Annual Reports for the Year Ended 31st December 2017

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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
Alex Okoh*	Non-Executive Director	Nigerian
Hassan Aminu Dantata	Non-Executive Director	Nigerian
Musaddiq Adamu	Non-Executive Director	Nigerian
Garba Yusuf Imam	Independent Director	Nigerian

* Alternate Director for Director General of BPE: Aliyu Maigari

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

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

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

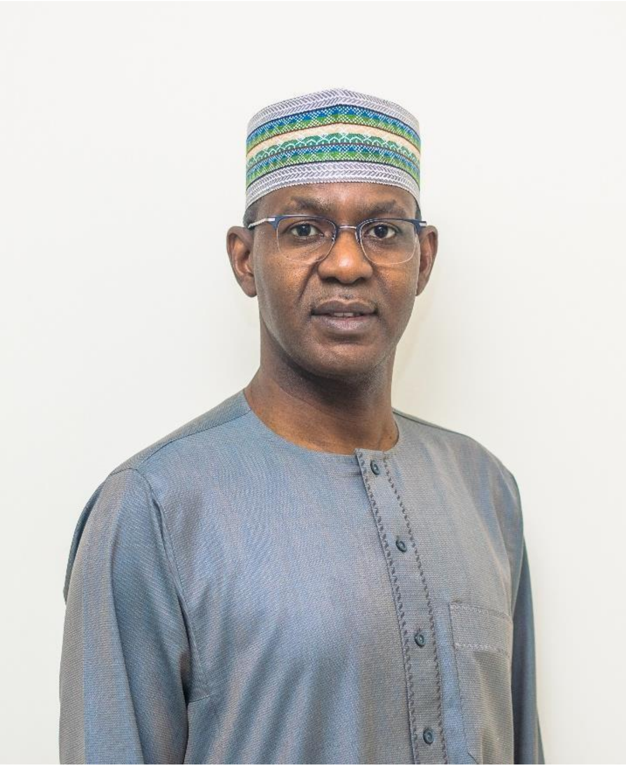
AUDITORS:
Ahmed Zakari & Co.,
(Chartered Accountants),
5th Floor, African Alliance Building,
F. 1, Sani Abacha Way,
P. O. Box 6500,
Kano

Directors' Report

Chairman's Statement

Our Dear Shareholders,

You are welcomed to the Annual General Meeting of Kaduna Electricity Distribution Company Plc (**Kaduna Electric**) for the Year Ended 2017.



It is my pleasure opening the activities of this Annual General Meeting (AGM) for the Fiscal Year 2017. While our business continuous to operate in a difficult and recovering wider national economy, we are making progress with hopes that better results would be achieved.

NESI in the Year 2017

The Nigerian Electricity Supply Industry (NESI) continues to undergo sudden and haphazard changes including new set of Commission to the regulatory board, unimplemented tariff schedules, regulations across the distribution business and the likes.

The Industry continues to witness regulatory uncertainty limiting much need capital investment flow into the electricity market.

The Tariffs remain Non-Cost Reflective while government has missed various rounds of minor reviews (Dec 2016, June 2017, Dec 2017).

While we welcome the government's planned intervention through the "Power Sector Recovery Programme (PSRP)", we continue to work towards initiatives to deal with the liquidity challenges within the sector.

Directors' Report (Continued)

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.

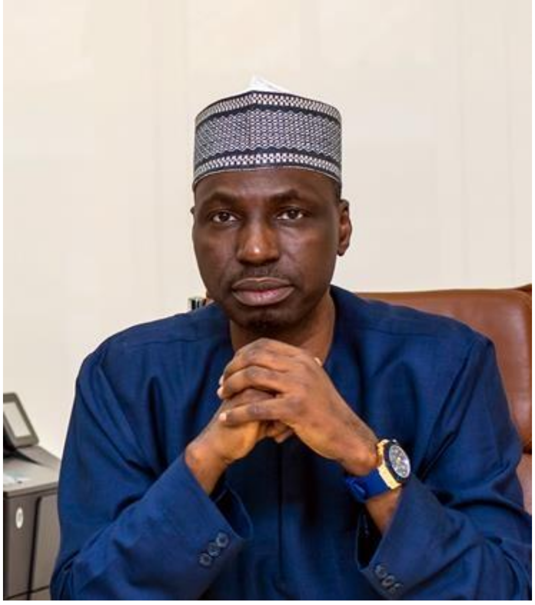
With the recent release of the Economic Recovery and Growth Plan and specifically, the Power Sector Recovery Implementation Program by the Federal Government of Nigeria, greater hope dawns for the improvement of the power sector. The broad objectives of the recovery programme for the power sector is focused on the increase of power generation by optimizing 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 2018, 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

Management Report

The strategic aim of Kaduna Electric as a privatized electricity distribution business remains the optimization of the grid and customer centricity. This is guided by integration of capital and human resources towards the set goals.



Kaduna Electric has stabilized its distribution network operations resulting in better and bigger delivery of the quality of supply to customers across its distribution network. We have significantly reduced the incidence of accidents and electricity theft (though meter by-passing and tempering continue to grow) through its aggressive investments in distribution network upgrades, distribution equipment, IT facilities, GIS-based customer enumeration and metering systems.

The company has increased its distribution capacity to over 1,600MVA, continues to resuscitate and rehabilitate many feeders, installed more smart meters in residences, newly captured maximum-demand (large power users) customers, and replaced old meters on both 11kV and 33kV feeders, 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.

The operations of the company for the year 2017 have been faced with challenges and opportunities as functions of the major risks in the overall operating environment of the NESI. Some of these risks include energy supply and regulatory risks.

Financial Indications

The financial performance of the Company is highlighted on Pages 15 to 18. The account shows the financial performance of the company for the period 1 January – 31 December 2017.

The company had a total turnover (total billed revenue) of ₦42.25Bn and an operating cost of ₦48.2Bn for the period under review. The operating cost is mainly made up of cost of energy, maintenances as well as salaries and wages.

The cost of energy accounts for 92.25% which covers value of energy received from the National grid, other regulatory and ancillary charges etc.

Administrative expenses total ₦24.49Bn of which ₦21.28Bn is provision for doubtful debt. This provision represents 86.87% of the administrative expenses. Furthermore, the sum of ₦18.29Bn representing the interest due unpaid NBET invoices were expensed during the period under review. All these accounts for the negatively profitability stance of the company which stood at (₦49.16 Bn) before taxation as at the reporting date.

The financial statements also reveal a total current asset of ₦29.15Bn of which ₦26.29Bn representing 86.36% relates to consumer debtors. The total current liabilities stood at ₦124.95Bn, a significant part (92.54%) relates to the amounts payable to market operators. As reported in Note 15, the growing consumer debtor presents a picture of major source of liquidity challenge facing the Company.

However, the Regulatory Asset determination by NERC provides succor for the company which now stands at (₦28.97Bn).

Energy Supply

While about 25,000GWh was supplied to the NESI in 2017, 8% was received by Kaduna Electric translating to about 2000GWh. This is short of the estimated energy supply of about 3,000GWh envisaged and modeled into the Multi-Year Tariff Order 2.1 (and far less in the subsisting MYTO2015). A 30% difference in projected energy and ultimately revenues is a clear case for concern for the company.

Notwithstanding the huge technical, socio-economic and political challenges experienced across the sector, the Board and Management of Kaduna continues to record number of successes.

Regulatory Issues

With the new set of Commissioners of the Nigerian Electricity Regulatory Commission (NERC) duly inaugurated in February 2017 we are hopeful that major regulatory actions which shall affect the general operating environment in the industry including Kaduna Electric to be swiftly dealt with. These include consideration and approval of implementation of minor reviews towards a cost reflective tariff, major reconsideration of the draft regulations which are not in tandem with the privatization agreements, etc. However, the Chairmanship position of the Commission is yet to be filled by the Federal Government.

The continued absence of a cost reflective tariff up to the year 2017 means inevitable delays in capital investments required to improve and optimize the network and provide for better customer services, since there was uncertainty about the ability of such investments to generate a return for investors.

The regulatory assets of the Company, which is the differential in tariff due to the company, is put at ₦100,861Mn as recognized by the Nigerian Electricity Regulatory Commission

(NERC) in discussions with the Commission, while the upstream market shortfall is put at N89,315mn.

We are confident that with the Regulatory Asset Base (RAB) fully provided for in Year 2018 by the NERC shall make the company to operate more efficiently and confidently towards a sustainable pathway to growth.

Network Activities and Disruption

The Transmission Company of Nigeria (TCN) is repositioned for better services from the huge differential in their capacities and our higher uptake capacity. The expected bulk electricity continues to evade most distribution companies; mostly, the power gets transmitted to over served areas. The grid remains unstable which frequently primes to system collapses affecting our operations and limiting the company's ability to distribute energy to our customers. Effects of such disruptions translate to poor quality of supply and significant reduction in revenues.

Liquidity and Collections Challenges

While the company inherited a customer database in Dec 2014 which includes large numbers of questionable users of our electric energy, we have made significant strides in recovering these number from base of 238,500 to over 450,000. The limited extent of such inherited 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.

The realistic or cost-reflective tariff and massive energy theft pose 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. Almost 90% of our customers are R1 and R2 customers who are charged N4/kWh and max of N27/kWh respectively, while the realistic/cost-reflective tariff is supposed to be between N60-N70/kWh. This clearly shows the disparity between the present tariff and realistic tariff.

The pervasive electricity issues, electricity theft and vandalism continue to affect our operations and impact hugely on revenues, while creating customer apathy and dissatisfaction. Over 25 different local government areas within our franchise states of Kaduna, Kebbi, Sokoto and Zamfara are having security challenges ranging from kidnapping, armed robbery and banditry as well as wanton killings, affecting our customers, staff as well as operations.

The lack of payment of MDAs debts especially by military and police poses serious liquidity and collections challenges. The total MDAs debts at present stands at over N1Billion for Y2017 only.

We have evolved various strategies to deal with such untoward activities going forward in the year 2018 including more onboarding of collection agents, upgrading the ICT systems for faster and better operations, as well as better manpower engagement.

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.

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

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

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

- Continuous Metering of our customer, including completed metering of all feeders (11kv and 33kV) as well as all Maximum Demand Customers.
- Mapping of the 33kV, 11kV and 415V Networks
- Manpower transformation
- Continuous ICT System Development
- Advanced Payment Systems
- Continuous Safety Management Systems
- Security and Judicial interventions against vandalism and electricity theft
- Continuous customer education and engagement

Outlook For 2018

We look forward to the challenges and promises of the Year 2018 as we set out for continuous transformation of our company into a sustainable business.

While there is genuine concerns for the companies activities as a going concern, considering the huge outstanding payments, growing generation costs without commensurate retail tariff adjustments by the regulator as well as stagnant loss levels, we are very confident that the company shall over come these issues starting from 2018. These patterns, having remained since year 2015, have consequently affected the working capital requirement of the company. The increase in generation cost has almost doubled the cost of energy in 2016, which clearly explains the reasons of increase in debt to the market of about N89,315mn.

The company, alongside all other discos, is in discussions with the regulator for monthly net-off of market invoices against tariff shortfalls. This would, no doubt, provide huge leverage for the company by reducing the monthly invoice into accommodative amounts; we envisage a reduction of about 40% of the net-off for each invoice. As stated earlier, the net-off of outstanding market invoices (for energy, capacity and services) of about N89,315mn shall make Kaduna Electric have a net positive balance of over N11,546mn from total tariff shortfall of N100,861Mn currently in discussion with the regulator.

Further, we are hopeful that the conclusion of the MDAs verification exercise and payment system which started at the beginning of the year, including physical visitations to the billed government offices, GPS-monitored billing, etc would be concluded and these sums be paid to the company or to the NBET to settle outstanding generation invoices. We are also in discussions with the Military Institutions for the settlement of electricity bills directly to the NBET on monthly or quarterly basis.

Closely related to above is our effort to negotiate direct bilateral power purchase agreements with the Hydro Power Generation Plants, who have direct transmission lines within our franchise areas (Kainji Power having a line to Kebbi, while Shiroro having a line to Kaduna). This plan sees the opportunity of reducing our monthly market invoice by up to 25% due to the lower unit cost of hydro-power bulk electricity. We expect to receive a peak of about 180MW from this arrangement. The energy would be sold at both the 11kV and 33kV feeders.

The company is also in discussions with various international and local companies for the franchising of the feeders for effective energy accounting, collections and investments for optimal customer services. These plans, in its infant stages envisages reduction of losses by about 30% due to the fact that all feeders would be fully metered at feeder, transformer and customer level within first year of franchising. Collection targets shall also be made based on preset levels of commitments.

Directors' Report (Continued)

The advanced ICT systems being deployed would see wider and better collection channels for the company, with three major national-wide collections companies coming on board during the first quarter. The Automated Meter Reading (AMR) would be used to monitor both the feeders and maximum demand customers of the company.

Additionally, the board approved engagements with the meter vendors promises for both the fulfillment of performance agreements as well as business objections towards increased revenues. The signed engagements for construction of quick gain projects including major customers like the CCNN, the Olam Farms Factory, Indomie Factory, etc is envisaged to provide additional revenues to the company of up to 20%. We are hopeful the gains would be realized in 2018.

The ongoing discussions with the government on engagement of Meter Asset Providers (MAPs) with the regulator and the government shall hopefully kickstart huge metering rollout in a bid to reduce the huge metering gaps, increase revenues, and minimize inaccurate estimated billing of mostly residential customers.

Our plan captures our engagement with policymakers, regulators and related stakeholders towards sustained support for our initiatives and plans in a bid to attract further investments and boosting confidence in the industry.

We hope to navigate the murky challenges through the ingenuities and support of all towards achieving growth for the company; I am certain of the positive outcomes and achievements anticipated.

We shall continue to make this company a 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 15 to 58 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:

Signature	Signature
Yusuf Abubakar Hamisu	**Haruna Garba Argungu**
Chairman,	Managing Director,
FRC/2016/MBA/00000014422	FRC/2017/IODN/000000016001
Date: 27 Sept 2018	Date: ***27 Sept 2018***

REPORT OF THE AUDITORS TO THE MEMBERS OF KADUNA ELECTRICITY DISTRIBUTION PLC

Opinion

We have audited the financial statements of Kaduna Electricity Distribution Plc ("The Company") which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements including a summary of significant accounting policies, as set out on pages 15 to 58.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2017and of the financial performance and its cash flows for the year then ended in accordance with the Companies and Allied Matters Act, CAP C20, LFN 2004 and in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011 and the International Financial Reporting Standards.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty on going concern

We draw attention to Note 32 to these financial statements which indicates that the company incurred a loss after tax of ₦49.219 Billion (2016: ₦17.892 Billion) during the year ended 31 December 2017, as of that date, the company had a working capital deficit of N95.800 billion (2016: N 46.355 billion). These events, along with other matters as presented on Note 32, indicate the occurrence of material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key Audit Matters are those matters which were of most significance to the audit of the financial statements for the year ended 31 December 2017 based on our professional judgement. A separate opinion has not been provided for these matters as these have been covered by our opinion on the audit of the financial statements.

Area of focus	*Audit procedures*
Provision for doubtful debts: This becomes a KAM because it contributed about 44 percent (2016: 64 percent) to the loss before tax for the year. Historically, the risk of non-collection of the amount billed by the company for electricity consumed mostly lies with the Non Maximum Demand category of the company's prepaid customers. This historical trend together with other matters disclosed in Note 15. 2 were the basis for the company's policy on allowance for doubtful debt. See Note 15.2.	*i. Reviewed consistency of management application of its policy on allowance for doubtful debt with previous years.* *ii. Reviewed the computation model used by management together with all relevant input and recomputed the provision.* *iii. Evaluated the collection ratio to the total revenue billed during the year, especially on the Non Maximum Demand Customers to validate the justification for the provision.*

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

Central Office: 5th Floor, African Alliance House. F1Sani Abacha Way, P.O. Box 6500, Kano, Nigeria.
Lagos Office: 22B Oladipo Diya Crescent, 2nd Avenue Estate, Ikoyi, Lagos. P. O. Box 54478, Falomo, Ikoyi, Lagos.
Abuja Office: 2nd Floor, Akintola Williams House, Plot 2048 Michael Opara way, Wuse Zone 7, Abuja.
E-mail: info@ahmedzakari.com *Url:* www.ahmedzakari.com

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Corporate Governance Report, Directors Responsibility Statement, Remuneration Policy, Board Evaluation Report, the Audit Committee's Report and the Chairman's Statement. Other information does not include the financial statements and our audit report.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011 and in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Responsibilities of the Auditor for the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Responsibilities of the Auditor for the financial statements (continued)

- Obtain an understanding of internal control relevant to the audit 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 company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant. We also provide the Directors with a statement that We have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and whereapplicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. In the event of these rare cases, we are required to report these key audit matters to the Financial Reporting Council of Nigeria before the conclusion of the audit in accordance with Rule 9 of the Financial Reporting Council of Nigeria Act, No. 6, 2011.

Report on Other Legal and Regulatory Matters

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act CAP C20, LFN 2004

In our opinion proper books of account have been kept by the Company. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit. The Company's statements of financial position and comprehensive income are in agreement with the books of account.

Najib Imam, FCA
FRC/2013/ICAN/00000006900
For: Ahmed Zakari & Co.
(Chartered Accountants)
27 September 2018
Kano, Nigeria.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A 0996697

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 N'000	2016 N'000
Continuing operations			
Revenue	5.	42,259,144	42,851,827
Operating cost	6.	(48,213,393)	(44,293,357)
Gross loss		(5,954,249)	(1,441,530)
Other income	7.	266,048	178,229
Administrative expenses	8.	(24,496,427)	(22,589,490)
Impairment losses	13.	(576,945)	-
Operating loss		(30,761,573)	(23,852,791)
Net finance cost	9.	(18,404,666)	(6,649,403)
Loss before taxation		(49,166,239)	(30,502,194)
Income tax expenses	12.1	(52,836)	12,609,425
Loss for the year from continuing operations		(49,219,075)	(17,892,769)
Other comprehensive income		-	-
Total other comprehensive income		**-**	**-**
Total comprehensive loss for the year		**(49,219,075)**	**(17,892,769)**
Earnings per share (Kobo)			
Basic		**(492,191)**	**(178,928)**
Diluted		**(492,191)**	**(178,928)**

The notes on pages 19 to 55 and additional statutory statements on pages 56 to 58 form an integral part of the financial statements.

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 N'000	2016 N'000
ASSETS			
Non current assets			
Property, plant and equipment	13.	47,481,264	47,626,877
Deferred tax assets	12.5	17,381,790	17,381,790
Total non current assets		64,863,054	65,008,667
Current assets			
Inventories	14.	864,071	2,236,115
Trade receivables	15.	26,292,582	19,266,554
Other assets	16.	1,167,109	2,496,736
Cash and bank balances	17.	829,005	1,286,249
Total current assets		29,152,767	25,285,654
TOTAL ASSETS		**94,015,821**	**90,294,321**
EQUITY & LIABILITIES			
Equity			
Share capital	18.	5,000	5,000
Capital contribution	19.	47,238,701	47,238,701
Retained earnings		(78,180,322)	(28,589,922)
Total equity		(30,936,621)	18,653,779
Current liabilities			
Trade and other payables	21.	124,528,287	71,640,542
Current tax payable	12.1	424,155	-
Total current liabilities		124,952,442	71,640,542
Total liabilities		124,952,442	71,640,542
TOTAL EQUITY AND LIABILITIES		**94,015,821**	**90,294,321**

The financial statements on pages 14 to 58 were approved and authorised for issue by the Board of Directors on 27 September 2018 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 18 to 55 and additional statutory statements on pages 56 to 58 form an integral part of these financial statements.

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Share capital N'000	Capital contribution N'000	Retained earnings N'000	Total equity N'000
At 1 January 2016		5,000	47,238,701	(10,697,153)	36,546,548
Loss for the year (Restatement see Note 33.1)		-	-	(17,892,769)	**(17,892,769)**
Other comprehensive income (net of tax)		-	-	-	**-**
Total comprehensive income for the year		-	-	(17,892,769)	(17,892,769)
At 31 December 2016		**5,000**	**47,238,701**	**(28,589,922)**	**18,653,778**
At 1 January 2017		5,000	47,238,701	(28,589,922)	18,653,778
Adjustment	12.1	**-**	**-**	(371,320)	**(371,320)**
Loss for the year		**-**	**-**	(49,219,075)	**(49,219,075)**
Other comprehensive income (net of tax)		**-**	**-**	-	**-**
Total comprehensive income for the year		-	-	(49,590,395)	(49,590,395)
At 31 December 2017		**5,000**	**47,238,701**	**(78,180,317)**	**(30,936,617)**

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 N'000	2016 N'000
Cash flows from Operating Activities			
Loss before tax		(49,166,239)	(30,502,194)
Adjustments for:			
Depreciation	13.	1,641,484	1,613,713
Finance cost	9.2	18,404,666	-
Provision for impairment losses	13.	576,945	-
Allowance for doubtful debt	15.2	21,281,327	19,573,694
Cash flow before changes in working capital		(7,261,817)	(9,314,787)
Movement in working capital:			
Decrease/ (Increase) in inventory		1,372,427	2,323,238
Decrease/(increase) in trade and other receivables		(28,308,420)	(29,865,200)
Decrease/(increase) in other assets		1,330,393	(2,082,557)
(Decrease)/increase in trade and other payables		52,887,745	39,592,404
Net Cash flow from operating activities		20,020,327	653,098
Tax payment during the year		-	-
Net cash generated by operating activities		20,020,327	653,098
Cash flows from Investing Activities			
Purchase of property, plant and equipment	13.	(2,072,907)	(832,724)
Finance cost	9.2	(18,404,666)	-
Net cash used in investing activities		(20,477,572)	(832,724)
Net decrease in cash and cash equivalents		(457,245)	(179,626)
Net cash and cash equivalents at the beginning of the year		1,286,249	1,465,875
Net cash and cash equivalents at the end of the year	17.	**829,005**	**1,286,249**

KADUNA ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

PAGE

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 Kaduna, Sokoto, Zamfara and Kebbi States 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

.1a Increase in Autthorised Share Capital

At the extra-ordinary general meeting of the board of Kaduna Electricity Distribution Plc of 12 January 2017, Special resolutions were passed that the authorised share capital of the company be increased from 10,000,000 ordinary share to 20,000,000 ordinary shares of 50 Kobo per share. Each of the new shares is to rank pari passu with the existing ordinary share of the company and the allotment to existing shareholders to be on pro-rata basis.

.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 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).

- 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.
- Other non IFRS disclosures

.4 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.

.5 Financial period

These financial statements cover the financial period from 1 January 2017 to 31 December 2017 with comparatives for the year ended 31 December 2016.

.6 Statement of compliance

The Company's financial statements for the year ended 31 December 2017 and the accompanying comparative financial statement relate to the full year ended 31 December 2016 are presented in accordance with, and comply with, International Financial Reporting Standards (IFRS) and International Reporting Interpretations Committee (IFRIC) interpretations issued and effective for the periods presented.

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. Some of the IFRSs and IFRIC Interpretations listed below permits early adoption. However, 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
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 17 Insurance Contracts	Allows insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.	May 2017	Applicable to annual reporting periods beginning on or after 1 January 2021
IFRIC 23 Uncertainty over Income Tax Treatments	Establishes the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.	June 2017	Applicable to annual reporting periods beginning on or after 1 January 2019

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

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

Annual Improvements to IFRS Standards 2014–2016 Cycle

IFRS 1 First-time adoption of IFRSs

Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose. This ammendment was issued on 8 December 2016 and effective periods beginning on or after January 2018.

IAS 28- Investment in associates and joint ventures.
Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. This ammendment was issued on 8 December 2016 and effective periods beginning on or after January 2018.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Issued on 12 October 2017 and expected to become effective from 1 January 2019.

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendment was issued 8 December 2016 and effective period begining on or after 1 January 2018

Annual Improvements to IFRS Standards 2015–2017 Cycle

Amendments to IFRS 3 and IFRS 11
The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. Issued date was 12 December 2017 and effective date is from 1 January 2019.

Amendments to IAS 12
The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits. Issued date was 12 December 2017 and effective date is from 1 January 2019.

Amendments to IAS 23

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Issued date was 12 December 2017 and effective date is from 1 January 2019.

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

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

In the current year, the Company has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016.

Pronouncement/amendments	Nature of change	Required to be implemented for periods beginning on or after
Amendments to IAS 12	Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The carrying amount of an asset does not limit the estimation of probable future taxable profits. Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.	On or after 1 January 2017
Amendments to IAS 7	Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	On or after 1 January 2017
Amendments to IFRS 12	Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.	On or after 1 January 2017

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 (Maximum 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 provided 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	35-50
Overhead and underground lines	40-50
Network plant and machinery	20-50
Motor vehicles	4
Computer equipment	3
Furniture, fittings and equipment	5-10

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 impairment loss.

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 Company

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.

		2017 N'000	2016 N'000
5.	**Revenue**		
	Residential electricity sales	27,727,525	28,709,792
	Commercial electricity sales	5,859,867	5,885,396
	Industrial electricity sales	2,885,774	2,789,890
	Special electricity sales	5,735,277	168,815
	Street light electricity sales	50,701	5,297,934
		42,259,144	**42,851,827**

Items of revenue include monthly post paid billings for electricity consumed and prepaid meter units of energy purchased by customers after applying the appropriate tariff as per the relevant Multi Year Tariff Order (MYTO). The company did not implement the 2017 applicable MYTO rates but continued with the 2016 rates.

In arriving at the reported revenue for the prepaid metered customers, the value of the energy that remained unutilised by this class of customers as at 31 December 2017 was not considered. Management was yet to finalise the estimation methodology that would ensure a reliable measurement of the units of energy to be recognised in deferred revenue as at the reporting date.

Revenue from prepaid metered customers account for only about 5 percent of the total revenue for the year and the value of the purchased units of energy that remained unutilised as at 31 December 2017 had no material effect on the reported revenue.

		2017 N'000	2016 N'000
6.	**Operating cost**		
	Cost of energy (Note 33.2)	43,050,374	38,748,147
	Network services and maintenance	385,244	432,417
	Security services	317,169	271,976
	Depreciation on operation's property plant and equipment (See Note 33.1)	1,575,704	1,562,332
	Salaries and wages for operational staff	2,884,902	3,278,485
		48,213,393	**44,293,357**
7.	**Other income**		
	Fees and penalties	227,401	178,229
	Other Miscellaneous income	38,647	-
		266,048	**178,229**

Other income includes reconnection fee, penalties and fines, revenue loss compensation etc.

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		2017 N'000	2016 N'000
8.	**Administrative expenses**		
	Salaries and Wages for administrative staff	1,042,316	1,321,100
	Employees welfare	-	22,979
	Pensions	507,831	348,974
	Insurance	116,571	193,853
	Printing and stationeries	82,888	2,461
	Recruitment expenses	-	9,211
	Advert and publicity	4,675	1,789
	Office repairs and maintenance	205,040	28,375
	Other administrative expenses	84,978	48,875
	Vehicles repairs and maintenance	97,671	97,976
	Consultancy and other professional fees	353,772	278,811
	Transport and travelling	98,388	87,355
	Staff trainings and seminars	10,324	41,880
	Audit fees	22,915	17,850
	Medical expenses	216,382	135,413
	Directors' Expenses	256,669	231,762
	Rents and rates	10,658	79,479
	Bank charges	38,272	16,272
	Provision for doubtful debt (Note 15.2)	21,281,327	19,573,694
	Provision for Depreciation on non core assets	65,750	51,381
		24,496,427	**22,589,490**
9.	**Net finance cost**		
.1	*Investment income*		
	Interest received on fixed deposit and similar income	**-**	-
.2	*Finance cost*		
	Late payment interest on electricity purchase (Notes 9.2a)	18,297,590	6,598,489
	Other finance cost	107,076	50,914
		18,404,666	6,649,403
		18,404,666	**6,649,403**

.2(a) The company's vesting contract with Nigerian Bulk Electricity Trading Plc. (NBET) requires full settlement of undisputed invoices received from NBET within the stipulated time frame. Failure to comply will attract interest at NIBOR plus 10 percent on all unpaid invoices for electricity purchased. This amount represents the interest accrued as at 31 December 2017. See Note 21.1

		2017 N'000	2016 N'000
10.	**Loss before taxation**		
	Loss before taxation is arrived at after charging/(crediting):		
	Directors' emolument	256,669	231,762
	Audit fee	22,915	17,850
	Depreciation of property, plant and equipment	1,641,455	1,625,669

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	2017	2016
11. Bought in Material and Services	**N'000**	**N'000**
Operating cost	48,213,393	50,903,802
Administrative expenses	24,496,427	22,589,491
Salaries and wages	(3,927,218)	(4,599,585)
Depreciation	(1,641,484)	(1,625,669)
	67,141,118	**67,268,039**

12. Taxation

Income taxes relating to continuing operation

.1 Income tax recognised in profit or loss

	2017	2016
Current tax		
Corporate tax	-	-
Education tax	-	-
Minimum tax	52,836	
Adjustments recognised in the current year in relation to the tax of prior years.	371,320	-
	424,155	-
Deferred taxation		
Deferred tax expense recognised in the current year	-	12,609,425
Total income tax expense recognised in current year	424,155	12,609,425

	N'000	**%**	**N'000**	**%**
The income tax expense for the year can be reconciled to the accounting profit as follows:				
Loss before tax	(49,166,239)		(30,514,150)	
Expected Income tax using the effective statutory tax rate	(14,749,872)	30	(9,154,245)	30
Effect of movement in unrecognised deferred tax (2016: recognised)	11,968,148	(24)	12,609,425	(41)
Effect of expenses not recognised for tax purpose	(7,351,546)	15	(6,359,809)	21
Effect of income that is exempt from taxation	-	-	-	
Effect of unrelieved loss for the year	10,937,458	(22)	6,317,718	(21)
Effect of deductible difference	(804,188)	1	(3,413,089)	11
Income tax expenses recognised in comprehensive income	**-**	**-**	**-**	**-**

The tax rate used for 2017 and 2016 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.

	2017 N'000	2016 N'000
12. Taxation (Continued)		
.2 Current tax liabilities		
Balance at 1 January	-	-
Income tax expense recognised in current year	424,155	-
	424,155	-
Payments during the year	-	-
Balance at 31 December	**424,155**	**-**

.3 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:

	2017 N'000	2016 N'000
Deferred tax assets	(34,779,052)	(22,563,468)
Deferred tax liabilities	5,429,114	5,181,678
Deferred tax assets (net) (Note 12.5)	**(29,349,938)**	**(17,381,790)**

31 December 2017	Opening balance N'000	Recognised in profit or loss N'000	Recognised in other comprehensive income N'000	closing balance N'000
Deferred tax liabilities/(assets) in relation to:				
Property, plant and equipment	5,181,678	-	-	5,181,678
Provisions	(10,206,170)	-	-	(10,206,170)
Unutilised capital allowance	(6,039,580)	-	-	(6,039,580)
Unrelieved loss	(6,317,718)	-	-	(6,317,718)
	(17,381,790)	-	-	(17,381,790)

31 December 2016	Opening balance N'000	Recognised in profit or loss N'000	Recognised in other comprehensive income N'000	closing balance 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)

12. Taxation (Continued)

.4 Deferred tax balance (cont'd)

Movement at a glance

	2017 N'000	2016 N'000
Deferred tax liabilities/(assets)		
Balance at 1 January	(17,381,790)	(4,772,365)
Recognised in statement of profit or loss	-	(12,609,425)
Recognised in other comprehensive income	-	-
Balance at 31 December	**(17,381,790)**	**(17,381,790)**

.5 *Discontinued deferred tax asset recognition*

The high losses continuously recorded by the company cast doubts on the certainty of available future taxable profit against which deferred tax assets can be offset. Hence, the recognition of additional deferred tax assets has been discontinued with effect from the current year.

	2017 N'000	2016 N'000
Deferred tax liabilities/(assets) in relation to:		
Property, plant and equipment	5,429,114	5,181,678
Provisions for doubtful debt	(16,628,429)	(10,206,170)
Unutilised capital allowance	(6,943,669)	(6,039,580)
Unrelieved loss	(11,206,955)	(6,317,718)
	(29,349,938)	**(17,381,790)**

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13. Property, Plant and Equipment

	Freehold Land	Buildings	Network Plant & machinery	Overhead & underground lines	Furniture, fittings & equipment	Motor vehicles	Computer Equipment	Assets Under Construction	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Deemed Cost:									
At 1 January 2016	100,400	274,121	7,136,600	42,008,429	70,000	952,009	133,144	4,447,685	55,122,388
Additions	-	-	572,173	-	-	-	-	127,406	699,579
Transfer (Restated, see Note 33.1)	-	-	1,632,018	194,892	-	-	-	(1,826,910)	-
At 31 December 2016	**100,400**	**274,121**	**9,340,791**	**42,203,321**	**70,000**	**952,009**	**133,144**	**2,748,180**	**55,821,966**
At 1 January 2017	100,400	274,121	9,340,791	42,203,321	70,000	952,009	133,144	2,748,180	55,821,966
Additions	-	9,674	1,491,399	-	45,777	353,505	34,269	138,282	2,072,907
Transfer	-	-	127,406	-	-	-	-	(127,406)	-
Disposal	-	-	-	-	-	(119)	-	-	(119)
At 31 December 2017	**100,400**	**283,795**	**10,959,596**	**42,203,321**	**115,777**	**1,305,395**	**167,413**	**2,759,057**	**57,894,754**
Depreciation:									
At 1 January 2016	-	13,250	948,973	5,406,554	7,000	205,600	-	-	6,581,377
Charge for the year (See Note 33.1)	-	12,462	263,457	1,080,813	7,000	205,600	44,381	-	1,613,713
At 31 December 2016	**-**	**25,712**	**1,212,430**	**6,487,367**	**14,000**	**411,200**	**44,381**	**-**	**8,195,090**
At 1 January 2017	-	25,712	1,212,430	6,487,367	14,000	411,200	44,381	-	8,195,090
Charge for the year	-	5,676	325,962	928,473	10,151	315,623	55,599	-	1,641,484
Impairment Loss (Note 13.1)	-	-	-	-	-	-	-	576,945	576,945
Disposal	-	-	-	-	-	(30)	-	-	(30)
At 31 December 2017	**-**	**31,388**	**1,538,392**	**7,415,840**	**24,151**	**726,793**	**99,980**	**576,945**	**10,413,490**
Carrying amount:									
At 31 December 2017	**100,400**	**252,407**	**9,421,204**	**34,787,481**	**91,626**	**578,602**	**67,433**	**2,182,111**	**47,481,264**
At 31 December 2016	**100,400**	**248,410**	**8,128,361**	**35,715,955**	**56,000**	**540,809**	**88,763**	**2,748,180**	**47,626,877**

.1 Impairment of property, plant and equipment

This represents the value of some legacy projects which were under construction and formed part of the carrying amount of the items of the core assets as at the take over date of 4 December 2014. The execution of these projects have been discontinued and the directors were of the opinion that an impairment should be recognised on these identified items of Property, Plant & Equipment in the accounts.

		2017 N'000	2016 N'000
14.	**Inventories**		
	Distribution materials	689,255	1,938,484
	General store materials	302,125	404,536
	Stationeries	5,893	26,297
		997,273	2,369,317
	Allowance for obsolete and slow moving items	(133,202)	(133,202)
		864,071	**2,236,115**
15.	**Trade receivables**		
	Residential customers	57,781,964	36,939,649
	Commercial customers	11,158,334	7,463,011
	Industrial customers (Note 15.3)	4,503,970	3,078,256
	Special Agreement customers	8,143,208	5,522,696
	Street Lighting customers	-	275,060
		81,587,476	53,278,672
	Allowance for doubtful debts (Note 15.2)	(55,294,894)	(34,012,118)
		26,292,582	**19,266,554**
.1	Balance at 1 January	53,278,672	53,278,670
	Current trade receivable	28,308,804	-
	Provision for doubtful debt	(55,294,894)	(34,012,118)
	Balance at 31 December	**26,292,582**	**19,266,552**

.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 mostly 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 Multi Year Tariff Order (MYTO). MYTO effective 1 February 2016 puts the verified Aggregate Technical Commercial and Collection (ATC&C) losses baseline at 60.81%, of this rate, about 70% represents collection losses. This partly account for the high doubtful debt provision.

15. Trade and other receivables

.2 Trade receivables (contd)

Trade receivables 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 trade receivable from industrial customers is the estimated sum of N853.281 million (2016: N306.4 million), which represents the amount expected to become unrecoverable in the event that the pending litigation between Manufacturers Association of Nigeria-MAN; the plaintiff (on behalf of its members) and Nigerian Electricity Regulatory Commission (NERC) with the 11 DisCos as Co-defendants is decided in the plaintiff's favour.

	2017 N'000	2016 N'000
Age of receivables that are past due and not impaired		
31 - 60 days	1,712,995	2,795,763
61 - 90 days	1,668,794	2,366,351
Total	**3,381,789**	**5,162,114**
Age of receivables that are past due and impaired		
Above 90 days	21,281,327	19,573,694
Total	**21,281,327**	**19,573,694**
Movement in the allowance for doubtful debts		
Balance at the beginning of the period	34,012,118	14,438,424
Impairment losses recognised	21,281,327	19,573,694
Balance at the end of the period	**55,293,445**	**34,012,118**

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 N21.281billion (31 December 2016: N19.573 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	2017 N'000	2016 N'000
Goods in transit	-	1,894,953
Other receivables (Note 16.2)	187,602	187,602
Cash and bank balance suspense-NELMCO (Notes 16.3 and 20.5)	414,180	414,180
Staff loans and advances	11,566	-
Suppliers' mobilisation and advances (Note 16.1)	553,761	-
	1,167,109	**2,496,736**

.1 This represents the total amount advanced to providers of goods and services for which the company is yet to receive deliveries as at 31 December 2017.

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

16. Other assets (Cont'd)

.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 as at the handover date was part of the payable to NELMCO already recognised in the accounts. See note 21.2 .

17. Cash and cash equivalent	**2017 N'000**	**2016 N'000**
Cash on hand	203,958	81,918
Bank balances (Note 16.2)	625,047	1,204,331
Cash and bank balances	829,005	1,286,249
Bank overdrafts	-	-
Net cash and cash equivalent	**829,005**	**1,286,249**

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.

18. Share Capital	**2017 N'000**	**2016 N'000**
.1 Authorised share capital		
20,000,000 ordinary shares (2016: 10,000,000)at 50 kobo each (Notes 1.1a)	**10,000**	**5,000**
.2 Issues and fully paid up share capital	**5,000**	**5,000**

.2.1 The allotment of the 10,000,000 newly created ordinary shares was approved through a special resolution of 12 January 2017. The process of allotment has not been concluded as at the reporting date; 31 December 2017. Hence, the allotment was not recognised in the financial statements.

The share holding structure of the company as at 31 December 2017 are as follows:

	2017 Units of ordinary shares	**2016 Units of ordinary shares**
Northwest power Limited	6,000,000	6,000,000
Bureau of Public Enterprises	3,200,000	3,200,000
Ministry of Finance Incorporation	800,000	800,000
	10,000,000	**10,000,000**

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 N428 million (2016 348.97 million) represents contributions payable to these plans by the Company at rates specified in the rules of the plans. As at 31st December 2017, there was an outstanding contribution remittance of N384.98 million (2016 295.53 million).

.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 Electricity Liability Management Company (NELMCO).

	2017 N'000	2016 N'000
21. Trade and other payables		
Trade payables		
Trade payables (Note 21.1 and 21.5)	**116,386,177**	**62,793,212**
Other payables		
Payables to NELMCO (Notes 21.2 and 21.3)	1,922,891	1,922,891
Other Invoices payables	460,944	2,509,071
Payable to related parties (Note 22.1)	69,786	69,786
VAT payable	4,139,658	2,800,372
WHT Payable	124,903	123,351
Salaries payable	1,103	-
Pension payable	692,968	399,612
PAYE payable	277,880	261,864
NSITF Payable	88,373	-
Other payables	5,655	2,785
Accruals and sundry liabilities (Notes 21.4)	277,949	677,600
CAPMI Deposit Liabilities (Note 21.6)	80,000	79,998
	8,142,110	**8,847,330**
	124,528,287	**71,640,542**

.1 This include the amounts payable on energy delivered to the company, Electricity wheeling charges due to Transmission Company of Nigeria (TCN) and other ancillary charges payable to other relevant market operators as at year end.

Prior to the declaration of Transitional Electricity Market (TEM) and the emergence of Nigerian Bulk Electricity Trading Plc. (NBET) in February 2015, the average credit period on purchases of electricity was 30 days for payment of 62.97 percent of invoice value. However, with the implementation of the Vesting Contract as a result of TEM declaration 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 plus 10 percent.

	2017	**2016**
21. Trade and other payables (continued)	**N'000**	**N'000**
The reported balance as at year end can be reconciled as follows:		
At 1 January	62,793,212	24,546,576
Electricity Purchased during the year	46,730,776	38,748,147
Late payment penalties and fines	18,297,590	6,598,489
Payments	(7,755,000)	(7,100,000)
Adjustment during the year	(3,680,402)	-
At 31 December	**116,386,176**	**62,793,212**

.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 in 2016 relates to the adjustment for cash and bank balances difference N414.18Million as at handover date of 4 December 2014.

.4 Included in Year 2016 balance is the sum of N411.9 million outstanding on vehicles acquired on credit in 2015. This was fully settled during the year.

.5 During the year, 8,271.92MWH and 8,823MWH of energy from Jos DisCo and Abuja DisCo respectively were consumed by the company's customers. This was as a result of overlapping 33KV incomer feeders in Saminaka Kaduna state and Yelwa Yauri Kebbi state. 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.

.6 This represents the company's obligation to some of their customers under the Cash Advance Payment Metering Implementation (CAPMI) program. The settlement on this obligation to the affected customers remain outstanding as at 31 December 2017.

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.

		2017 N'000	2016 N'000
.1a	*Provision of services*		
	Healthstone HMO Ltd	150,000	122,566
	Niger Insurance Plc.	45,000	175,391
		195,000	**297,957**
.1b	*Energy meters*		
	Kano Electricity Distribution Plc.	**69,786**	**69,786**

This represents the value of 250 units of Elsewedy MD (Maximum Demand) energy meters received from Kano Electricity Distribution Plc. (KEDCO) in 2016. The meters have neither been returned nor the payment for the meters made to KEDCO as at year end.

.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.

		2017 N'000	2016 N'000
	The remuneration of executive management team excluding directors during the year was as follows:		
	Short-term benefits	**170,594**	**193,218**
	The remuneration of directors during the year was as follows:		
	Short-term benefits	**190,341**	**193,218**
.3	*Chairman's and Directors' emoluments*		
	Emoluments (Note 22.3a)		
	- Chairman	26,562	26,964
	- Other Directors	163,779	166,254
		190,341	**193,218**

No other Director received emoluments during the year.

.3a Included in prior year's reported amount is the sum incurred for other board expenses. This restatement is required for appropriate presentation.

22. Related party transactions (continued)

.4 *Employees remunerated at higher rates*

	2017 Number	2016 Number
.4.1 The number of employees whose emoluments, excluding allowances are within the following ranges were:		
N - N		
Below N1,000,000	796	1032
N1,000,001 - N1,500,000	1470	1659
N1,500,001 - N2,000,000	137	145
N2,000,001 - N2,500,000	83	89
N2,500,001 - N3,000,000	30	24
N3,000,001 - N3,500,000	6	6
N3,500,001 - N4,000,000	17	22
N4,000,001 - N4,500,000	16	15
N4,500,001 - N5,000,000	12	14
N5,000,001 and Above	16	18
	2583	**3024**

.4.2 *Staff*

Total number of staff under the company's employment in 2017 were :

	2017 Number	2016 Number
Managerial	73	73
Senior staff	1569	1745
Junior staff	941	1217
	2583	**3035**

.4.3 *Staff turnover*

Number of newly employed staff in 2017

	2017 Number	2016 Number
Managerial	1	1
Senior staff	54	6
Junior staff	10	1
	65	**8**

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

	2016 N'000	2015 N'000
Salaries and wages	3,927,218	4,599,585
Pension	507,831	348,974
Staff welfare	-	22,979
	4,435,049	**4,971,538**

23. Contingent liabilities

There were no contingent liabilities as at 31 December 2017 (2016: Nil)

24. Capital commitment

There were no capital commitments as at 31st December 2017 (2016: 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 27 September 2018

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-17	**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		-	-	829,005	829,005
Trade and other receivables	26,292,582	-	-	-	26,292,582
Other assets	1,167,109				1,167,109
	27,459,691	**-**	**-**	**829,005**	**28,288,697**

28. Categories of financial instruments (Cont'd)

	Amortised cost	Other financial liabilities	Total
Financial Liabilities			
Trade and other payables	124,528,287	-	124,528,287

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
	21,763,288	**-**	**-**	**1,286,249**	**23,049,537**

	Amortised cost	Other financial liabilities	Total
Financial Liabilities	N'000	N'000	N'000
Trade and other payables	71,640,542	-	71,640,542

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 are generated from distribution of electricity directly to consumers in its allocated geographic region. The company operates strictly in accordance with the provision of Electric Power Sector Reform Act 2005 and the requirements of its licensing agreement with 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.

30. Risk management (contd)

.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.

Exposure to liquidity risk

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

31/12/2017	**Carrying amount N'000**	**Contractual cash flows N'000**	**6 months or less N'000**	**6 – 12 months N'000**	**Above 12 months N'000**
Non-derivative financial liabilities	124,528,287		26,494,982	50,859,900	47,173,405
Trade payable and other payables (Note 21)	**124,528,287**	**-**	**26,494,982**	**50,859,900**	**47,173,405**

31/12/2016	**Carrying amount N'000**	**Contractual cash flows 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**

30. Risk management (contd)

.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:

	2017 N'000	2016 N'000
Trade receivables	81,587,476	53,278,670
Other assets	1,167,109	2,496,736
Bank deposits	625,047	1,204,331
	83,379,633	**56,979,736**
The maximum exposure to credit risk for trade receivables at the reporting date by type of receivables was:		
Residential consumers	27,727,525	36,939,648
Commercial consumers	5,859,867	7,463,011
Industrial consumers	2,885,774	3,078,256
Street Light	5,735,277	276,506
Special Tariff	50,701	5,522,696
	42,259,144	**53,280,117**

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 2017	Fair value N'000 2017	Carrying amount N'000 2016	Fair value N'000 2016
Financial assets				
Trade receivables	81,587,476	26,292,582	53,278,672	19,266,552
Cash and bank balances	829,005	829,005	1,286,249	1,286,249
	82,416,481	**27,121,587**	**54,564,921**	**20,552,801**
Financial liabilities				
Trade payables	**124,528,287**	**124,528,287**	**71,640,542**	**71,640,542**

32. Going concern assessement

An assessment of the company's going concern status at year end as highlighted below, provides an indication of the existence of material uncertainty that cast significant doubt on the company's ability to continue as a going concern into the foreseeable future.

The company recorded a loss after tax of 49.219 billion (2016: N17.9 billion) during the year ended 31 December 2017 bringing the basic earnings per share to (491,000) Kobo (2016: (179,047) Kobo). Also, its current liabilities of N125.189 billion exceeded the current assets of N29.497 billion by N95.692 billion (2016: N46.35 billion). The company has persistently recorded losses because of the highly regulated electricity tariff regime which has prevented the company from recovering all its cost through price increase.

The commercial and collection losses continue to remain at approximately 60 percent. This implies that the company was able to collect only about 40 percent payments from electricity supplied to its postpaid customers (category of consumers which accounts for about 94 percent of the company's total revenue) a pattern that has remained since year 2015, consequently affecting the working capital requirement of the company. This has significantly affected the company's obligation to NBET, ONEM, TCN and other market operators. The company's debt to these market operators on electricity purchased stood at N116.38 billion as at 31 December 2017 (2016; N62.79 billion). This accounts for about 93 percent of the comany's total debt as at the reporting date.

The US Dollar indexation of gas pricing to the Electricity Generation Companies (GenCos) continues to pose threats to the existence of the company. A further depreciation of the Naira would present significant challenge due to the absence of a cost reflective tarrif that would have guaranteed the recovery of any increase in cost of electricity from the GenCos .

The following regulatory issues together with the strategies introduced by the directors would ensure that the company continue as a going concern;

Regulatory issues

After the inauguration of the new set of Commissioners of the Nigerian Electricity Regulatory Commission (NERC) in February 2017, the commission have been making some strategic initiatives and regulatory actions towards improving the the general operating environment in the industry. Although, the chairmanship position of the Commission is yet to be filled by the Federal Government as at the end of the year, we are hopeful that major regulatory actions which shall affect the general operating environment in the industry would be dealt with in the near future. These include, but not limited to, consideration and approval of implementation of minor reviews towards a cost reflective tariff, major consideration of the draft regulations which are not in tandem with the privatization agreements

The comapny's regulatory assets (the recoverable tariff shortfall) as at the reporting date is put at N98 billion. This figure is recognized by NERC in our discussions with the Commission. We await further directive for a set off against our debt to Nigerian Bulk Electricity Trading Company (NBET) and other Operators of the Nigerian Electricity Market such as Transmission Company of Nigeria (TCN) etc which amounts to N116.386 billion as at the reporting date. This implies that the net amount payable on the cost of energy would reduce to N18.386 billion only, after the net off.

The ongoing discussions with the regulator and government on engagement of Meter Asset Providers (MAPs) shall hopefully kickstart in 2018. This is expected to result in huge metering rollout in a bid to reduce the huge metering gaps, increase revenues, minimize inaccurate estimated billing of mostly residential customers and reduce collection losses.

32. Going concern assessement (continued)

<u>Various strategies instituted by the directors to enable the company continue as a going concern</u>

(a) The company has initiated discussions with the regulator for a monthly net-off of market invoices against tariff shortfalls. This would, provide a significant relief on the company's working capital by reducing the monthly invoice into accommodative amounts. We envisaged a reduction of about 40% of the net-off for each month's energy purchased invoice.

(b) We commenced discussions with States and Federal governments during the year, which is aimed at recovering the huge debt owed by MDAs and other government owned institutions within our area of coverage, and to ensure that monthly bills payments are collected directly from source, that is, from governments' periodic allocation to those institutions. Also, negotiation is ongoing between the company and Defence headquarters to accept our proposal for a direct payment of monthly electricity bills issued to the Nigerian army faciliies within our network to NBET. This initiative is necessary because the payment response from the Nigerian army within our network has been very poor and we believe by bringing NBET in may significantly increase our collection from this institution. The negotiation was at advanced stage as at year end and these strategies would significantly improve our collection when it become effective.

(c) The plans to negotiate direct bilateral power purchase agreements with the Hydro Power Generation Plants, who have direct transmission lines within our franchise areas was initiated during the year, (Kainji Power having a line to Kebbi, while Shiroro having a line to Kaduna). This plan sees the opportunity of reducing our monthly market invoice by up to 25% due to the lower unit cost of hydro-power bulk electricity. We expect to receive a peak of about 180MW from this arrangement.

(d) The company is also in discussions with various international and local companies for the franchising of the feeders for effective energy accounting, collections and investments for optimal customer services. These plans, in its infant stages envisages reduction of losses by about 30% due to the fact that all feeders would be fully metered at feeder, transformer and customer levels within first year of franchising. Collection targets shall also be made based on preset levels of commitments.

33. Restatement/Reclassification of prior year comparative figures

.1 *Restatement*

The following prior year comparative figures have been restated to correct an error of original entry in prior year's assets under construction and Network plant and equipment carrying amounts. The sum of N4,025,616.64 which relates to the value of a completed project in 2016 was erroneously written as N402,561,664 in the 2016 financial statements.

	2016 Audited financial statements N'000	Restatements N'000	Carrying amount after restatements N'000
Assets Under Construction	2,349,644	398,536	2,748,180
Network Plant & machinery	9,739,327	(398,536)	9,340,791
Retained earnings	(28,601,878)	11,956	(28,589,922)
Accummulated depreciation- Network Plant and Machinery.	(1,224,386)	11,956	(1,212,430)
Depreciation on operation's property plant and equipment	1,574,288	(11,956)	1,562,332
Operating cost	44,305,313	(11,956)	44,293,357
Loss before taxation	(30,514,149)	11,956	(30,502,193)
Assets under construction transfer- Transfer	(2,225,446)	398,536	(1,826,910)
Network Plant & machinery - Transfer	2,030,554	(398,536)	1,632,018
Network Plant and Machinery - Current depreciation charge	275,413	(11,956)	263,457
Earnings Per share (Kobo)	(179,047)	120	(178,928)

.2 *Reclassification*

The following prior year comparative figures have been reclassified to comform with the current year's presentation format:

	2016 Audited financial statements figure. N'000	Reclassifications N'000	Carrying amount after reclassifications N'000
Net finance cost	(50,914)	(6,598,489)	(6,649,403)
Gross loss	(8,051,974)	6,598,489	(1,453,485)
Cost of energy	45,346,636	(6,598,489)	38,748,147
Operating cost	(50,903,802)	6,598,489	(44,305,313)

OTHER NATIONAL DISCLOSURES

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 N'000	%	2016 N'000	%
Revenue	42,259,144		42,851,828	
Other gains and losses	266,048		178,229	
	42,525,192		43,030,057	
Bought in material and services:				
Foreign	-		-	
Local	(67,141,118)		(67,268,039)	
Value added	**(24,615,927)**	**100**	**(24,237,982)**	**100**
Applied as follows:				
To pay employees;				
Staff costs	3,927,218	(16)	4,599,585	(254)
To pay government				
Taxation	52,836	(0)		-
To pay providers of capital:				
Finance costs	18,404,666	(76)	50,914	(4)
To provide for enhancement of assets and growth				
Depreciation	1,641,484	(7)	1,625,669	(85)
Impairment losses	576,945			
Deferred taxation	-		(12,609,425)	(236)
Loss for the year	(49,219,075)	199	(17,904,725)	679
	(24,615,927)	**100**	**(24,237,982)**	**100**

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

KADUNA ELECTRICITY DISTRIBUTION PLC

FINANCIAL SUMMARY

31 DECEMBER	**IFRS 2017 N'000**	**IFRS 2016 N'000**	**IFRS 2015 N'000**	**IFRS 2014 N'000**	**IFRS 2013 N'000**
ASSETS EMPLOYED					
Non current assets	64,863,054	65,008,667	53,180,232	48,153,873	46,742,456
Current assets	29,152,767	25,285,654	15,000,274	5,016,062	32,297,498
Non current liabilities	-	-	-	-	(1,519,304)
Current liabilities	(124,952,442)	(71,640,542)	(31,633,959)	(4,534,918)	(32,411,906)
Net assets	**(30,936,621)**	**18,653,779**	**36,546,548**	**48,635,017**	**45,108,744**
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	47,238,701	31,371,229
Retained Earnings	(78,180,322)	(28,589,922)	(10,697,154)	1,391,317	13,732,515
Total equity	**(30,936,621)**	**18,653,779**	**36,546,547**	**48,635,018**	**45,108,744**
TURNOVER AND PROFIT					
Revenue	42,259,144	42,851,827	33,451,366	26,768,161	21,459,068
Loss before income tax	(49,166,239)	(30,502,194)	(16,293,422)	(12,908,612)	(4,990,148)
Income tax expenses	(52,836)	12,609,425	4,204,952	(187,300)	-
Loss for the year	(49,219,075)	(17,892,769)	(12,088,470)	(13,095,912)	(4,990,148)
Total comprehensive loss	(49,219,075)	(17,892,769)	(12,088,470)	(13,095,912)	(4,990,148)
Per share data (Kobo)					
Loss per share	**(492,191)**	**(178,928)**	**(120,885)**	**(130,959)**	**(49,901)**
Net assets per share	**(309,366)**	**186,538**	**365,465**	**486,350**	**451,087**

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.