Kaduna Electric

www.kadunaelectric.com

Reliable Energy, Endless Possibilities

Annual Reports
for the Year Ended 31st December 2015

KADUNA ELECTRICITY DISTRIBUTION PLC
TABLE OF CONTENTS

CONTENTS	PAGE
Corporate Information	1
Directors' Report	2
Statement of Directors' Responsibilities	10
Independent Auditors' Report	11
Statement of Comprehensive Income	13
Statement of Financial Position	14
Statement of Changes in Equity	15
Statement of Cash Flows	16
Notes to the Financial Statements	17
Statement of Value Added	51
Financial Summary	52

KADUNA ELECTRICITY DISTRIBUTION PLC
CORPORATE INFORMATION

COMPANY'S REGISTRATION NUMBER
R. C. 638640

DIRECTORS

Yusuf Hamisu Abubakar, OON	Chairman	Nigerian
Engr. Garba Haruna	Managing Director/CEO	Nigerian
Tajuddeen Aminu Dantata	Non-Executive Director	Nigerian
Jamil Isyaku Gwamna	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

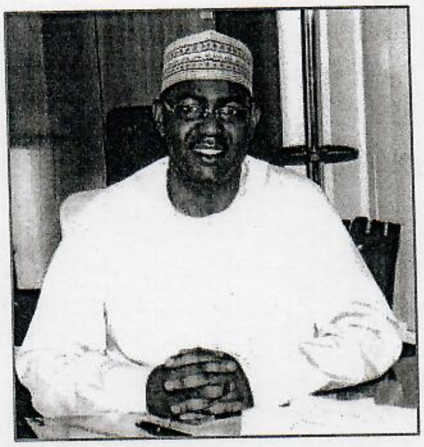
REGISTERED OFFICE:
1/2, Ahmadu Bello Way,
Kaduna, Kaduna State
Nigeria

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



Dear Shareholders,

Introduction

On behalf of the Board of Directors and Management of Kaduna Electricity Distribution Plc (Kaduna Electric), it is with the greatest pleasure that I welcome you all to this Annual General Meeting (AGM). I write to you in the midst of macro-economic head winds; oil prices fell from over $108.40 per barrel in May 2014 to $52.85 per barrel in April 2017, resulting in severe downward pressure on the Naira as the Naira devaluated from about ₦220 to over ₦400 against the US Dollar at the parallel market over the same period. In addition to this, Nigeria continues to have one of the highest rates of inflation with a year on year increase in the prices of goods and services of 18.72% as at January 2017, a metric which Kaduna Electric must bear without a transfer of the burden to consumers as a result of the regulated pricing in the form of tariffs. It is of no doubt that these have not been the best times to operate within an already challenging sector. Some of the issues besetting the section and its participants, including Kaduna Electric will be touched on below.

The Challenges

Unfulfilled Promises

As you will be aware, during the privatisation of Kaduna Disco, a number of representations and promises were made to its prospective investors, representation and promises which we have come to find are far from the harsh realities being experienced. We were promised that Kaduna Disco will operate on the basis of a cost-reflective tariff; a tariff which would enable adequate investments in the business but yet allow the investors make a reasonable return on their own investments. Yet, till date, and after multiple attempts, the tariffs are far from being cost-reflective by the measure of any Disco, leaving our company impaired in its ability to make significant investments and yet earn a return worthy of its investors. I will touch on this in greater detail shortly.

Investors were assured that the Aggregate Technical, Commercial and Collection (ATC&C) losses that would be experienced by Discos will be as disclosed by the BPE, i.e. between 35%-40%. This was in fact a fanciful estimate at best, as the ATC&C losses experienced by Kaduna Electric till date are in fact in excess of 60%, yet this is after significant investments and improvements.

Available generation capacity was represented to be a minimum of 7,500 Megawatts (MW), in fact electricity generation as at January 2017 was as low as 912MW with the peak generation of 4,160 MW attained as at January 2015. Yet this is again after investments that have led to improvements in electricity generation. In all truth, the industry is a far cry from the representations that were made to investors, yet we continue to toil to improve the circumstances and fortunes of Kaduna Electric.

Regulatory Interference

Despite these circumstances, our regulator, the Nigerian Electricity Regulatory Commission (NERC) had taken steps that adversely affected the Discos, and Kaduna Electric is not an exception. The NERC also proposed to take a number of steps that can do no better than harm Kaduna Electric such as the escrowing of all Disco collection accounts and the imposition of first line payment charges aimed at settling liabilities first, and thus leaving the Disco with little or nothing to operate on. This is in addition to NERC's proposed business continuity rules which will allow NERC impose de facto management for any Disco. This has led to the institution of litigation and the imposition of injunctions against the regulator preventing the NERC from implementing these actions[1]. The industry remains bedevilled with problems.

Non- Cost Reflective Tariffs

As previously mentioned, since the handover, Kaduna Electric (like every other Disco) has been plagued with a history of non-cost reflective tariffs. The MYTO 2.1[2] failed to make allowances for the actual levels of ATC&C losses experienced by Kaduna Electric and was instead based on the fanciful estimates. Furthermore, although the NERC had increased the tariffs applicable to all classes of consumers (i.e. residential, industrial, commercial and special), the NERC, for reasons best known to it, deferred the application of the tariffs to the R2 class of electricity consumers; consumers which are responsible for the largest percentage of Kaduna Electric's revenue base, as such any increase was of little or no effect to the revenue base of your company.

Subsequent attempts by the NERC to rectify the non-cost reflectiveness of the tariffs have continued to fall short of expectations and have in fact caused more additional harm. This was indeed the case with the Amended MYTO 2.1[3] by which NERC unilaterally pegged the collection losses of Kaduna Electric at zero (despite previous assurances that ATC&C losses will be reduced

1 Abuja Electricity Distribution Company Plc. & 4 Ors v. NERC & anor. suit no FHC/ABJ/CS/386/2016

2 Order No: NERC/135 – Order on the Establishment of Distribution/Retail Tariff (MYTO 2.1) for the period commencing on 1 January 2015 to 31 December 2018.

3 Amended Myto 2.1 Order 24 March 2015 and made effective on 01 April 2015

over a five year period) and the MYTO 2015[4], which eradicated the imposition of fixed electricity charges for all categories of consumers, however peculiar, continues to provide that Kaduna Electric continue to pay fixed capacity charges to NBET constituting about [50%] of monthly invoices of Kaduna Electric even where no electricity has been delivered to the company, and thus no income generated.

Ministries, Departments and Agencies (MDA) Debts

The situation your company is faced with is not helped by the attitude towards payment of the sums owed to your company by the Government Ministries, Departments and Agencies. Kaduna Electric is currently owed over 12Bn[5] by Federal Government MDAs and despite repeated assurances of the Federal Government to settle these debts, numerous attempts to recover these sums have been met with stiff resistance, thus leaving Kaduna Electric in a helpless situation as to the remedies for recovery. To worsen the situation, in the determination of the MYTO 2015, NERC treated these debts owed to your company as settled notwithstanding that these debts remain unpaid and continue to accumulate in the sum of millions on a daily basis.

CAPEX Limits

Along with the passing of the MYTO 2015 came the imposition of Capital Expenditure (CAPEX) limits on Kaduna Electric, which limits the investments that the company may make. The CAPEX limits imposed by NERC make it impossible for your company to invest in automation and logistics equipment to aid electricity distribution and the transition of millions of customers on estimated billing to pre-paid meters which has proved to be a part of the solution to the non-payment culture of electricity consumers. Price Waterhouse Coopers (PWC) currently estimates that about 50% of distributed electricity is consumed free of charge as a result of the non-payment culture of consumers. This is indeed worse in our franchise area were most of our consumers are residential with marginal disposable income. The imposition of CAPEX limits in no way aids in the resolution of this leakage.

Low Electricity Generation Levels

Gas supply constraints have severely affected the generation capacity within the Nigerian Electricity Supply Industry (NESI), this is largely due to the over reliance on gas fired power plants. The gas constraints have been worsened by militant activities damaging existing gas pipelines, for instance militant vandalism to the Escravos-Warri- Lagos pipeline has continuously impacted

4 Made effective from Feb 2016 to Feb 2024
5 The FGN verified debts for period of Jan 2015 – Dec 2016 was N9,591,386,448.10.

power generation stations in Kogi, Lagos, Ogun and Ondo states, leaving these power stations impaired and unable to generate. Low generation levels mean there is little or no electricity to distribute, and thus little or no revenue to be generated. To mitigate on this volumetric risk and high cost we intend to make a strong case for hydro sources of power which is proximate to our franchise area and can be affordable by the bulk of our consumers who are economically marginalized.

Failure to Implement Subsidies

NERC is required by statute to set up and administer the Power Consumer Assistance Fund (the Fund) the purpose of which is to subsidise under privileged power consumers as specified by the Minister of Power, this indeed an underlying assumption of the tariffs put in place. The Fund, if set up will be of great value in less urbanised areas over which our company's distribution network extends. Till date, the NERC has yet to establish Fund and this continues to seriously impact the collection rate of your company.

Unavailability of Credit

Despite the well-publicised problems faced by Discos, credit facilities much needed by Discos to invest in the distribution networks and metering equipment have not been forthcoming by Lenders. This may perhaps be as a result of the undue exercise of caution by the Lenders, especially in light of the challenging regulatory environment within which the Discos operate.

Governmental Intervention

The Federal Government deserves commendation for some of its interventions aimed at remedying the challenges we face in the electricity supply industry. The Federal Government through the Central Bank of Nigeria is working on a number of initiatives to deal with the liquidity challenges within the sector. Discussions are on-going on the size, nature and impact of such interventions, especially, as it might affect the balance sheet of the Discos.

On the generation end of the value chain, the Federal Government has also made efforts to boost liquidity through a 701 billion intervention to be drawn by NBET to make payments for electricity purchased from generation companies. Although this fund is directly earmarked for the benefit of generation companies, it will ease liquidity constraints all through the value chain. Despite this, there still remain concerns by stakeholder including the NERC on the inadequacy of these funds. This at the least serves as an indication of the gravely dilapidated state of the power sector.

Achievements of Kaduna Electric

Despite the grave challenges experienced by the company, the Board and Management have achieved a number of successes till date.

Kaduna Electric has been able to stabilise its distribution network operations resulting in the delivery of the best quality of service to consumers within its distribution network. Your company has effectively reduced the incidence of electricity theft and the by-passing of meters through its aggressive investments in distribution network upgrades, distribution equipment, IT facilities, GIS based customer enumeration and metering systems.

The company has increased its distribution capacity to over 1,500MVA, resuscitated and reticulated many feeders, installed over 25,000 smart meters in residences, metered all 11 and 33kV feeders, metered all maximum-demand (large power users) customers across its operations states, while also computerizing all collections and monitoring systems. The company is also physically upgrading its customer services centers across the states of operations.

Your company has also taken steps to improve its coverage to underserved areas covered within its distribution network. These investments are resulting in the gradual improvements to the revenues and profitability of your company, although we recognise there is room to achieve far greater.

Positive Outlook on the Horizon

Despite the circumstances we face, recent developments have created an aura of optimism. There is hope of a renewed regulatory attitude and atmosphere following the appointment of a new board of NERC; the Discos are hopeful of better formulated policies that will enable and lead to improvements in the operations of all Discos including your company. We are optimistic that the new board will take positive steps to set the sector on the path of growth and sustainability.

However, our optimism is grounded not only on the recent appointments onto the Board of NERC. With the recent release of the Economic Recovery and Growth Plan and specifically, the Power Sector Recovery Implementation Program by the Federal Government of Nigeria, greater hope dawns for the improvement of the power sector. The broad objectives of the recovery programme for the power sector is focused on the increase of power generation by optimising non-operational capacity and improving on the efficiency of the Discos. This is to be achieved through the elimination of pipeline vandalism, completion of all major gas pipelines to power generation facilities, reduction of transmission losses, the privatisation of the power assets amongst other key activities. The distribution sector is not lost on the Federal Government as the recovery programme for the power sector is also aimed at improving the commercial viability of the Discos, this is to be achieved by the introduction of cost-reflective tariffs, dealing forex challenges, and generally dealing with the liquidity challenges. The program also seeks a permanent resolution of all MDA debts no later than 2017, undertaking a nation-wide customer enumeration and energy audit, support for a nationwide meter rollout, prevention of power theft amongst other things.

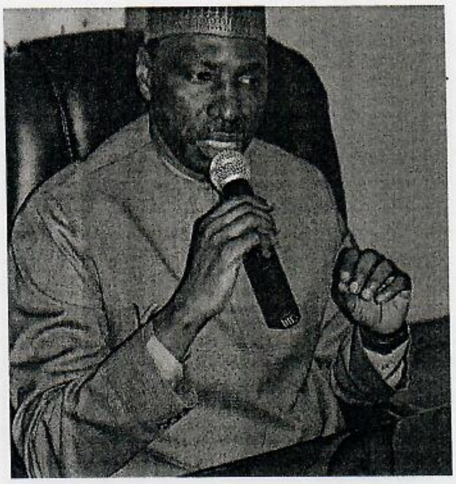
The Nigerian power sector has since become the centre of international focus on power, perhaps in recognition of the great potential harboured by this sector. It is in this regard that the World Bank and other development agencies such as AfD, GIZ etc, are supporting the Federal Government in the development and implementation of the Power Sector Recovery Program. Whilst the precise details of the plan are yet to be disclosed, there is hope of the introduction of international best practice especially with regards to the regulation of our sector. Our hopes remain high as positivity looms on the horizon for the power sector, a sector within which our company will undoubtedly thrive.

Conclusion

Once more, on behalf of the Board and Management of Kaduna Electric, I thank you all for your understand and patience as we look forward to a bright future.

Yusuf Hamisu Abubakar, OON
Chairman of the Board

MD/CEO's Statement



The first full year of operation as a privatized electricity distribution company provided profound insights into the challenges and opportunities of transforming the company as a utility into a viable business entity which is able to satisfactorily serve customers' needs· As well as ensure meeting its ambitions of reducing losses on a year by year basis.

The highlight of the company activities during the preceding year represent these risks and opportunities as a function of the major risks in the operating environment.

Energy Supply

The Nigerian Electricity Supply Industry (NESI) received a total of about 24,758GWh of which about 8% was received by Kaduna Electric translating to about 1,868GWh. This is short of the estimated energy supply of about 2,868GWh envisaged and modeled into the Multi-Year Tariff Order 2.1 (and 2.1A).

Regulatory Risk

The regulator, Nigerian Electricity Regulatory Commission (NERC), undertook major regulatory actions which affected the general operating environment in the industry including Kaduna Electric.

The delays in the consideration and approval of a cost reflective tariff, declaration of start of the Transitional Electricity Market (TEM), take off of the dual market invoicing (for Energy and Capacity by the Nigerian Bulk Electricity Trading Company, NBET and for Services by the Market Operator, MO), uncertainty.

The absence of a cost reflective tariff during the year meant inevitable delays in the capital investments required to improve upon the network and provide for better customer services, since there was uncertainty about the ability of such investments to generate a return to the company.

Network Disruption Risk

The national transmission system is operated by the Transmission Company of Nigeria (TCN), which transport the required energy for distribution and retail by Kaduna Electric. 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. The impact of such disruption translated to poor quality of supply and significant reduction in revenues.

Liquidity Risk

Having taken over in December 2014, the company inherited a customer database which does not include a large number of users of our electricity. The limited extent of such database to which even existing customers do not have meters or have defective or old mechanical meters, the over-reliance on estimated billing to customers without meters in the presence of unreliable supply of energy, there are significant challenges in the collection of cash for electricity sold to our customers. This poses a significant liquidity challenge to our financial situation and limits our ability to speedily implement the changes required to transform the company into a viable entity.

Key Initiatives during the Year

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

The business culture and process transformation that started at the tail end of last year was implemented by 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.

Whilst changes in internal operations, procedures and attitudes are important to position the company to achieve our strategic objectives, the need to change the perception matrix by the general public and other stakeholders was even more urgent. Rebranding of the company was therefore eminent and urgent, especially as the company we took over was seen as a grossly inefficient organization and electricity is assumed to be free for all. As a result there was a general lack of sympathy towards the company as we engaged with customers and general public during the year. Kaduna Electric subsequently intensified customer and stakeholder engagement to garner support and co-operation as the company rolled out changes that would improve upon the customer experience.

The analysis of our 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, therefore, initiated 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. We also embarked on big drive for the provision of operational tools, recruitment and retraining of staff, review of company operational policies and procedures, and ensuring effective supervision and monitoring of operations and staff.

Major initiatives and strategies undergoing implementation by the company are both statutory and in line with our business plans:

- Policies and Procedures Development – the Board of Directors of the Company immediately directed and considered the development of the various policies and procedures including: Corporate Strategy, Technical Manuals, DSOs Handbook, Earthing Guidelines, Emergency Services, Accounting Policies and Procedures, Commercial (incl. enumeration and reclassification procedure) Manual, Collections Guidelines, Credit Management Guidelines, HR Policy, ICT Policy, HSEQ Policy, Metering Guidelines, Supply Chain Management Policy, Corporate Communication Strategy.
- As-Is Studies – to ensure the established figures in assets, manpower holdings, management information systems, banking and financial records, office accommodation and environmental

situations. This studies provided insight into the challenges of operational movement for energy dispatch, fault clearing, bills delivery, collections, data management and customer identification.

- **Baseline Loss Studies** – the just concluded studies shows huge variations in the data provided by the government during the privatization exercise over some of the primary statistics including existing customer numbers, metering systems, distribution and transformer losses, collection and commercial losses which were all summarized as about 40%. The report established a loss level of about 67% necessitating a review of the Business Plan for the transformation of the business based on current realities.

- **Metering Studies** – we determined the extent of the metering achievement undertaken by the company in entirety as well as gaps existing therein. The preliminary metering studies shows huge difference in the numbers of inherited metering systems of about 40,000 out of a total of about 125,000 claimed. Of these numbers, about 40% of the installed meters are compromised or obsolete. These are huge drains on the system and call for restrategizing to ensure the provision of meters that can provide maximum value.

- **Mapping of the 33kV, 11kV and 415V Networks** – this provided clarity of the actual company network while also increasing customer network from less than 300,000 to about 435,000 presently in the system. At conclusion of the program in 2017, we hope to achieve customer enumeration and capturing of about 750,000 while making consistent growth to about 1,000,000 by 2018.

- **Manpower reformation** – the obligatory retaining of the inherited staff was utilized to provide insight into the trainable and non-trainable staff members while also ensuring the identification of staffing needs, as well as development of essential career paths, implementation plans for staff welfare systems including healthcare, pension, taxes, training etc.

The business transformation project necessitated major initiatives to ensure immediate revenue assurance and visibility including:

- **ICT System Development** – with absence of any viable information and communication system in the company, the Board and Management immediately embarked on the strategy of optimal ICT backbone and communications platform for effective work place communications and operations. The development of company website, corporate email system, fast information flow system, call user groups, packet data systems etc. ensured that there is faster interoperability between and amongst different levels and locations within the company.

- **Payment Systems Platforms** – the company has embarked on development of an ambitious payment platform that would ensure the plugin of various collections agents and different technologies including POS, ATM, web, mobile applications, USSD etc. Various agents including Interswitch, Paga, Top Up Africa, Capricorn Digital, Unified Payment Services Limited (formerly ValuCard), etranzact, etc.

- Safety Management Systems – the Company has developed a Policy for Health, Safety & Environment including its HSE Charter. OHSAS 18000 is an international occupational health and safety management system specification. It helps to minimize risk to employees and equipment, improve the existing OH&S management system which was hitherto poorly managed; demonstrate diligence; gain assurance; etc. The benefits can be substantial for Kaduna Electric to ensure minimal disruption to operations and optimize service delivery. Previous records before privatization shows that accidents in 2014 were Twenty One (21) with five (5) staff death. This number reduced to two (2) in 2015. Regrettable as it should be, the company is making concerted efforts, while implementing the OHSAS 18000, to see ZERO Accidents in 2016.

Outlook For 2016

2016 promises to be a challenging year full of promises and opportunities for the transformation of the company into a profitable company.

Considering the key initiatives taken during the 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 2015.

Incorporation

Kaduna electricity distribution pcs ("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 60. The loss after taxation for the year of N8.774 billion (2014: N5.312 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	Chairman	Nigerian
Engr. Garba Haruna	Managing Director/CEO	Nigerian
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 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 six times 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 2015. 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 2015, 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 consideration 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 Electric 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

The company made various donations to organizations and clubs during the year ended 31st December 2015, as part of the company's Corporate Social Responsibility (CSR) including Association for the Deaf, Kaduna State, the Kebbi State University, Scholarships in NAPTIN, and the Society for Engineers.

By Order of the Board

Kaduna Electricity Distribution Plc

Statement of Directors' Responsibilities
For the year ended 31 December 2015

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 Hamisu Abubakar, OON
Chairman
FRC/2016/IOD/MBA/00000014422
12th January 2017

Garba A. Haruna
Managing Director
FRC/2016/COREN/00000016001
12th January 2017

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

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 2015, 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 pages 13 to 52.

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

Opinion

In our opinion, the accompanying financial statements present fairly in all material aspects, the financial position of **Kaduna Electricity Distribution Plc** as at 31 December 2015and of their financial performance and cash flows for the year then ended in accordance with the Companies and Allied Matters Act, Cap C20, LFN 2004, the Financial Reporting Council of Nigeria Act No.6, 2011 and the International Financial Reporting Standards.

ners: **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

Report on Other Legal and Regulatory Requirements

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

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

Najib Imam, FCA - FRC/2014/ICAN/00000006900
For: Ahmed Zakari & Co.
(Chartered Accountants)
12 January 2017
Kano, Nigeria

12th January 2017

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 N'000	2014 N'000
Continuing operations			
Revenue	5	33,451,366	26,768,161
Operating cost	6	(30,567,305)	(34,376,038)
Gross Profit/(loss)		**2,884,061**	**(7,607,877)**
Other gains or losses	7	284,759	177,262
Administrative expenses	8	(19,386,034)	(5,477,997)
Operating loss		**(16,217,214)**	**(12,908,612)**
Finance cost	9	(76,208)	-
Loss before taxation		**(16,293,422)**	**(12,908,612)**
Income tax expenses	11	4,204,952	(187,300)
Loss for the year from continuing operations		**(12,088,470)**	**(13,095,912)**
Other comprehensive income		-	-
Total other comprehensive income		-	-
Total comprehensive loss for the year		**(12,088,470)**	**(13,095,912)**
Earning per share (Kobo)			
Basic		**(120,885)**	**(130,959)**
Diluted		**(120,885)**	**(130,959)**

The notes on pages 13 to 50 and additional statutory statements on pages 51 to 52 form integral part of the financial statements.

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 N'000	2014 N'000
ASSETS			
Non current assets			
Property, plant and equipment	12	48,407,867	47,586,460
Deferred tax assets	11.4	4,772,365	567,413
Total non current assets		**53,180,232**	**48,153,873**
Current assets			
Inventories	13	4,559,353	1,353,584
Trade and other receivables	15	8,975,046	1,493,109
Cash and bank balances	16	1,465,875	2,169,369
Total current assets		**15,000,274**	**5,016,062**
TOTAL ASSETS		**68,180,506**	**53,169,935**
EQUITY & LIABILITIES			
Equity			
Share capital	17	5,000	5,000
Capital contribution	18	47,238,701	47,238,701
Retained earnings		(10,697,154)	1,391,317
Total equity		**36,546,547**	**48,635,018**
Current liabilities			
Trade and other payables	20	31,633,959	4,534,918
Current tax payable	11	-	-
Total current liabilities		**31,633,959**	**4,534,918**
Total liabilities		**31,633,959**	**4,534,918**
TOTAL EQUITY AND LIABILITIES		**68,180,506**	**53,169,935**

The financial statements on pages 13 to 52 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 17 to 50 and additional statutory statements on pages 51 to 52 form integral part of the financial statements.

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital N'000	Capital contribution N'000	Retained earnings N'000	Total equity N'000
Balance as at January 1, 2014	**5,000**	**31,371,229**	**14,487,229**	**45,863,458**
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**	**1,391,317**	**48,635,018**
Loss for the year	-	-	(12,088,470)	(12,088,470)
Other comprehensive income (net of tax)	-	-	-	-
Total comprehensive income for the year	-	-	(12,088,470)	(12,088,470)
Balance as at December 31, 2015	**5,000**	**47,238,701**	**(10,697,154)**	**36,546,547**

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 N'000	2014 N'000
Cash flows from Operating Activities			
Loss before tax		(16,293,422)	(12,908,612)
Adjustments for:			
Depreciation	12	1,514,954	1,490,933
Capital contribution	18	-	15,867,472
Property, plant and equipment adjustments		-	1,189,899
Adjustments to other liabilities		-	(1,656,479)
Allowance for doubtful debt	8	13,687,594	750,830
		(1,090,874)	4,734,043
Movement in working capital:			
Decrease/ (Increase) in inventories		(3,205,770)	137,882
Decrease/(increase) in trade and other receivables		(21,169,531)	27,737,105
(Decrease)/increase in trade and other payables		27,099,041	(27,739,813)
Cash generated from operations		1,632,866	4,869,218
		-	-
Net cash generated by operating activities		1,632,866	4,869,218
Cash flows from Investing Activities			
Purchase of property, plant and equipment	12	(2,336,361)	(3,524,834)
Net cash used in investing activities		(2,336,361)	(3,524,834)
Cash flows from Financing Activities		-	-
Net cash used in financing activities		-	-
Net decrease in cash and cash equivalents		(703,495)	1,344,381
Cash and cash equivalents at the beginning of the year		2,169,369	824,988
Cash and cash equivalents at the end of the year	16	**1,465,875**	**2,169,369**

KADUNA ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015 to 31 December 2015 with comparatives for the year ended 31 December 2014.

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 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.	On or after 1 January 2018
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 supersede 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 2017
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 1 Disclosure initiative	The amendments to IAS1 give some guidance on how to apply the concept of materiality in practice.	On or after 1 January 2016

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 38 Clarification of acceptable methods	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.	On or after 1 January 2016
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 10 and IAS 28 Sale or Contribution of Assets between an investor and its	The amendments to IFRS 10 and IAS 28 deal with situation where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method are recognised in the parent's profit or loss only to the extent of the unrelated investor' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.	On or after 1 July 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception.	The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.	On or after 1 July 2016

2.2 Annual Improvements to IFRSs 2010 - 2013 and 2011-2013 Cycle

The application of the amendments has had no impact on the disclosures or amount recognised in the Company's financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held-for-sale to held-for-distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held for distribution accounting is discountinued.

The amendments to IFRS 7 provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligation should be determined by reference to market yields at the end of reporting period on high corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at currency level. (i.e the same currency as the benefit are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of reporting period on government bonds denominated in that currency should be used instead.

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.

2.3 New and revised IFRSs/IFRICs affecting amounts reported and/or disclosures in these financial statements

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015.

KADUNA ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

2.3 New and revised IFRSs/IFRICs affecting amounts reported and/or disclosures in these financial statements (cont'd)

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
The Company has applied the amendments for the first time in the current year. Prior to the amendments, the Company accounted for discretionary employee contributions to defined benefit plans as a reduction of the service cost when contributions were paid to the plans, and accounted for employee contributions specified in the defined benefit plans as a reduction of the service cost when services are rendered. The amendments require the Company to account for employee contributions as follows:

i) Discretionary employee contributions are accounted for as reduction of the service cost upon payments to the plans.
ii) Employee contributions specified in the defined benefit plans are accounted for as reduction of the service cost, only if such contributions are linked to services. Specifically, when the

These amendments have been applied retrospectively. The application of these amendments has had no material impact on the disclosures or the amounts recognised in the Company's financial statements.

Annual Improvements to IFRSs 2010 - 2012 Cycle and 2011 – 2013 Cycle
The Company has applied the amendments to IFRSs included in the Annual Improvements to IFRSs 2010 - 2012 Cycle and 2011 – 2013 Cycle for the first time in the current year. One of the annual improvements requires entities to disclose judgements made by management in applying the aggregation criteria set out in paragraph 12 of IFRS 8 Operating Segments. The Company has aggregated several operating segments into a single operating segment and made the required disclosures in Note 4 in accordance with the amendments"

The application of the other amendments has had no impact on the disclosures or amounts recognised in the Company's financial statements.

KADUNA ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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 evidençe 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 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.

3.15 IFRS 1 - First time adoption

As these financial statements represent the initial presentation of the Company's results and financial position under IFRS, they were prepared in accordance with IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). IFRS 1 requires retrospective application of all IFRS standards, with certain optional exemptions and mandatory exceptions, which are described further in this Note. The accounting policies described in Note 3 have been applied consistently to all periods presented in the financial statements with the exception of the optional exemptions elected and the mandatory exceptions required. At 1 Januaryl 2013 ("the transition date"), an opening statement of financial position was prepared under IFRS.

The 2012 and 2013 financial statements were previously prepared in accordance with Nigerian SAS. In this Note, our transition to IFRS is explained through the following:

i) First time adoption optional exemptions from retrospective application of IFRS
This section describes the standards for which IFRS was not applied retrospectively as available in IFRS

ii) Reconciliation of total equity and comprehensive income from Nigerian SAS to IFRS quantitative and qualitative explanations are included in this section to explain the differences between Nigerian SAS and IFRS in total equity and comprehensive income.

iii) Reconciliation of statement of financial position from Nigerian SAS to IFRS
This section explains quantitatively and qualitatively the impact and differences between Nigerian SAS and IFRS.

3.15.1 First time adoption optional exemption and mandatory

As previously noted, IFRS 1 requires retrospective application of all IFRS standard with certain optional exemptions and mandatory exceptions. The optional exemptions elected and the mandatory exceptions to retrospective application of IFRS are described below and the quantification of these are shown in notes 31.

First time adoption optional exemption and mandatory (contd)

a. **Optional exemptions**

IAS 19 provides the option of recognising all cumulative unamortized actuarial gains and losses in equity at the date of transition.

IAS 19, Employee Benefits, requires retrospective application for the recognition of actuarial gains and losses on employee benefits. IFRS 1 provides the option to recognise all deferred cumulative unamortised actuarial gains and losses on defined benefit pension plans and other benefits plans under Nigerian SAS in opening equity at the Transition Date and provide disclosures on a prospective basis. The company has taken this option, but did not carried out actuarial valuation as a result of take of the liability by Nigeria Electricity Liability Management Company (NELMCO).

b. **Leases**

IFRIC 4, Determining Whether an Arrangement Contains a Lease, requires an assessment of whether a contract or arrangement contains a lease. The assessment should be carried out at the inception of the contract or arrangement. First-time adopters must apply IFRIC 4, but can elect to make this assessment as of the date of transition based on the facts at that date, rather than at inception of the arrangement. The company elected to take this exception and did not assess arrangement according to IFRIC 4 prior to transition date.

3.16 Basis of measurement

On initial adoption of IFRS, the Company applied the following exemptions from the requirements of IFRS and from their retrospective application as permitted by IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1").

Property, plant and equipment

Net book value of property, plant and equipment under Nigerian GAAP are deemed to be carried at cost for subsequent accounting under IFRS.

Borrowing costs

The Company has applied the transitional provisions in IAS 23 "Borrowing costs" and capitalises borrowing costs on assets where construction was commenced on or after the date of transition.

IFRS 1 also enforces some mandatory exceptions to retrospective application of IFRS: de-recognition of financial assets and financial liabilities, hedge accounting, accounting for changes in estimates, embedded derivatives and classification and measurement of financial assets. The Company has applied IFRS requirements on these items prospectively.

All accounting policies applied at 31 December 2014 and described in these financial statements have been applied consistently to all periods presented.

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.

KADUNA ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

		2015	2014
5	**Revenue**	**N'000**	**N'000**
	Residential electricity sales	21,221,697	15,639,881
	Commercial electricity sales	5,792,203	5,995,189
	Industrial electricity sales	2,330,599	4,507,556
	Special electricity sales	3,868,459	220,613
	Street light electricity sales	238,407	328,805
	Connection fees	-	354
	Subsidy	-	75,763
		33,451,366	**26,768,161**

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 amended MYTO2 and MYTO 2.1.

		2015	2014
6	**Operating cost**	**N'000**	**N'000**
	Cost of energy	27,914,595	25,510,266
	Repair and maintenance	-	1,334,677
	Other direct expenses	1,362,818	4,240,269
	Depreciation on plant and equipment	1,289,892	1,403,138
	Salaries and wages	-	1,887,687
		30,567,305	**34,376,038**
7	**Other gain and losses**		
	Reconnection fees	97,912	177,262
	Imbalance Compensation form market operators	186,846	-
		284,759	**177,262**

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

		2015	2014
		N'000	N'000
8	**Administrative expenses**		
	Salaries and wages	4,242,437	3,197,638
	Employees welfare	18,215	42,626
	Pension employer's contribution	251,987	23,772
	Insurance	4,201	-
	Printing and stationeries	343	62,019
	Recruitment expenses	24,728	-
	Advert and publicity	29,965	-
	Telephone and postages	-	28,331
	Office repairs and maintenance	18,434	97,016
	Hotel expenses	7,071	57,516
	Newpapers and periodicals	229	4,831
	Vehicles repairs and maintenance	14,612	30,042
	Transport and travels	25,821	63,827
	Staff trainings and seminars	37,099	28,338
	Security expenses	34,086	42,699
	Entertainment	20,218	107,727
	Audit fees and expenses	10,500	13,900
	Employees' retirement benefits	-	548,567
	Medical expenses	28,567	53,113
	Subscription and fees	8,007	39,469
	Rents and rates	8,084	-
	Bank charges	20,026	1,652
	Industrial training fund levy	-	98,144
	Provision for doubtful debt (Note 15.2)	13,687,594	750,830
	Provision for obsolete and defective inventory	8,450	-
	Inventory written off (Note 8.1)	660,298	-
	Workmen compensation levy	-	98,144
	Depreciation on other items property, plant and equipment.	225,062	87,795
		19,386,034	**5,477,997**

8.1 This represents the difference between the carrying amount of inventory at take over date (4 December 2014) and the value of physical inventory count at 2015 year end. The latter revealed a lower amount, hence management's approval to write off the difference from the books.

9	**Finance Cost**		
	Interest on credit facility	**76,208**	-

This relates to the interest paid and payable to vehicle supplier. (See note 20.3)

10	**Loss before taxation**		
	Loss before taxation is arrived at after charging/(crediting):		
	Directors emolument	-	-
	Audit fee	10,500	13,900
	Depreciation of property, plant and equipment	1,514,954	1,490,933

KADUNA ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 N'000	2014 N'000
11 Taxation		
Income taxes relating to continuing operation		
11.1 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	(4,204,952)	187,300
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	(4,204,952)	187,300

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

	2015 N'000	2014 N'000
Loss before tax	(16,293,422)	(12,908,612)
Expected income tax expense calculated at 30% (2014: 30%)	(4,888,027)	(3,871,084)
Education tax expense calculated at 2% (2014: 2%) of assessable profit	-	-
Effect of income that is exempt from taxation	4,560,764	672,529
Effect of relief tax losses	129,173	3,198,554
Effect of deferred tax	(4,204,952)	187,300
Income tax expenses recognised in comprehensive income	**(4,403,041)**	**187,300**

The tax rate used for 2015 and 2014 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.

KADUNA ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 N'000	2014 N'000
11.2 Income tax recognised in other comprehensive income		
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:	-	-
	-	-

11.3 Current tax liabilities		
Balance at 1 January	-	-
Income tax expense recognised in current year	-	-
Balance at 31 December	-	-

11.4 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:

Deferred tax assets	(4,772,365)	(567,413)
Deferred tax liabilities	-	-
Deferred tax liabilities (net)	(4,772,365)	(567,413)

31-Dec-15	Opening balance N'000	Recognised in profit or loss N'000	Recognised in other comprehensive income N'000	closing blance N'000
Deferred tax (liabilities)/assets in relation to:				
Property, plant and equipment	(342,164)	(98,674)	-	(440,838)
Provisions	(225,249)	(4,106,278)	-	(4,331,527)
	(567,413)	(4,204,952)	-	(4,772,365)

31-Dec-14	Opening balance N'000	Recognised in profit or loss N'000	Recognised in other comprehensive N'000	closing blance N'000
Deferred tax (liabilities)/assets in relation to:				
Property, plant and equipment	(313,115)	(29,049)	-	(342,164)
Provisions	(441,598)	216,349	-	(225,249)
	(754,713)	187,300	-	(567,413)

Movement at a glance

	2015 N'000	2014 N'000
Deferred tax (liabilities)/assets		
Balance at 1 January	(567,413)	(754,713)
Recognised in statement of profit or loss	(4,204,952)	187,300
Recognised in other comprehensive income		-
Balance at 31 December	(4,772,365)	(567,413)

12 Plant, property and equipment

	Freehold Land N'000	Buildings N'000	Network Plant and machinery N'000	Overhead and underground lines N'000	Furniture, fittings and equipment N'000	Motor vehicles N'000	Assets Under Construction N'000	Total N'000
Cost:								
At 1 January 2014	524,404	1,232,112	45,267,910	-	65,203	437,381	3,485,660	51,012,670
Additions	-	-	3,227,668	-	42	-	297,124	3,524,834
Transferred to NELMCO (Note 12.1)	(424,004)	(957,991)	-	-	(65,245)	(364,278)	-	(1,811,518)
Disposals	-	-	-	-	-	(73,103)	-	(73,103)
At 31 December 2014	**100,400**	**274,121**	**48,495,578**		**-**	**-**	**3,782,784**	**52,652,883**
At 1 January 2015	100,400	274,121	48,495,578	-	-	-	3,782,784	52,652,883
Additions	-	-	649,452	-	70,000	952,009	664,901	2,336,361
Reclassification (Note 12.3)	-	-	(42,008,429)	42,008,429	-	-	-	-
At 31 December 2015	**100,400**	**274,121**	**7,136,600**	**42,008,429**	**70,000**	**952,009**	**4,447,685**	**54,989,244**
Depreciation:								
At 1 January 2014	-	190,059	3,665,226	-	27,073	387,856	-	4,270,214
Charge for the year	-	27,402	1,400,409	-	7,046	56,076	-	1,490,933
Transferred to NELMCO (Note 12.1)	-	(216,673)	-	-	(34,119)	(370,829)	-	(621,621)
Disposal	-	-	-	-	-	(73,103)	-	(73,103)
At 31 December 2014	**-**	**788**	**5,065,635**	**-**	**-**	**-**	**-**	**5,066,423**
At 1 January 2015	-	788	5,065,635	-	-	-	-	5,066,423
Charge for the year	-	12,462	213,366	1,076,526	7,000	205,600	-	1,514,954
Reclassification (Note 12.3)	-	-	(4,330,028)	4,330,028	-	-	-	-
At 31 December 2015	**-**	**13,250**	**948,973**	**5,406,554**	**7,000**	**205,600**	**-**	**6,581,377**
Carrying amount:								
At 31 December 2015	**100,400**	**260,872**	**6,187,627**	**36,601,875**	**63,000**	**746,409**	**4,447,685**	**48,407,867**
At 31 December 2014	**100,400**	**273,334**	**43,429,943**	**-**	**-**	**-**	**3,782,784**	**47,586,460**
At 31 December 2013	**524,404**	**1,042,053**	**41,602,684**	**-**	**38,130**	**49,525**	**3,485,660**	**46,742,456**

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

12.2 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.

12.3 This is required to report the asset classification in line with the new accounting policy.

KADUNA ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

		2015	2014
		N'000	**N'000**
13	**Inventories**		
	Distribution materials (Note 13.1)	4,244,696	895,412
	General store materials	420,793	550,891
	Stationeries	27,067	32,033
		4,692,555	1,478,336
	Allowance for obsolete and slow moving items	(133,202)	(124,752)
		4,559,353	1,353,584

13.1 Included in distribution materials are the newly acquired meters during the year which are to be rolled out in phases to both Maximum Demand (MD) and Non Maximum Demand (NMD) customers in the coming year. The meters were valued at N3.956Billion. This is aimed at increasing revenue collection, reduce ATC&C losses and improve distribution efficiency.

15	**Trade and other receivables**		
	Trade receivables (Notes 15.2)	23,413,470	2,243,939
	Allowance for doubtful debts (Note 15.2)	(14,438,424)	(750,830)
		8,975,046	1,493,109
15.1	Balance at 1 January	1,493,109	29,642,056
	Trade receivables transferred to NELMCO	-	(41,180,222)
	Provision for doubtful debt transferred to NELMCO	-	3,901,567
	Current trade receivable	21,920,361	9,880,538
	Provision for doubtful debt	(14,438,424)	(750,830)
	Balance at 31 December	8,975,046	1,493,109

15.2 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.

The policy on doubtful debt was based on the established losses in the system as acknowledged in the relevant Multi Year Tariff Order (MYTO). MYTO effective 1 January 2015 put the verified Aggregate Technical Commercial and Collection (ATC&C) losses baseline at 60.81%, of this rate, about 70% represents collection losses. This account for the high doubtful debt provision.

15.2 Trade receivables (contd)

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.

Age of receivables that are past due and not impaired

	2015 N'000	2014 N'000
31 - 60 days	3,501,132	
61 - 90 days	5,473,914	-
Above 90 days	14,438,424	-
Total	**23,413,470**	**-**

Age of receivables that are past due and impaired

	2015	2014
31 - 60 days		
61 - 90 days		
Above 90 days	14,438,424	750,830
Total	**14,438,424**	**750,830**

Movement in the allowance for doubtful debts

	2015	2014
Balance at the beginning of the period	750,830	1,471,995
Impairment losses recognised	13,687,594	750,830
Impairment losses transferred to NEMLCO	-	(1,471,995)
Balance at the end of the period	**14,438,424**	**750,830**

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 N13.688 billion (31 December 2014: N750 million). 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.

16 Cash and cash equivalent

	2015 N'000	2014 N'000
Cash on hand	56,317	203,282
Bank balance	1,409,557	1,966,087
Cash and bank balances	1,465,874	2,169,369
Bank overdrafts	-	-
	1,465,874	**2,169,369**

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.

		2015 N'000	2014 N'000
17	**Share Capital**		
	Authorised issued and fully paid		
	10,000,000 ordinary shares at 50 kobo each	5,000	5,000

		2015 N'000	2014 N'000
18	**Capital contribution**		
	Assets and liabilities transferred to government agency (NELMCO)		
	Balance at 1 January	47,238,701	31,371,229
	Federal government funding	-	-
	Property,plant and equipment (Note 12.1)	-	(1,189,897)
	Trade receivables (Notes 15.1)	-	(37,235,945)
	Other receivables	-	(42,710)
	Cash and bank	-	(951,372)
	Difference in property, plant and equipment transferred	-	1,830,567
	Trade payables (Note 21.1)	-	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	47,238,701

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.

KADUNA ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

19 Retirement benefit obligations

19.1 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.

The total expense recognised in profit or loss of N251.987 million represents contributions payable to these plans by the Company at rates specified in the rules of the plans. As at 31st December 2015, there is outstanding contribution not yet paid of N239.96 million (2014: 23.772 million).

19.2 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).

	2015 N'000	2014 N'000
20 Trade and other payables		
Trade payables		
Trade payables (Note 20.1)	**24,546,576**	**2,144,321**
Other payables		
Payables to NELMCO (Note 20.2)	1,922,891	1,922,891
Other Invoices payables (Note 20.3)	3,008,957	-
Output VAT payables	1,186,783	117,221
Input VAT payable to suppliers	77,131	-
WHT Payable	77,131	-
Salaries payable	351,143	247,952
Pension payable	239,092	23,772
PAYE payable	114,014	25,258
Union Dues	7,379	-
SSA	612	-
Thrift OCC	5,386	-
Accruals and sundry liabilities	44,304	12,242
CAPMI Deposit Liabilities	52,557	41,259
	7,087,382	**2,390,596**
	31,633,959	**4,534,918**

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.

KADUNA ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

Trade and other payables (contd)

		2015	2014
		N'000	N'000
20.1	Balance at 1 January	2,144,321	31,241,807
	Electricity Purchased during the year	27,834,252	25,519,166
	Late payment penalties and fines	-	-
	Payments	(5,325,494)	(6,255,138)
	Trade payables transferred to NELMCO	-	(48,361,514)
	Balance at 31 December	**24,653,080**	**2,144,321**

20.2 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.

20.3 Included in other invoices payable is the balance of N571.97million outstanding on vehicles acquired on credit during the period. Total acquisition cost is N767million with 20% interest per annum.

21 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.

21.1 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.

	2015	2014
	N'000	N'000
The remuneration of executive management team excluding directors during the year was as follows:		
Short-term benefits	**156,000**	-
The remuneration of directors during the year was as follows:		
Short-term benefits	-	-

KADUNA ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

21.1 Chairman's and Directors' emoluments

	2015 N'000	2014 N'000
Emoluments		
- Chairman	5,000	-
- Other Directors	21,000	-
	26,000	**-**

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	2015 Number	2014 Number
Below N1,000,000	959	540
N1,000,001 - N1,500,000	1,819	446
N1,500,001 - N2,000,000	259	197
N2,000,001 - N2,500,000	93	184
N2,500,001 - N3,000,000	109	178
N3,000,001 - N3,500,000	33	146
N3,500,001 - N4,000,000	15	36
N4,000,001 - N4,500,000	18	40
N4,500,001 - N5,000,000	19	19
N5,000,001 and Above	54	150
	3,378	**1,936**

Staff

Average number of persons employed during the year were :

	2015	2014
Managerial	21	10
Senior staff	2,108	914
Junior staff	1,249	1,012
	3,378	**1,936**

Staff costs excluding the Directors relating to the above:-

	2015	2014
Salaries and wages	4,242,437	5,085,325
Pension	251,987	23,772
Staff welfare	18,215	42,626
Employees' retirement benefits	-	548,567
	4,512,639	**5,700,290**

22 Contingent liabilities

There were no contigent liabilities as at 31 December 2015 (2014: Nil)

23 Capital commitment

There were no capital commitments as at 31st December 2015 (2014: 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.

27 Categories of financial instruments

31-Dec-15	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 balance	1,465,875	-	-	-	1,465,875
Trade and other receivables	8,975,046	-	-	-	8,975,046
	10,440,921	-	-	-	10,440,921

	Amortised cost	Other financial liabilities	Total
Financial Liabilities			
Trade and other payables	24,546,576	31,633,959	56,180,535

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 balance	2,169,369	-	-	-	2,169,369
Trade and other receivables	1,493,109	-	-	-	1,493,109
	3,662,478	-	-	-	3,662,478

	Amortised cost	Other financial liabilities	Total
Financial Liabilities			
Trade and other payables	2,144,321	2,390,596	4,534,918

Categories of financial instruments (contd)

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:

31/12/2015	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 21)	31,633,959	31,633,959	31,633,959	-	-

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 21)	4,534,918	4,534,918	4,534,918	-	-

Risk management (contd)

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:

	2015 N'000	2014 N'000
Trade receivables	8,975,046	1,493,109
Other receivables	-	-
Bank deposits	1,409,557	1,966,087
	10,384,603	**3,459,196**

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

Residential consumers	14,985,141	1,555,095
Commercial consumers	3,992,623	327,056
Industrial consumers	1,603,885	128,977
Street Light	172,529	21,654
Special Tariff	2,659,292	211,157
	23,413,470	**2,243,939**

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 2015	Fair value N'000 2015	Carrying amount N'000 2014	Fair value N'000 2014
Financial assets				
Trade receivables	8,975,046	8,975,046	1,493,109	1,493,109
Cash and bank balances	1,465,874	1,465,874	2,169,369	2,169,369
	10,440,920	**10,440,920**	**3,662,478**	**3,662,478**
Financial liabilities				
Trade payables	**24,546,576**	**24,546,576**	**2,144,321**	**2,144,321**

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 N'000	%	2014 N'000	%
Revenue	33,451,366		26,768,161	
Other gains and losses	284,759		177,262	
	33,736,124		26,945,423	
Bought in material and services:				
Foreign	-		-	
Local	(35,515,842)		(33,037,411)	
Value added	**(1,779,718)**	**100**	**(6,091,989)**	**100**
Applied as follows:				
To pay employees;				
Staff costs	4,512,639	(254)	5,700,290	(94)
To pay government				
Taxation	-	-	-	-
To pay providers of capital:				
Finance costs	76,208	(4)	-	-
To provide for enhancement of assets and growth				
Depreciation	1,514,954	(85)	1,490,933	(25)
Deferred taxation	4,204,952	(236)	(187,300)	3
Loss for the year	(12,088,470)	679	(13,095,912)	215
Other comprehensive income for the year	-	-	-	-
	(1,779,718)	**100**	**(6,091,989)**	**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 2015 N'000	IFRS 2014 N'000	IFRS 2013 N'000	NGAAP 2012 N'000	NGAAP 2011 N'000
ASSETS EMPLOYED					
Non current assets	53,180,232	48,153,873	46,742,456	46,884,785	31,351,006
Current assets	15,000,274	5,016,062	32,297,498	23,814,363	16,300,340
Non current liabilities	-	-	(1,519,304)	(1,271,423)	(16,835,099)
Current liabilities	(31,633,959)	(4,534,918)	(32,411,906)	(21,722,443)	(1,033,922)
Net assets	**36,546,548**	**48,635,017**	**45,108,744**	**47,705,282**	**29,782,325**
CAPITAL EMPLOYED					
Share capital	5,000	5,000	5,000	5,000	5,000
Capital contribution	47,238,701	47,238,701	31,371,229	28,977,619	15,510,193
Retained Earnings	(10,697,154)	1,391,317	13,732,515	18,722,663	(13,181,231)
Revaluation reserve	-	-	-	-	27,448,363
Total equity	**36,546,547**	**48,635,018**	**45,108,744**	**47,705,282**	**29,782,325**
TURNOVER AND PROFIT			**NGAAP**	**NGAAP**	**NGAAP**
Revenue	33,451,366	26,768,161	21,459,068	24,423,731	13,982,737
Loss before income tax	(16,293,422)	(12,908,612)	(4,990,148)	(11,938,693)	(3,239,351)
Income tax expenses	4,204,952	(187,300)	-	-	-
Loss for the year	(12,088,470)	(13,095,912)	(4,990,148)	(11,938,693)	(3,239,351)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	(12,088,470)	(13,095,912)	(4,990,148)	(11,938,693)	(3,239,351)
Per share data (Kobo)					
Loss per share	**(120,885)**	**(130,959)**	**(49,901)**	**(119,387)**	**(32,394)**
Net assets per share	**365,465**	**486,350**	**451,087**	**477,053**	**297,823**

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.