Kaduna Electric

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Reliable Energy, Endless Possibilities

Annual Reports

for the Year Ended 31st December 2014

aduna
Electric

RC No: 638640

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General meeting of Kaduna Electricity Distribution Plc ("The Company") will be held at the Board Room of the Company, No. 1/2 Ahmadu Bello way Kaduna, On Thursday, 20th April, 2017 at 2.00pm to transact the following business;

ORDINARY BUSINESS

1. To lay before the meeting the Audited Financial Statement of the Company as at December 31st 2014 and December 31st 2015 together with the report of the Directors and Auditors thereon;
2. To Re-elect Directors;
3. To Re-appoint the Auditors;
4. To authorize the Directors to determine the remuneration of the Auditors; and
5. To appoint members of the Audit Committee

Notes:

1. Proxy

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not also be a member.

Executed proxy forms should be deposited at the registered office of the Company, Kaduna Electricity Distribution Plc., No. 1/2 Ahmadu Bello Way, Kaduna not less than 48 hours before the meeting.

By order of the Board

Abbas Ahmad esq
NBA/IND/2800
COMPANY SECRETARY

KADUNA ELECTRICITY DISTRIBUTION PLC
CORPORATE INFORMATION

COMPANY'S REGISTRATION NUMBER
R. C. 638640

DIRECTORS

Yusuf Hamisu Abubakar, OON	Chairman	Nigerian
Garba Haruna Argungu	MD/CEO	Nigerian
Jamil Isyaku Gwamna, PhD	Non-Executive Director	Nigerian
Tajuddeen Aminu Dantata	Non-Executive Director	Nigerian
Rabi Yahaya Ahmad	BPE Nominated Director	Nigerian
Garba Yusuf Imam	Independent Director	Nigerian
Hassan Aminu Dantata	Non-Executive Director	Nigerian
Musaddique Mohammed Adamu	Non-Executive Director	Nigerian

REGISTERED OFFICE
1/2 Ahmadu Bello Way,
Kaduna State
Nigeria

COMPANY SECRETARY/LEGAL ADVISER
Barr. Abbas Ahmad
1/2 Ahmadu Bello
Way, Kaduna State
Nigeria

BANKERS Fidelity
Bank Plc Guaranty
Trust Bank Plc
United Bank for Africa
Plc First Bank of
Nigeria Plc Zenith
Bank Plc

AUDITORS
Ahmed Zakari & Co.
(Chartered Accountants)
5th Floor, African Alliance Building
F. 1 Sani Abacha Way
P. O. Box 6500
Kano

Chairman's Statement

Kaduna Electricity Distribution Plc was officially taken over from the government on 4th December of 2014 after completion of the privatization through share sale acquisition of 60% by core investor.

At the inception of the Board upon takeover, Engr. Garba Haruna was appointed as the MD/CEO of the company who will lead the management team and steer the course of direction of the company and ensure the overall objective of ATC&C loss reduction is achieved.

2015 is expected to be a year that will start on a challenging note for the Nigerian economy and will be characterized by several highs and lows, an election year which may eventually culminate in a change of guard combined with declining crude oil prices in the global market. However, despite the projected economic slowdown, we look forward to 2015 as a year of significant progress for by first establishing, then planning for, reducing the ATC&C losses, with much improved operating processes and major achievements in terms of business reorganisation, capital/Infrastructural build and improved IT and metering capability.

Setting forth and taking these steps would undoubtedly be demanding and will test our abilities to face harsh realities of both the Nigerian economy and the near comatose Nigerian Electricity Supply Industry (NESI). Nevertheless, the board has set out in its commitment that the business will be revamp to provide services focusing on putting its customers at the heart of its activities.

Yusuf Hamisu Abubakar, OON
Chairman of the Board

MD/CEO's Statement

Our strategy as a privatized electricity distribution company is to continue to invest and optimize the grid and the customer experience, with integration of capital and human resources as a big step forward on that strategy. Our plan for the coming year also includes seeing our customers have improved customer services where they would understand our system to enable them ask questions, make inquiries and take decisions on various choices and we should also be helping our customers to take advantage of those choices.

The company's activities for the year 2015 are likely to be faced with risks and opportunities as a function of the major risks in the operating environment, some of these risks are energy supply and regulatory risks. It is estimated that about 2,868GWh energy supply is expected to be supplied to the Nigerian Electricity Supply Industry (NESI) of which about 8% will be received by Kaduna Electricity Distribution Plc as modeled into the Multi-Year Tariff Order 2.1 (and 2.1A). Revenues of course decline (with grid defection and without cost reflective tariff) and that's why I think we need to work with regulators and customers to come up with rate structures that allows the grid to remain in place. There's also the network disruption risk where the grid is unstable which most frequently leads to system collapses affecting our operations and limiting the company's ability to distribute energy to our customers.

Key Initiatives for 2015

Several initiatives and business transformation strategies will be developed and implementation will begin during the year to mitigate the impact of the various risks on the financial and operational position of the company.

Strategies will include bringing in new employees, especially new senior management to drive the changes in culture and business processes required to transform the company into a private sector profit oriented organization. Changes in internal operations, procedures and attitudes are will be given priority to position the company to achieve our strategic objectives.

Analysis of our current network coverage revealed that there is a significant opportunity for the company in connecting our network to new customers and in getting full information on those using our electricity without appearing in our customer database. We will therefore, initiate plans to systematically enumerate and document all the relevant information on all our customers in order to minimize the impact of commercial and collection losses on our business.

Major initiatives and strategies to be implemented by the company are both statutory and in line with our business plans:

- **Policies and Procedures Development**
- **Baseline Loss Studies**
- **Metering**
- **Mapping of the 33kV, 11kV and 415V Networks**
- **Manpower reformation**
- **ICT System Development**
- **Payment Systems**
- **Safety Management Systems**

Outlook For 2015

In view of the strategies to be implemented in the coming year to address the challenges faced by the company, I am hopeful that that we shall begin to systematically address the myriads of challenges that constrained the efficiency and viability of the company when it was under public ownership and control.

We shall position the company to be model that we envisioned!

Thank you.

Engr. Garba Haruna,
Managing Director/Chief Executive Officer

Directors' Report

The directors hereby submit their report together with the audited financial statements of the company for the year ended 31st December 2014.

Incorporation

Kaduna Electricity Distribution Plc ("the Company") was incorporated in Nigeria under the Companies and Allied Matters Act (C20), Laws of the Federal Republic of Nigeria (LFN) 2004 as public limited liability company on 9th day of November 2005.

Principal Activities

The principal activities of the company are the distribution and retail of electricity to households, commercial and industrial customers within the franchise areas of Kaduna, Kebbi, Sokoto and Zamfara States.

Results

The company's results for the year are set out on pages 12 to 51. The loss after taxation for the year of N12.908 billion (2013: N4.990 billion) has been transferred to retained earnings. The directors do not recommend the payment of any dividend.

Directors

The directors who held office during the year were:

Yusuf Hamisu Abubakar, OON	Chairman	Nigerian
Engr. Garba Haruna	Managing Director/CEO	Nigerian
Dr. Jamil Isyaku Gwamna	Non-Executive Director	Nigerian
Tajuddeen Aminu Dantata	Non-Executive Director	Nigerian
Rabi Yahaya Ahmad*	Non-Executive Director	Nigerian
Hassan Aminu Dantata	Non-Executive Director	Nigerian
Musaddiq Mohammed Adamu	Non-Executive Director	Nigerian
Garba Yusuf Imam	Independent Director	Nigerian

* Alternate Director for Director General of BPE

Board Committees

At a company board meeting held on 23rd December 2014, the board passed a resolution to approve the creation of three board committees mandated by the Nigerian Electricity Regulatory Commission (NERC) – Audit and Compliance Affairs, Finance and Corporate Governance Affairs, Technical and Health, Safety, Environment Committee. Memberships of the committees are shown below:

Audit and Regulatory Affairs Committee

Garba Yusuf Imam	Committee Chairman
Engr. Garba Haruna	MD/CEO
Jamil Isyaku Gwamna, PhD	Member
Tajuddeen Aminu Dantata	Member
Rabi Yahaya Ahmad	Member
Hassan Aminu Dantata	Member
Musaddiq Mohammed Adamu	Member

Finance and Corporate Governance Committee

Jamil Isyaku Gwamna, PhD	Committee Chairman
Engr. Garba Haruna	MD/CEO
Tajuddeen Aminu Dantata	Member
Rabi Yahaya Ahmad	Member
Garba Yusuf Imam	Member
Hassan Aminu Dantata	Member
Musaddiq Mohammed Adamu	Member

Technical and HSE Committee

Tajuddeen Aminu Dantata	Committee Chairman
Engr. Garba Haruna	MD/CEO
Jamil Isyaku Gwamna, PhD	Member
Rabi Yahaya Ahmad	Member
Garba Yusuf Imam	Member
Hassan Aminu Dantata	Member
Musaddiq Mohammed Adamu	Member

The Board Committees meet once to deliberate on issues within their control by the end of the financial year.

Management Team

The management team headed by the Managing Director/CEO is responsible for the day-to-day management of the business. It is made up of the Heads of Department of the company. The management team meets once every fortnight to deliberate and take decisions on critical issues affecting the achievement of the strategic and operational goals of the company.

Directors' Interest in Contracts

For the purpose of section 277 of the Companies and Allied Matters Act CAP (C20) LFN 2004, all direct or indirect interest in contracts or proposed contracts with the company during the financial year was subjected to full due process and strict accordance to the policy and procedure guiding procurements in the company.

Directors' Interest in Shares

None of the directors had any direct equity interest in the company as at 31st December 2014. The core investors through the Special Purpose Vehicle, Northwest Power Ltd, hold the equity interest in the company held by the private investors as a result of the privatization in 2014.

Shareholding Structure

As at 31st December 2014, the issued share capital of the company as recorded in the register of shareholders is as follows:

Entity	No of Shares Held	% of Shares Held
Northwest Power Ltd (NWPL)	6,000,000	60
Bureau of Public Enterprises (BPE)	3,200,000	32
Ministry of Finance Incorporated (MOFI)	800,000	8

Equal Opportunity Employer

The company pursues an equal opportunity employment policy. It does not discriminate against any person on the grounds of race, ethnic origin, religion, gender or physical disability.

Employment of Physically Disabled Persons

The company maintains a policy of giving fair considerations to applications from physically disabled persons, bearing in mind their respective aptitudes and abilities. In the event of employees becoming disabled, every effort is made to ensure that their employment with the company continues and that the appropriate training is arranged.

Industrial and Employee Relations

Kaduna Electricity Distribution Plc places considerable value on the involvement of its employees in the activities of the company and keeps them informed on matters affecting them as employees as well as the various factors affecting the performance of the company. This is achieved through various communication channels, which include email, notice board, intranet, house magazine, regular departmental meetings and executive management's town hall type meetings. The relationship between management and the house unions remains very cordial. Regular dialogue takes place at formal and informal levels.

Training and Development

The company places great emphasis on the training and development of its employees and believes that its people are its greatest assets. Training courses are geared towards the developmental needs of employees and improvement in their skill sets to face the increasing challenges in the industry. We will continue to invest in our human capital to ensure that staff motivation to achieve excellence.

Donations/Charitable Gifts

No existing structure and policy is in place for donations, gifts and support toward any Corporate Social Responsibility (CSR). The new management shall work towards the institutionalization of this critical objective during the year coming.

Kaduna Electricity Distribution Plc

Statement of Directors' Responsibilities
For the year ended 31 December 2014

The directors accept responsibility for the preparation of the financial statements set out on pages 13 to 52 that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria.

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 deemed 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 years ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Yusuf Abubakar Hamisu, OON
Chairman
FRC/2016/MBA/00000014422

Date: 12 January 2017

Haruna Garba Argungu
Managing Director
FRC/2017/IODN/00000016001

Date: 12 January 2017

Ahmed Zakari & Co.
(CHARTERED ACCOUNTANTS)

INDEPENDENT AUDITORS' REPORT

To the members of Kaduna Electricity Distribution Plc

Report on the Financial Statements

We have audited the accompanying financial statements of **Kaduna Electricity Distribution Plc** which comprise the statements of financial position as at 31 December 2014, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages12 to 51.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies and Allied Matters Act, Cap C20, LFN 2004, the Financial Reporting Council of Nigeria Act No. 6, 2011, the International Financial Reporting Standards and for such internal control as the Directors determine are necessary to enable the preparation of the 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. These 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 and fair presentation of financial statements 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Basis for Qualified Opinion

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

Shuaibu A. Ahmed | Isma'ila M. Zakari | Tajudeen Adetokunbo Oni | Najib Imam | Wazir Olukayode Lawal
Central Office: 5th Floor, African Alliance House, F1Sani Abacha Way, P.O. Box 6500, Kano, Nigeria.
Lagos Office: 22B Oladipo Diya Crescent, 2nd Avenue Estate, Ikoyi, Lagos. P. O. Box 54478, Falomo, Ikoyi, Lagos.
Abuja Office: 2nd Floor, Akintola Williams House, Plot 2048 Michael Opara way, Wuse Zone 7, Abuja.
E-mail: info@ahmedzakari.com *Url:* www.ahmedzakari.com

Qualified Opinion

In our opinion, except for the possible effect on the corresponding figures of the matters described in the basis of qualified opinion paragraph, these financial statements give a true and fair view of the financial position of **Kaduna Electricity Distribution Plc** as at 31 December 2014 and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria.

Report on Other Legal and Regulatory Requirements

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

In our opinion, except for the impact of matters described in the basis for qualified opinion paragraph, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's statement of financial position and the statements of profit or loss and comprehensive income are in agreement with the books of account.

12th January 2017

Najib Imam, FCA - FRC/2014/ICAN/00000006900

For: Ahmed Zakari & Co.

(Chartered Accountants)

12 January, 2017

Kano, Nigeria

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 N'000	2013 N'000
Continuing operations			
Revenue	5	26,768,161	21,459,068
Operating cost	6	(34,376,038)	(23,917,024)
Gross loss		**(7,607,877)**	**(2,457,956)**
Other gains or losses	7	177,262	82,985
Administrative expenses	8	(5,477,997)	(2,615,178)
Operating loss		**(12,908,612)**	**(4,990,149)**
Finance cost		-	-
Loss before taxation	9	**(12,908,612)**	**(4,990,149)**
Income tax expenses	10	(187,300)	143,910
Loss for the year from continuing operations		**(13,095,912)**	**(4,846,239)**
Other comprehensive income		-	-
Total other comprehensive income		-	-
Total comprehensive loss for the year		**(13,095,912)**	**(4,846,239)**
Earning per share (Kobo)			
Basic		**(130,959)**	**(48,462)**
Diluted		**(130,959)**	**(48,462)**

The notes on pages 12 to 49 and additional statutory statements on pages 50 to 51 form an integral part of the financial statements.

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	2014 N'000	2013 N'000
ASSETS			
Non current assets			
Property, plant and equipment	11	47,586,461	46,742,457
Deferred tax assets	10.4	567,413	754,713
Total non current assets		**48,153,874**	**47,497,170**
Current assets			
Inventories	12	1,353,584	1,491,466
Trade and other receivables	13	1,493,109	29,911,083
Other assets	14	-	69,961
Cash and bank balances	15	2,169,369	824,988
Total current assets		**5,016,062**	**32,297,498**
TOTAL ASSETS		**53,169,936**	**79,794,667**
EQUITY & LIABILITIES			
Equity			
Share capital	16	5,000	5,000
Capital contribution	17	47,238,701	31,371,229
Retained earnings		1,391,316	14,487,228
Total equity		**48,635,017**	**45,863,457**
NON CURRENT LIABILITIES			
Employees' retirement benefit	18.2	-	1,519,304
Total non current liabilities		-	**1,519,304**
Current liabilities			
Trade and other payables	19	4,534,918	32,274,731
Current tax payable	10	-	137,175
Total current liabilities		**4,534,918**	**32,411,906**
Total liabilities		**4,534,918**	**33,931,210**
TOTAL EQUITY AND LIABILITIES		**53,169,936**	**79,794,667**

The financial statements on pages 12 to 51 were approved and authorised for issue by the Board of Directors on 12 January 2017 and were signed on its behalf by:

Yusuf Abubakar Hamisu	*Haruna Garba Argungu*	*Kabir Hamzat (Bsc, ACA)*
Chairman	***Managing Director***	***Chief Financial Officer***
FRC/2016/MBA/00000014422	*FRC/2017/IODN/000000016001*	*FRC/2017/ICAN/00000015891*

The notes on pages 12 to 49 and additional statutory statements on pages 50 to 51 form an integral part of the financial statements.

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital N'000	Capital contribution N'000	Retained earnings N'000	Total equity N'000
Balance as at January 1, 2013	5,000	28,977,619	19,333,467	48,316,086
Additional contribution	-	2,393,610	-	2,393,610
Loss for the year	-	-	(4,846,239)	(4,846,239)
Other comprehensive income (net of tax)	-	-	-	-
Total comprehensive income for the year	-	-	(4,846,239)	(4,846,239)
Balance as at December 31, 2013	**5,000**	**31,371,229**	**14,487,228**	**45,863,457**
Net of assets and liabilities transferred to NELMCO	-	15,867,472	-	15,867,472
Loss for the year	-	-	(13,095,912)	(13,095,912)
Other comprehensive income (net of tax)	-	-	-	-
Total comprehensive income for the year	-	-	(13,095,912)	(13,095,912)
Balance as at December 31, 2014	**5,000**	**47,238,701**	**1,391,316**	**48,635,017**

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 N'000	2013 N'000
Cash flows from Operating Activities			
Loss for the year		(13,095,912)	(4,846,239)
Adjustments for:			
Income tax expenses recognised in comprehensive income		187,300	(143,910)
Depreciation		1,490,933	705,040
Capital contribution	17	15,867,472	-
Property, plant and equipment adjustments		1,189,899	-
Adjustments to other liabilities		(1,656,479)	-
Expenses recognised for retirement benefit obligation		-	247,881
Allowance for doubtful debt		750,830	479,702
		4,734,043	(3,557,526)
Movement in working capital:			
Decrease in inventories		137,882	492,977
Decrease/(increase) in trade and other receivables		27,667,144	(9,807,798)
Decrease in other assets		69,961	-
(Decrease)/increase in trade and other payables		(27,739,813)	10,689,463
Cash generated from operations		4,869,218	(2,182,884)
Net cash generated by operating activities		4,869,218	(2,182,884)
Cash flows from Investing Activities			
Purchase of property, plant and equipment	11	(3,524,836)	(562,711)
Net cash used in investing activities		(3,524,836)	(562,711)
Cash flows from Financing Activities			
Capital contribution	17	-	2,393,610
Net cash used in financing activities		-	2,393,610
Net decrease in cash and cash equivalents		1,344,382	(351,985)
Cash and cash equivalents at the beginning of the year		824,988	1,176,972
Cash and cash equivalents at the end of the year	15	**2,169,369**	**824,988**

KADUNA ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1 General Information

1.1 Legal form

Kaduna Electrictity Distribution Plc was incorporated as a public liability company on 8 November, 2005 to take over as a going concern, the distribution operations and activities of the Power Holding Company of Nigeria Plc ("PHCN") in the Gusau, Sokoto, Doka, Makera, Zaria and Birni Kebbi areas and their environs. Bureau of Public Enterprises and Ministry of Finance Incorporation held 80% and 20% respectively of its share capital up to 3 December 2014. As a result of share purchase agreement with a core investor, Northwest Power Ltd, the shareholding structure changed as follows with effect from 4th December 2014.

	%
Bureau of Public Enterprises	32
Ministry of Finance Incorporation	8
Northwest Power Limited	60

1.2 Principal Activity

The Company is into the business of distribution and marketing of electricity to private and government customers in Kaduna, Kebbi, Sokoto and Zamfara states.

1.3 Going concern status

The Directors believe that there is no intention or threat from any source to curtail significantly its line of business in the foreseeable future. Thus, these financial statements are prepared on a going concern basis.

1.4 Composition of financial statements

The financial statements are drawn up in naira, the functional currency of Kaduna Electricity Distribution Plc in accordance with International Financial Reporting Standards (IFRS). These are the Company's first full financial statements prepared under IFRS and comprise:

- Statement of profit or loss and other comprehensive Income
- Statement of financial position
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements.

1.5 Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

1.6 Financial period

These financial statements cover the financial period from 1 January 2014 to 31 December 2014 with comparatives for the year ended 31 December 2013.

1.7 Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS)

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 Accounting standards and interpretations issued but not yet effective

The following revisions to accounting standards and pronouncements were issued but are not yet effective. Where IFRSs and IFRIC Interpretations listed below permits, early adoption is permitted, the company has not applied any in the preparation of these financial statements.

The full impact of these IFRSs and IFRIC Interpretations is currently being assessed by the company, but none of these pronouncements are expected to result in any material adjustments to the financial statements.

Pronouncement	Nature of change	Required to be implemented for periods beginning
IFRS 15 Revenue from contracts with customers	Establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supercede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction contracts* and the related interpretations when it becomes effective.	On or after 1 January 2018
IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortisation	IAS 16 prohibits entities from using a revenue-based depreciation method for items of property, plant and equipment. IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances a) when the intangible assets is expressed as a measure of revenue; b) when it can be demonstrated that revenue and consumption of the economic benefits of the intagible assets are highly correlated.	On or after 1 January 2016
IFRS 9 Financial Instruments	A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*. All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognision and measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debts instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal interets on the principal amount outstanding, are measured at FVTOCL. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable comprehensive income, with only dividend income generally recognised in profit or loss.	On or after 1 January 2018

2.1 Accounting standards and interpretations issued but not yet effective (cont'd)

Pronouncement	Nature of change	Required to be implemented for periods beginning
IAS 16 and IAS 41 Agriculture: Bearer plants	Amendments define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.	On or after 1 January 2016
IFRS 11 Accounting for Acquisition of interests in Joint Operation	The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.	On or after 1 January 2016
IAS 19 Defined Benefit Plan. Employee Contributions	The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered or to attributes them to the employees periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attributes them to the employees period of service.	On or after 1 July 2014

2.1 Accounting standards and interpretations issued but not yet effective (cont'd)

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2
(i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'.
The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to IFRS 8
(i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and
(ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Company's financial statements.

2.1 Accounting standards and interpretations issued but not yet effective (cont'd)

Annual Improvements to IFRSs 2011-2013 Cycle
The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

a) the property meets the definition of investment property in terms of IAS 40; and
b) the transaction meets the definition of a business combination under IFRS 3.

The Directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Company's financial statements.

2.2 New and revised IFRSs/IFRICs affecting amounts reported and/or disclosures in this financial statements

In the current year, the Company has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities
The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. To qualify as an investment entity, a reporting entity is required to:

i) obtain funds from one or more investors for the purpose of providing them with investment management services,
ii) commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
iii) measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in IFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Company's financial statements.

2.2 **New and revised IFRSs/IFRICs affecting amounts reported and/or disclosures in this financial statement (cont'd)**

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments are to be applied retrospectively. As the Company does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Company's financial statements. The Company has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Company's financial statements'.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
The amendments to IAS 36 removed the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Company's financial statements.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
The Company has applied the amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments are to be applied retrospectively. As the Company does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Company's financial statements.

IFRIC 21 Levies
IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

IFRIC 21 are to be applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Company's financial statements.

3 Significant accounting policies

The significant accounting policies are set out below:

3.1 Revenue recognition

Revenue is measured as the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, Value Added Tax (VAT) and other sales-related taxes.

Revenue is recognised to the extent that it is probable that economic benefit will flow to the Kaduna Electricity Distribution Plc and that the revenue can be reliably measured. Revenue comprises primarily use of energy system income and estimate billing.

Revenue includes an assessment of the volume of unbilled energy distributed to customers between the date of the last meter reading and the year end.

Revenue from the sale of electricity to post-paid customers (Maximunm Demand and Non-Maximum Demand) 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. For customer with no meter but whose consumption have been assessed, the amount billed will be based on the fixed consumption assessment and for customers with analogue meters but no reading was obtained or customers with no meter (direct connection), billing will be based on energy delivered to their feeder.

3.1.1 Industry regulation and rate setting

The Federal Government of Nigeria enacted Electric Power Reform Act, 2005. Under the legislation, Nigerian Electricity Regulatory Commission (NERC) regulates the industry participants by issuing licences for the right to distribute electricity. These licences require compliance with established market rules.

The Company is required to follow regulations as set by NERC. The NERC approves and set rates for the distribution of electricity, ensures distribution companies fulfil their obligation to connect and service consumers.

3.1.2 Contributions

Contributions receivable in respect of property, plant and equipment are treated as deferred income, which is credited to the income statement over the estimated weighted average life of the related assets.

3.1.3 Finance revenue

Finance revenue comprises interest receivable on funds invested that are recognised in the profit or loss. Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.2 Leasing

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Company as lessee

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the assets are classified as operating leases and rentals payable are charged to the profit or loss on a straight line basis over the lease term. Where the lessee retains the signifcant risks and rewards of ownership, the lease is classified as finance lease.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised in profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.3 Foreign currency translation

For the purpose of these financial statements, the results and financial position of Kaduna Electricity Distribution Plc are expressed in Naira, which is the functional currency of the Company, and the presentation currency for the financial statements.

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in the income statement in the period in which they arise except for:

i) exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

ii) exchange differences on transactions entered into in order to hedge certain foreign currency risks.

iii) exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

3.4 Employee benefits

i) ***Short term employee benefits***

Short term employee benefits are expensed as the related service is provided.
A liability is recognised 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 perovided by the employee, and the obligation can be reliably estimated.

ii) ***Defined contribution plans***

The Company operates a defined contribution based retirement benefit scheme for its staff in accordance with the Pension Reform Act of 2014 as amended with employee contributing 8% and employer contributing 10% of the employee's relevant emoluments. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered the service entitling them to the contributions.

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.

3.5 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.5.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in future years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantatively enacted by the end of the reporting period.

3.5.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3.5.2 Deferred tax (contd)

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in the statement of comprehensive income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.6 Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on property, factory buildings, machinery, vehicles, furniture and equipment is calculated on a straight-line basis at rates deemed appropriate to write off the cost of the assets to their residual values over their expected useful lives.

Freehold land is not depreciated as it is deemed to have an infinite life.

Depreciation is recognised so as to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following basis.

	Useful Life (years)
Freehold land	Nil
Buildings	50
Overhead and underground lines	40-50
Network plant and machinery	20-50
Motor vehicles	4
Computer equipment	3
Furniture, fittings and equipment	10

3.6 Property, plant and equipment (contd)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Profits and losses on disposals of fixed assets are determined by comparing proceeds with the carrying amounts. These profits and losses are included within 'items of a capital nature' in profit or loss.

Property, plant and equipment in the course of construction (capital work-in-progress) are carried at cost, less any recognised impairment losses. Cost includes professional fees and for qualifying assets borrowing costs capitalised in accordance with the Company's accounting policy.

Customers' contributions of items of property, plant and equipment, which require an obligation to supply goods and services to the customer in the future, are recognised at the fair value when the Company has control of the item. The contributions towards distribution network assets, are credited to the profit or loss account over the estimated useful lives of the related assets. The unamortised amount of such contributions is shown as a deduction from fixed assets.

3.7 Borrowing cost

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds. These include interest expenses calculated using the effective interest rate method, finance charges in respect of finance leases and exchange differences arising from foreign currency borrowings' interest cost. Where a range of debt instruments is used to borrow funds, or where the financing activities are coordinated centrally, a weighted average capitalisation rate is applied.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.8 Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

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

3.9 Impairment of tangible and intangible assets excluding goodwill and financial assets.

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease subject to the available surplus in the revaluation reserve.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.10 Inventories

Inventories consists of parts, supplies and materials held for future capital expansion or maintenance and is valued at the lower of cost determined by the weighted average and replacement cost.

Inventories are stated in the financial statements at the lower of cost and net realisable value after making allowance for slow moving and damaged items. Cost comprises direct purchase cost and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost has been determined following the weighted average method.

Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions and highly liquid investments generally with maturities of three months or less. They are readily convertible into known amounts of cash and have an insignificant risk of changes in value.

3.12 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.12.1 Environmental expenditure

Environmental expenditure related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible is charged to profit or loss. The Company recognizes its liability on a site-by-site basis when it can be reliably estimated. This liability includes Company's portion of the total costs and also a portion of other potentially responsible parties' costs when it is probable that they will not be able to satisfy their respective shares of the clean-up obligation. Recoveries of reimbursements are recorded as assets when virtually certain.

3.12.2 Restructurings

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3.13 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

Financial instruments (contd)

3.13.1 Financial assets

The Company's financial assets are loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position which are measured at amortised cost using the effective interest method, less any impairment.

Trade receivables are carried at original invoice amount less any allowance for doubtful debts. Allowances are made where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions. When a trade receivable is determined to be uncollectable it is written off, firstly against any allowance available and then to profit or loss. Subsequent recoveries of amounts for which a previous allowance was made are credited to the profit or loss. Long-term receivables are discounted where the effect is material. Trade receivables are measured at amortized cost. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.13.2 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment

For all other financial assets, objective evidence of impairment could includes:

i) significant financial difficulty of the issuer or counterparty; or

ii) breach of contract, such as a default or delinquency in interest or principal payments; or

iii) it is becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

iv) the disappearance of an active market for that financial asset because of financial difficulties.

Impairment of financial assets (contd)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3.13.3 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.14 Financial liabilities and equity instruments

3.14.1 Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.14.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised as the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3.14.3 Financial liabilities

Financial liabilities are classified as financial liabilities at FVTPL or the entity holds only other financial liabilities.

3.14.3.1 Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are initially measured at fair value. Subsequently they are measured at amortised cost using the effective interest method. Long term payables are discounted where the effect is material.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.14.3.2 Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

4.1 Assets and liabilities transferred to Nigeria Electricity Management Company (NELMCO)

The net effect (liability) of assets and liabilities transferred to Nigeria Electricity Management Company (NELMCO) including non core assets and balance on government funding was treated as capital contribution in the statements of financial position.

4.2 Revenue recognition

The Company estimates revenue for customers with no meter but whose consumption have been assessed, the amount billed will be based on the fixed consumption assessment and for customers with meters but no reading was obtained or customers with no meter (direct connection), billing will be based on energy delivered to their feeder.

4.3 Impairment of trade receivables

Judgment is exercised to make allowance for trade receivables doubtful of recovery by reference to the financial and other circumstances of the debtor in question. Based on the credit terms and historical experience regarding trade receivables, the Company makes a specific or collective impairment allowance for doubtful debt.

4.4 Property, plant and equipment

Property, plant and equipment represent about 90% of the asset base of the Company and the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Company's financial position and performance.

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in the reduced depreciation charge in the statement of comprehensive income.

The useful lives and residual values of the property, plant and equipment are determined by management based on historical experience as well as anticipation of future events and circumstances which may impact their useful lives.

4.5 Taxation

The Company's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Company's total tax charge necessarily involves a degree of estimation and judgment in respect of certain items whose treatment cannot be finally determined until resolution has been reached with the relevant tax authority. Under the Nigerian tax system, self-assessment returns are subjected to a desk review for the determination of tax due for remittance in the relevant year of assessment. This is however not conclusive as field audits are carried out within six years of the end of the relevant year of assessment to determine the adequacy or otherwise of sums remitted under self-assessment thus making tax positions uncertain.

		2014	2013
		N'000	N'000
5	**Revenue**		
	Residential electricity sales	15,639,881	11,062,219
	Commercial electricity sales	5,995,189	5,060,366
	Industrial electricity sales	4,507,556	4,599,420
	Special electricity sales	220,613	-
	Street light electricity sales	328,805	587,997
	Connection fees	354	104,374
	Subsidy	75,763	44,692
		26,768,161	**21,459,068**

Items of revenue include monthly post paid billings for electricity consumed by customers and prepaid meter units of energy purchased by customer after applying the appropriate tariff as per the relevant Multi Year Tariff Order (MYTO). Also included in Revenue are the fixed charges levy per tariff classes as contain in MYTO2.

		2014	2013
		N'000	N'000
6	**Operating cost**		
	Cost of energy	25,510,266	18,101,257
	Repair and maintenance	1,334,677	813,783
	Other direct expenses	4,240,269	180,818
	Salaries and wages	1,403,138	4,159,888
	Depreciation on plant and equipment	1,887,687	661,278
		34,376,038	**23,917,024**
7	**Other gain and losses**		
	Other operating income	**177,262**	**82,985**

Other gain includes reconnection fee, penalties and fines, adjustment for imbalance from market operators, revenue loss compensation etc.

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		2014	2013
		N'000	N'000
8	**Administrative expenses**		
	Salaries and wages	3,197,638	1,672,742
	Employees welfare	42,626	37,842
	Pension employer's contribution	23,772	-
	Printing and stationeries	62,019	94,979
	Telephone and postages	28,331	6,718
	Office repairs and maintenance	97,016	70,589
	Hotel expenses	57,516	79,262
	Newpapers and periodicals	4,831	1,312
	Vehicles repairs and maintenance	30,042	104,916
	Transport and travels	63,827	8,182
	Staff trainings and seminars	28,338	-
	Security expenses	42,699	24,953
	Entertainment	107,727	57,144
	Audit fees and expenses	13,900	17,961
	Employees' retirement benefits	548,567	250,911
	Medical expenses	53,113	36,915
	Subscription and fees	39,469	4,102
	Bank charges	1,652	-
	Industrial training fund levy	98,144	51,444
	Provision for doubtful debt	750,830	-
	Workmen compensation levy	98,144	51,444
	Depreciation on other items property, plant and equipment	87,795	43,762
		5,477,997	**2,615,178**

Included in depreciation expense are depreciation for building,motor vehicles and furniture and fittings.

		2014	2013
9	**Loss before taxation**		
	Loss before taxation is arrived at after charging/(crediting):		
	Directors emolument	-	-
	Audit fee	13,900	17,961
	Depreciation of property, plant and equipment	1,490,933	705,040

	2014 N'000	2013 N'000
10 Taxation		
Income taxes relating to continuing operation		
10.1 Income tax recognised in profit or loss		
Current tax		
Current tax expense in respect of the current year	-	-
Education tax	-	-
Adjustments recognised in the current year in relation to the current tax of prior years	-	-
	-	-
Deferred taxation		
Deferred tax expense recognised in the current year	187,300	(143,910)
Adjustments recognised in the current year in relation to the deferred tax of prior years	-	-
Total income tax expense recognised in current year relating to current operations	187,300	(143,910)

The income tax expense for the year can be reconciled to the accounting profit as follows:

	2014 N'000	2013 N'000
Loss before tax	(12,908,612)	(4,990,149)
Expected income tax expense calculated at 30% (2013: 30%)	(3,871,084)	(1,497,045)
Education tax expense calculated at 2% (2013: 2%) of assessable profit	-	-
Effect of income that is exempt from taxation	672,529	355,423
Effect of relief tax losses	3,198,554	1,141,622
Effect of deferred tax	187,300	(143,910)
Income tax expenses recognised in comprehensive income	**187,300**	**(143,910)**

The tax rate used for 2014 and 2013 reconciliation above is the company income tax rate of 30% based on the provisions of the Companies Income Tax Act, CAP C21, LFN 2001, as amended. The rate of 2% for education tax is based on the provisions of the Education Tax Act, CAP E4, LFN 2004.

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	31/12/2014 N'000	[illegible]
10.2 Income tax recognised in other comprehensive income		
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
	-	[illegible]

	31/12/2014 N'000	[illegible]
10.3 Current tax liabilities		
Balance at 1 January	137,175	[illegible]
Income tax expense recognised in current year (Note 12.1)	-	[illegible]
Balance at 31 December	**137,175**	[illegible]

10.4 Deferred tax balance

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax assets(liabilities) after offset presented in the Statement of Financial Position:

	31/12/2014	[illegible]
Deferred tax assets	(567,413)	[illegible]
Deferred tax liabilities	-	[illegible]
Deferred tax liabilities (net)	**(567,413)**	[illegible]

31-Dec-14	Opening balance N'000	Recognised in profit or loss N'000	Recognised in other comprehensive income N'000	[illegible]
Deferred tax (liabilities)/assets in relation to:				
Property, plant and equipment	(313,115)	(29,049)	-	[illegible]
Provisions	(441,598)	216,349	-	[illegible]
	(754,713)	187,300	-	[illegible]

31-Dec-13	Opening balance N'000	Recognised in profit or loss N'000	Recognised in other comprehensive N'000	[illegible]
Deferred tax (liabilities)/assets in relation to:				
Property, plant and equipment	(313,115)	-	-	[illegible]
Provisions	(297,688)	(143,910)	-	[illegible]
	(610,803)	(143,910)	-	[illegible]

Movement at a glance

	31/12/2014 N'000	[illegible]
Deferred tax (liabilities)/assets		
Balance at 1 January	(754,713)	[illegible]
Recognised in statement of profit or loss	187,300	[illegible]
Recognised in other comprehensive income		
Balance at 31 December	**(567,413)**	[illegible]

11 Plant, property and equipment

	Land N'000	Buildings N'000	Plant and machinery N'000	Furniture, fittings and equipment N'000	Motor vehicles N'000	Assets under construction N'000	Total N'000
Cost							
At 1 January 2013	524,404	1,232,112	45,267,910	65,205	437,381	2,922,949	50,449,961
Additions	-			-	-	562,711	562,711
At 31 December 2013	**524,404**	**1,232,112**	**45,267,910**	**65,205**	**437,381**	**3,485,660**	**51,012,672**
At 1 January 2014	524,404	1,232,112	45,267,910	65,205	437,381	3,485,660	51,012,672
Additions	-	-	3,227,669	43	-	297,124	3,524,836
Transferred to NELMCO (Note 13.1)	(424,004)	(957,991)	-	(65,248)	(364,278)		(1,811,521)
Disposal	-	-	-	-	(73,103)	-	(73,103)
At 31 December 2014	**100,400**	**274,121**	**48,495,579**	**-**	**-**	**3,782,784**	**52,652,884**
Depreciation							
At 1 January 2013	-	171,577	2,986,207	26,096	381,295	-	3,565,175
Charge for the year	-	18,482	679,019	978	6,561	-	705,040
At 31 December 2013	**-**	**190,059**	**3,665,226**	**27,074**	**387,856**	**-**	**4,270,215**
At 1 January 2014	-	190,059	3,665,226	27,074	387,856	-	4,270,215
Charge for the year	-	27,402	1,400,409	7,046	56,076	-	1,490,933
Transferred to NELMCO (Note 13.1)	-	(216,673)	-	(34,120)	(370,829)	-	(621,622)
Disposal	-	-	-	-	(73,103)	-	(73,103)
At 31 December 2014	**-**	**788**	**5,065,635**	**-**	**-**	**-**	**5,066,423**
Carrying amount							
At 31 December 2014	**100,400**	**273,333**	**43,429,944**	**-**	**-**	**3,782,784**	**47,586,461**
At 31 December 2013	**524,404**	**1,042,053**	**41,602,684**	**38,131**	**49,525**	**3,485,660**	**46,742,457**

11.1 Amount represents value of non core property, plant and equipment transffered to Nigeria Electricity Liability Management Company (NELMCO) as per share purchase agreement.

11.2 Impairment of property, plant and equipment

There are no indicators of impairment at the end of the reporting period. Thus, the directors are of the opinion that allowance for impairment is not required. Thus, no impairment is recognized during the year.

		31/12/2014	31/12/2013
12	**Inventories**	N'000	N'000
	Distribution materials	895,412	778,788
	General store materials	550,891	758,492
	Stationeries	32,033	78,938
		1,478,336	1,616,218
	Allowance for obsolete and slow moving items	(124,752)	(124,752)
		1,353,584	**1,491,466**
13	**Trade and other receivables**		
	Trade receivables (Notes 17.1)		
	Trade receivables	2,243,939	31,114,051
	Allowance for doubtful debts	(750,830)	(1,471,995)
		1,493,109	**29,642,056**
	Other receivables:		
	Temporary advances	-	44,331
	Other receivables	-	254,696
	Difference in prior year account	-	(30,000)
		-	**269,027**
		1,493,109	**29,911,083**
13.1	Balance at 1 January	29,642,056	20,293,463
	Trade receivables transferred to NELMCO (Note 17)	(41,180,222)	-
	Provision for doubtful debt transferred to NELMCO (Note 17)	3,901,567	-
	Current trade receivable	9,880,538	10,820,588
	Provision for doubtful debt	(750,830)	(1,471,995)
	Balance at 31 December	**1,493,109**	**29,642,056**

13.2 Trade receivables

The average credit period on billed electricity is 30 days. No interest is charged on trade receivables. The Company has recognised an allowance for doubtful debts of 100% against all receivables over 90 days because historical experience has been that receivables that are past due beyond 90 days are not recoverable. Allowances for doubtful debts are recognised against trade receivables above 90 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Company has not recognised an allowance for impairment because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Trade receivables (contd)

Age of receivables that are past due and not impaired

	31/12/2014 N'000	31/12/2013 N'000
31 - 60 days	-	
61 - 90 days	-	-
Above 90 days	-	-
Total	-	-

Age of receivables that are past due and impaired

	31/12/2014 N'000	31/12/2013 N'000
31 - 60 days		
61 - 90 days		
Above 90 days	750,830	1,471,995
Total	**750,830**	**1,471,995**

Movement in the allowance for doubtful debts

	31/12/2014 N'000	31/12/2013 N'000
Balance at the beginning of the period	1,471,995	992,293
Impairment losses recognised	750,830	479,702
Impairment losses transferred to NEMLCO	(1,471,995)	-
Balance at the end of the period	**750,830**	**1,471,995**

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Included in the allowance for doubtful debts are individually impaired trade receivables amounting to N750 million (31 December 2013: N1.472 billion). The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds. The Company does not hold any collateral over these balances.

		31/12/2014 N'000	31/12/2013 N'000
14	**Other assets**		
	Prepayments	-	69,961
		-	**69,961**
15	**Cash and cash equivalent**		
	Cash on hand	203,282	64,825
	Bank balance	1,966,087	760,163
	Cash and bank balances	2,169,369	824,988
	Bank overdrafts	-	-
		2,169,369	**824,988**

Cash and cash equivalents comprise cash, bank balances and bank deposits net of outstanding bank overdrafts with original maturity of three months or less and they do not include any restricted cash as at the reporting period. The carrying amount of these assets is approximately equal to their fair value.

		31/12/2014 N'000	31/12/2013 N'000
16	**Share Capital**		
	Authorised issued and fully paid		
	10,000,000 ordinary shares at 50 kobo each	5,000	5,000

17 Capital contribution

Assets and liabilities transferred to government agency (NELMCO)

	31/12/2014 N'000	31/12/2013 N'000
Balance at 1 January	31,371,229	28,977,619
Federal government funding	-	2,393,610
Property,plant and equipment (Note 11.1)	(1,189,897)	-
Trade receivables (Notes 13.1)	(37,235,945)	-
Other receivables	(42,710)	-
Cash and bank	(951,372)	
Difference in PPE	1,830,567	
Trade payables (Note 19.1)	48,361,514	-
Other payables and accruals	3,438,836	-
Tax payables	137,175	-
Employee retirement benefits	1,519,304	-
Balance at 31 December	**47,238,701**	**31,371,229**

Capital contribution represents balance of government funding and net of assets and liabilities ceded to government agency, Nigerian Electricity Liability Management Company (NELMCO) as part of the privatisation arrangement between Bureau of Public Enterprises and Ministry of Finance Incorporation and the core investor North West Power Limited.

18 Retirement benefit obligations

18.1 Defined contribution plan - Pension

The employees of the Company are members of a state arranged pension scheme (Pension reform act, 2004) which is managed by several private sector service providers. The Company is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the defined contribution plan is to make the specified contributions and remit to respective Pension Fund Administrator nominated by each employee.

18.2 Defined benefit plan

The Company operates an unfunded defined benefit plan (gratuity) for its qualifying employees up to 3 December 2014. Under the plan, the employees are entitled to retirement benefits on attainment of a retirement age of 60 years. On transition, the Company did not recognise actuarial gains and losses on the defined benefit plan in retained earnings as a result of share purchase agreement that took effect from 4 December 2014 which require all liabilities to be taken over by a government agency, Nigeria Electrictity Liability Management Company (NELMCO).

	31/12/2014 N'000	31/12/2013 N'000
19 Trade and other payables		
Trade payables		
Trade payables (Note 19.1)	**2,144,321**	**31,241,807**
Other payables		
Payables to NELMCO (Note 19.2)	1,922,891	-
Other Invoices payables	-	242,072
VAT payables	117,222	415,591
Salaries payable	247,952	-
Pension payable	23,772	-
PAYE payable	25,258	-
Accruals and sundry liabilities	12,242	375,261
CAPMI Deposit Liabilities	41,260	-
	2,390,597	**1,032,924**
	4,534,918	**32,274,731**

The average credit period on purchases of electricity is 30 days period for payment of 62.97% invoice value. Penalty is charged for late payment of the minimum monthly payment. The Company has financial risk management policies in place to ensure that all payables are paid within the preagreed credit terms.

		31/12/2014 N'000	31/12/2013 N'000
19.1	Balance at 1 January	31,241,807	21,265,318
	Additional payables	25,519,166	18,156,254
	Payments	(6,255,138)	(8,179,765)
	Trade payables transferred to NELMCO (Note 17)	(48,361,514)	-
	Balance at 31 December	**2,144,321**	**31,241,807**

19.2 Payables to NELMCO include the cash and bank balances yet to be remitted to NELMCO and the net collection on trade receivables as at 3 December 2014 after deducting 20% on gross collection.

20 Related party transactions

The Company enters into transactions with companies and entities that fall within the definition of a related party as contained in International Financial Reporting Standards - IAS 24: Related Party Disclosures. Related parties comprise companies under common ownership and/or common management and control and key management personnel.

20.1 Compensation of key management personnel

The remuneration of the directors, who are the key management personnel of the company, is set out below in aggregate for each of the categories specified in International Financial Reporting Standards - IAS 24: Related Party Disclosures.

	31/12/2014 N'000	31/12/2013 N'000
The remuneration of executive management team excluding directors during the year was as follows:		
Short-term benefits	-	-
The remuneration of directors during the year was as follows:		
Short-term benefits	-	

	2014	2013
21.1 Chairman's and Directors' emoluments	N'000	N'000
Emoluments		
- Chairman	-	-
- Other Directors	-	-
	-	-

No other Director received emoluments during the year.

21.2 Employees remunerated at higher rates

The number of employees whose emoluments, excluding allowances are within the following ranges were:

N N	2014 Number	2013 Number
Below N1,000,000	540	641
N1,000,001 - N1,500,000	446	583
N1,500,001 - N2,000,000	197	257
N2,000,001 - N2,500,000	184	304
N2,500,001 - N3,000,000	178	294
N3,000,001 - N3,500,000	146	118
N3,500,001 - N4,000,000	36	92
N4,000,001 - N4,500,000	40	47
N4,500,001 - N5,000,000	19	50
N5,000,001 and Above	150	157
	1936	**2543**

Staff
Average number of persons employed during the year were :

Managerial	10	15
Senior staff	914	1109
Junior staff	1012	1419
	1936	**2543**

Staff costs excluding the Directors relating to the above:-

Salaries and wages	5,085,325	2,334,020
Pension	23,772	-
Staff welfare	42,626	37,842
Employees' retirement benefits	548,567	250,911
	5,700,290	**2,622,773**

22 Contingent liabilities

There were no contigent liabilities as at 31 December 2014 (2013: Nil)

23 Capital commitment

There were no capital commitments as at 31st December 2014 (2013: Nil).

24 Events after the reporting period

There were no events after the reporting date that could have had a material effect on the financial statements of the Company that have not been adequately provided for or disclosed in the financial statements.

25 Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 12 January 2017

26 Capital Management

The Company manages its capital to ensure that it will continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remained unchanged.

The capital structure of the Company consists of equity, comprising issued capital and retained earnings as disclosed in the relevant notes to the financial statements.

The Company is not subject to any externally imposed capital requirements.

The management of the Company reviews the capital structure on a frequent basis to ensure that debt to equity balance is within acceptable limit. The overall objective of capital management is to reduce debt to equity ratio to the barest minimum. As at the year end, there was no borrowing.

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27 Categories of financial instruments

31-Dec-14	Loans and receivables	Available for sale	Held to maturity	Fair value through profit or loss	Total
Financial Assets	N'000	N'000	N'000	N'000	N'000
Cash and bank balances (Note 15)	2,169,369	-	-	-	2,169,369
Trade and other receivables (Note 13)	1,493,109	-	-	-	1,493,109
	3,662,478	-	-	-	3,662,478

	Amortised cost	Other financial liabilities	Total
Financial Liabilities			
Trade and other payables (Note 19)	2,144,321	2,390,597	4,534,918

31-Dec-13	Loans and receivables	Available for sale	Held to maturity	Fair value through profit or loss	Total
Financial Assets	N'000	N'000	N'000	N'000	N'000
Cash and bank balances (Note 15)	824,988	-	-	-	824,988
Trade and other receivables (Note 13)	29,642,056	-	-	269,027	29,911,083
	30,467,044	-	-	269,027	30,736,071

	Amortised cost	Other financial liabilities	Total
Financial Liabilities			
Trade and other payables (Note 19)	31,241,807	1,032,924	32,274,731

28 Risk management

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

- Market
- Liquidity risk
- Credit

This note presents information about the Company's exposure to the above risks, the Company's objectives, policies and procedures for measuring and managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework, including implementation and monitoring of these policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits, controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. 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.

28.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or 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 optimising the return.

The Company has no exposure to foreign currency risk and interest bearing risk.

Risk management (contd)

28.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages its cash position and future outflows on an ongoing daily basis and ensures that it has sufficient cash on demand to meet expected operational expenses and liabilities as they fall due.The Company also manage liquidity risk by maintaining adequate reserves, banking facilities and borrowing from related parties, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities as on the reporting date:

31/12/2014	Carrying amount N'000	Contractual cashflows N'000	6 months or less N'000	6 – 12 months N'000	Above 12 months N'000
Non-derivative financial liabilities					
Trade payable and other payables (Note 20)	4,534,918	4,534,918	4,534,918	-	-

31/12/2013	Carrying amount	Contractual cashflows	6 months or less	6 – 12 Months	Above 12 months
Non-derivative financial liabilities					
Trade payable and other payables (Note 20)	32,274,731	32,274,731	32,274,731	-	-

Risk management (contdi)

28.3 Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations that arises principally from the Company's receivables from customers.

The Company's principal exposure to credit risk is in its trade and other receivables. Trade receivables principally represent amounts owing to the Company by their customers and credit risk is managed at the management level. Credit evaluations are performed on all customers requiring credit over a certain amount. Credit guarantee insurance is taken against appropriate debtors. The company has no significant concentration of credit risk, with exposure spread over a large number of parties.

Exposure to credit risk

The carrying value of the Company's financial assets represents its maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date was:

	31/12/2014 N'000	31/12/2013 N'000
Trade receivables	1,493,109	29,642,056
Other receivables	-	269,027
Bank deposits	1,966,087	760,163
	3,459,196	**30,671,246**

The maximum exposure to credit risk for trade receivables at the reporting date by type of receivables was:

	31/12/2014 N'000	31/12/2013 N'000
Residential consumers	1,555,095	932,052
Commercial consumers	327,056	2,667,785
Industrial consumers	128,977	1,938,590
Government agencies	-	14,996,941
Private consumers	232,811	10,578,683
	2,243,939	**31,114,051**

The Company does not hold any collateral or other credit enhancements to cover this credit risk.

29 Fair value of financial instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

	Carrying amount N'000 31/12/2014	Fair value 31/12/2014	Carrying amount N'000 31/12/2013	Fair value N'000 31/12/2013
Financial assets				
Trade receivables	1,493,109	1,493,109	29,642,056	29,642,056
Cash and bank balances	2,169,369	2,169,369	824,988	824,988
	3,662,478	**3,662,478**	**30,467,044**	**30,467,044**
Financial liabilities				
Trade payables	2,144,321	2,144,321	31,241,807	31,241,807

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 N'000	%	2013 N'000	%
Revenue	26,768,161		21,459,068	
Other gains and losses	177,262		82,985	
	26,945,423		21,542,053	
Bought in material and services:				
Foreign	-		-	
Local	(32,662,811)		(23,204,389)	
Value added	**(5,717,389)**	**100**	**(1,662,336)**	**100**
Applied as follows:				
To pay employees;				
Staff costs	5,700,290	(100)	2,622,773	(158)
To pay government				
Taxation	-		-	
To pay providers of capital:				
Finance costs	-	-	-	-
To provide for enhancement of assets and growth				
Depreciation	1,490,933	(26)	705,040	(43)
Deferred taxation	187,300	(3)	(143,910)	9
Loss for the year	(13,095,912)	229	(4,846,239)	292
Other comprehensive income for the year	-	-	-	-
	(5,717,389)	**100**	**(1,662,336)**	**100**

"Value added" represents the additional wealth which the Company have been able to create by its own and its employees' efforts. The statement shows the allocation of that wealth between the employees, providers of capital, government and that retained for the future creation of more wealth.

KADUNA ELECTRICITY DISTRIBUTION PLC

FINANCIAL SUMMARY
FOR THE YEAR ENDED

	IFRS 2014 N'000	IFRS 2013 N'000	NGAAP 2012 N'000	NGAAP 2011 N'000	NGAAP 2010 N'000
ASSETS EMPLOYED					
Non current assets	48,153,874	47,497,170	46,884,786	31,351,007	23,274,441
Current assets	5,016,062	32,297,498	23,814,363	16,300,339	9,555,709
Non current liabilities	-	(1,519,304)	(1,271,423)	(1,033,922)	(11,070,711)
Current liabilities	(4,534,918)	(32,411,906)	(21,722,443)	(16,807,772)	(672,228)
Net assets	**48,635,017**	**45,863,457**	**47,705,283**	**29,809,652**	**21,087,211**
CAPITAL EMPLOYED					
Share capital	5,000	5,000	5,000	5,000	5,000
Capital contribution	47,238,701	31,371,229	28,977,619	15,537,519	14,065,060
Retained Earnings	1,391,316	14,487,228	18,722,664	14,267,133	(9,941,879)
Revaluation reserve	-	-	-	-	16,959,030
Total equity	**48,635,017**	**45,863,457**	**47,705,283**	**29,809,652**	**21,087,211**
TURNOVER AND PROFIT					
Revenue	26,768,161	21,459,068	17,292,408	13,982,737	14,309,185
Loss before income tax	(12,908,612)	(4,990,149)	(9,364,222)	(3,239,351)	(4,000,642)
Income tax expenses	(187,300)	143,910	-	-	-
Loss for the year	(13,095,912)	(4,846,239)	(9,364,222)	(3,239,351)	(4,000,642)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	(13,095,912)	(4,846,239)	(9,364,222)	(3,239,351)	(4,000,642)
Per share data (Kobo)					
Loss per share	(130,959)	(48,462)	(93,642)	(32,394)	(40,006)
Net assets per share	486,350	458,635	477,053	298,097	210,872

NOTES

Basic earnings per share are calculated based on the profit after taxation and the number of issued and fully paid ordinary shares at the end of each financial year.

Net assets per share are based on the net assets and the number of ordinary shares in issue and fully paid at the end of each financial year.