Kaduna Electric

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Annual Reports for the Year Ended 31st December 2016

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,
KadunaState,
Nigeria

BANKERS:
FidelityBank Plc,
GuarantyTrustBank 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.

Directors' Report

Chairman's Statement

Dear Shareholders,

Introduction

Welcome to the Annual General Meeting of Kaduna Electricity Distribution Plc (**Kaduna Electric**) for the Year Ended 2016.

I have the pleasure in declaring the activities of this Annual General Meeting (AGM) for the Fiscal Year 2016 open. Our business continuous to operate in a sheepish and recovering wider national economy, banking on hopes and prospects.

Nigeria tries to grow out of its worst economic hit in thirty years, with high rates of inflation of about 18.72% as at January 2017.

NESI in 2016

The Nigerian Electricity Supply Industry (NESI) has had a tremulous change in last six (6) years including the privatization of the distribution and generation assets previously held by the Federal Government of Nigeria.

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 December 2016 was below 1000MW 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 Uncertainty has been a major factor limiting capital investment flow into the electricity market.

Chairman's Statement (Continued)

The Tariffs remain Non-Cost Reflective while government has missed various rounds of minor reviews (June 2016 and Dec 2016). The electricity debts owed to the Federal Government through its various Ministries, Departments and Agencies (MDA) continue to pile without insight into the timeline, modalities and amount to be paid to the discos.Kaduna Electric is currently owed over N12B 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.

There continues to be capex limitationsas dictated in the tariffs. Kaduna Electric is limited to about N3.4Bn capex limitation while expected levels of investment ranges from N7-N12Bn annually for next four (4) years.

The continuous low Electricity Generation Levels remains one of the biggest hindrances to steady revenue forecast for the company.The government failure to Implement Subsidies lingers on with no certainty of policy direction in this regard. The electricity industry is rightly structured to have subsidies in the gas production, which is already dollarized and shall be a good factor in ensuring affordable end-user tariffs.

The economic hit currently endured in the country creates massive unavailability of Credit especially in the energy space including electricity subsector.

We welcome the government's planned intervention through the Central Bank of Nigeria working towards some initiatives to deal with the liquidity challenges within the sector.

On the generation end of the value chain, the Federal Government has made efforts to boost liquidity through a N701 billion intervention to be drawn by NBET to make payments for upstream electricity generated (to the generators). While this initiative is directly targeted towards the generation companies, it is expected to ease liquidity constraints all through the value chain. Despite this, there still remain concerns by stakeholder on the inadequacy and recovery of these funds.

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 better quality of service to consumers within its distribution network. We have effectively reduced the incidence of accidents, 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.

Chairman's Statement (Continued)

The company has increased its distribution capacity to over 1,500MVA, resuscitated and reticulated many feeders, installed over 30,000 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.

WE have also taken steps to improve its coverage to underserved areas covered within the distribution network. These investments are resulting in the gradual improvements to the revenues and profitability of your company, although we are mindful of the overwhelming need to achieve far greater.

Looking on to the Future with Cautious Optimism

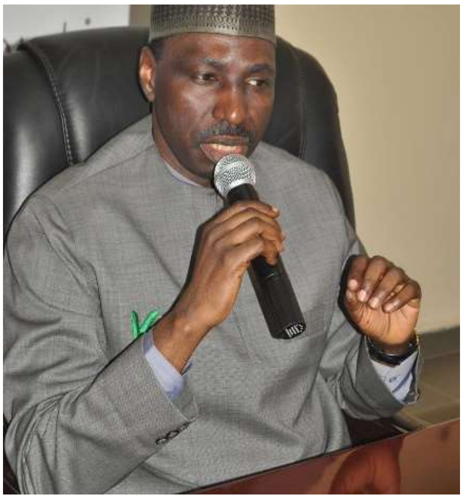
Despite the daunting present circumstances faces, recent developments have created an aura of optimism. There is hope of a renewed regulatory attitude and atmosphere following the appointment of a new board of NERC; the Discos are hopeful of better formulated policies that will enable and lead to improvements 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.

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 privatization of the power assets amongst other key activities.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.

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 Report



The fiscal year 2016 provided insights into the challenges and opportunities of transforming the company as a utility into a more viable utility business positioned to satisfactorily serve customers' needs, while meeting its ambitions of reducing losses on a year by year basis.

Some highlights of our company's activities during the preceding year represent these risks and opportunities. It also magnified the general risks in the wider operating environment in the NESI.

Energy Supply

The NESI received a total of about 24,700GWh of which about 8% was received by Kaduna Electric translating to about 1,976 GWh. This is short of the estimated energy supply of about 2,900GWh envisaged and modeled into the Multi-Year Tariff Order 2.1 (and far less in the implicative MYTO2012).

Regulatory Risk

With the new nominations to ensure the vacancies in the regulator, Nigerian Electricity Regulatory Commission (NERC) are filled, the major regulatory actions which affected the general operating environment in the industry including Kaduna Electric are expected to be swiftly dealt with. These include consideration and approval of a cost reflective tariff, regular consideration of the biannual minor reviews, etc.

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

With continuous general underinvestment into the national transmission system, operated by the Transmission Company of Nigeria (TCN), the expected bulk electricity continues to evade most distribution companies; at best, the power gets transmitted to over served areas. 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

The company inherited a customer database in Dec 2014 which includes large numbers of questionable users of our electric energy. 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.

MD/CEO's Report (Continued)

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. Consequently, 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.

Further analysis of the distribution network showed that there is a huge 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:

- Company Policies and Procedures Development
- Baseline Loss Studies, As-Is Studies, Metering Studies etc.
- Mapping of the 33kV, 11kV and 415V Networks
- Continuous Manpower Restructuring
- ICT System Development
- Payment Systems Platforms
- Safety Management Systems

MD/CEO's Report (Continued)

Outlook For 2017

2017 is promising to be a challenging year that will be full of opportunities for continuous transformation of our company into a sustainable business.

We hope that policymakers, regulators and related stakeholders would have the determination to support our initiatives and plans towards attract further investments and boosting confidence in the industry.

Evaluating the ingenuities and support taken during the year to solve challenges faced by the company, I am certain of the positive outcomes and achievements anticipated.

We will continue to place this company to be model of efficiency and customer-centricity!

Thank you.

Engr. Garba Haruna,
Managing Director/Chief Executive Officer

Statement of Directors' Responsibilities

The directors accept responsibility for the preparation of the financial statements set out on pages 11 to 50 that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria.

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

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the years ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Yusuf Abubakar Hamisu
Chairman
FRC/2016/MBA/00000014422
27 September 2017

Haruna Garba Argungu
Managing Director
FRC/2017/IODN/000000016001
27 September 2017

Ahmed Zakari & Co.
(CHARTERED ACCOUNTANTS)

INDEPENDENT AUDITORS' REPORT

To the members of Kaduna Electricity Distribution Plc

Report on the Financial Statements

We have audited the accompanying financial statements of **Kaduna Electricity Distribution Plc** which comprise the statements of financial position as at 31 December 2016, 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 11 to 50.

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.

Auditors' 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 aspect, the financial position of **Kaduna Electricity Distribution Plc** as at 31 December 2016 and 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.

Partners: **Shuaibu A. Ahmed | Isma'ila M. Zakari | Tajudeen Adetokunbo Oni | Najib Imam | Wazir Olukayode Lawal**

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Lagos Office: 228 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

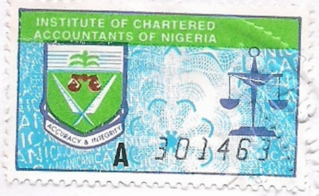
Report on Other Legal and Regulatory Requirements

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 account.

Najib Imam, FCA - FRC/2013/ICAN/00000006900
For: Ahmed Zakari & Co.
(Chartered Accountants)
21 September 2017

Kano, Nigeria



KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 N'000	2015 N'000
Continuing operations			
Revenue	5	42,851,828	33,451,366
Operating cost	6	(50,903,802)	(33,625,309)
Gross loss		**(8,051,974)**	**(173,943)**
Other gains	7	178,229	284,759
Administrative expenses	8	(22,589,491)	(16,328,030)
Operating loss		**(30,463,236)**	**(16,217,214)**
Net finance cost	9	(50,914)	(76,208)
Loss before taxation		**(30,514,150)**	**(16,293,422)**
Income tax expenses	12.1	12,609,425	4,204,952
Loss for the year from continuing operations		**(17,904,725)**	**(12,088,470)**
Other comprehensive income		-	-
Total other comprehensive income		**-**	**-**
Total comprehensive loss for the year		**(17,904,725)**	**(12,088,470)**
Earning per share (Kobo)			
Basic		**(179,047)**	**(120,885)**
Diluted		**(179,047)**	**(120,885)**

The notes on pages 11 to 48 and additional statutory statements on pages 49 to 50 form integral part of the financial statements.

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 N'000	2015 N'000
ASSETS			
Non current assets			
Property, plant and equipment	13	47,614,922	48,407,867
Deferred tax assets	12.4	17,381,790	4,772,365
Total non current assets		**64,996,712**	**53,180,232**
Current assets			
Inventories	14	2,236,116	4,559,354
Trade receivables	15	19,266,552	8,975,046
Other assets	16	2,496,736	414,180
Cash and bank balances	17	1,286,249	1,465,874
Total current assets		**25,285,653**	**15,414,454**
TOTAL ASSETS		**90,282,365**	**68,594,686**
EQUITY & LIABILITIES			
Equity			
Share capital	18	5,000	5,000
Capital contribution	19	47,238,701	47,238,701
Retained earnings		(28,601,878)	(10,697,153)
Total equity		**18,641,823**	**36,546,548**
Current liabilities			
Trade and other payables	21	71,640,542	32,048,138
Current tax payable	12.1	-	-
Total current liabilities		**71,640,542**	**32,048,138**
Total liabilities		**71,640,542**	**32,048,138**
TOTAL EQUITY AND LIABILITIES		**90,282,365**	**68,594,686**

The financial statements on pages 11 to 50 were approved and authorised for issue by the Board of Directors on 21 September 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 15 to 48 and additional statutory statements on pages 49 to 50 form integral part of the financial statements.

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital N'000	Capital contribution N'000	Retained earnings N'000	Total equity N'000
Balance as at 1 January 2015	**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 31 December 2015	**5,000**	**47,238,701**	**(10,697,153)**	**36,546,548**
Balance as at 1 January 2016	**5,000**	**47,238,701**	**(10,697,153)**	**36,546,548**
Loss for the year	**-**	**-**	(17,904,725)	**(17,904,725)**
Other comprehensive income (net of tax)	**-**	**-**	-	**-**
Total comprehensive income for the year	-	-	(17,904,725)	(17,904,725)
Balance as at 31 December 2016	**5,000**	**47,238,701**	**(28,601,878)**	**18,641,823**

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 N'000	2015 N'000
Cash flows from Operating Activities			
Loss before tax		(30,514,150)	(16,293,422)
Adjustments for:			
Depreciation	13	1,625,669	1,514,954
Allowance for doubtful debt	15.2	19,573,694	13,687,594
Cash flow before changes in working capital		(9,314,787)	(1,090,874)
Movement in working capital:			
Decrease/ (Increase) in inventory		2,323,238	(3,205,770)
Decrease/(increase) in trade and other receivables		(29,865,200)	(21,169,531)
Decrease/(increase) in other assets		(2,082,557)	-
(Decrease)/increase in trade and other payables		39,592,404	27,099,042
Net Cash flow from operating activities		653,098	1,632,867
Tax payment during the year		-	-
Net cash generated by operating activities		653,098	1,632,867
Cash flows from Investing Activities			
Purchase of property, plant and equipment	13	(832,724)	(2,336,361)
Net cash used in investing activities		(832,724)	(2,336,361)
Cash flows from Financing Activities		-	-
Net cash provided by financing activities		-	-
Net decrease in cash and cash equivalents		(179,626)	(703,494)
Net cash and cash equivalents at the beginning of the year		1,465,875	2,169,369
Net cash and cash equivalents at the end of the year	17	**1,286,249**	**1,465,875**

KADUNA ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

CONTENT PAGE

KADUNA ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1 General Information

.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

.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.

.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.

.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.

.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.

.6 Financial period

These financial statements cover the financial period from 1 January 2016 to 31 December 2016 with comparatives for the year ended 31 December 2015.

.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)

.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.

Standard	Pronouncement/details of amendment	Issued Dates	Effective Date
IAS 7 Statement of Cash Flows	Amendments as result of the Disclosure initiative	January 2016	Annual periods beginning on or after 1 January 2017
IFRS 16 Leases	It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.	January 2016	Annual periods beginning on or after 1 January 2019
IAS 40 Investment Property	Amendments to clarify transfers of property to, or from, investment property	December 2016	Annual periods beginning on or after 1 January 2018
IFRS 15 Revenue from Contracts with Customer	Establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supercede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction contracts and the related interpretations when it becomes effective.	May 2014	Annual periods beginning on or after 1 January 2018
IFRS 9 Financial Instruments	Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	July 2014	Effective for annual periods beginning on or after 1 January 2018 Note:IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before 1 February 2015.
IFRS 4 Insurance Contracts	Amendments regarding the interaction of IFRS 4 and IFRS 9 Amended by Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'	September 2016	An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.

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

.2 Annual Improvements to IFRSs 2010 - 2015 and 2011-2015 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 2012-2016 Cycle

The Annual Improvements to IFRSs 2012-2015 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.

.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 2016.

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

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

Pronouncemen	Nature of change	Required to be implemented for periods beginning on or after
IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortisation	IAS 16 prohibits entities from using a revenue-based depreciation method for items of property, plant and equipment. IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances a) when the intangible assets is expressed as a measure of revenue; or b) when it can be demonstrated that revenue and consumption of the economic benefits of the intagible assets are highly correlated.	On or after 1 January 2016
IAS 16 and IAS 41 Agriculture: Bearer plants	Amendments define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.	On or after 1 January 2016
IFRS 11 Accounting for Acquisition of interests in Joint Operation	The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.	On or after 1 January 2016

2

Application of new and revised International Financial Reporting Standards (IFRSs) (cont'd)

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

Pronouncement	Nature of change	Required to be implemented for periods beginning on or after.
IFRS 10 and IAS 28 Sale or Contribution of Assets between an investor and its associate or joint venture	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: 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
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

3 Significant accounting policies

The significant accounting policies are set out below:

.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.

.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.

.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.

.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 Significant accounting policies (cont'd)

.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 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 Significant accounting policies (cont'd)

.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.

.5 Taxation

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

.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.

.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 Significant accounting policies (cont'd)

.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.

.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 Significant accounting policies (cont'd)

.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.

.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.

.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 Significant accounting policies (cont'd)

.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.

.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 Significant accounting policies (cont'd)

.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.

.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.

.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.

.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.

.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.

3 Significant accounting policies (cont'd)

Financial instruments (contd)

.13.1 Financial assets

The Company's financial assets are loans and receivables.

Loans and receivables

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

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

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

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

.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.

3 Significant accounting policies (cont'd)

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 recognition of 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 Significant accounting policies (cont'd)

.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.

.14 Financial liabilities and equity instruments

.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.

.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.

.14.3 Financial liabilities

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

3 Significant accounting policies (cont'd)

.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.

.14.3.2 Derecognition of financial liabilities

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

.1 Assets and liabilities transferred to Nigeria Electricity Management

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.

.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.

.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. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

.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.

.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.

		2016	2015
		N'000	N'000
5	**Revenue**		
	Residential electricity sales	28,709,792	21,221,697
	Commercial electricity sales	5,885,396	5,792,203
	Industrial electricity sales	2,789,890	2,330,599
	Special electricity sales	168,815	3,868,459
	Street light electricity sales	5,297,934	238,407
		42,851,828	**33,451,366**

Items of revenue include monthly post paid billings for electricity consumed by customers and prepaid meter units of energy purchased by customers 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 class as contained in MYTO 2.1 ammended However, fixed charge levy was aboilished in the new MYTO 2015 distribution tariff effect 1 February 2016.

		2016	2015
		N'000	N'000
6	**Operating cost**		
	Cost of energy (Note 6.1)	45,346,636	27,914,595
	Network services and maintenance (Note 6.2)	704,393	1,396,904
	Depreciation on operation's property plant and equipment	1,574,288	1,289,892
	Salaries and wages for operational staff	3,278,485	3,023,918
		50,903,802	**33,625,309**

.1 The significant increase in cost of energy for 2016 is a reflective of the indexation of gas price in USD to the GenCos. The high USD exchange rate during the year accounts for the sharp increase compared to 2015. This high cost of energy couldn’t be transferred to consumers because of the strict regulation on tariff increase and the Nigerian Electricity Regulatory Commission (NERC) did not approve new tariff increase as at year end. Hence, the 2016 revenue was not affected by this high cost of energy.

.2 The 2015 comparative includes the sum of N171.642 million for directors' emolument which was wrongly classified and erroneously left unadjusted in the account.

		2016	2015
7	**Other gains**	**N'000**	**N'000**
	Reconnection fees	178,229	97,912
	Imbalance Compensation form market operators	-	186,846
		178,229	**284,759**

Other gains include reconnection fee, penalties and fines, revenue loss compensation etc.

		2016	2015
		N'000	N'000
8	**Administrative expenses**		
	Salaries and Wages for administrative staff	1,321,100	1,218,519
	Employees welfare	22,979	18,215
	Pension employer's contribution	348,974	251,987
	Insurance	193,853	4,201
	Printing and stationeries	2,461	343
	Recruitment expenses	9,211	24,728
	Advert and publicity	1,789	29,965
	Office repairs and maintenance	28,375	18,434
	Hotel expenses	16,995	7,071
	Other administrative expenses	31,880	28,454
	Vehicles repairs and maintenance	97,976	14,612
	Consultancy and other professional fees	278,811	-
	Transport and travelling	87,355	25,821
	Staff trainings and seminars	41,880	37,099
	Audit fees	17,850	10,500
	Medical expenses	135,413	28,567
	Directors' Emoluments (Note 6.2)	231,762	-
	Rents and rates	79,479	8,084
	Bank charges	16,272	20,026
	Provision for doubtful debt (Note 15.2)	19,573,694	13,687,594
	Provision for obsolete and defective inventory	-	8,450
	Inventory written off (Note 8.1)	-	660,298
	Depreciation on non operational property, plant and equipment.	51,381	225,062
		22,589,491	**16,328,030**

.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.

		2016	2015
9	**Net finance cost**	**N'000**	**N'000**
.1	**Investment income**		
	Interest receivable on fixed deposit and similar income	-	-
.2	**Finance cost**		
	Interest on current and non current borrowing	-	-
	Finance lease interest	50,914	76,208
		50,914	76,208
	Net finance cost	**50,914**	**76,208**

10	**Loss before taxation**		
	Loss before taxation is arrived at after charging/(crediting):		
	Directors emolument	231,762	-
	Audit fee	17,850	10,500
	Depreciation of property, plant and equipment	1,625,669	1,514,954

		2016	2015
11	**Bought in Material and Services**	**N'000**	**N'000**
	Operating cost	50,903,802	33,625,309
	Administrative expenses	22,589,491	16,328,030
	Salaries and wages	(3,278,485)	(3,023,918)
	Depreciation	(1,625,669)	(1,514,954)
		68,589,138	**45,414,467**

12 Taxation

Income taxes relating to continuing operation

.1	**Income tax recognised in profit or loss**		
	Current tax		
	Corporate tax	-	-
	Education tax	-	-
	Adjustments recognised in the current year in relation to the tax of prior years.	-	-
		-	-
	Deferred taxation		
	Deferred tax expense recognised in the current year	12,609,425	4,204,952
	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	12,609,425	4,204,952

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

Loss before tax	(30,514,150)	(16,293,422)
Expected income tax expense calculated at 30% (2015: 30%)	-	-
Education tax expense calculated at 2% (2015: 2%) of assessable profit	-	-
Effect of expenses not recognised for tax purpose	21,199,363	15,210,998
Effect of income that is exempt from taxation	-	-
Effect of unrelieved loss for the year	9,314,787	1,082,424
Effect of deferred tax	12,609,425	4,204,952
Income tax expenses recognised in comprehensive income	**12,609,425**	**4,204,952**

The tax rate used for 2016 and 2015 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.

		2016	2015
.2	**Income tax recognised in other comprehensive income**	**N'000**	**N'000**
	Deferred tax		
	Arising on income and expenses recognised in other comprehensive income:	-	-
		-	**-**
.3	**Current tax liabilities**		
	Balance at 1 January	-	-
	Income tax expense recognised in current year	-	-
	Balance at 31 December	**-**	**-**

12 Taxation (Continued)

.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:

	2016 N'000	2015 N'000
Deferred tax assets	(22,563,468)	(10,067,058)
Deferred tax liabilities	5,181,678	5,294,693
Deferred tax assets (net)	**(17,381,790)**	**(4,772,365)**

31-Dec-16	**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	5,294,693	(113,015)	-	5,181,678
Provisions	(4,331,527)	(5,874,643)	-	(10,206,170)
Unutilised capital allowance	(5,735,531)	(304,049)	-	(6,039,580)
Unrelieved loss	-	(6,317,718)	-	(6,317,718)
	(4,772,365)	(12,609,425)	-	(17,381,790)

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	4,952,530	-	5,294,693
Provisions	225,249	(4,556,777)	-	(4,331,527)
Unutilised capital allowance		(5,735,531)		(5,735,531)
	567,413	(5,339,778)	-	(4,772,365)

Movement at a glance

	2016 N'000	2015 N'000
Deferred tax liabilities/(assets)		
Balance at 1 January	(4,772,365)	(567,413)
Recognised in statement of profit or loss	(12,609,425)	(4,204,952)
Recognised in other comprehensive income	-	-
Balance at 31 December	**(17,381,790)**	**(4,772,365)**

KADUNA ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

13 Property, Plant and equipment

	Freehold Land N'000	Buildings N'000	Network Plant and machinery N'000	Overhead & underground lines N'000	Furniture, fittings & equipment N'000	Motor vehicles N'000	Computer Equipment N'000	Assets Under Construction N'000	Total N'000
Cost:									
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 13.2)	-	-	(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**
At 1 January 2016	100,400	274,121	7,136,600	42,008,429	70,000	952,009	-	4,447,685	54,989,244
Additions	-	-	572,173	-	-	-	133,144	127,406	832,724
Transfer	-	-	2,030,554	194,892	-	-	-	(2,225,447)	-
At 31 December 2016	**100,400**	**274,121**	**9,739,328**	**42,203,322**	**70,000**	**952,009**	**133,144**	**2,349,644**	**55,821,968**
Depreciation:									
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 13.2)	-	-	(4,330,028)	4,330,028	-	-	-	-	-
At 31 December 2015	**-**	**13,250**	**948,973**	**5,406,554**	**7,000**	**205,600**	**-**	**-**	**6,581,377**
At 1 January 2016	-	13,250	948,973	5,406,554	7,000	205,600	-	-	6,581,377
Charge for the year	-	12,462	275,413	1,080,813	7,000	205,600	44,381	-	1,625,669
At 31 December 2016	**-**	**25,712**	**1,224,386**	**6,487,368**	**14,000**	**411,200**	**44,381**	**-**	**8,207,046**
Carrying amount:									
At 31 December 2016	**100,400**	**248,410**	**8,514,942**	**35,715,954**	**56,000**	**540,809**	**88,763**	**2,349,644**	**47,614,922**
At 31 December 2015	**100,400**	**260,872**	**6,187,627**	**36,601,875**	**63,000**	**746,409**	**-**	**4,447,685**	**48,407,867**

.1 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.

.2 This is required to report the Property Plant and Equipment classification in line with the new accounting policy.

		2016 N'000	2015 N'000
14	**Inventories**		
	Distribution materials (Note 14.1)	1,938,484	4,244,696
	General store materials	404,536	420,794
	Stationeries	26,297	27,067
		2,369,318	4,692,556
	Allowance for obsolete and slow moving items	(133,202)	(133,202)
		2,236,116	**4,559,354**

.1 Included in distribution materials are the energy meters aquired in 2015. These are to be rolled out in phases to both Maximum Demand (MD) and Non Maximum Demand (NMD) customers. The underlining objective of the investment was to increasing revenue collection, reduce Aggregate Technical Commercial & Collection (ATC&C) losses and improve distribution efficiency. The meters were valued at N4.268 Billion, and out of this figure, quantities valued at N1.894 Billion were yet to be delivered as at year end 2016. See note 16.1

		2016 N'000	2015 N'000
15	**Trade receivables (Notes 15.2)**		
	Residential customers	36,939,648	14,985,141
	Commercial customers	7,463,011	3,992,623
	Industrial customers (Note 15.3)	3,078,256	1,603,885
	Special Agreement customers	5,522,696	172,529
	Street Lighting customers	275,059	2,659,292
		53,278,670	23,413,470
	Allowance for doubtful debts (Note 15.2)	(34,012,118)	(14,438,424)
		19,266,552	**8,975,046**
.1	Balance at 1 January	23,413,470	2,243,939
	Current trade receivable	29,865,200	21,169,531
	Provision for doubtful debt	(34,012,118)	(14,438,424)
	Balance at 31 December	**19,266,552**	**8,975,046**

.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 February 2016 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 Trade and other receivables

.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.

.3 Included in receivable from industrial customers is the estimated sum of N306.4 million. This represents the amount expected to be written off in the event that the pending litigation between Manufacturers Association of Nigeria-MAN (on behalf of its members) and Nigeria Electricity Regulatory Commission (NERC) with the 11 DisCos as joint defendants swings in the plaintiff's favour.

Age of receivables that are past due and not impaired

	2016 N'000	2015 N'000
31 - 60 days	2,795,763	3,501,132
61 - 90 days	2,366,351	5,473,914
Above 90 days	19,573,694	14,438,424
Total	**24,735,808**	**23,413,470**

Age of receivables that are past due and impaired

31 - 60 days		
61 - 90 days		
Above 90 days	19,573,694	14,438,424
Total	**19,573,694**	**14,438,424**

Movement in the allowance for doubtful debts

Balance at the beginning of the period	14,438,424	750,830
Impairment losses recognised	19,573,694	13,687,594
Balance at the end of the period	**34,012,118**	**14,438,424**

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 N19.573billion (31 December 2015: N13.688 billion). The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds. The Company does not hold any collateral over these balances.

16 Other assets	**2016 N'000**	**2015 N'000**
Goods in transit (Note 16.1)	1,894,953	-
Other receivables (Note 16.2)	187,602	-
Cash and bank balance suspense-NELMCO (Notes 16.3 and 20.5)	414,180	414,180
	2,496,736	**414,180**

.1 This represents the value of the underlivered units of energy meters as at year end. The meters were ordered in 2015. See note 14.1

.2 Included in other receivables is the sum of N175.2million representing the company's bank balances mistakengly swept to the Federal government Treasury Single Accounts (TSA). The company has filed claimes with CBN for the refund of this amount but not received as at year end.

.3 This represents the prior year difference between the cash and cash equivalent book balance in the audited financial statement of 3 December 2014 and the validated cash and bank balances as at handover date of 4 December 2014. The book balance at the handover date was part of the payable to to NELMCO already recognised in the accounts. See note 21.2 . The company has not reached a consensus with with NELMCO with respect to the difference as at year end.

		2016	2015
17	**Cash and cash equivalent**	**N'000**	**N'000**
	Cash on hand	81,918	56,317
	Bank balance (Note 16.2)	1,204,331	1,409,557
	Cash and bank balances	1,286,249	1,465,874
	Bank overdrafts	-	-
	Net cash and cash equivalent	**1,286,249**	**1,465,874**

Cash and cash equivalents comprise cash and bank balances, 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 date. The carrying amount of these assets is approximately equal to their fair value.

		2016	2015
18	**Share Capital**	**N'000**	**N'000**
	Authorised issued and fully paid		
	10,000,000 ordinary shares at 50 kobo each	**5,000**	**5,000**

19	**Capital contribution**		
	Assets and liabilities transferred to government agency (NELMCO)		
	Balance at 1 January	47,238,701	47,238,701
	Movement during the year	-	-
	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 government representatives; Bureau of Public Enterprises and Ministry of Finance Incorporation and the core investor North West Power Limited.

20 Retirement benefit obligations

.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 within the time period specified by the Act.

The total expense recognised in profit or loss of N348.97 million (2015 251.987 million) represents contributions payable to these plans by the Company at rates specified in the rules of the plans. As at 31st December 2016, there is outstanding contribution not yet paid of N295.53 million (2015 239.96 million).

20 Retirement benefit obligations (Continued)

.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).

	2016 N'000	2015 N'000
21 Trade and other payables		
Trade payables		
Trade payables (Note 21.1 and 21.6)	**62,793,212**	**24,546,576**
Other payables		
Payables to NELMCO (Notes 21.2 and 21.3)	1,922,891	1,922,891
Other Invoices payables (Note 21.5)	2,509,071	3,423,137
Payable to related parties (Note 22.1)	69,786	-
VAT payable	2,800,372	1,263,915
WHT Payable	123,351	77,131
Salaries payable	-	351,143
Pension payable	399,612	239,092
PAYE payable	261,864	114,014
Other staff union dues	2,785	13,377
Accruals and sundry liabilities (Notes 20.4)	677,600	44,304
CAPMI Deposit Liabilities	79,998	52,557
	8,847,330	**7,501,561**
	71,640,542	**32,048,138**

.1 This include the amounts payable for energy delivered to the company and late payment penalties to Nigerian Bulk Electricity Trading Plc (NBET), Transmission Company of Nigeria (TCN) and other market operators which directly related to energy purchased as at year end.

Prior to the commencement of NBET operation in February 2015, the average credit period on purchases of electricity was 30 days for payment of 62.97 percent of invoice value. However, the emergence of NBET changed this market rule to 100 percent payment of invoice value within the specified credit period. Interest is charged as penalty for late payment at ruling NIBOR rate plus 10 percent.

The reported balance as at year end can be reconciled as follows:

	2016 N'000	2015 N'000
Balance at 1 January	24,546,576	2,144,321
Electricity Purchased during the year	38,748,147	27,834,252
Adjustment at 1 January 2016	-	(106,503)
Late payment penalties and fines	6,598,489	-
Payments	(7,100,000)	(5,325,494)
Balance at 31 December	**62,793,212**	**24,546,576**

21 Trade and other payables (continued)

.2 Payables to NELMCO include the cash and bank balances as at hand over date (4 December 2014) yet to be remitted to NELMCO and the net collection on trade receivables as at 3 December 2014 after deducting 20% on gross collection.

.3 Movement during the year relates to the adjustment for cash and bank balances difference N414.18Million as at handover date of 4 December 2014.

.4 Included in other accruals and sundry liabilities is the balance of N411.9 million outstanding on vehicles acquired on credit in 2015. Total acquisition cost is N767million with 20% interest per annum. The repayment period is 18 months and elapsed in November 2016.

.5 ***Restatement***

Other Invoices payables as at 31 December 2015	3,008,957
Understatement now corrected (Note 21.5.1)	414,180
Restated balance at 1 January 2016	**3,423,137**

.5.1 This relates to the prior year difference between the cash and cash equivalent book balance in the audited financial statement of 3 December 2014 and the validated cash and bank balances as at handover date of 4 December 2014 which was wrongly charged to other invoices payable in 2015.

.6 Included in the cost of energy payable to Market Operators during the year was 75MWH energy consumed by Kano DisCo customers. However, 250MWH and 1,798MWH of energy from Jos DisCo and Abuja DisCo were consumed by the company's consumers. This was as a result of overlapping electricity supply feeders. As at year end, settlement agreements between parties in terms of rates and validation of the stated energy were yet to be finalised. As such, the value of the energy could not be determined, hence no recognition in the accounts.

22 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.

	2016 N'000	2015 N'000
.1 *Provision of services*		
Healthstone HMO Ltd	122,566	-
Niger Insurance Plc	175,391	-
	297,957	**-**
.2 *Energy meters*		
Kano Electricity Distribution Plc	**69,786**	-

This represents the value of 250 units of Elsewedy MD (Maximum Demand) energy meters received from Kano Electricity Distribution Plc (KEDCO) during the year. The company has udertaken to return the meters back to KEDCO when it receives the delivery of the remaining meters from Nevada Energy Ltd. As at year end date, the delivery of the meters was still outstanding. The meters were valued at the ruling market price at the transaction date.

22 Related party transactions (continued)

.2 *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.

	2016 N'000	2015 N'000
The remuneration of executive management team excluding directors during the year was as follows:		
Short-term benefits	**193,218**	**156,000**
The remuneration of directors during the year was as follows:		
Short-term benefits	**-**	-

.3 *Chairman's and Directors' emoluments*

	2016	2015
Emoluments		
- Chairman	48,670	32,695
- Other Directors	183,092	138,947
	231,762	**171,642**

No other Director received emoluments during the year.

.4 *Employees remunerated at higher rates*

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

N - N	2016 Number	2015 Number
Below N1,000,000	1032	959
N1,000,001 - N1,500,000	1659	1819
N1,500,001 - N2,000,000	145	259
N2,000,001 - N2,500,000	89	93
N2,500,001 - N3,000,000	24	109
N3,000,001 - N3,500,000	6	33
N3,500,001 - N4,000,000	22	15
N4,000,001 - N4,500,000	15	18
N4,500,001 - N5,000,000	14	19
N5,000,001 and Above	18	54
	3024	**3378**

22 Related party transactions (continued)

.4.2 *Staff*

Total number of staff under the company's employement in 2016 were :

	2016	2015
	Number	Number
Managerial	73	21
Senior staff	1745	2108
Junior staff	1217	1249
	3035	**3378**

.4.3 *Staff turnover*

Number of newly employed staff in 2016

Managerial	1	**0**
Senior staff	6	**0**
Junior staff	1	**0**
	8	**0**

.4.4 *Staff costs excluding the Directors relating to the above:-*

	2016	2015
	N'000	N'000
Salaries and wages	4,599,585	4,242,437
Pension	348,974	251,987
Staff welfare	22,979	18,215
Employees' retirement benefits	-	-
	4,971,538	**4,512,639**

23 Contingent liabilities

There were no contigent liabilities as at 31 December 2016 (2015: Nil)

24 Capital commitment

There were no capital commitments as at 31st December 2016 (2015: Nil).

25 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.

26 Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 21 September 2017

27 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.

28 Categories of financial instruments

31-Dec-16	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	1,286,249	-	-	-	1,286,249
Trade and other receivables	19,266,552	-	-	-	19,266,552
Other assets	2,496,736				2,496,736
	23,049,537	**-**	**-**	**-**	**23,049,537**

	Amortised cost	Other financial liabilities	Total
Financial Liabilities			
Trade and other payables	**62,793,212**	**8,847,330**	**71,640,542**

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**	**7,501,561**	**32,048,138**

29. ***Segment reporting***

Nigeria is the Company's primary geographical segment as all the Company's income is derived in Nigeria. In addition, all of the Company's income comprise income from distribution of electricity directly to consumers in its allocated geographic region, inline with the provision of its licensing agreement from Nigerian Electricity Regulatory Commission (NERC). No further business or geographical segment information is presented.

30. 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.

.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.

.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.

30. Risk management (contd)

Exposure to liquidity risk

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

31/12/2016	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	71,640,542	-	1,341,861	-	70,298,681
Trade payable and other payables (Note 21)	**71,640,542**	**-**	**1,341,861**	**-**	**70,298,681**

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	31,633,959	-	761,930	-	30,872,028
Trade payable and other payables (Note 21)	**31,633,959**	**-**	**761,930**	**-**	**30,872,028**

.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:

	2016 N'000	2015 N'000
Trade receivables	53,278,670	23,413,470
Other assets	2,496,736	-
Bank deposits	1,204,331	1,409,557
	56,979,736	**24,823,027**

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

Residential consumers	36,939,648	14,985,141
Commercial consumers	7,463,011	3,992,623
Industrial consumers	3,078,256	1,603,885
Street Light	276506.089	172,529
Special Tariff	5,522,696	2,659,292
	53,280,117	**23,413,470**

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

31. 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 2016	Fair value N'000 2016	Carrying amount N'000 2015	Fair value N'000 2015
Financial assets				
Trade receivables	19,266,552	19,266,552	8,975,046	8,975,046
Cash and bank balances	1,286,249	1,286,249	1,465,874	1,465,874
	20,552,802	**20,552,802**	**10,440,920**	**10,440,920**
Financial liabilities				
Trade payables	**62,793,212**	**62,793,212**	**24,546,576**	**24,546,576**

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 N'000	%	2015 N'000	%
Revenue	42,851,828		33,451,366	
Other gains and losses	178,229		284,759	
	43,030,056		33,736,124	
Bought in material and services:				
Foreign	-		-	
Local	(30,080,401)		(35,515,842)	
Value added	**12,949,656**	**100**	**(1,779,718)**	**100**
Applied as follows:				
To pay employees;				
Staff costs	3,278,485	25	4,512,639	(254)
To pay government				
Taxation			-	-
To pay providers of capital:				
Finance costs	50,914	0.4	76,208	(4)
To provide for enhancement of assets and growth				
Depreciation	1,625,669	13	1,514,954	(85)
Deferred taxation			4,204,952	(236)
Loss for the year	(17,904,725)	(138)	(12,088,470)	679
	(12,949,656)	**(100)**	**(1,779,718)**	**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

KADUNA ELECTRICITY DISTRIBUTION PLC

FINANCIAL SUMMARY
FOR THE YEAR ENDED

	IFRS 2016 N'000	IFRS 2015 N'000	IFRS 2014 N'000	IFRS 2013 N'000	NGAAP 2012 N'000
ASSETS EMPLOYED					
Non current assets	64,996,712	53,180,232	48,153,873	46,742,456	46,884,785
Current assets	25,285,653	15,000,274	5,016,062	32,297,498	23,814,363
Non current liabilities	-	-	-	(1,519,304)	(1,271,423)
Current liabilities	(71,640,542)	(31,633,959)	(4,534,918)	(32,411,906)	(21,722,443)
Net assets	**18,641,823**	**36,546,548**	**48,635,017**	**45,108,744**	**47,705,282**
CAPITAL EMPLOYED					
Share capital	5,000	5,000	5,000	5,000	5,000
Capital contribution	47,238,701	47,238,701	47,238,701	31,371,229	28,977,619
Retained Earnings	(28,601,878)	(10,697,154)	1,391,317	13,732,515	18,722,663
Revaluation reserve		-	-	-	-
Total equity	**18,641,823**	**36,546,547**	**48,635,018**	**45,108,744**	**47,705,282**
				NGAAP	**NGAAP**
TURNOVER AND PROFIT					
Revenue	42,851,828	33,451,366	26,768,161	21,459,068	24,423,731
Loss before income tax	(30,514,150)	(16,293,422)	(12,908,612)	(4,990,148)	(11,938,693)
Income tax expenses	12,609,425	4,204,952	(187,300)	-	-
Loss for the year	(17,904,725)	(12,088,470)	(13,095,912)	(4,990,148)	(11,938,693)
Total comprehensive loss	(17,904,725)	(12,088,470)	(13,095,912)	(4,990,148)	(11,938,693)
Per share data (Kobo)					
Loss per share	**(179,047)**	**(120,885)**	**(130,959)**	**(49,901)**	**(119,387)**
Net assets per share	**186,418**	**365,465**	**486,350**	**451,087**	**477,053**

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.