Note 21(a))	320,983	-	-
Payable to vendors	423,555	2,059,758	1,379,660
Due to a related party (Note 22(c))	285,450	-	-
Accruals	1,687,897	1,464,497	819,770
	<u>9,564,708</u>	<u>29,263,948</u>	<u>6,311,326</u>

(a) Payable to NELMCO represents cash and cash equivalents held by the Company with respect to certain employee precompletion liabilities not yet remitted to NELMCO (Notes 18(a) and 19).

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

	<u>31 Dec 2013</u>	<u>31 Dec 2012</u>
	N'000	N'000
Changes in trade and other payables	(19,699,240)	22,952,622
Trade and other payables transferred to NELMCO	38,885,949	-
Payables for PPE additions	(1,490,590)	-
	<u>17,696,119</u>	<u>22,952,622</u>

Information about the Company's exposure to liquidity and market risks is included in Note 26 (b) and (c).

Notes to the Financial Statements

22 Related party transactions

(a) Parent and ultimate controlling party

During the year ended 31 December 2013, a majority of the Company's shares were acquired by KANN Utility Company Ltd from BPE and MOFI. As a result, the parent company is KANN Utility Company Ltd. KANN is a joint venture between Xerxes Global Investment Ltd and CEC Africa Investment Ltd.

(b) Transactions with key management personnel

Key management personnel compensation comprised:

	<u>31 Dec 2013</u>	<u>31 Dec 2012</u>
	N'000	N'000
Short-term benefits	80,556	-
	<u>80,556</u>	<u>-</u>

Other than as mentioned above, the key management personnel and entities over which they have control or significant influence had no significant transactions with the Company during the year.

From time to time directors of the Company, or their related entities, may purchase energy from the Company. These purchases are on the same terms and conditions as those entered into by other Company employees or customers.

(c) Other related party transactions

Other related party transactions during the year were as follows:

	<u>31 Dec 2013</u>	<u>31 Dec 2012</u>
	N'000	N'000
Loan from parent company	148,955	-
Interest on loan from parent company	3,243	-
Operations and management services**	285,450	-

All amounts above are still outstanding as at the year end and are included in Notes 21 and 23. None of the balances due to related parties are secured.

**Operations and management services fees in the current year is estimated by management on the basis of ongoing assistance received from the Company's parent, KANN Utility Company Limited. No agreement has been signed with respect to the fees charged to profit or loss amounting to ₦ 285,450,00 (Note 9(b)). Although the agreement is yet to be signed, a constructive obligation exist for the Company to accrue for the fees to KANN Utility Company Limited.

23 Loans and borrowings

Loans and borrowings comprise:

	<u>31 Dec 2013</u>	<u>31 Dec 2012</u>	<u>1 January 2012</u>
	N'000	N'000	N'000
Import finance facility	-	44,915	274,324
Intercompany working capital facility (Note 23(a))	148,955	-	-
	<u>148,955</u>	<u>44,915</u>	<u>274,324</u>

Notes to the Financial Statements

(a) Intercompany working capital facility

This represents draw down of US\$0.90 million as at year end on a working capital financing facility obtained from KANN Utility Company Ltd, the parent company. Total amount available for draw down under the arrangement is US\$2.5 million and it attracts interest at 10% per annum. Interest incurred on the loan as at year end was \$0.02 million (₦3.2 million (Note 12)). The interest remains unpaid and is included as part of trade and other payables (Note 21). The facility is unsecured and payable on demand and has been classified as current in these financial statements.

Information about the Company's exposure to currency and liquidity risks is included in Note 26.

24 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 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. Although the Company and NELMCO are yet to agree on the individual trade debtors and liabilities transferred, the directors, based on independent legal advice obtained as well as their understanding of the Share Purchase Agreement between KANN, 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. 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 ₦692.85 million has been written back to profit or loss (Note 11).

25 Going concern

The Company reported a loss of ₦13.79 billion and had historically incurred losses due to the existing pricing regime which did not allow it recover all its costs through price increases.

The Company based on the existing interim rules governing the power sector as issued by NERC, has the flexibility to defer payment on 47% of the bills of the Market Operator until the commencement of the Transitional Electricity Market. The repayment of unpaid amounts at the end of the interim period will be determined based on consultation with various industry participants and the regulator. The directors are optimistic that the repayment terms that will be secured with respect to the MO bills would not be detrimental to the Company's cash flows. The MO bills represent 78% of the Company's current liabilities at the year end.

Please also refer to Note 26 which details 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 and these indicate that the Company will continue to require the working facility of \$2.5 million from its Parent, KANN in the medium term.

Notes to the Financial Statements

Based on the existing agreement between the Company and KANN the working capital facility is repayable on demand. The directors have held various discussions with KANN about its future borrowing needs that would necessitate that the facility is kept in the medium term and subsequent to the year-end an agreement was reached to subordinate the amounts due under the working capital facility to other creditors until such a time as the Company is able to self-fund its working capital requirements.

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.

26 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 analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit is expected to undertake both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Credit risk

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

The Company's credit risk exposure on cash is minimized substantially by ensuring that cash is held by reputable financial institutions.

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 N'000	31 Dec 2012 N'000	1 Jan 2012 N'000
Trade and other receivables	18	2,841,228	21,664,065	17,887,173
Cash at bank	19	2,942,860	15,128,000	11,432,060
		5,784,088	36,792,065	29,319,233

Notes to the Financial Statements

Trade and other receivables

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

In monitoring credit risk, customers are grouped according to their credit characteristics, including whether they are maximum demand or non-maximum demand customers, and whether they are private individuals/companies, government institutions or military establishments. No security is provided for the electricity supplied though the Company retains the right to disconnect non-paying customers to enforce collections. As at year end, due to the transfer of trade receivables to NELMCO as at 31 October 2013, the age of the Company's receivables did not exceed 60 days and as such no ageing has been considered necessary by the directors.

Management is optimistic based on the support received from the regulators and Ministry of Power that at least 80% of the year end balance is collectible and have recorded an impairment allowance amounting to ₦601.82 million 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.

It is important to note that the Company has strategies to minimize credit losses going forward as

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

Subsidy receivable

The value of subsidy receivable recorded of ₦0.958 billion represents the prorata share of the yearly subsidy of ₦5.75 billion for two months (November and December 2013) that accrue to the Company and do not transfer to NELMCO as at 31 October 2013. Based on the framework governing the subsidy, the amount when paid would be paid directly to the Market Operator. However, a right of offset of the receivable does not exist against the payable to the Market Operator and as such, is presented separately in the statement of financial position. The directors do not intend to settle the Market Operator's bill to the extent of outstanding subsidy receivables, creating a natural hedge for the receivable. In addition, based on the information available to the directors, they believe that this amount would be paid and available for use to settle payables to the Market Operator and as such no impairment is considered necessary.

Cash at bank

The Company held cash of ₦2.94 billion (2012: ₦15.13 billion) with banks and financial institution counterparties, which are highly rated by the rating agency.

Notes to the Financial Statements

(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 Company is working to collect its trade receivable to ensure that it has sufficient cash to match outflows expected in the normal course of its business. Based on the existing interim rules, the Company is expected to settle only 53% of the bills sent by the Market Operator (MO) for energy supplied. The other 47% will be settled during the Transitional Electricity Market (TEM) based on terms that will be agreed by both the Company and the MO at the commencement of the TEM. The directors anticipate that TEM will commence in 2014 and as such, all the amounts due to the MO not yet settled at the year end of ₦6.85 billion included in trade payables (Note 21) will be due within the next one year and should be classified as current. Management believes that this structure would enable it to better plan and manage its cash and settle other liabilities as and when due. Outstanding bills from the MO at the year end represents 78% of the Company's year end obligations. In addition, the Company has a working capital facility arrangement amounting to \$2.5 million with KANN. As at year end, only \$0.90 million had been drawn down and \$1.60 million remains available.

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

	Contractual cash flows				
	Carrying amount	Total	0 - 3 Months	4 - 12 Months	Above 1 year
	N'000	N'000	N'000	N'000	N'000
Non-derivative financial liabilities					
31 December 2013					
Trade and other payables*	9,564,708	9,564,708	5,352,892	4,211,816	-
Loan from the parent company (2)	148,955	148,955	-	148,955	-
	9,713,663	9,713,663	5,352,892	4,360,771	-

* Excludes deferred revenue

(c) Market risk

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

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

Notes to the Financial Statements

Currency risk

The Company, based on operations to date has limited exposure to currency risks based on the fact that its revenue is earned in its functional currency and the cost of energy supplied paid in same. Exposure to currency risk is currently limited to working capital facilities and other related party payables and are denominated in US Dollar. 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 long term, permanent changes in exchange rates would have an impact on profit or loss. It monitors the movement in the currency rates on an ongoing basis.

Exposure to currency risk

The summary of quantitative data about the Company's exposure to currency risk as reported by management is as follows:

	31 December 2013
	\$
Payable to a related party	1,764,215
Interest payable on loan from the parent Company	20,252
Loan from the parent company	900,362
Net exposure - payable	<u>2,684,829</u>

The following significant exchange rates were applied during the year

	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
	N	N	N	N
US\$	160.50	155.48	161.80	155.27

Sensitivity analysis

A 10% strengthening of the Naira at 31 December would have increased loss for the year by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period and has no impact on equity. The analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2013
	N'000
US\$	<u>43,441</u>

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

Interest rate risk

Interest rate risk profile

The Company is exposed to interest rate risk arising from the interest bearing loans from its parent, KANN.

Notes to the Financial Statements

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount 31 Dec 2013
	N'000
Fixed rate instruments	
Financial liabilities	<u>148,955</u>

Fair value sensitivity analysis for fixed rate instruments.

The Company does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss. Therefore it is not exposed to impact of changes in interest rates.

(d) Fair values

Fair values versus carrying amounts

The table below shows the classification of financial assets and financial liabilities of the Company not measured at fair value. These carrying amounts shown are a reasonable approximation of the fair values of the financial assets and financial liabilities.

	Loans and receivables N'000	Other financial liabilities N'000	Total N'000
31 December 2013			
Financial assets not measured at fair value			
Trade and other receivables	3,799,561	-	3,799,561
Cash and cash equivalents	2,942,860	-	2,942,860
	<u>6,742,421</u>	-	<u>6,742,421</u>
Financial liabilities not measured at fair value			
Trade and other payables	-	9,564,708	9,564,708
Loans and borrowings	-	148,955	148,955
	-	<u>9,713,663</u>	<u>9,713,663</u>

27 Operating leases

(a) Leases as lessee

The Company leases a number of buildings under operating leases. The leases typically run for a period of 1 year, with an option to renew the lease after that date. Lease payments are renegotiated when necessary to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain operating leases, the Company is restricted from entering into any sublease arrangements.

Notes to the Financial Statements

The leases were entered into many years ago as combined leases of land and buildings. The Company determined that the land and building elements of the building leases are operating leases. The rent paid to the landlord is adjusted to market rentals at regular intervals, and the Company does not have interest in the residual value of the land and buildings. As a result, it was determined that substantially all of the risks and rewards of the land and buildings are with the landlords.

(i) *Future minimum lease payments*

At 31 December, the future minimum lease payments under non-cancellable leases were payable within less than 1 year.

(ii) *Amounts recognised in profit or loss*

Amounts recognised in profit or loss are all lease expenses. This is included in administrative expenses as rent expense (Note 9).

(b) **Leases as lessor**

The Company had no lease as lessor during the year. Hence no amount was recognised in profit or loss as lease income.

28 Events after the reporting date

(i) **Staff employment**

The six month contract granted to employees as part of the conditions of privatization lapsed on 30 April 2014 and the Company re-engaged 2,195 staff for a probational period of 12 months. The probational period ended on 30 April 2015. The Company is in the process of issuing permanent contracts of employment to the employees.

(ii) **Revaluation of land and buildings**

In 2014, the Company changed the policy on measurement of land and buildings from historical cost method to revaluation method. As a result, on 31 December 2014, the Company's land and buildings were revalued and a net revaluation surplus of ₦2.67 billion was recorded.

(iii) **Commencement of the Transitional Electricity Market**

Subsequent to year end, the interim rules guidelines covering the period between completion of privatization and the start of the Transitional Electricity Market which was to terminate on 1 March 2014 was extended to cover an additional 9 month period. 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 by 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. The new Order amends MYTO 2.1 reducing the tariffs applicable to the Company across all customer categories by an average of 14%.

On 24 June 2015, NERC published Guidelines for tariff review by electricity distribution companies. The Guideline requires all distribution companies seeking tariffs reviews to submit to the Commission a ten-year tariff plan detailing the basis for such tariff review. In line with the Guidelines, the Company submitted a ten-year tariff plan to NERC and is currently in discussions with NERC in a bid to get more cost reflective tariffs.

Notes to the Financial Statements

(iv) CBN Intervention Fund

In November 2014, the Ministry of Power announced that the Federal Government has approved an intervention fund for the Nigerian Electricity Supply Industry (NESI). In January 2015, 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, is aimed at settling the outstanding payment obligations due to the market participants during the Interim Rules Period (“IRP Debts”) as well as the legacy gas debt of the PHCN generation companies owed to gas suppliers which has been transferred to the Nigerian Electricity Liability Management Company Limited by Guarantee (“NELMCO”). Based on discussions between AEDC, CBN and NERC, the Directors expect that at least ₦27.7 billion would be available to the Company under the NEMSF.

(v) Tariff increase: MYTO 2015

Effective 1 February 2016, the Company initiated the implementation of the MYTO 2015 AEDC tariff order released on 21 December 2015. The order abolishes the fixed charge element of the previous tariff rates and only allows a variable charge. The fixed charge has now been built into the variable tariff determination model. The MYTO 2015 tariff results in an average increase of 47% in 2016 tariff over 2015 tariff rates across all customer category. There have been continuous objections to the increased rates by Labour Unions and other stakeholders, but as at the approval of these financial statements, the rates are still in force.

(vi) Withdrawal of force majeure

On 10 April 2015, KANN Utility Company Limited (the parent of the Company), issued a notice of political force majeure event to Bureau of Public Enterprise and the Ministry of Finance citing the non-implementation of a cost reflective tariffs regime and exclusion of the collection losses in the MYTO 2.1 model among other matters as the reason for the force majeure. However on 10 February 2016, KANN Utility Company withdrew the notice of political force majeure on the basis that the collection losses were reinstated in the MYTO 2015.

29 Capital Management

The Company monitors capital using a ratio of ‘adjusted net debt’ to ‘total equity’. For this purpose, adjusted net debt is defined as total liabilities, less cash and cash equivalents.

The Company’s policy is to keep the ratio below 2.00. The Company’s adjusted net debt to equity ratio as at December 2013 was as follows:

	31 December 2013	31 December 2013
Total liabilities	10,234,247	31,156,466
Less: cash and cash equivalent	(2,942,860)	(15,128,000)
Adjusted net debt	7,291,387	16,028,466
Total equity	85,794,218	99,583,552
Total equity to adjusted net debt	0.08	0.16

Notes to the Financial Statements

30 Approval of the Financial Statements

The financial statements of the Company for the year ended 31 December 2013 were approved on the same date as those of the years ended 31 December 2014 and 31 December 2015. The financial statements for the year ended 31 December 2015 should be referred to, for a better understanding of the current financial position and results of the Company.

31 Explanation of transition to IFRS

As stated in Note 2, these are the Company's first financial statements prepared in accordance with IFRSs.

The accounting policies set out in Note 7 have been applied in preparing the financial statements for the year ended 31 December 2013. They have also been applied in preparing the comparative information presented in these financial statements for the year ended 31 December 2012 and in the preparation of an opening IFRS statement of financial position at 1 January 2012 (the Company's date of transition) to the extent of the information available to the Directors as of the date of issuing the financial statements. The 2012 accounting records, together with their basis of preparation were not available to the Directors as of the date of issuing these financial statements.

To the extent possible, 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 financial statements to IFRSs

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

	Notes	Nigerian GAAP (SAS) N'000	Correction of errors N'000	Effect of transition to IFRS N'000	IFRS N'000
Revenue	j	25,723,253	(377,911)	-	25,345,342
Cost of sales	a	(31,398,863)	-	(2,005,055)	(33,403,918)
Gross Loss		(5,675,610)	(377,911)	(2,005,055)	(8,058,576)
Other income	h,j,k	968,355	377,911	(575,133)	771,133
General and administrative expenses	a	(12,204,014)	(218,683)	(511,142)	(12,933,839)
Results from operating activities		(16,911,269)	(218,683)	(3,091,330)	(20,221,282)
Finance income	k	-	-	4,569	4,569
Finance cost		-	-	-	-
Net finance cost		-	-	4,569	4,569
Loss before income tax		(16,911,269)	(218,683)	(3,086,761)	(20,216,713)
Income tax expense		(5,493,951)	-	5,493,951	-
Loss for the year		(11,417,318)	(218,683)	2,407,190	(20,216,713)
Other comprehensive income:					
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the year		(11,417,318)	(218,683)	2,407,190	(20,216,713)

Notes to the Financial Statements

31 Notes to the reconciliation of equity and profit

(a) Property, plant and equipment (PPE)

The Company elected to measure certain items of PPE at fair value at the date of transition to IFRS. At the date of transition to IFRS, a reduction of ₦31.75 billion (1 January 2012: ₦30.80 billion) was recorded in property, plant and equipment. In addition, the accumulated depreciation of ₦16.05 billion (1 January 2012: ₦18.04 billion) was eliminated. The net impact has been recognised against retained earnings.

The Impact arising from the change is as follows:

	31 December 2012	1 January 2012
	N'000	N'000
Statement of financial position		
Property, plant and equipment	(4,984,714)	(1,824,443)
Adjustment to retained earnings	<u>4,984,714</u>	<u>1,824,443</u>

Impact on Statement of profit or loss and other comprehensive income

	31 December 2012
	N'000
Cost of sales	(2,005,055)
General and Administrative expenses	(511,142)
Adjustment before income tax	<u>(2,516,197)</u>

Depreciation and accumulated depreciation

As a result of the IFRS requirement to reassess the useful lives of items of PPE annually as well as the impact of changes to the carrying amounts of PPE due to the election to carry such at fair value at date of transition, depreciation expense for 2012 increased by ₦2.94 billion.

- (b) Under the previous GAAP, the Company did not classify construction work in progress as part of its property, plant and equipment. Under IFRS, construction work in progress is reclassified as part of property, plant and equipment. The impact is a reduction of Construction work in progress by ₦4.93 billion (1 January 2012: ₦3.36 billion) and an increase in property, plant and equipment with no net impact on reserves.

(c) Deferred taxation

Under the previous GAAP, the Company recorded deferred tax asset for the carry forward of unused tax losses and other temporary differences. Based on information available to current management, there was no basis to support the recognition of deferred tax assets in the previous years as a result of historic losses recorded and the fact that it was not likely that the Company will generate future taxable profit against which the assets will be utilised in the future based on the structure of the power sector in those years. As such, the previously recognised deferred tax assets of ₦20.38 billion (1 January 2012: ₦14.28 billion) have been derecognised.

Notes to the Financial Statements

(d) Trade and other receivables

Under the previous GAAP, receivables from customers on account of sale of electricity was classified as customer deposits in the statement of financial position. In addition, other receivables and temporary advances of ₦1.60 billion and ₦106.67 million (1 January 2012: ₦1.70 billion and 31 Dec 2012: ₦112.96 million) respectively were included as part of prepayments. On transition to IFRS, these amounts were included as Trade and Other Receivables. The net impact to retained earnings of these reclassifications is Nil.

The impact arising from the change is summarised as follows:

	31 December	1 January 2012
	2012	2012
	₦'000	₦'000
Impact on Statement of financial position:		
Customer deposits	(19,959,947)	(16,071,702)
Prepayments & other debtors	(1,704,118)	(1,815,471)
Trade and other receivables	21,664,065	17,887,173
Adjustment to retained earnings	-	-

(e) Short term deposits

Under the previous GAAP, the Company disclosed fixed deposits with commercial banks of ₦0 billion (1 January 2012: ₦2.22 billion) separately in the statement of financial position. These deposits have maturities of less than three months have now been included as part of cash and cash equivalents.

(f) Federal Government Funding

Under the previous GAAP, Federal Government Funding of ₦147.40 billion was disclosed separately on the statement of financial position as part of equity (1 January 2012: ₦145.74 billion). Under IFRS, Federal Government Funding being contribution by a shareholder has been reclassified to retained earnings.

(g) Employee retirement benefits

Under the previous GAAP, the accrual for the Company's employee's post-employment benefits was classified as long term liability based on management's estimate on when the Company would settle those obligations. However, as the amounts are payable to a closed pension fund and the payment terms per the agreement was not defined under IFRS the amount should be classified as current. The impact of this is a reduction of employee benefits (non current liability) by ₦1.98 billion as at 31 December 2012 (1 January 2012: ₦1.06 billion).

Notes to the Financial Statements

(h) Capital Contributions

Under the previous GAAP, assets transferred from customers was capitalized and recorded as deferred income and amortized over the life of the asset. The Company had no further obligations under the arrangements and these amounts should have been recorded as revenue in the respective years the assets were granted by the customers. As such, the amounts have been written back to retained earnings.

The impact of the adjustment is summarized as follows:

	31 December 2012	1 January 2012
	N'000	N'000
Impact on Statement of financial position:		
Capital contribution	9,990,275	13,211,682
Reserves	(9,990,275)	(13,211,682)
Adjustment before income tax	<u>-</u>	<u>-</u>

(i) Payable to market operator and other payables and accruals

Upon transition to IFRS, payables to Market operators and other accruals were reclassified and included as part of Trade and other payables for proper presentation on the statement of financial position.

The impact arising from this is summarised as follows:

	31 December 2012	1 January 2012
	N'000	N'000
Impact on Statement of financial position:		
Payable to Market operators	(22,226,432)	(2,181,485)
Other payables and accruals	(7,037,516)	(4,129,841)
Trade and other Payables	29,263,948	6,311,326
Net adjustment to retained earnings	<u>-</u>	<u>-</u>

(j) Reconnection fees

Under the previous GAAP, reconnection fees were classified as part of the Company's revenue. Upon transition to IFRS, reconnection fees were reclassified to other income with no net impact on the reserves or on profit or loss for the year.

Statement of profit or loss or other comprehensive income

	2012
	N'000
Revenue	(377,911)
Other income	377,911
Adjustment before income tax	<u>-</u>

Notes to the Financial Statements

(k) Other income and finance income

Under the previous GAAP, interest income derived from short-term deposits with commercial banks was reported as other income. In line with the presentation requirements of IAS 1, interest income has been reclassified from other income to finance income with no effect on profit or loss for the year.

Statement of profit or loss or other comprehensive income

	2012
	N'000
Increase in finance income	4,569
Decrease in other income	(4,569)
Adjustment before income tax	-

(l) The above changes increased/(decreased) retained earnings as follows:

		31 December	1 January 2012
	<i>Notes</i>	2012	1 January 2012
		N'000	N'000
Property, plant and equipment (PPE)	a	(4,984,714)	(1,824,443)
Deferred taxation	c	(20,384,872)	(20,384,872)
Federal Government Funding	f	147,403,743	145,741,539
Capital contribution	h	9,990,275	13,211,682
		132,024,432	136,743,906

Material adjustments to statement of cash flows

There were no material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under the previous NGAAP.

Other national disclosures

Other National Disclosures

Value added statement

For the year ended

	<u>31 Dec 2013</u>	<u>%</u>	<u>31 Dec 2012</u>	<u>%</u>
	<u>N'000</u>		<u>N'000</u>	
Revenue	36,025,798		25,345,342	
Bought-in-materials and services				
- Local	(37,359,543)		(31,890,825)	
- Foreign	-		-	
	<u>(1,333,745)</u>		<u>(6,545,483)</u>	
Finance income	4,462		4,569	
Other income	923,709		771,133	
Other gains	692,845		-	
Value added/(eroded)	<u>287,271</u>	<u>100</u>	<u>(5,769,781)</u>	<u>100</u>
To employees:				
- as salaries, wages and other staff costs	8,573,060	2,757	9,389,680	(163)
To providers of finance:				
- Finance cost and similar charges	3,243	1	-	
To government as:				
- taxes	418,581	134	-	
Retained in the business:				
To maintain and replace:				
- property plant and equipment	5,078,219	1,629	5,057,252	(87)
- intangible assets	3,502	1	-	-
- To deplete reserves	(13,789,334)	(4,422)	(20,216,713)	350
Value added/(eroded)	<u>287,271</u>	<u>100</u>	<u>(5,769,781)</u>	<u>100</u>

Other National Disclosures
Financial summary

Statement of profit or loss and other comprehensive income

	2013	2012
	N'000	N'000
Revenue	36,025,798	25,345,342
Results from operating activities	(13,371,972)	(20,221,282)
Loss before taxation	(13,370,753)	(20,216,713)
Loss for the year	(13,789,334)	(20,216,713)
Total comprehensive income for the year	<u>(13,789,334)</u>	<u>(20,216,713)</u>

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	88,805,163	92,108,027	96,015,104
Intangible assets	19,847	-	-
Net current (liabilities)/assets	(3,030,792)	7,475,525	22,122,957
Non current liabilities	-	-	-
Net assets	<u>85,794,218</u>	<u>99,583,552</u>	<u>118,138,061</u>
Funds Employed			
Share capital	5,000	5,000	5,000
Retained earnings	85,789,218	99,578,552	118,133,061
	<u>85,794,218</u>	<u>99,583,552</u>	<u>118,138,061</u>

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.