Abuja Electricity Distribution Plc

Annual Report

31 December 2014

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Corporate Information

Registration number	**638681**	
Directors:		
	Amb. Shehu Malami	Chairman
	Benjamin Ezra Dikki	
	John Albert Jones	
	Neil Croucher	South African/ Managing Director
	Siyanga Malumo	Zambian
	Emmanuel Katepa	Zambian
	Ahmad Saci Maiyaki	
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 2014

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 2014. The financial statements of the Company for the year ended 31 December 2014 were approved on the same date as those of the year ended 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 businesses 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). NERC is Nigeria's independent regulatory agency for the Nigerian electricity industry comprising generation, transmission and distribution sectors and regulates the activities of the Company. In 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.

On 1 November 2013, the FGN completed the 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").

Operating results

During the year, the Company's revenue increased by 34% from ₦36.0 billion to ₦48.1 billion while gross loss reduced by 80.6% from ₦1.32 billion to ₦0.26 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. Energy available to the Company for distribution during the year was 3,458,452,676 kWh as against 3,067,303,460 kWh in the prior year. Gross loss decreased mainly as a result of increased revenues and write back to profit or loss at completion of the reconciliation with the market operator with respect to the cost of energy billed to the Company for November and December 2013.

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

	2014	2013
	₦'000	₦'000
Revenue	48,097,381	36,025,798
Gross loss	(256,409)	(1,319,989)
Operating loss	(24,908,727)	(13,371,972)
Loss before minimum tax and income tax	(25,606,664)	(13,370,753)
Minimum tax	(364,371)	(418,581)
Income tax	-	-
Loss	(25,971,035)	(13,789,334)

Summary of financial position

	2014	2013
Total assets	105,530,260	96,028,465
Total liabilities	42,406,812	10,234,247
Equity	63,123,448	85,794,218

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

Directors and their interests

The Directors who served during the year were as follows:

Name	Nationality	Designation
Benjamin Ezra Dikki		
Amb. Shehu Malami		Chairman
Felix Ohiwerei		
John Albert Jones		
Siyanga Malumo	Zambian	
Neil Croucher	South	Managing Director
Michael Tarney	British	
* Audu Uba Mohammed		

** Audu Uba Mohammed is the alternate director to Benjamin Ezra Dikki who is the representative of BPE on the board. Alhaji Uba represents Mr. Dikki at all AEDC meetings.*

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:

	Ordinary shares of 50 Kobo each			
		31 December 2014		31 December 2013
	%	Number	%	Number
KANN Utility Company Limited	60	6,000,000	60	6,000,000
Bureau of Public Enterprises	32	3,200,000	32	3,200,000
Ministry of Finance Incorporated	8	800,000	8	800,000
Total	**100**	**10,000,000**	**100**	**10,000,000**

Corporate governance

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 currently 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.

The board met five (5) 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 during the year was as follows:

DIRECTORS	ROLE	21-Jan	13-May	27-Jun	22-Oct	11-Dec
Amb. Shehu Malami	Chairman	X	X	X	X	X
Neil Croucher	Managing Director	X	X	X	X	X
Michael Tarney	Director	X	X	X	X	X
Felix Ohiwerei	Director	X	X	X	X	X^1
John Albert Jones	Director	X	X	X	X^1	X^1
Siyanga Malumo	Director	X	X^1	X	X	X
Audu Uba Mohammed	Alternate Director	X	X	X	X	X

X^1 = 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 Mohammed	Chairman
Mr. John Albert Jones	Member
Mr. Siyanga Malumo	Member
Mr. Neil Croucher	Ex-officio
Collins M Chabuka	Secretary

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 Committee had three (3) 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
Mr. Audu Uba Mohammed	Member
Mr. Michael Tarney	Member
Mr. Neil Croucher	Ex-officio
Mr. Andrew Atterbury	Secretary

The functions of the Finance Committee include optimizing, overseeing and advising on all matters relating to the capital structure, capital management and planning. The Committee also supports and advises the Board in exercising its authority in relation to the finance related. In addition the 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 had three (3) meetings during the year under review.

3. Executive committee

The members of the Executive Committee are as follows:

Executive committee members	Designation
Mr. Siyanga Malumo	Chairman
Company Secretary	Secretary
Mr. Audu Uba Mohammed	Member
Mr. Felix Ohiwerei	Member
Mr. Neil Croucher	Ex-officio

The responsibilities of the Executive Committee include supervising executive and operational management in between Board meetings, implementing policy recommendations of the Board, approving the annual budget and authorizing categories of expenditure and payments within its mandate, agreeing the terms of and release of Company announcements, approving the agenda for Board meetings and fixing the time and place for such meetings, acting on behalf of the Board during times of exigency, approving annual meeting programs for the Board and its Committees, acting as a communication link between Board and Management and to oversee developmental plans and strategies.

The Executive Committee had four (4) meetings during the year under review.

4. Security health safety and environment committee

The composition of the Security Health Safety & Environment Committee is as follows:

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

The Security health safety and environment (SHSE) 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 regulatory and other relevant Health and Safety Codes. The SHSE Committee also ensures that the management of SHSE is aligned with the overall business strategy of the Company.

The Security health safety and environment committee held four (4) meetings during the year.

5. Remuneration and employee development committee

The composition of the remuneration & employee development committee is as follows:

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

The responsibilities of the Remuneration and Employee Development Committee include reviewing the contract terms, remuneration and other benefits of the Executive Directors and Senior Management of the Company, making recommendations to the Board on the Company's framework of employee remuneration and its cost, operating the Company's long term incentive plans and reviewing the Company's performance management system.

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 and ensure that employment policies are strictly adhered to.

The Remuneration and Employee Development Committee had four (4) meetings during the year.

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
Mr. Neil Croucher	Managing Director/CEO
Mr. Andrew Atterbury	Chief Finance Officer
Mrs. Tolu Ighodalo Mark-Ojie	Executive Director - Human Resources & Corporate Services
Mr. Joe Chiyassa	Executive Director - Technical Services
Mr. Collins M Chabuka	Chief Risk Officer
Mr. Omokhoa Okaisabor	Executive Director - CP&BD
Mr. Ernest Mupwaya	Executive Director - Commercial Services
Mr. Bola Odubiyi	Executive Director - Regulatory & Stakeholders Affairs

Material agreements

The Company has entered into the following material agreements:

1. Deed of assignment of pre-completion receivables and liabilities

As part of the privatisation completion, the Company through the Bureau of Public Enterprises signed a deed of assignment of pre-completion receivables and liabilities with the Nigerian Electricity Liability Management Company Limited (NELMCO) effective 31 October 2013. NELMCO is a government owned entity, established to take over and manage the stranded assets and liabilities in the Power sector.

(a) Pre-completion receivables

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

(b) Pre-completion liabilities

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

On the basis of this agreement, management derecognized qualifying assets and liabilities as at 31 October 2013 from the 2013 financial statements (see Note 10). In addition, as a result of the interpretation on ownership of cash and cash equivalents as at 31 October 2013, the Company has recorded a liability to NELMCO of ₦2.17 billion in the financial statements (see Note 23).

2. Technical agreement with related party

See Note 25(d) 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 14 to the financial statements.

Charitable contributions

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

Events after the reporting period

Events after the Reporting Period are disclosed in Note 27 to the financial statements.

Employment and employees

(a) Employment consultation and training:

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

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

(b) Dissemination of information

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

(c) Employment of physically challenged persons:

The Company has two (2) physically challenged persons in its employment (2013: 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 high premium on the health, safety and welfare of its employees in their places of work. To this end, the Company has various forms of insurance policies, including workmen's compensation and group life insurance, to adequately secure and protect its employees. It is the Company's goal to ensure that incident-free safety record in operations is amongst the best, both locally and globally, upon which it has set its safety policy.

Auditor

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

BY ORDER OF THE BOARD

....

Mrs. Olajumoke Delano
Company Secretary
FRC/2014/ICADN/00000006727

Abuja, Nigeria
17 June 2016

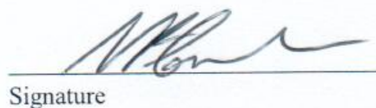
Statement of directors' responsibilities in relation to the financial statements for the year ended 31 December 2014

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

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

The directors have made an assessment of the Company's ability to continue as a going concern and have 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

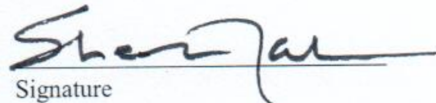
NEIL FREDERICK CROUCHER

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 2014 are satisfactory;

(c) having reviewed the independent auditor's memorandum of recommendations on accounting procedures and internal controls, we are satisfied with management responses thereon.

Members of the Audit Committee are:

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

Mr. Audu Uba Mohammed
Chairman
17 June 2016
FRC/2014/CIPSMN/00000010485

KPMG Professional Services
KPMG Tower
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PMB 40014, Falomo
Lagos

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INDEPENDENT AUDITOR'S REPORT

To the Members of **Abuja Electricity Distribution**

Plc Report on the Financial Statements

We have audited the accompanying financial statements of Abuja Electricity Distribution Plc ("the Company") which comprise the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity, 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 51.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act 2011, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

We were appointed as auditors to the Company on 1 November 2013 and were unable to obtain sufficient and appropriate audit evidence to determine whether the opening balances carried forward from the Company's 2012 financial statements were free of material misstatements due to the fact that management was unable to provide supporting documentation to validate these balances.

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Registered in Nigeria No BN 986925

Abayomi D. Sanni
Adewale K. Ajayi
Ayo L. Salami
Joseph O. Tegbe
Oladimeji I. Salaudeen
Oluseyi T. Bickersteth
Victor U. Onyenkpa
Adebisi O. Lamikanra
Ajibola O. Olomola
Chibuzor N. Anyanechi
Kabir O. Okunlola
Olanike I. James
Oluwafemi O. Awotoye
Adekunle A. Elebute
Akinyemi J. Ashade
Goodluck C. Obi
Mohammed M. Adama
Olumide O. Olayinka
Oluwatoyin A. Gbagi
Adetola P. Adeyemi
Ayodele H. Othihiwa
Ibitomi M. Adepoju
Oladapo R. Okubadejo
Olusegun A. Sowande
Tayo I. Ogungbenro

In addition, we were unable to obtain sufficient and appropriate audit evidence required to perform relevant substantive procedures on items of revenue earned and expenses incurred from 1 January 2013 to 31 October 2013 as 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.

We issued a disclaimer on the statements of profit or loss and other comprehensive income and cash flows for the year ended 31 December 2013 as we were unable to determine the extent to which adjustments were required to the statements of profit or loss and other comprehensive income and cash flows for the year then ended.

Our opinion on the current year's statements of profit or loss and other comprehensive income and cash flows is also modified because of the possible effect(s) of this matter on the comparability of the current year's figures and the corresponding figures.

Qualified Opinion

In our opinion, except for the possible effects on the corresponding figures of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of Abuja Electricity Distribution Plc as at 31 December 2014, and of its financial performance and cash flows for the year ended 31 December 2014 in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act 2011.

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 statements of financial position and the statements 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 31 December

	Notes	2014	2013
		₦'000	₦'000
ASSETS			
Property, plant and equipment	*14*	86,784,523	88,805,163
Intangible assets	*15*	15,177	19,847
Prepayments	*18*	40,348	-
Non-current assets		**86,840,048**	**88,825,010**
Inventories	*16*	554,902	434,388
Trade and other receivables	*17*	14,523,525	3,799,561
Prepayments	*18*	183,508	26,646
Cash and cash equivalents	*19*	3,428,277	2,942,860
Current assets		**18,690,212**	**7,203,455**
Total assets		**105,530,260**	**96,028,465**
EQUITY			
Share capital	*20(a)*	5,000	5,000
Retained earnings		59,818,183	85,789,218
Revaluation reserve	*20(b)*	3,300,265	-
Total equity		**63,123,448**	**85,794,218**
LIABILITIES			
Deferred income	*21*	853,847	-
Loans and borrowings	*24*	272,042	-
Non-current liabilities		**1,125,889**	-
Provisions	*23*	2,172,939	-
Deferred income	*21*	694,248	102,003
Trade and other payables	*22*	37,207,408	9,564,708
Current tax liabilities	*13(d)*	782,952	418,581
Loans and borrowings	*24*	423,376	148,955
Current liabilities		**41,280,923**	**10,234,247**
Total liabilities		**42,406,812**	**10,234,247**
Total equity and liabilities		**105,530,260**	**96,028,465**

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 51 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

For the year ended 31 December

	Notes	2014	2013
		N'000	**N'000**
Revenue	*7*	48,097,381	36,025,798
Cost of sales	*8*	(48,353,790)	(37,345,787)
Gross loss		**(256,409)**	**(1,319,989)**
Other income	*9*	275,223	923,709
Administrative expenses	*8*	(24,927,541)	(13,668,537)
Other gains	*10*	-	692,845
Operating loss		**(24,908,727)**	**(13,371,972)**
Finance income	*11*	175,280	4,462
Finance costs	*11*	(873,217)	(3,243)
Net finance (cost)/income		**(697,937)**	**1,219**
Loss before minimum tax and income tax	*12*	(25,606,664)	(13,370,753)
Minimum tax	*13(a)*	(364,371)	(418,581)
Loss before income tax		**(25,971,035)**	**(13,789,334)**
Income tax expense	*13(b)*	-	-
Loss for the year		**(25,971,035)**	**(13,789,334)**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Revaluation surplus on property, plant and equipment	*14(d)*	3,300,265	-
Other comprehensive income, net of tax		**3,300,265**	-
Total comprehensive income		**(22,670,770)**	**(13,789,334)**

The notes on pages 17 to 51 are an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2014

	Note	Share capital	Retained earnings	Revaluation reserve	Total equity
		₦'000	**₦'000**		**₦'000**
Balance 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**
Balance at 1 January 2014		5,000	85,789,218	-	85,794,218
Total comprehensive income					
Loss for the year		-	(25,971,035)	-	(25,971,035)
Other comprehensive income	*20(b), 14(d)*	-	-	3,300,265	3,300,265
Total comprehensive income		**-**	**(25,971,035)**	**3,300,265**	**(22,670,770)**
Transaction with owners		-	-		-
Balance at 31 December 2014		**5,000**	**59,818,183**	**3,300,265**	**63,123,448**

The notes on pages 17 to 51 are an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December

	Notes	2014 ₦'000	2013 ₦'000
Cash flows from operating activities:			
Loss for the year		(25,971,035)	(13,789,334)
Adjustments for :			
- depreciation of property, plant and equipment	*14*	5,178,300	5,078,219
- amortization of intangible asset	*15*	4,670	3,502
- amortization of government grant	*9*	(12,013)	-
- impairment loss on inventories	*8*	496,307	447,635
- impairment loss on trade and other receivables	*8*	7,291,690	601,824
- bad debt written off	*8*	1,392,264	-
- write off of property, plant and equipment	*8*	1,375,050	-
- provisions	*23*	1,851,956	-
- revaluation deficit on property, plant and equipment	*14(d)*	634,855	-
- finance income	*11*	(175,280)	(4,462)
- finance cost/(income)	*11*	873,217	3,243
- net amounts transferred to NELMCO	*10*	-	(692,845)
- minimum tax	*13(a)*	364,371	418,581
		(6,695,648)	(7,933,637)
Changes in:			
- Inventories	*16(c)*	(616,821)	587,708
- Trade and other receivables	*17(c)*	(19,407,918)	(20,445,267)
- Prepayments		(197,210)	343,549
- Trade and other payables	*22(b)*	27,217,691	17,696,119
- Deferred revenue/income		568,356	102,003
Cash generated from/(used in) operating activities		868,450	(9,649,525)
Income taxes paid		-	-
Net cash generated from/(used in) operating activities		**868,450**	**(9,649,525)**
Cash flows from investing activities:			
Acquisition of property, plant and equipment	*14(b)*	(977,551)	(284,765)
Acquisition of intangible assets	*15*	-	(23,349)
Interest received	*11*	1,874	4,462
Cash used in investing activities		**(975,677)**	**(303,652)**
Cash flows from financing activities:			
Proceeds from loans and borrowings		591,387	145,712
Repayment of bank borrowings		-	(44,915)
Cash generated from financing activities		**591,387**	**100,797**
Net increase/(decrease) in cash and cash equivalents		484,160	(9,852,380)
Cash and cash equivalents at 1 January		2,942,860	15,128,000
Cash no longer available for operations (Garnishee bank accounts)	*10*	-	(2,332,760)
Effect of movement in exchange rate on cash held		1,257	-
Cash and cash equivalents as at 31 December		**3,428,277**	**2,942,860**

The notes on pages 17 to 51 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 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 Harare Street 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 during the year was governed by "the rules for the interim period between completion of privatization and the start of the Transitional Electricity Market (TEM) of the Nigerian Electricity Supply Industry (NESI)" as issued by NERC.

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. The financial statements were authorised for issue by the Board of Directors on 17 June 2016.

Details of the Company's accounting policies are included in Note 5.

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. See Note 28 for more details.

3 Functional and presentation currency

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

4 Use of judgments and estimates

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

Notes to the financial statements

(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 10 - Elimination of Assets and Liabilities taken over by NELMCO

Notes 14(e) – Property, plant and equipment: Recognition of land

Note 13(e) – Recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments in the year ending 31 December 2014 is included in the following notes:

Note 7(a)-Revenue Recognition – Estimation of deferred revenue from prepaid customers and unbilled revenue from Post-paid customers

Note 29(a) - Impairment of trade receivables

Note 23 – Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources

5 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the policy on measurement of land and buildings which was changed during the year from cost model to revaluation model (Note 5 (e(i))).

(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 post-paid customers is the value of the volume of units supplied during the year including an estimate of the value of volume of units supplied to these customers between the date of their last meter reading (which coincides with the last invoice date) and the year-end. In case of prepaid meter customers, 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.

(b) Finance income and finance costs

Finance income comprises interest income on short-term deposits with bank and foreign exchange gains. Interest income on short-term deposits is recognised using the effective interest method.

Notes to the financial statements

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) 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.

(d) Property, plant and equipment

i Recognition and measurement

Land, buildings and distribution network assets measured at revalued amounts, based on valuations by external independent valuers, less subsequent accumulated depreciation and accumulated impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

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

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

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.

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

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 recognised in profit or loss during the financial period in which they are incurred.

Notes to the financial statements

iii Depreciation

Depreciation is calculated to write off the cost or revalued amount 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.

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
Office equipment, fixtures & fittings	5

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

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

iv *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.

(e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are measured at cost less accumulated amortisation and accumulated impairment losses. Acquired computer software licences are capitalized on the basis of its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and any directly attributable cost of preparing the software for its intended use.

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, are recognised in profit or loss as incurred.

Notes to the financial statements

Amortization

Amortization is calculated to write-off the cost of intangible assets less the estimated residual values using the straight line method over their estimated useful lives and is generally recognized in profit or loss. The estimated useful life of intangible assets (Computer software) is 5 years.

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

(f) Financial instruments

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

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

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Company initially recognises loans and receivables on the date when they are originated. 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.

(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. Non-derivative financial liabilities with maturity date more than twelve months from the year end are classified as non-current. Otherwise they are classified as current.

(g) *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 statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

Notes to the financial statements

(h) Share capital

Ordinary shares

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

(i) 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 they relate to are recognised.

(j) Inventories

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.

(k) Leases

i Determining whether an arrangement contains a lease

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

ii Leased assets

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

iii Lease payments

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

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

(l) 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:

Notes to the financial statements

• 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.

ii Non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating units (CGUs).
The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Employee benefits

i Short term employee benefits

Short – term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employee renders the related service. Short-term employee benefits are expensed as the related service is provided.

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

Notes to the financial statements

ii Defined contribution plan

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

In line with the provisions of the Pension Reform Act 2004, staff contributions to the scheme are funded through payroll deductions while the Company's contribution is recognized in profit or loss as employee benefit expense in the periods during which services are rendered by employees. Employees contribute 7.5 % each of their basic salary, transport and housing allowances to the Fund on a monthly basis. The Company's contribution is 7.5% of each employee's basic salary, transport and housing allowances. On 1 July 2014, the Pension Reform Act 2004 was repealed and the Pension Reform Act 2014 was enacted. Effective 1 August 2014, the Company adopted the Pension Reform Act 2014 in which employees contribute 8% each of their basic salary, transport and housing allowances to the Fund on a monthly basis. The Company's contribution is 10% of each employee's basic salary, transport and housing allowances.

iii Termination benefits

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

(n) 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.

Notes to the financial statements

(o) Minimum tax

Minimum tax is recognised where the revenue for the year is in excess of five hundred thousand Naira and the Company has no taxable income as a result of allowable expenses for a tax year being more than the taxable income, or the income tax computed is less than the minimum tax. It is measured in line with the provisions of the Company Income Tax Act. 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.

(p) Income tax

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

***(i)* Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income tax, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset if the Company:

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

***(ii)* Deferred tax**

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

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

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

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

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

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

(q) 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.

Notes to the financial statements

(r) Other Income

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

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 Audit Committee and Board of Directors.

The CFO regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the CFO assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Audit Committee and Board of Directors. When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

• Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

• Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

• Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

7 Revenue

Revenue comprise amounts derived from 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.

(a) *Estimation of unbilled revenue from postpaid customers.*

For unbilled receivables, a consumption factor is also determined based on billings for the year and this is used to multiply the number of outstanding days till the year end from the last billing date. Unbilled receivables (i.e. included in current year revenues) amounted to ₦919.99 million (2013: Nil) and has been included as part of trade receivables.

Notes to the financial statements

8 Expenses by nature

	2014	2013
	₦'000	₦'000
Cost of Energy (Note 8(b))	40,094,659	31,511,216
Imbalance penalty (Note 8(a))	2,063,450	-
Consumables and other direct costs	279,808	385,738
Maintenance expenses	1,094,545	696,595
Depreciation (Note 14 (a))	5,178,300	5,078,219
Operations and management services cost (Note 25(d))	668,919	355,450
Consultancy fees	560,602	-
Security	663,956	-
Staff and related costs (Note 12(b)(i))	7,086,115	8,573,060
Directors' remunerations (Note 12(b)(iv))	226,683	24,556
Board expenses	33,323	-
Bank charges	68,308	46,522
Auditor's remuneration	46,607	52,000
Amortization of intangible assets (Note 15)	4,670	3,502
Insurance and transport	585,306	66,416
Rent expense	289,406	109,301
Professional services	154,909	-
Bad debt written off (Notes 17 (a) and (b))	1,392,264	-
Impairment of bad and defective inventory materials (Note 16)	496,307	447,635
Impairment loss on trade and other receivables	7,291,690	601,824
Write off of property, plant and equipment (Note 14(f))	1,375,050	-
Revaluation deficit (Note 14(d))	634,855	-
Provisions (Note 23)	1,851,956	-
Office repairs and maintenance	214,456	-
Office stationery and utilities	925,187	3,062,290
Total cost of sales and administrative expenses	**73,281,331**	**51,014,324**

(a) **Imbalance penalty**

Imbalance penalty relates to penalty incurred by the Company for receiving more energy from the national grid than its MYTO 2 allocation of 11.5%. It is computed at 60% of the normal tariff rate and billed by the Market Operator.

(b) During the year, management carried out a reconciliation with the market operator with respect to the cost of energy billed to the Company for november and december 2013 which resulted in a write back of ₦865.44 million to the profit or loss. The write back was included in cost of energy.

9 Other income

	2014	2013
	₦'000	₦'000
Commission income (Note 9(a))	-	218,603
Service re-connection fees	137,166	470,743
Excess service charge	-	3,653
Amortization of government grant (Note 21(a))	12,013	-
CAPMI installation fees (Note 24(b))	23,598	-
Connection fees	102,446	230,710
	275,223	**923,709**

Notes to the financial statements

(a) **Commission income**

This represents accrued commission income on legacy trade receivables collected on behalf of NELMCO in the prior year. As part of the Deed of assignment of pre-completion receivables signed between the Company and NELMCO, the Company is expected to earn a commission of 20% on 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 17(a)).

10 Other gains

In 2013, the Company recorded other gains which represents the net effect of the derecognition 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 26(a)). 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:

	2014	2013
	₦'000	₦'000
- Elimination of tax payable (Note 13(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)
	-	**692,845**

11 Finance income and finance costs

	2014	2013
	₦'000	₦'000
Finance income		
Interest income on short term deposits	1,874	4,462
Fair value gain on initial recognition of CAPMI payables	173,406	-
Total finance income	**175,280**	**4,462**
Finance cost		
Interest on CAPMI payable	(70,593)	-
Unwinding of discount on CAPMI payable	(20,506)	-
Interest on working capital facility (Note 24(a))	(18,565)	(3,243)
Foreign exchange loss	(18,818)	-
Interest on market operator's bill (Note 11(a))	(744,735)	-
Total finance costs	**(873,217)**	**(3,243)**
Net finance (costs)/income	**(697,937)**	**1,219**

(a) **Interest on shortfall on base line remittance**

This represents interest arising from the Company's default with respect to minimum/base line remittances on the Market Operator's (MO) invoices during the year. In line with the interim rule, the Company should remit a minimum of 53% of the MO monthly bills up to May 2014 and then 65.13% from June 2014 upwards. In line with the interim rules, shortfall on base line remittance attracts interest at NIBOR plus 7.5%. The interest is unpaid as at the year end and has been included as part of payable to the MO in trade and other payables.

Notes to the financial statements

12 Loss before minimum and income tax

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

	2014 ₦'000	2013 ₦'000
Depreciation (Note 14 (a))	5,178,300	5,078,219
Employee benefit expense (Note 12(b)(i))	7,086,115	8,573,060
Directors' remuneration (Note 12(b)(iv))	226,683	24,556
Auditor's remuneration	46,607	52,000
Operations and maintenance cost	668,919	-
Foreign exchange loss	18,818	-

(b) Employee benefit expense and director's remuneration

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

	2014 ₦'000	2013 ₦'000
Salaries and wages	6,806,307	8,201,194
Pension costs	279,808	371,866
	7,086,115	**8,573,060**

(ii) Number of employees of the Company as at 31 December, whose duties were wholly or mainly discharged in Nigeria, received annual remuneration excluding pension contributions and certain benefits) in the following ranges:

₦		₦	2014 Number	2013 Number
200,001	-	1,200,000	779	1,718
1,200,001	-	2,200,000	477	673
2,200,001	-	3,200,000	609	819
3,200,001	-	4,200,000	139	208
4,200,001	-	5,200,000	94	96
5,200,001	-	6,200,000	59	51
6,200,001	-	7,200,000	40	51
7,200,001	-	8,200,000	31	37
8,200,001	-	9,200,000	9	5
9,200,001	-	10,200,000	2	-
10,200,001	-	11,200,000	2	-
17,200,001	-	18,200,000	1	-
19,200,001	-	20,200,000	1	-
22,200,001	-	24,200,000	2	-
28,200,001	-	30,200,000	2	-
30,200,001	-	32,200,000	1	-
34,200,001	-	36,200,000	1	-
			2,249	**3,658**

Notes to the financial statements

(iii) The average number of full time personnel employed by the Company during the year are as follows:

	2014	2013
	Number	Number
Administration	323	845
Finance	280	399
Marketing	860	1,116
Technical	786	1,298
	2,249	**3,658**

(iv) Directors' remuneration

Directors' remuneration paid during the year includes:

	2014	2013
	₦'000	₦'000
Fees as directors	148,266	24,556
Salaries	42,701	-
Other expenses	35,716	-
	226,683	**24,556**

The directors' remuneration shown above includes:

	2014	2013
	₦'000	₦'000
Chairman	32,948	5,667
Highest paid director	**69,410**	**3,778**

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

	2014	2013
	Number	Number
Nil	-	1
₦3,000,000 - ₦4,000,000	-	5
₦26,000,000 - ₦27,000,000	5	-
Total	5	6

13 Taxation

(a) **Minimum Tax**

The Company has applied the provisions of the Companies Income Tax Act that mandates a minimum tax assessment, where a tax payer does not have taxable profit which would generate an eventual tax liability when assessed to tax. The Company's assessment based on the minimum tax legislation for the year ended 31 December 2014 is ₦364.37 million (2013: ₦418.58 million).

Notes to the financial statements

(b) **Income Tax**

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 2014 (2013: Nil). No deferred tax has been recorded on loss incurred to date by the Company because of the uncertainties around the recoverability of the losses (Note 13(e)).

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

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

	%	2014 ₦'000	%	2013 ₦'000
Loss before minimum tax and income tax		(25,606,664)		(13,370,753)
Income tax using the statutory tax rate	30	(7,681,999)	30	(4,011,226)
Effect of:				
Movement in unrecognized deferred tax assets	(27)	6,825,074	(18)	2,446,381
Tax exempt income	-		2	(207,854)
Non-deductible expenses	(3)	856,925	(14)	1,772,699
Total income tax expense	-	-	-	-

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

	2014 ₦'000	2013 ₦'000
Balance at 1 January	418,581	1,847,603
Charge for the year (minimum tax (Note 13(a))	364,371	418,581
Transfer to NELMCO (Note 10)	-	(1,847,603)
Balance at 31 December	**782,952**	**418,581**

(e) **Unrecognised deferred tax assets and liabilities**

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

	31 Dec 2014 ₦'000	31 Dec 2013 ₦'000
Tax Losses (will never expire)	15,005,444	12,360,402
Unutilized capital allowance	14,033,309	12,596,370
Deductible temporary differences (will never expire)	3,019,936	276,842
	32,058,689	**25,233,614**

Notes to the financial statements

14 Property, plant and equipment

The movement in these accounts was as follows:

	Land	Buildings	Distribution network assets	office Equipment fixtures & fittings	Motor vehicles	Capital work in progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost or valuation							
Balance at 1 January 2013	10,934,172	3,085,440	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	**10,934,172**	**3,128,570**	**83,408,439**	**69,386**	**25,017**	**1,375,050**	**98,940,634**
Balance at 1 January 2014	10,934,172	3,128,570	83,408,439	69,386	25,017	1,375,050	98,940,634
Additions	211,082	169,329	1,079,992	117,518	119,255	170,124	1,867,300
Write off	-	-	-	-	-	(1,375,050)	(1,375,050)
Revaluation surplus (net)	1,509,864	1,155,546	-	-	-	-	2,665,410
Net off of accumulated depreciation on revaluation	(658,008)	(282,123)	-	-	-	-	(940,131)
Balance at 31 December 2014	**11,997,110**	**4,171,322**	**84,488,431**	**186,904**	**144,272**	**170,124**	**101,158,163**
Depreciation							
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**
Balance at 1 January 2014	437,368	186,408	9,489,081	21,780	834	-	10,135,471
Charge for the year	220,640	95,715	4,821,328	25,676	14,941	-	5,178,300
Net off of accumulated depreciation on revaluation	(658,008)	(282,123)	-	-	-	-	(940,131)
Balance at 31 December 2014	-	-	**14,310,409**	**47,456**	**15,775**	-	**14,373,640**
Carrying amounts							
At 31 December 2013	10,496,804	2,942,162	73,919,358	47,606	24,183	1,375,050	88,805,163
At 31 December 2014	11,997,110	4,171,322	70,178,022	139,448	128,497	170,124	86,784,523

Notes to the financial statements

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

	2014	2013
	₦'000	₦'000
Cost of sales	4,821,328	4,752,238
General and administrative expenses	356,972	325,981
Depreciation charge for the year (Note 8)	**5,178,300**	**5,078,219**

(b) Additions to property, plant and equipment during the year comprises the following:

	2014	2013
	₦'000	₦'000
Purchase of property, plant and equipment	977,551	1,775,355
Recognition of Government granted assets (Note 21(a))	889,749	-
	1,867,300	**1,775,355**

(c) The Company had capital commitments amounting to ₦38.6 million (2013: Nil).

(d) During the year, the Company changed the measurement model for land and buildings from cost model to revaluation model and as such engaged an external valuer, Achoru Mike Chukwura/Messrs Achoru Associates Limited (FRC/2016/NIESV/00000013731), to value the Land and buildings belonging to the Company as at 31 December 2014.

Based on the valuation report, the Directors have recorded an amount of ₦3.30 billion as revaluation surplus in other comprehensive income and ₦634.85 million as revaluation deficit on the profit or loss. See Note 14(g) below for the value of land and building at historical cost.

(e) 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 obtaining full legal title to all the affected land. The value of the land as at the year end was ₦12.16 billion (2013: ₦10.50 billion).

(f) ***Capital work in progress (CWIP)***

Capital work in progress (CWIP) comprises:

	2014	2013
	₦'000	₦'000
Ongoing works with respect to substations	170,124	1,375,050

During the year, the Company wrote off CWIP amounting to ₦1.38 billion on the basis that it has no control over the assets and the possibility of deriving future economic benefits is remote.

Notes to the financial statements

(g) ***Land and buildings: historical costs and fair valuation***

The Company revalued its land and buildings at 31 December 2014. If land and buildings were stated on the historical cost basis, the carrying amounts as at 31 December 2014 would be as follows:

	Land	Buildings
	₦'000	₦'000
Cost	11,145,255	3,297,898
Accumulated depreciation	(658,008)	(282,123)
Net book value	**10,487,247**	**3,015,775**

(h) ***Fair values of land and buildings***

An independent valuation of the Company's land and buildings was performed by external valuers to determine the fair value of the land and buildings as at 31 December 2014. The revaluation surplus was credited to other comprehensive income and is shown in 'revaluation reserves' in shareholders equity. Revaluation deficit was recorded in profit or loss as part of admin expenses. The following table analyses the non-financial assets carried at fair value, by valuation method. The fair value input level 2 as detailed below was adopted for the purpose of the valuation.

The fair value measurement for land and building was performed using significant other observable inputs (Level 2). Level 2 is defined as inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

	Fair value measurement at 31 December 2014 using Significant other observable inputs (Level 2)
	₦'000
Land	11,997,110
Buildings	4,171,322
	16,168,432

Valuation processes of the Company

Once every three years, the Company engages external, independent and qualified valuers to determine the fair value of the Company's land and buildings. As at 31 December 2014, the fair values of the land and buildings have been determined by Achoru Mike Chukwura/Messrs Achoru Associates Limited (FRC/2016/NIESV/00000013731).

Valuation technique used to derive level 2 fair values

The external valuations of the land and buildings have been performed using a sales comparison approach. The external valuers, derived the significant other observable inputs by collating prices from completed past transactions in the areas of close proximity to the land and buildings adjusting for differences in key attributes such as property size, age and condition of the land and buildings (as might be applicable), the state of the local economy and comparable prices in Nigeria as a whole.

Notes to the financial statements

15 Intangible assets

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

	Accounting software	
	2014	**2013**
	₦'000	**₦'000**
Cost		
Balance at 1 January	23,349	-
Additions	-	23,349
Balance at 31 December	**23,349**	**23,349**
Accumulated amortisation		
Balance at 1 January	3,502	-
Charge for the year	4,670	3,502
Balance at 31 December	**8,172**	**3,502**
Carrying amount		
At 31 December	**15,177**	**19,847**

Amortisation of intangible assets is included as part of administrative expenses.

16 Inventories

	31 Dec 2014	**31 Dec 2013**
	₦'000	**₦'000**
Consumable spare parts	540,352	418,728
Other Consumables	14,550	15,660
	554,902	**434,388**

(a) Maintenance costs

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 ₦1.37 billion (2013: ₦279.70 million).

(b) Inventory write down

Inventories were written down to net realisable value during the year. The loss of ₦496.31 million (2013: ₦447.6 million) arising on the write-down was included in profit or loss (see Note 8). 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. No inventories have been pledged as collateral.

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

	31 Dec 2014	**31 Dec 2013**
	₦'000	**₦'000**
Changes in inventory	(120,514)	1,035,343
Write down of inventory	(496,307)	(447,635)
	(616,821)	587,708

Notes to the financial statements

17 Trade and other receivables

	31 Dec 2014	31 Dec 2013
	₦'000	₦'000
Trade receivables	14,435,824	2,407,297
Advance payments (Note 17(a))	-	433,931
Government subsidies (Note 17(b))	-	958,333
Other receivables	87,701	-
	14,523,525	**3,799,561**

(a) Advance payments

In 2013, the Company recorded advance payments which 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 was made to pay ₦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 ₦433.9 million after considering other adjustments such as commission of ₦229.56 million (inclusive of VAT) on legacy debt collected not deducted. Based on the various interactions during the year between management and NELMCO, the Directors believe that collection of the ₦433.93 million receivable from NELMCO is remote. As a result, the Directors have impaired the amount in full. It is included as part of Bad debt written off in Note 8.

(b) Government subsidies

In 2013 and in accordance with the Multi Year Tariff Order (MYTO), management estimated the Company was entitled to ₦5.75 billion Federal Government subsidies and as such recorded a subsidy receivable of ₦958.33 million being amount of subsidy due for November and December 2013 on a prorata basis. As at 31 December 2014, the amount remained uncollected and based on changes in the industry, the directors believe that chances of collection is now remote and as such have impaired the amount in full. The amount written off has been included as part of Bad debt written off in Note 8.

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

	31 Dec 2014	31 Dec 2013
	₦'000	₦'000
Changes in trade and other receivables	(10,723,964)	17,864,504
Impairment loss on trade and other receivables	(7,291,690)	(601,824)
Elimination of trade receivables transferred to NELMCO	-	(37,707,947)
Bad debt written off	(1,392,264)	-
	(19,407,918)	(20,445,267)

(d) Credit and market risk and impairment losses information about the Company's exposure to credit and market risks, and impairment losses for trade and other receivables is included in Note 29 (a) and (c).

18 Prepayments

	2014	2013
	₦'000	₦'000
Rent	182,604	-
Insurance	41,252	26,646
	223,856	**26,646**
Non current	40,348	-
Current	183,508	26,646
	223,856	26,646

Notes to the financial statements

19 Cash and cash equivalents

	2014	2013
	₦'000	**₦'000**
Bank balances	3,348,834	2,795,652
Cash on hand	79,443	-
Short term deposits	-	147,208
	3,428,277	**2,942,860**

Cash and cash equivalents include ₦2.17 billion claimed by NELMCO as due to it with respect to pre-completion receivables (see Note 23).

20 Share capital and reserves

(a) Share capital comprise:

	2014	2013
	₦'000	**₦'000**
Authorized:		
10,000,000 ordinary shares of 50k each	**5,000**	**5,000**
Issued, called-up and fully paid:		
10,000,000 ordinary shares of 50k each	**5,000**	**5,000**

Ordinary shares

All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the general meetings of the Company.

(b) Revaluation reserve

The revaluation reserves relate to the revaluation surplus arising from the revaluation of land and buildings at 31 December 2014. This has been recorded in other comprehensive income and is classified as an item that will not be reclassified to profit or loss (see Note 14(d)).

21 Deferred revenue/income

	2014	2013
	₦'000	**₦'000**
Government grant (Note 21(a))	877,736	-
Deferred revenue**	653,712	102,003
Deferred income on Credited Advance Payment for Metering Implementation (CAPMI) scheme (Note 24(b))	16,647	-
	1,548,095	**102,003**
Non current portion	853,847	-
Current	694,248	102,003
	1,548,095	**102,003**

(a) **Government grants**

During the year, the Company received some assets in the form of grants from the government. The Directors have estimated the fair value of the assets including the land on which the injection substations were constructed to be ₦889.75 million. This has been included in property, plant and equipment (Note14(b)). Amortisation of the deferred income is at the same rate as the associated PPE is depreciated. Amount recognised in profit or loss during the year was ₦12.01 million (Note 9).

Notes to the financial statements

The movement in the account during the year was as follows:

	2014	2013
	₦'000	₦'000
Balance at 1 January	-	-
Recognition of fair value of assets received (Note 14(b))	889,749	-
Amortization to profit or loss (Note 9)	(12,013)	-
Balance at 31 December	**877,736**	-
Non-current	853,847	-
Current	23,889	-
	877,736	-

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

The Company estimates deferred revenue from prepaid customers by calculating an energy consumption factor which shows the average energy consumption for for each customer based on energy unit purchased during the year, this is used to prorate the last units of energy purchased by the customer before the year end. Unearned revenue (i.e. excluded from current year revenues) amounted to N653.71 million (2013: N102.00 million) and has been recognized as deferred revenue.

22 Trade and other payables

Trade and other payables comprises:

	2014	2013
	₦'000	₦'000
Trade payables (Note 22(a))	31,315,938	6,846,823
Payable to NELMCO	-	320,983
Other payables	690,998	423,555
Due to related parties (Note 25(c))	1,134,520	285,450
Other accruals	1,626,128	1,687,897
	34,767,584	**9,564,708**
Statutory deductions	2,439,824	-
	37,207,408	**9,564,708**

(a) Trade payables comprise payment due to the Market Operator (MO) for the cost of energy and other administrative charges incidental to the cost of energy.

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

	31 Dec 2014	31 Dec 2013
	₦'000	₦'000
Changes in trade and other payables	27,642,700	(19,699,240)
Interest on market operator bill	(744,735)	-
Payable to NELMCO	320,983	-
Effect of movement in exchange rate	(1,257)	
Trade and other payables transferred to NELMCO		38,885,949
Payables for PPE additions		(1,490,590)
	27,217,691	17,696,119

The Company's exposure to liquidity and market risks for trade and other payables is included in Note 29 (b) and (c).

Notes to the financial statements

23 Provisions

The movement in provisions account was as follows:

	NELMCO cash claimed
	₦'000
Balance at 1 January 2014	-
Reclass from trade and other payables*	320,983
Provision made during the year (Note 23 (a))	1,851,956
Balance at 31 December 2014	**2,172,939**

* This represents a cash balance due to NELMCO which had previously been classified as a payable to NELMCO.

(a) Payable to NELMCO

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

The amount is derived after adjusting the cash balance as at 31 October 2013 for balances held in mareva bank accounts as the Company has no access to the mareva bank accounts as well as reclassification of an amount of N320.98 million previously included in trade and other payable. The total balance in the mareva accounts has been written to profit or loss together with other balances as at 31 October 2013 in line with the applicable Deeds of Assignment of pre-completion receivables/liabilities in prior year.

The expected timing of resulting cash outflow is within 6 months from the year end. As a result, the provision is considered as current and as such the effect of discounting is not material.

24 Loans and borrowings

Loans and borrowings comprises:

	2014	2013
	₦'000	₦'000
Loan from parent company (Note 24 (a))	229,696	148,955
CAPMI payables (Note 24 (b))	465,722	-
Total loans and borrowings	**695,418**	**148,955**
Non-current	272,042	-
Current	423,376	148,955
	695,418	**148,955**

(a) Loans and borrowings represent draw down of $1.14 million (2013: $0.90 million) as at year end on an unsecured working capital financing facility obtained from KANN Utility Company Ltd. Total amount available for draw down under the arrangement is $2.5 million and it attracts interest at 10% per annum, interest incurred on the loan as at year end was ₦18.57 million (2013: ₦3.24 million). The facility is payable on 31 March 2015.

Notes to the financial statements

(b) In a bid to bridge metering gap and to reduce estimated billings, NERC has issued the Credited Advance Payment for Metering Implementation (CAPMI) scheme. The CAPMI scheme allows willing customers to advance funds to the distribution companies for meter procurement and installation. Amounts advanced by a customer under this scheme plus a one off nominal interest of 12% less cost of installation, is refundable to the customer in monthly instalments based on each customer's fixed charge but on the condition that the repayment shall not exceed 3 years. The CAPMI payable has been recognised initially at fair value and subsequently measured at amortised costs using the effective interest rate method. Amounts due within one year or less are classified as current, if not they are classified as non current liabilities.

The installation fees ₦23.60 million earned with respect to the meters that have been installed and energized is included as part of other income (Note 9). Cost of installation of CAPMI meters not yet installed as at year end was ₦16.65 million and is recorded as deferred income (Note 21).

Information about the Company's exposure to currency and liquidity risks is included in Note 29.

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

	2014	**2013**
	₦'000	₦'000
Changes in loans and borrowings	509,080	104,040
Fair value gain on initial recognition of CAPMI loans	173,406	
Interest on loans	(70,593)	(3,243)
Unwinding of discount on CAPMI loans	(20,506)	
Repayment		44,915
	591,387	145,712

25 Related party transactions

(a) Parent and ultimate controlling party

KANN Utility Company Ltd (KANN) acquired a majority of the Company's shares from BPE and Ministry of Finance on 1 November 2013. 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:

	31 Dec 2014	31 Dec 2013
	₦'000	₦'000
Salaries	528,948	80,556
Other short-term benefits	190,755	-
	719,703	**80,556**

Other than as detailed above, in terms of compensation, there were no transactions between key management personnel and the Company. From time to time directors of the Company, or their related entities, may purchase energy from the Company. These purchases are on the same terms and conditions as those entered into by other Company employees and customers.

Notes to the financial statements

(c) Other related party transactions

Other related party transactions during the year were as follows:

	31 Dec 2014	31 Dec 2013
	₦'000	₦'000
Draw down on loans from KANN	207,888	145,712
Interest on loan from KANN	21,808	3,243
Loan from parent company (Note 24)	**229,696**	**148,955**
Due to related parties:		
Operations and management services (Note 25 (d))	795,997	285,450
Accruals for compensation to key management personnel	338,523	-
Due to related parties (Note 22)	**1,134,520**	**285,450**
Other related party transactions	**1,364,216**	**434,405**

None of the balances due to related parties is secured.

(d) Operations and management services

Operations and management services fees in the current year is estimated by management at 2% of cash collected by the Company during the year from customers 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 ₦668.92 million (Note 8). The amount recorded as payable at the year-end of ₦796.00 million includes prior year amount of ₦285.45 million and is net of payments made to KANN Utility Company Limited during the year and withholding taxes. Management has resolved that there will be no further payments to KANN Utility Company Limited until the agreement is signed. 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.

26 Contingent liabilities

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

As part of the privatisation completion, the Company through the Bureau of Public Enterprises signed a deed of assignment of pre-completion receivables and liabilities with the Nigerian Electricity Liability Management Company Limited (NELMCO) effective 31 October 2013.The Company and NELMCO are yet to agree on the individual trade debtors and liabilities transferred as at 1 November 2013. The Directors, based on independent legal advice obtained as well as their understanding of the Share Purchase Agreement between KANN, BPE and the Ministry of Finance Incorporated are of the opinion that all trade receivables and pre-completion liabilities (crystallised or contingent) as at 31 October 2013 have been effectively transferred. The Company does not have an estimate of those debtors and liabilities since in its view this is the responsibility of NELMCO. The Company believes that it will neither realise those receivables nor settle any liabilities existing as at 31 October 2013 and as such, no recognition of provision is required other than that shown in Note 23. If in the process of agreeing the individual trade debtors and liabilities, certain items are identified and agreed to be borne by the Company, the amounts would be recorded in the period they were identified.

(b) Litigations and claims

The Company is involved in certain litigations and claims (separate from those taken over by NELMCO). Maximum exposure based on the damages being claimed by the litigants amounts to ₦635 million. Based management's assessment supported by the views of the respective solicitors handling the cases on behalf of the Company, the Directors believe the risk of material loss to the Company is remote and as such no provisions have been recorded.

Notes to the financial statements

27 Events after the reporting period

(a) Commencement of the Transitional Electricity Market

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 remained unchanged. 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. Following this, on 21 December 2015, NERC issued a new MYTO which becomes effective 1 February 2016 and spans a 10 year period.

(b) Disbursement of CBN Intervention Fund

The Central Bank of Nigeria (CBN) commenced disbursement to market participants who have met the condition precedent to having access to 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 ("Legacy Gas Debt") which has been transferred to the Nigerian Electricity Liability Management Company Limited by Guarantee ("NELMCO"). Based on communications between AEDC, CBN and NERC, the Directors expect that at least ₦27.7 billion would be available to the Company.

(c) 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.

(d) 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, KAAN Utility Company withdrew the notice of political force majeure on the basis that the collection losses were reinstated in the MYTO 2015. During the course of the political force majeure, operational activities of the Company continued. However, discussions with the CBN on the intervention fund was interrupted. Subsequent to the withdrawal of the political force majeure discussions with the CBN on the intervention fund advanced further.

Notes to the financial statements

28 Going concern

The Company reported a loss after tax of N25.97 billion for the year ended 31 December 2014 (2013: N13.79 billion) and as of that date, the Company's current liabilities exceeded its current assets by N22.59 billion (2013: N3.03 billion). The Company has historically incurred losses due to the existing electricity pricing regime which did not allow the recovery of costs through price increases.

The Minister of Power declared the commencement of the Transitional Electricity Market (TEM) on 1 February 2015. However, the TEM rate that was declared by NERC was subsequently reduced via an Order published on 17 March 2015. The Order which became effective on 1 April 2015 amends MYTO 2.1 reducing the tariffs applicable to the Company across all customer categories for 2015 by an average of 14%.

On 10 April 2015, KANN Utility Company Limited (the parent of the Company), issued a notice of political force majeure event to BPE 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 reasons for the force majeure. The notice of political force majeure was subsequently reversed on 10 February 2016 (see Note 27(d)) on the basis of the new tariff (MYTO 2015) introduced effective 1 February 2016 (see Note 27(c)). It is expected that there will be an average of 49% increase in 2016 tariffs over 2015 tariffs across all customer categories if implementation of MYTO 2015 is sustained.

Based on MYTO 2015, the directors have revised the Company's 10 year budget and cash flow forecast which now indicates the Company is expected to operate profitably by the end of the 2017 financial year. The actualization of the projections is subject to the sustainability of MYTO 2015, receipt of the CBN intervention fund currently estimated at ₦27 billion (Note 27(b)), receipt of debts due from MDAs, and the successful renegotiation of the amount payable to the Market Operator (trade payables), which represents about 76% of current liabilities, into a long term loan payable over an eight (8) year period with a moratorium period of 18 months. It is however not possible at this stage to determine the outcome of these plans.

Consequently, Xerxes Global Investment Limited (shareholder of the parent) has confirmed its willingness to continue to provide such operational support to the Company as would be necessary for the Company to meet its obligations as they fall due in the foreseeable future. In addition, Copperbelt Energy Corporation Plc, the ultimate parent of CEC Africa Investment Ltd (shareholder of the parent), has confirmed its willingness to continue to provide such financial and operational support to the Company as would be necessary for the Company to meet its obligations as they fall due in the normal course of business.

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

Notes to the financial statements

29 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company's 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 2014	31 Dec 2013
		₦'000	₦'000
Trade and other receivables	17	14,523,525	2,407,297
Cash at bank	19	3,348,834	2,942,860
		17,872,359	**5,350,157**

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.

Notes to the financial statements

Trade receivables

	Maximum Demand	Non-maximum Demand	Total
	₦'000	**₦'000**	**₦'000**
Private individuals/Companies	4,885,109	6,146,793	11,031,902
Government institutions	1,507,313	1,896,609	3,403,922
Total	**6,392,422**	**8,043,402**	**14,435,824**

At 31 December 2014, the aging of trade receivables that were not impaired was as follows:

	31 Dec 2014	31 Dec 2013
	₦'000	₦'000
Unbilled*	1,010,508	2,252,241
Past due 0-30 days	433,075	155,056
Past due 31-90 days	721,791	-
Past due 91-120 days	577,433	-
Past due 120 days and above	11,693,017	-
	14,435,824	**2,407,297**

*Unbilled receivables are neither past due nor impaired.

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

	31 Dec 2014	31 Dec 2013
	₦'000	₦'000
Balance at 1 January	601,824	-
Impairment loss recognised	7,291,690	601,824
Balance at 31 December	**7,893,514**	**601,824**

Management monitors the Company's trade and other receivables for indicators of impairment. During the year, ₦1.39 billion was written off as bad debt comprising advance payment to NELMCO of ₦433 million and Government Subsidy receivable of ₦958 million. As at 31 December 2014, the amounts remained uncollected and based on changes in the industry, the directors believe that chances of collection is remote and as such have impaired the amounts in full. It is included as part of Bad debt written off in Note 8. As a result of management assessment that the chances of collection of the subsidies are remote, no subsidy was recorded in current year.

The directors have also recorded an impairment allowance amounting to ₦7.29 million with respect to the outstanding trade receivables at the year end. The impairment is required mainly to cater for the losses that arise from the difficulties in enforcing payments from certain classes of customers due to certain geographical challenges such as coverage and accessibility.

The Company believes that past due amounts not impaired are collectible as follows:

- It retains the right to disconnect the customers and based on historical patterns, collections improve after disconnections.
- Current metering plan, will convert a significant number of these customers to prepaid and outstanding balances will be recovered through the prepaid platform.
- Commitments from the Account General and Ministry of Power, that amounts due from government parastatals will be paid for through deductions in their allocations.

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

- Investment in prepaid meters and conversion of more post paid customers to prepaid;

Notes to the financial statements

- More efficient internal processes e.g. timely billings and delivery of bills, system automation of billings and collections, system of issuing letters of demand and notices to non-paying customers;
- Involvement of the Minister of Finance in enforcing collection of receivables from government
- Aggressive disconnections
- Setting KPIs for employees to drive debt collections

Cash at bank

The Company held cash of ₦3.35 billion (2013: ₦2.94 billion) with banks and financial institutions operating in Nigeria.

(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.

In order to manage liquidity risks and ensure that it has sufficient cash to match outflows expected in the normal course of its business, the Company is doing the following:

- intensifying efforts to collect trade receivables
- In addition, the Company expects to receive ₦27 billion with respect to CBN intervention funds following the disbursement agreement it signed with NERC during the year. The Company has not received any monies from the CBN with respect to this scheme as at year end as it has not yet fulfilled all the conditions precedent. ₦25 billion of this will be applied towards settlement of outstanding MO payables.
- Restructuring trade payables which is made up of MO payables into a long term facility with a tenor of 8 years. This will reduce the cashflow demand in the short to medium term.
- extending the working capital facility arrangement amounting to $2.5 million with KANN beyond 31 March 2015. As at year end, only $1.14 million had been drawn down and $1.36 million remains available.

Notes to the financial statements

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

	Carrying amount	Contractual cash flows			
		Total	0 - 3 Months	4 - 12 Months	Above 1 year
	₦'000	₦'000	₦'000	₦'000	₦'000
Non-derivative financial liabilities					
31 December 2014					
Trade and other payables	34,767,584	34,767,584	34,767,584	-	-
Loan from the parent company	695,418	848,318	229,696	193,680	424,942
	35,463,002	**35,615,902**	**34,997,280**	**193,680**	**424,942**

(c) Market risk

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

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

Currency risk

The Company, 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 the working capital facility 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 2014	31 December 2013
	$	$
Cash and cash equivalents	69,256	-
Payable to a parent company	(6,309,900)	(1,764,215)
Loan from the parent company	(1,276,444)	(920,614)
Net statement of financial position exposure	**(7,517,088)**	**(2,684,829)**

Notes to the financial statements

The following significant exchange rates were applied during the year

	Average rate		Reporting date spot rate	
	2014	**2013**	**2014**	**2013**
	₦	**₦**	**₦**	**₦**
US$	164.74	160.50	179.95	161.80

Sensitivity analysis

A 20% strengthening of the USD 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 2014	**31 December 2013**
	₦'000	₦'000
US$	**270,540**	**86,881**

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 management

The Company is exposed to interest rate risk as it has an interest bearing loan from its parent, KANN.

Interest rate risk- Sensitivity analysis

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

	Rate	**31 December 2014**	**31 December 2013**
		₦'000	₦'000
Fixed rate instruments			
Loan from parent company	10%	**673,617**	**145,712**

No sensitivity analysis is disclosed as changes in interest rate would not affect profit or loss.

(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.

Notes to the financial statements

These carrying amounts shown are a reasonable approximation of the fair values of the financial assets and financial liabilities.

	Loans and receivables	Other financial liabilities	Total
	₦'000	₦'000	₦'000
31 December 2014			
Financial assets not measured at fair value			
Trade and other receivables	14,523,525	-	14,523,525
Cash and cash equivalents	3,428,277	-	3,428,277
	17,951,802	**-**	**17,951,802**

	Loans and receivables	Other financial liabilities	Total
	₦'000	₦'000	₦'000
Financial liabilities not measured at fair value			
Trade and other payables	-	34,767,584	34,767,584
Loans and borrowings	-	695,418	695,418
	-	**35,463,002**	**35,463,002**

30 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.

(i) Future minimum lease payments

At 31 December 2014, the future minimum lease payments under non-cancellable leases were payable within 1 year and amounted to ₦27.83 million.

(ii) *Amounts recognised in profit or loss*

Lease expenses recognised in profit or loss during the year amounted to ₦237.39 million (2013: ₦ 109.30 million). This is included in administrative expenses as rent expense (Note 8).

31 Basis of measurement

The financial statements have been prepared on the historical cost basis except for land and building where measurement is by revaluation method, recognition of assets granted by customers or by government which are initially recognized at fair value and financial instruments measured based on fair value.

32 New standards and interpretations not yet adopted

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

Notes to the financial statements

Effective for the financial year commencing 1 January 2016

• Amendment to IAS 1 *Disclosure initiative*

Effective for the financial year commencing 1 January 2018

• IFRS 9 *Financial Instruments*

• IFRS 15 *Revenue from contracts with customers*

Effective for the financial year commencing 1 January 2019

• IFRS 16 *Leases*

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

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:

• Amendment to IAS 1 Disclosure initiative

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to the order of notes, OCI of equity accounted investees and subtotals presented in the statement of financial position, and statement of profit or loss and other comprehensive income. The Company will adopt the amendments for the year ending 31 December 2016.

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.

IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.

Notes to the financial statements

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact on the Company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Company is yet to carry-out an assessment to determine the impact that the initial application of IFRS 15 could have on its business; however, the Company will adopt the standard for the year ending 31 December 2018.

IFRS 16 Leases

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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

(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and

(b) depreciation of lease assets separately from interest on lease liabilities in the profit or loss.

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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

33 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 2014 was as follows:

	31 December 2014	**31 December 2013**
Total liabilities	42,406,812	10,234,247
Less: cash and cash equivalent	(3,428,277)	(2,942,860)
Adjusted net debt	38,978,535	7,291,387
Total equity	63,123,448	85,794,218
Adjusted net debt to total equity ratio	0.62	0.08

34 Approval of the financial statements

The financial statements of the Company for the year ended 31 December 2014 were approved on the same date as those of the year ended 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.

Other national disclosures

Other national disclosures

Value added statement

For the year ended

	31 Dec 2014	%	31 Dec 2013	%
	₦'000		₦'000	
Revenue	48,097,381		36,025,798	
Bought-in-materials and services				
- Local	(61,012,246)		(37,359,543)	
- Foreign	-		-	
	(12,914,865)		(1,333,745)	
Finance income	175,280		4,462	
Other income	275,223		923,709	
Other gains	-		692,845	
	(12,464,362)	100	287,271	100
To employees:				
- as salaries, wages and other staff costs	7,086,115	(56)	8,573,060	2,984
To providers of finance:				
- Finance cost and similar charges	873,217	(7)	3,243	1
To government as:				
- taxes	364,371	(3)	418,581	146
Retained in the business:				
To maintain and replace:				
- property plant and equipment	5,178,300	(41)	5,078,219	1,768
- intangible assets	4,670	(1)	3,502	1
- To deplete reserves	(25,971,035)	208	(13,789,334)	(4,800)
	(12,464,362)	100	287,271	100

Other national disclosures

Financial summary

Statement of profit or loss and other comprehensive income

	2014	2013	2012
	₦'000	₦'000	₦'000
Revenue	48,097,381	36,025,798	25,345,342
Results from operating activities	(24,908,727)	(13,371,972)	(20,221,282)
Loss before taxation	(25,606,664)	(13,370,753)	(20,216,713)
Loss for the year	(25,971,035)	(13,789,334)	(14,722,762)
Total comprehensive income for the year	(22,670,770)	(13,789,334)	(14,722,762)

Statement of financial position

	31 Dec 2014	31 Dec 2013	31 Dec 2012	1 Jan 2012
	₦'000	₦'000	₦'000	₦'000
Employment of funds				
Property, plant and equipment	86,784,523	88,805,163	81,392,538	85,080,931
Intangible assets	15,177	19,847	-	-
Non-current prepayments	40,348	-	-	-
Net current assets/(liabilities)	(22,590,711)	(3,030,792)	7,475,525	22,122,957
Non current liabilities	(1,125,889)	-	-	-
Net assets	**63,123,448**	**85,794,218**	**88,868,063**	**107,203,888**
Funds employed				
Share capital	5,000	5,000	5,000	5,000
Retained earnings	59,818,183	85,789,218	88,863,063	107,198,888
Revaluation reserve	3,300,265			
	63,123,448	**85,794,218**	**88,868,063**	**107,203,888**

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.