Kaduna Electricity Distribution Plc.

Annual reports and accounts for the year ended 31 December 2019

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CORPORATE INFORMATION

COMPANY'S REGISTRATION NUMBER
R C. 638640

DIRECTORS

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

*Yunana Malo alternate Director for Alex Okoh

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

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

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

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

Chairman's Statement

Distinguished Shareholders, Directors, Ladies and Gentlemen, I am delighted to present to you, the Annual Report of your Company, Kaduna Electricity Distribution Company Plc. (Kaduna Electric). 2019 has brought daunting challenges at the macroeconomic and sectoral level with unprecedented uncertainties making business decisions challenging. The Board and Management have been working assiduously with stakeholders to ensure that holistic approaches are taken in addressing the challenges bedeviling the Nigerian Electricity Supply Industry (NESI) so that the business not only survives, but thrives in the midst of the enormous challenges surrounding it. It is in this that I still see a glimmer of light at the end of the tunnel. I am optimistic, albeit cautiously, that these difficult times are opportunities to resent the sector and lay a solid foundation for a sustainable future for Kaduna Electric and the NESI as a whole. In accordance with my responsibility as Chairman therefore, I present to you our Annual Report for fiscal year 2019, highlighting the setbacks and achievements of our operations and set out our key objectives for 2020.

We are making progress with hope that better results would be achieved notwithstanding the difficult business environment and challenges in the economy, characterized by regulatory uncertainty, low capital investment, low level and unreliable power output from the grid, high rate of inflation and foreign exchanges volatility

NESI in the Year 2019

The Year 2019 represented an active year for regulatory oversight in the NESI. NESI saw some very impactful events as it continued to suffer from illiquidity, with the Regulator, Nigerian Electricity Regulatory Commission (NERC) working to manage and address Stakeholder issues within the sector. Intermittent regulatory interventions sought to follow the path charted under the power Sector Recovery Program (PSRP) in an attempt to stabilize the liquidity concern, make the sector viable and encourage private sector investment. NERC released regulations which have far reaching impact on the operations and financial position of the Distribution Companies without dealing with the underlying issues to make the Companies whole. To achieve a market-based industry and enforce market discipline, for example, NERC released the Minimum Remittance Order. However, the important matter of tariff shortfall and MDA Debts which continue to clog the company's books have not been resolved. These and other unresolved regulatory issues continue to negatively impact on the operations of the Company and distort our balance sheet which makes it almost impossible to attract financiers or capital Investors. Unless addressed frontally, these loopholes will continue affect the NESI in attracting the required capital investment.

Looking on to the Future with Cautious Optimism

More than a few initiative are currently being put in place by the Federal Government of Nigeria (FGN) through a coordinated effort of the Federal Ministry of Power, Federal Ministry of Finance, NERC, CBN,BPE and the Presidency. Using multilateral and bilateral funding through Distribution Sector Recovery Program (DISREP) of the World Bank and the Presidential Power Initiative (PPI) with Siemens gives hope in the resolution of the financial viability of the sector, improvement of transparency and service delivery, resolution of consumers' complaints, expansion of distribution network, reduction of losses and energy theft through meter deployment. Following this, a Presidential directive has been given to release the required Siemens funding in order to increase operational capacity, remove network bottlenecks, upgrade and expand the distribution system. Kaduna Electric is hopeful; that the funds will help to provide the investments needed for service-quality based tariff which would improve operations of all DisCos including Kaduna Electric towards a path of sustainability. These developments give a renewed hope and create an aura of optimism, notwithstanding the overwhelming present circumstances.

Moreover, the broad objectives of the recovery program for the power sector are focused on restoring the sector's financial viability, resolving all the financial issues that impede the operations and health of the Company, improving power supply reliability to meet growing demand, strengthen the sector's institutional framework, increase transparency, implement clear policies that promote Investors' confidence and establish a contract-based electricity market.

In the efforts to optimize energy mix by utilizing renewable energy, our company will maximally exploit these enormous energy potentials with less environmental and climatic impacts. This will be achieved through harnessing the renewable energy potentials and integrating this energy resources in order to have an effective, efficient, and reliable electricity supply in the nearest future. Our partnership with Konexa is such an initiative that adopts on and off grid solutions to power communities within Kaduna Electric's franchise States. There is significant progress in the project and Phase I is expected to commence in the year 2020.

On behalf of the Board of Directors, I thank the Kaduna Electric team on their remarkable commitments and achievements in 2019. We recognize their dedication and hard work. We fully appreciate the continuing commitment and support of our Shareholders.

Yusuf Hamisu Abubakar, OON
FRC/2016/MBA/00000014422
Chairman of the Board

Report of the Directors

The Directors hereby submit their report together with the audited financial statements of the Company for the year ended 31st December 2019.

Incorporation
Kaduna Electricity Distribution Plc ("the Company) was incorporated in Nigeria under the Companies and Allied Matters Act (C20), Laws of the Federal Republic of Nigeria (LFN) 2004 as a public limited liability Company on 9th day of November 2005.
Principal Activities
The principal activities of the Company are the distribution and retail of electricity to households, commercial and industrial customers within the franchise areas of Kaduna, Sokoto, Zamfara and Kebbi States.

Results

	31 December 2019 ₦'000	31 December 2018 ₦'000
Revenue	46,289,796	41,084,055
Loss before tax	(82,030,382)	(68,209,769)
Tax credit/ (expense)	(232,549)	327,897
Loss for the year	(82,262,931)	(67,881,872)
Other comprehensive gain/(loss)	NIL	NIL
Total comprehensive loss for the year	(82,262,931)	(67,881,872)

Directors
The directors who held office during the year were:

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

Board Committees
At the Board's meeting held on 23rd December 2014, the Board passed a resolution to approve the creation of three board committees as mandated by the Nigerian Electricity Regulatory Commission (NERC); namely: – Audit and Regulatory Affairs, Finance and Corporate Governance Affairs, Technical and Health, Safety, Environment Committee. The current membership of the committees are shown below.

Report of the Directors (Cont'd)

Audit and Compliance Committee

Garba Yusuf Imam	Committee Chairman
Engr. Garba Haruna	MD/CEO
Tajuddeen Aminu Dantata	Member
Jamil Isyaku Gwamna PhD	Member
Yunana Malo	Member
Hassan Aminu Dantata	Member
Musaddiq Adamu	Member

Finance and Corporate Governance Affairs Committee

Dr. Jamil Isyaku Gwamna	Committee Chairman
Engr. Garba Haruna	MD/CEO
Tajuddeen Aminu Dantata	Member
Yunana Malo	Member
Hassan Aminu Dantata	Member
Musaddiq Adamu	Member
Garba Yusuf Imam	Member

Technical and Health, Safety, Environment Committee

Tajuddeen Aminu Dantata	Committee Chairman
Engr. Garba Haruna	MD/CEO
Jamil Isyaku Gwamna, PhD	Member
Yunana Malo	Member
Hassan Aminu Dantata	Member
Musaddiq Adamu	Member
Garba Yusuf Imam	Member

All the board committees were able to meet to deliberate on issues within their control by the end of the financial year.

The attendance of Directors at board meetings during the year was as follows:

DIRECTORS	DESIGNATION	24th Apr. 2018	11th Oct. 2018	12th Dec. 2018
Yusuf Hamisu Abubakar, OON	Chairman	x	x	x
Engr. Garba Haruna	Managing Director/CEO	x	x	x
Tajuddeen Aminu Dantata	Non-Executive Director	x	x	x
Jamil Isyaku Gwamna PhD	Non-Executive Director	x	x	x
Yunana Malo *	Non-Executive Director	x	x	x
Hassan Aminu Dantata	Non-Executive Director	x	x	x
Musaddiq Adamu	Non-Executive Director	x	B	x
Garba Yusuf Imam	Independent Director	x	x	x

Please note: X = Attended, B = Absent, Y = Yet to be appointed as Director, R = Resigned as Director, and * = Alternative Director

Report of the directors (Cont'd)

Sub Committee of the Board

The Board has established Committees consistent with NERC rules, each with written terms of references approved by the Board. Currently, there are five (5) sub-committees that have been approved.

The sub-committees are established to assist the Board to effectively and efficiently perform guidance and oversight functions, among others.

1. **Finance and Corporate Governance Affairs Committee**

The primary objective of the Committee is to carryout oversight function on matters relating to or affecting the Company's financial direction and the development and implementation of necessary initiatives. The Committee is responsible for proffering independent recommendations to the Board on financial matters.

The Committee also has the following responsibilities:

- To provide oversight with respect to capital structure, cash flow and key financial ratios of the Company and make recommendations with respect to Company's financial policies.
- Review policies with respect to distributions to shareholders generally, make recommendations with respect to declaration of dividends and also recommend the repurchase of shares Company from time to time consistent with authority levels established by the Board
- Reviews the Company's liquidity position, including the Company's credit facilities.
- To review the company's credit ratings and monitor its activities with respect to credit rating agencies.
- To review financial plan and make recommendations on behalf of the Board as part of its oversight functions.
- Periodically review the Company's investor relation's program, shareholder profile and analyst coverage.
- To assist the Board in fulfilling its responsibilities relating to managing the financial activities of the Company.
- Any additional matter delegated to the Committee by the Board.

2. **Audit and Regulatory Affairs Committee**

The Audit and Regulatory Affairs Committee's overall purpose is to enhance confidence in the integrity of the Company's process and procedures relating to internal control and corporate reporting. The Audit and Regulatory Affairs Committee is responsible for the review of financial reporting, appointment and provision of oversight for work of the external auditor. The Committee makes recommendations to the Board concerning internal financial control, effectiveness of its internal audit functions viz a viz compliance with internal process and the Company and Allied Matters Act, cap C.20 Laws of the Federation of Nigeria 2004.

3. **Technical and Health, Safety, Environment Committee**

The primary objective of the Committee is to assist the Board in its oversight of the strategic and technical operations and activities of the Company in delivering its business plans whilst not diluting the accountability of the Company's executive team for the management of strategy and technical operations of the Company.

Report of the directors (Cont'd)

All the Board committees were able to meet and deliberate on issues within their control by the end of the financial year.

The Committee derives its authority from the Board to:

- Assist the Board in effectively discharging its responsibilities prescribed by applicable laws relating to financial accountability, audit risk assessment, financial and performance management and financial reporting process.
- Adequately monitor and manage the Company's system of internal control, audit process and ensure due compliances with relevant corporate government and regulatory policies.
- Resolve any disagreement between management and auditor regarding financial reporting.
- Pre-recommended all auditing and non- audit services

Executive Management Committee
The Executive Management Committee is headed by the Managing Director/CEO and is responsible for taking key operational decisions. It is constituted by the Heads of Departments and a few key Units. This Committee meets fortnightly.

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

Directors' interest in contracts
None of the Directors has notified the Company for the purpose of section 277 of the Companies and Allied Matters Act CAP (C20) LFN 2004 of their direct or indirect interest in contracts or proposed contracts with the Company during the financial year.

Directors' interest in shares
None of the Directors had any direct equity interest in the Company as at 31st December 2019. The core investors through the special purpose vehicle, Northwest Power Limited, hold the equity interest in the Company held by private investors as a result of the privatisation in 2013.

Shareholding Structure
As at 31st December 2018, the issued share capital of the Company as recorded in the register of shareholders is as follows:

	Number of shares held	Percentage of shares held (%)
Northwest Power Limited	6,000,000	60
Bureau of Public Enterprises (BPE)	3,200,000	32
Ministry of Finance Incorporated (MOFI)	800,000	8

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

Report of the directors (Cont'd)

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

Industrial and Employee Relations
The Company places considerable value on the involvement of its employees in its activities and keeps them informed on matters affecting them as employees as well as the various factors affecting the performance. This is achieved through various communication channels, which include email, notice board, intranet, house magazine, regular Departmental meetings and Executive Management's town hall type meetings. The relationship between Management and the Unions remain very cordial. Regular dialogue takes place at formal and informal levels.

Training and development
The Company places great emphasis on the training and development of its employees and believes that its people are its greatest asset. Training courses are geared towards the developmental needs of employees and improvement in their skill sets to face the increasing challenges in the industry. We will continue to invest in our human capital to ensure that our people are well trained and motivated to achieve results for all our stakeholders.

Donations/Charitable Gifts
The Company made no donation during the year ended 31st December 2019 (2018: Nil)

By the Order of the Board

Company Secretary

Statement of Directors' Responsibilities

The directors accept responsibility for the preparation of the financial statements set out on pages 16 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, Cap C20, Law of the Federation of Nigeria, 2004 and Financial Reporting Council of Nigeria Act, 2011.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, Cap C20, LFN, 2004 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:

Alhaji Yusuf Abubakar Hamisu	**Engr. Haruna Garba Argungu**
Chairman **FRC/2016/MBA/00000014422**	**Managing Director** **FRC/2017/IODN/000000016001**
Signature	**Signature**
29th October 2020 **Date**	29th October 2020 **Date**

Report of the audit and compliance committee

To the members of Kaduna Electricity Distribution Plc

In accordance with the terms of reference as contained in the Company's Board Charter and the provisions of section 359(6) of the Companies and Allied Matters Act of Nigeria, Cap. C20, Laws of the Federation of Nigeria, 2004, we, the members of the Board Committee on Audit and Compliance of Kaduna Electricity Distribution Company, having carried out our functions hereby report that:

i. The accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;
ii. The scope and planning of the audit for the year ended 31st December 2018 are satisfactory;
iii. Having reviewed the Independent Auditor's memorandum of recommendations on accounting procedures and internal controls, we are satisfied with Management's responses thereon.

Members of the Audit and Compliance Committee are:

1.	Garba Yusuf Imam	Chairman
2.	Engr. Garba Haruna *(MD/CEO)*	Member
3.	Dr. Jamil Isyaku Gwamna	Member
4.	Tajuddeen Aminu Dantata	Member
5.	Yunana Malo	Member
6.	Hassan Aminu Dantata	Member
7.	Musaddiq Mohammed Adamu	Member

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Garba Yusuf Imam
Chairman, Audit and Compliance Committee
FRC/2017/CIBN/00000013895

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 2019, 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 16 to 56.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2019 and 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 Related to Going Concern
We draw attention to Note 35 to the financial statements which indicates that the company had a net current assets deficit of ₦237.703 Billion (2018: ₦159.509 Billion) and losses before tax of ₦82.030 Billion (2018: ₦68.209 Billion). This condition, along with other matters as presented in Note 35, 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 2019 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.

Partners: Shuaibu A. Ahmed | Isma'ila M. Zakari | Tajudeen Adetokunbo Oni | Najib Imam | Wazir Olukayode Lawal
Central Office: 5th Floor, African Alliance House, F1 Sani 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

Area of focus	*Audit procedures*
Impairment of trade and other receivables: This continue to be a KAM as it was in prior year because it contributed 74 percent to the reported operating loss before tax of the entity as at 31 December 2019. (2018: 26 percent). Historically, the risk of collection losses on the amount billed by the company for electricity consumed mostly lies with the Non Maximum Demand category of the company's postpaid customers. This historical trend together with other matters disclosed on Note 18 were the basis for the company's impairment on trade receivables.	i. *We assessed the methodology used in the impairment of trade receivables and tested the consistency of management application of its policy on allowance for doubtful debt with those of previous years.* ii. *We reviewed the computation model used by management together with all relevant input and re-performed the computation of the provision.* iii. *We checked the accuracy of the collection ratio to the total revenue billed during the year, especially on the Non Maximum Demand Customers to validate the justification of the impairment.*

Other information

The Directors are responsible for the other information. The other information comprises the Chairman's statement, Report of the Directors, Statement of Directors' Responsibilities, Report of the audit and compliance committee, value added statement and five-year financial summary. Other information does not include the financial statements and our audit report thereon. 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 overseeing the company's financial reporting process including 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

Responsibilities of the Auditor for the financial statements (Cont'd)

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.

- 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 audit findings, including any significant deficiencies in internal control that we identify during the audit.

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

We confirm that:

(i) 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;

(ii) Proper books of accounts have been kept by the company, so far as appears from our examination of those books and adequate returns have been received for our audit from branches not visited;

(iii) The company's statements of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of accounts.

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

4th November 2020

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A0991687

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 N'000	2018 N'000
Continuing operations			
Revenue	5.	46,289,796	41,084,055
Cost of sales	6.	(61,834,327)	(59,429,662)
Gross loss		(15,544,531)	(18,345,607)
Other income	7.	220,058	263,788
Administrative expenses	8.	(31,550,420)	(22,120,422)
Operating loss		(46,874,893)	(40,202,241)
Net finance cost	9.	(35,155,489)	(28,007,528)
Loss before taxation		(82,030,382)	(68,209,769)
Income tax expenses	13.1	(232,549)	327,897
Loss for the year from continuing operations		(82,262,931)	(67,881,872)
Other comprehensive income		-	-
Total other comprehensive income		-	-
Total comprehensive loss for the year		(82,262,931)	(67,881,872)
Earnings per share (Kobo)			
Basic		(822,629)	(678,819)
Diluted		(822,629)	(678,819)

The accompanying notes and other National disclosures are an integral part of these financial statements.

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 N'000	2018 N'000
ASSETS			
Non current assets			
Property, plant and equipment	14	48,231,472	48,407,564
Intangible assets	12.	378,761	568,141
Other non current assets	15.	14,018,572	15,199,732
Deferred tax assets	13.3	17,381,790	17,381,790
Total non current assets		80,010,596	81,557,227
Current assets			
Inventories	16.	1,310,280	1,296,349
Trade receivables	17.	33,888,534	34,139,539
Other assets	18.	1,384,004	2,336,812
Cash and bank balances	19.	2,728,814	3,942,882
Total current assets		39,311,632	41,715,582
TOTAL ASSETS		**119,322,228**	**123,272,809**
EQUITY & LIABILITIES			
Equity			
Share capital	20.	5,000	5,000
Capital contribution	21.	51,716,644	51,716,644
Retained earnings		(227,804,619)	(145,907,595)
Total equity		(176,082,975)	(94,185,951)
Non-current liabilities			
Borrowings	24.	18,390,118	16,233,218
Current liabilities			
Trade and other payables	23.	276,692,067	201,129,283
Current tax payable	13.2	323,018	96,259
Total current liabilities		277,015,085	201,225,542
Total liabilities		295,405,203	217,458,760
TOTAL EQUITY AND LIABILITIES		**119,322,228**	**123,272,809**

The financial statements on pages 16 to 58 were approved and authorised for issue by the Board of Directors on 29 October 2020 and were signed on its behalf by:

Yusuf Abubakar Hamisu	*Haruna Garba Argungu*	Tajudeen Gwadabe, FCA
Chairman	***Managing Director***	**Chief Financial Officer**
FRC/2016/MBA/00000014422	*FRC/2017/IODN/000000016001*	*FRC/2017/ICAN/00000016454*

The accompanying notes and other National disclosures are an integral part of these financial statements.

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Share capital N'000	Capital contribution N'000	Retained earnings N'000	Total equity N'000
At 1 January 2018		5,000	47,238,701	(78,025,723)	(30,782,022)
Loss for the year		-	-	(67,881,872)	(67,881,872)
Fair value gain on loan amortisation (net of tax)		-	4,477,943	-	4,477,943
Other comprehensive income (net of tax)		-	-	-	-
Total comprehensive income for the year		-	4,477,943	(67,881,872)	(63,403,929)
At 31 December 2018		**5,000**	**51,716,644**	**(145,907,595)**	**(94,185,951)**
At 1 January 2019		**5,000**	**51,716,644**	**(145,907,595)**	**(94,185,951)**
Loss for the year		-	-	(82,262,931)	(82,262,931)
Prior year Adjustment		-	-	(49,265)	(49,265)
Reversal of cash Impairment		-	-	415,172	415,172
Total comprehensive income for the year		-	-	(81,897,024)	(81,897,024)
At 31 December 2019		**5,000**	**51,716,644**	**(227,804,619)**	**(176,082,975)**

The accompanying notes and other National disclosures are an integral part of these financial statements.

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 N'000	2018 N'000
Cash flows from Operating Activities			
Loss before tax		(82,030,382)	(68,209,769)
Adjustments for:			
Depreciation and amortisation		2,069,498	1,860,978
Interest expenses		5,683,863	-
Provision for impairment losses	12.	28,132,395	16,546,528
Unrealised fair value gains	9.1	327,522	(488,572)
Cash flow before changes in working capital		(45,817,104)	(50,290,835)
Tax Paid for the year		(5,790)	-
Movement in working capital:			
Decrease/ (Increase) in inventory		(13,931)	(432,278)
Decrease/(increase) in trade and other receivables		(27,881,390)	(24,238,884)
Decrease/(increase) in other assets		952,808	(1,169,703)
(Decrease)/increase in trade and other payables		75,789,543	76,600,995
Net Cash flow from operating activities		3,024,136	469,294
Cash flows from Investing Activities			
Purchase of property, plant and equipment	14.	(1,617,911)	(2,597,897)
Purchase of intangible asset(Computer software)	12	-	(757,521)
Loans recoverable		-	(15,199,732)
Finance cost	9.1	-	-
Net cash used in investing activities		(1,617,911)	(18,555,149)
Cashflow from financing activities			
Borrowings		859,320	21,941,610
Borrowings repayments		(3,479,613)	(741,878)
Net cash flow from financing activities		(2,620,293)	21,199,732
Net decrease in cash and cash equivalents		(1,214,068)	3,113,877
Net cash and cash equivalents at the beginning of the year		3,942,882	829,005
Net cash and cash equivalents at the end of the year	19.	**2,728,814**	**3,942,882**

The accompanying notes and other National disclosures are an integral part of these financial statements.

KADUNA ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

PAGE

KADUNA ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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 Authorised 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 2019 to 31 December 2019 with comparatives for the year ended 31 December 2018.

.6 Statement of compliance

The Company's financial statements for the year ended 31 December 2019 and the accompanying comparative financial statement relate to the full year ended 31 December 2018 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.

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

i Accounting standards and interpretations issued but not yet effective

The following revisions to accounting standards and pronouncements were issued but not yet effective. Where IFRSs and IFRIC interpretations listed below permit early adoption, the Company has not applied them 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	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
Amendments to IFRS 9 (Prepayments features)	To address the concerns about how IFRS 9 Financial Instruments classifies particular prepayable financial assets. In addition, the IASB clarified an aspect of the accounting for financial liabilities following a modification.	12 October 2017	Annual periods beginning on or after 1 January 2019
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
Amendments to IFRS 3 Business combinations	This is aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets	22 October 2018	Annual periods beginning on or after 1 January 2020
New materiality definition	On 31 October 2018, the IASB issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective annual reporting periods beginning on or after 1 January 2020.	31 October 2018	Annual reporting periods beginning on or after 1 January 2020
IFRS 17 Insurance Contracts	Allows insurance liabilities to be measured at a current fulfilment 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
IAS 19 Employee benefits	This is to harmonise accounting practices and to provide more relevant information for decision-making. An entity applies the amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019.	7 February 2018	Annual periods beginning on or after 1 January 2019
IAS 28 Investments in associates and joint ventures	This clarify 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.	12 October 2017	Annual 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 amendment 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 amendment 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 beginning 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 2018.

Pronouncement/amendments	**Nature of change**	**Required to be implemented for periods beginning on or after**
IAS 40 Investment Property	Amendments to clarify transfers of property to, or from, investment property	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 supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction contracts and the related interpretations when it becomes effective.	On or after 1 January 2018
IFRS 9 Financial Instruments	Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	On or after 1 January 2018
IFRS 4 Insurance Contracts	An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.	On or after 1 January 2018
IAS 40 Investment Property	Amendments to clarify transfers of property to, or from, investment property	On or after 1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	The interpretation addresses foreign currency transactions or parts of transactions where: there is consideration that is denominated or priced in a foreign currency, the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income and the prepayment asset or deferred income liability is non-monetary.	On or after 1 January 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.	On or after 1 January 2018

3. Significant accounting policies

The significant accounting policies are set out below:

.1 Revenue recognition

The Company adopted IFRS 15 Revenue from contracts with customers on its effective date of 1 January 2018. IFRS 15 replaces IAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts.

The standard establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model requires the Company to :

(i) *identify the contract with the customer*
The entity's customers are restricted to those electricity consumers within the allocated franchise areas of the company in Kaduna, Zamfara, Sokoto and Kebbi states. There are the Non maximum demand (NMD) customers and the Maximum demand (MD) classes of customers. The contracts with all the electricity consumers in these states other than those under the eligible customers regulation are imposed by the Electric Power Sector Reform Act 2005.

(ii) *identify each of the performance obligations included in the contract,*
The performance obligation of the company to the customers within its allocated franchise area is the delivery of electricity to its NMD and MD classes of customers.

(iii) *Determine the transaction price*
The entity operates in highly regulated industry and transaction prices are determined and fixed by the Nigeria Electricity Regulatory Commission (NERC) in form of a Multi Year Tariff Order (MYTO). The entity and its customers have no significant control on how the transaction prices are determined.

The transaction prices are not adjusted to reflect the cash selling price at the point when energy is delivered to the customer and neither the entity nor the customer is provided with significant benefit of financing the energy delivered.

(iv) *Allocation of the transaction price to each performance obligation*
a. Prices on energy delivered to metered postpaid class of customers are allocated based on the meter reading generated within a particular period, usually monthly.
b. The units of energy consumed by the prepaid class of customers are estimated at the end of each month. The computation of estimates are carried out using prepaid customers historic vending and consumption data.

c. The unit of energy allocated to the unmetered class of postpaid customers are estimated using the regulatory approved estimation methodology.

(v) *Recognise revenue as each performance obligation is satisfied.*
Revenue is recognised at the point of delivery of energy to all classes of customers.

There are no significant impacts from the adoption of IFRS 15 in relation to the timing of when the Company recognizes revenues or when revenue should be recognised gross as a principal or net as an agent

Therefore, the Company will continue to recognise revenue from the sale of electricity and other related energy services supplied to customers during the year and excludes Value Added Tax over the 30 day period as stipulated in its standard contract.

In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements.

3. Significant accounting policies (cont'd)

.1 Revenue recognition (cont'd)

Revenue from distribution of electricity product
Revenue primarily represents the sales value of electricity and other related energy services supplied to customers during the year and excludes Value Added Tax. The company generally recognizes revenue on an accrual basis when the service has been provided in line with the requirement of IFRS 15 - Revenue from Contracts with Customers.

Finance income and finance cost
Finance income comprises interest income on short-term deposits with banks and foreign exchange gains. Interest income on short term deposits is recognized using the effective interest method.

Finance costs comprise interest expenses, impairment losses and bank charges. Interest expense on interest bearing borrowings is recognized using the effective interest method. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognized in profit or loss using the effective interest method. Foreign exchange gains and losses are recognized on net basis.

Impact of adoption of new standard on the third statement of financial position
The Company adopted new IFRS standards during the period which led to changes in its accounting policies. The Company applied these changes in accounting policies retrospectively and as such it is expected to present a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements as required by IAS 1.40A. However, the third statement of financial position is not presented because the retrospective adjustments have no impact on the third statement of financial position

.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. Significant accounting policies (cont'd)

.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.

.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.

3. Significant accounting policies (cont'd)

.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.

.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.

3. Significant accounting policies (cont'd)

.6 Property, plant and equipment (contd)

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

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.

3. **Significant accounting policies (cont'd)**

.8 Government grants (Cont'd)

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.

.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

The Company applied the classification and measurement requirements for financial instruments under IFRS 9 'Financial Instruments' for the year ended 31 December 2018. The 2017 comparative period was not restated, and the requirements under IAS 39 'Financial Instruments: Recognition and Measurement' were applied. The key changes are in the classification and impairment requirements.

.13.1 Recognition and initial measurement

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, direct and incremental transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in income statement at initial recognition.

3. Significant accounting policies (cont'd)

.13.2 Classification of financial instruments

The Company classifies its financial assets under IFRS 9, into the following measurement categories:

• those to be measured at fair value either through other comprehensive income, or through profit or loss;
• those to be measured at amortised cost.

The classification depends on the Company's business model (i.e. business model test) for managing financial assets and the contractual terms of the financial assets cash flows (i.e. solely payments of principal and return – SPPI test).

The Company also classifies its financial liabilities as liabilities at fair value through profit or loss and liabilities at amortised cost. Management determines the classification of the financial instruments at initial recognition.

.13.3 Subsequent measurements

(i) Debt instruments

The subsequent measurement of financial assets depend on its initial classification:

Amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

• The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and return on the principal amount outstanding.

The gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in income statement when the asset is derecognised or impaired. Returns from these financial assets is determined using the effective rate of return (ERR) method and reported in income statement as

The amortised cost of a financial instrument is defined as the amount at which it was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the 'effective rate of return method' of any difference between that initial amount and the maturity amount, and minus any loss allowance. The effective rate of return method is a method of calculating the amortised cost of a financial instrument (or group of instruments) and of allocating the income or expense over the relevant period. The effective rate of return (ERR) is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the instrument's net carrying amount.

Fair value through other comprehensive income (FVOCI): Investment in debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

• the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and return on the principal amount outstanding.

The debt instrument is subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment gains or losses, return revenue and foreign exchange gains and losses are recognised in profit and loss. Upon disposal or derecognition, the cumulative gain or loss previously recognised in OCI is reclassified from equity to income statement and recognised in net gains on investment securities while the cumulative impairment loss recognised in the OCI and accumulated in equity will be reclassified and credited to income statement. Income from these financial assets is determined using the effective rate of return method and recognised in income statement as 'income'. The measurement of credit impairment is based on the three-stage expected credit loss model as applied to financial assets at amortised cost. The expected credit loss model is described further In Note 2.1 6 & 3.

3. **Significant accounting policies (cont'd)**

Fair value through profit or loss (FVTPL):

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. The gain or loss arising from changes in fair value of a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is included directly in the income statement and reported as 'Net gains/(losses) from financial instruments held for trading' in the period in which it arises. Returns from these financial assets is recognised in income statement as 'income'.

.13.4 Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

1) The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual return revenue, maintaining a particular return rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
2) How the performance of the portfolio is evaluated and reported to management;
3) The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
4) How managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
5) The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and return on principal amount outstanding

As a second step of its classification process the Company assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). 'Return' is include consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

The most significant elements of return within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the return rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and return on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

3. Significant accounting policies (cont'd)

.13.5 Financial liabilities

The Company's holding in financial liabilities is in financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in income statement.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by the Company

Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in the income statement and are reported as 'Net gains/(losses) on financial instruments classified as held for trading'. Return expenses on financial liabilities held for trading are included in 'Net income'.

(ii) Financial liabilities at amortised cost

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from Companys or customers, debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts.

.13.6 Reclassifications

The Company reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and must be significant to the Company's operations.

When reclassification occurs, the Company reclassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the 'reclassification date'. Reclassification date is 'the first day of the first reporting period following the change in business model. Gains, losses or return previously recognised are not restated when reclassification occurs.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets that are debt instruments. A change in the objective of the Company's business occurs only when the Company either begins or ceases to perform an activity that is significant to its operations (e.g., via acquisition or disposal of a business line).

The following are not considered to be changes in the business model:

- A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions)
- A temporary disappearance of a particular market for financial assets
- A transfer of financial assets between parts of the entity with different business models

When reclassification occurs, the Company reclassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the 'reclassification date'. Reclassification date is 'the first day of the first reporting period following the change in business model. Gains, losses or return previously recognised are not restated when reclassification occurs.

Financial liabilities are not reclassified after initial classification

3. **Impairment of financial assets**

13.6.1 Overview of the ECL principles

The Company recognizes allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined.

Loss allowances for accounts receivable are always measured at an amount equal to lifetime ECL. The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

13.6.2 Simplified approach

The simplified approach does not require the Company to track the changes in credit risk, but, instead, requires the Company to recognize a loss allowance based on lifetime ECLs at each reporting date, right from origination.

The Company recognizes lifetime ECLs at each reporting period for trade receivables, other receivables or contract assets that result from transactions within the scope of IFRS 15 and that do not contain a significant financing component.

For trade receivables, other receivables or contract assets that result from transactions within the scope of IFRS 15 and that do not contain a significant financing component, the Company recognizes lifetime ECLs at each reporting period.

The Company applies the simplified approach for the following:

Contract assets that result from transactions within the scope of IFRS 15 and that contain a significant financing component in accordance with IFRS 15. The policy choice may be applied separately to trade receivables and contract assets.

All lease receivables that result from transactions that are within the scope of IAS 17. The policy choice may be applied separately to finance and operating lease receivable:

13.6.3 Forward looking information

In its simplified approach for ECL models, the Company relies on the following steps. Where applicable, the company considers a broad range of forward looking information as economic inputs, such as: GDP growth, unemployment rates, central company base rates, inflation rates etc.

Step 1
Determine the appropriate groupings of receivables into categories of shared credit risk characteristics.
Step 2
Determine the period over which historical loss rates are obtained to develop estimates of expected future loss rates.
Step 3
Determine the historical loss rates.
Step 3
Consider forward looking macro-economic factors and adjust historical loss rates to reflect relevant future economic conditions.
Step 5
Calculate the expected credit losses.

3. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the company or the counterparty.

.13.8 Derecognition of financial instruments

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or 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 return 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.

Impact of adoption of new standard on the third statement of financial position

The Company adopted new IFRS standards during the period which led to changes in its accounting policies. The Company applied these changes in accounting policies retrospectively and as such it is expected to present a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements as required by IAS 1.40A. However, the third statement of financial position is not presented because the retrospective adjustments have no impact on the third statement of financial position

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 (NELMCO)

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

.2 Revenue recognition

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

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

.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 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.

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	2019 N'000	2018 N'000
5. Revenue		
Residential electricity sales	30,189,063	26,285,894
Commercial electricity sales	6,530,539	6,237,532
Industrial electricity sales	2,908,911	2,652,704
Special electricity sales	6,512,512	5,759,341
Street light electricity sales	148,772	148,584
	46,289,796	**41,084,055**

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 2019 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 2019 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 2019 had no material effect on the reported revenue.

	2019 N'000	2018 N'000
6. Cost of sales		
Cost of energy	53,585,261	53,463,190
Network services and maintenance	2,791,506	940,557
Security services	623,287	482,504
Depreciation on technical assets	1,707,887	1,633,622
Salaries and wages for operational staff	3,126,385	2,909,789
	61,834,327	**59,429,662**

	2019 N'000	2018 N'000
7. Other income		
Fees and penalties	220,058	250,005
Other miscellaneous income	-	13,783
	220,058	**263,788**

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

		2019	2018
		N'000	N'000
8.	**Administrative expenses**		
	Salaries and wages for administrative staff	719,034	892,576
	Pensions	377,500	334,808
	Insurance	150,000	241,201
	Printing and stationeries	144,033	92,291
	Advert and publicity	261,982	119,403
	Office repairs and maintenance	25,380	16,857
	Other administrative expenses	257,528	303,611
	Vehicles repairs and maintenance	109,178	174,199
	Consultancy and other professional fees	522,982	677,424
	Transport and travelling	111,768	236,097
	Staff trainings and seminars	47,737	123,409
	Audit fees	17,000	17,850
	Directors' expenses	124,078	267,386
	Rents and rates	29,541	60,848
	Other staff cost	244,790	458,404
	Depreciation and amortisation	275,495	227,357
	Impairment on trade receivables and other assets	28,132,395	17,876,701
		31,550,420	**22,120,422**
9.	**Net finance cost**		
.1	*Investment income*		
	Interest on call deposit	327,522	-
	Fair value gain on loan interest	-	488,572
		327,522	488,572
.2	*Finance cost*		
	Market invoices finance cost (Notes 9.2a)	29,799,148	27,694,555
	Other finance cost	5,683,863	801,545
		35,483,011	28,496,100
		35,155,489	**28,007,528**

.2(a)

The company's vesting contract under Transitional Electricity Market (TEM) requires full settlement of undisputed invoices received from the Nigerian Bulk Electricity Trading Plc. (NBET) within the stipulated time frame. Penalty for non compliance is interest at NIBOR plus 10 percent on all unpaid invoices within the require period. This amount represents the interest accrued for the year to 31 December 2019.

		2019	2018
10.	**Loss before taxation**	N'000	N'000
	Loss before taxation is arrived at after charging/(crediting):		
	Directors' emolument	124,078	267,386
	Audit fee	17,000	17,850
	Depreciation of property, plant and equipment	1,794,003	1,860,979

	2019 N'000	2018 N'000
11. Bought in Material and Services		
Operating cost	61,834,327	59,429,662
Administrative expenses	31,550,420	22,120,422
Salaries and wages	(3,845,419)	(3,802,365)
Depreciation	(1,794,003)	(1,860,979)
	87,745,326	75,886,741

12. Intangible assets		
Cost	N'000	N'000
At 1 January	757,521	-
Additions	-	757,521
	757,521	757,521
Amortisation		
At 1 January	189,380	-
Charge for the year	189,380	189,380
	378,760	189,380
Carrying amount	378,761	568,141

13. Taxation

Income taxes relating to continuing operation

.1 Income tax recognised in profit or loss

Current tax		
Corporate tax (Minimum tax)	232,549	51,354
Education tax	-	-
	-	
	232,549	51,354
Adjustments in current year in relation to the tax of prior years.	-	(379,251)
Adjustments to retain earnings in prior year		-
Deferred taxation		
Deferred tax expense recognised in the current year	-	-
Total income tax expense recognised in current year	232,549	(327,897)

	N'000	N'000
The income tax expense for the year can be reconciled to the accounting profit as follows:		
Loss before tax	(82,030,382)	(68,209,769)
Expected income tax expense calculated at 30% (2017: 30%)	(24,609,114)	-
Education tax expense calculated at 2% (2017: 2%) of assessable profit	-	-
Effect of minimum tax	232,549	51,354
Effect of expenses that are not deductible in determining taxable profit	28,407,891	19,754,246
Effect of adjustment to prior years tax provision	-	(379,251)
Effect of income that is exempt from taxation	-	-
Effect of unrelieved loss for the year	78,231,605	48,455,523
Income tax expenses recognised in comprehensive income	**232,549**	**(327,897)**

The tax rate used for 2019 and 2018 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.

13. Taxation (Continued)

.2 Current tax liabilities

	2019 N'000	2018 N'000
Balance at 1 January	96,259	424,155
Income tax expense recognised in current year	232,549	96,259
Adjustments		(424,155)
	328,808	96,259
Payments during the year	(5,790)	-
Balance at 31 December	323,018	96,259

.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:

	2019 N'000	2018 N'000
Deferred tax assets	-	-
Deferred tax liabilities	-	-
Deferred tax assets (net) (Note 12.5)	-	-

31 December 2019	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 2018	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)

13. Taxation (Continued)

.3 Deferred tax balance (cont'd)

.3.1 *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 year 2017.

	2019 N'000	2018 N'000
Deferred tax liabilities/(assets) in relation to:		
Property, plant and equipment	(2,042,854)	6,050,320
Inpairment provision on receivable	(6,526,730)	(21,780,546)
Unutilised capital allowance	(8,875,492)	(7,173,566)
Unrelieved loss	(40,729,540)	(28,749,320)
	(58,174,615)	**(51,653,112)**

Movement at a glance

	2019 N'000	2018 N'000
Deferred tax liabilities/(assets)		
Balance at 1 January	(51,653,111)	(29,349,938)
Unrecognised deferred tax liabilities/(assets)	(14,427,929)	(22,303,173)
Balance at 31 December	**(66,081,040)**	**(51,653,111)**

14. 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 2018	100,400	283,795	10,959,596	42,203,322	115,777	1,305,395	167,413	2,759,056	57,894,754
Additions	-	-	1,708,030	376,918	62,639	217,350	44,785	188,175	2,597,897
Reclassification	-	-	117,614	-	-	-	-	(117,614)	-
Disposal	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-
At 31 December 2018	**100,400**	**283,795**	**12,785,240**	**42,580,240**	**178,416**	**1,522,745**	**212,198**	**2,829,617**	**60,492,651**
At 1 January 2019	100,400	283,795	12,785,240	42,580,240	178,416	1,522,745	212,198	2,829,617	60,492,651
Additions	-	-	257,597	120,000	94,711	18,900	677,331	449,372	1,617,911
Reclassification	-	-	-	-	-	-	175,689	(175,689)	-
At 31 December 2019	**100,400**	**283,795**	**13,042,837**	**42,700,240**	**273,127**	**1,541,645**	**1,065,218**	**3,103,300**	**62,110,562**
Depreciation:									
At 1 January 2018	-	31,388	1,538,392	7,415,839	24,151	726,793	99,980	576,945	10,413,488
Charge for the year	-	5,676	274,067	1,055,761	16,936	298,118	21,041	-	1,671,599
Impairment Loss (Note 13.1)	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-
At 31 December 2018	**-**	**37,064**	**1,812,459**	**8,471,600**	**41,087**	**1,024,911**	**121,021**	**576,945**	**12,085,087**
At 1 January 2019	-	37,064	1,812,459	8,471,600	41,087	1,024,911	121,021	576,945	12,085,087
Charge for the year	-	5,676	329,539	1,067,358	22,432	305,315	63,682	-	1,794,003
Impairment Loss (Note 13.1)	-	-	-	-	-	-	-	-	-
At 31 December 2019	**-**	**42,740**	**2,141,998**	**9,538,958**	**63,519**	**1,330,226**	**184,703**	**576,945**	**13,879,090**
Carrying amount:									
At 31 December 2019	**100,400**	**241,055**	**10,900,839**	**33,161,282**	**209,607**	**211,419**	**880,515**	**2,526,355**	**48,231,472**
At 31 December 2018	**100,400**	**246,731**	**10,972,781**	**34,108,640**	**137,329**	**497,834**	**91,177**	**2,252,672**	**48,407,564**

.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 management was of the opinion that an impairment provision should be made on these identified items of Property, Plant & Equipment in the accounts.

KADUNA ELECTRICITY DISTRIBUTION PLC

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		2019 N'000	2018 N'000
15.	**Other non current assets**		
	Long term loan recoverable (Note 15.1)	14,018,572	15,199,732

.1 This represents the balance of the CBN NEMSF facility yet to be recouped from the company's tariff as at 31 December 2019. Paragraph 29 of MYTO 2.1 amended in April - 2015 to 2018 specifies the recovery of the CBN NEMSF loan from the customers through the tariff. The amount recovered from customers during the period has been adjusted in revenue accordingly. See Note 24.1

		2019 N'000	2018 N'000
16.	**Inventories**		
	Distribution materials	1,460,376	1,213,177
	Lubricants	1,093	-
	General store materials	92,035	266,242
	Tools	1,749	-
	Stationeries	62,493	30,547
		1,617,746	1,509,966
	Allowance for obsolete and slow moving items	(307,467)	(213,617)
		1,310,280	**1,296,349**

		2019 N'000	2018 N'000
17.	**Trade receivables**		
	Residential customers	95,330,145	74,898,128
	Commercial customers	17,187,877	14,149,831
	Industrial customers (Note 17.3)	5,645,955	5,010,478
	Special agreement customers	14,985,709	11,318,078
	Street lighting customers	578,064	449,845
		133,707,750	105,826,360
	Allowance for doubtful debts (Note 17.2)	(99,819,216)	(71,686,821)
	Net trade receivables	33,888,534	34,139,539
	Movement		
.1	Balance at 1 January	105,826,360	81,587,476
	Current trade receivable	27,881,390	24,238,884
	Provision for doubtful debt	(99,819,216)	(71,686,821)
	Balance at 31 December	**33,888,534**	34,139,539

.2 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.

17. Trade receivables (Cont'd)

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.

Age of receivables that are not impaired

2018	**Gross carrying amount**	**Weighted Average loss rate**	**Lifetime ECL**
	N'000		**N'000**
0-30 days	3,485,080	72.43%	2,524,106
31-60 days	4,094,895	74.64%	3,056,486
61-90 days	3,859,760	76.30%	2,944,950
91-180 days	3,175,071	78.54%	2,493,804
181-360days	91,211,554	80.59%	73,506,944
Total	**105,826,360**		**84,526,291**

31-Dec-20			
	N'000		**N'000**
0-30 days	3,948,494	66.74%	2,635,376
31-60 days	4,017,637	68.82%	2,764,995
61-90 days	3,863,666	70.55%	2,726,005
91-180 days	3,830,597	72.67%	2,783,557
181-360days	118,047,356	75.32%	88,909,283
Total	133,707,750		99,819,216

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 N16.185billion (31 December 2018: N16.546 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.

18. Other assets	**2019 N'000**	**2018 N'000**
Good in Transit	-	1,937,023
Suppliers' mobilisation and advances (Note 18.1)	787,818	739,825
Other receivables	213,015	199,553
Other assets	383,169	375,411
	1,384,002	3,251,812
Impairment provision on other assets (Note 18.1)	-	(915,000)
	1,384,004	**2,336,812**

.1 Included in impairment provision is the sum of NGN739.8 Million which relates to the advance paid to a supplier mostly in 2017 for the supply of energy meters for which the deliveries remained outstanding as at 31 December 2019.

	2019	2018
19. Cash and cash equivalent	**N'000**	**N'000**
Cash on hand	543,276	455,854
Bank balances	2,185,538	3,902,200
Cash and bank balances	2,728,814	4,358,054
Bank overdrafts	-	-
	2,728,814	4,358,054
Impairment provision	-	(415,172)
Net cash and cash equivalent	**2,728,814**	**3,942,882**

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.

	2019	2018
20. Share Capital	**N'000**	**N'000**
.1 Authorised share capital		
20,000,000 ordinary shares (2016: 10,000,000)at 50 kobo each (Notes 1.1a)	**10,000**	**10,000**
.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 2019. Hence, the allotment was not recognised in the financial statements.

The share holding structure of the company as at 31 December 2019 are as follows:

	2019 Units of ordinary shares	2018 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

	2019	2018
21. Capital contribution	**N'000**	**N'000**
Balance at 1 January	51,716,644	47,238,701
Movement during the year (Fair value gains on loan amortisation)	-	4,477,943
Balance at 31 December	**51,716,644**	**51,716,644**

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.

22 **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 N million (2018 N335 million) represents contributions payable to these plans by the Company at rates specified in the rules of the plans. As at 31st December 2019, there was an outstanding contribution remittance of N1,319.95 billion (2018: N767.66 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).

	2019 N'000	2018 N'000
23. Trade and other payables		
Trade payables		
Trade payables (Note 23.1)	263,430,170	191,170,726
Other payables		
Payables to suppliers and contractors	1,184,413	747,938
Other payables	11,144,844	8,557,828
Payable to related parties (Note 25.1b)	69,786	69,786
Accrued Interest	112,631	112,631
Accruals and sundry liabilities	750,223	470,374
	13,261,897	9,958,557
	276,692,067	201,129,284

.1 This includes 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.

	2019	2018
23. Trade and other payables (continued)	**N'000**	**N'000**
The reported balance as at year end can be reconciled as follows:		
At 1 January	191,170,727	116,386,177
Electricity Purchased during the year	53,585,261	53,463,190
Market invoice finance cost	29,799,148	27,694,555
Payments	(11,124,966)	(6,373,195)
At 31 December	**263,430,170**	**191,170,727**

24. Borrowings

Local non current Borrowings

	2019	2018
Central Bank of Nigeria - NEMSF (Note 24.1)	12,527,793	11,195,174
Loan from Transmission Company of Nigeria (Note 24.2)	4,968,520	4,213,126
Loan from Nigeria Electricity Liability Management Company (Note 24.3)	893,805	824,918
	18,390,118	**16,233,218**

.1 A 6.7 year 10 percent interest rate Nigerian Electricity Market Stabilisation Fund (NEMSF) loan facility from Federal Government of Nigeria through the Central Bank of Nigeria. This intervention fund was created to enable repayment of the interim period revenue shortfall and some identified legacy debts owed by the defunct PHCN up to the handing over date of 4 November 2014. Full loan amount were disbursed to third parties by CBN on behalf of the company during the year. The full amount of the loan together with all interest are expected to be recouped from the company's tariff.

.2 A 4 year loan facility from Transmission Company of Nigeria (TCN) obtained during the year. Interest rate is at 10 percent per annum with 6 months moratorium on the principal repayment.

.3 A 4 year loan facility from Nigeria Electricity Liability Management Company (NELMCO) obtained during the year. Interest rate is at 10 percent per annum.

All the loans are classified as held to maturity and have been valued at amortised cost using effective interest rate. The below market rate of interest gains have been recognised in capital contibution.

25. 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.

	2019	2018
	N'000	**N'000**
.1a *Provision of services*		
Healthstone HMO Ltd	162,919	353,250
Niger Insurance Plc.	-	55,250
Songhai Insurance Brokers Limited	150,000	35,000
	312,919	**443,500**
.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.

	2019	2018
	N'000	**N'000**
The remuneration of executive management team excluding directors during the year was as follows:		
Short-term benefits	233,040	**206,524**
The remuneration of directors during the year was as follows:		
Short-term benefits	95,045	**250,783**
.3 *Chairman's and Directors' emoluments*		
- Chairman	8,079	26,562
- Other Directors	31,341	163,779
	39,420	**190,341**

No other Director received emoluments during the year.

25. Related party transactions (continued)
.4 *Employees remunerated at higher rates*

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

N		N	2019 Number	2018 Number
Below N1,000,000			1007	855
N1,000,001	-	N1,500,000	811	1416
N1,500,001	-	N2,000,000	531	120
N2,000,001	-	N2,500,000	28	75
N2,500,001	-	N3,000,000	53	30
N3,000,001	-	N3,500,000	19	6
N3,500,001	-	N4,000,000	30	17
N4,000,001	-	N4,500,000	13	14
N4,500,001	-	N5,000,000	11	12
N5,000,001 and Above			31	28
			2534	**2573**

.4.2 *Staff*
Total number of staff under the company's employment were :

	2019 Number	2018 Number
Managerial	85	72
Senior staff	1560	1552
Junior staff	889	949
	2534	**2573**

.4.3 *Staff turnover*
Number of newly employed staff

	2019 Number	2018 Number
Managerial	12	0
Senior staff	108	83
Junior staff	15	60
	135	**143**

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

	2019 N'000	2018 N'000
Salaries and wages	3,845,419	3,802,365
Pension	377,500	334,808
Staff welfare	244,790	96,436
	4,467,709	**4,233,609**

26. Contingent liabilities
There were no contingent liabilities as at 31 December 2019 (2018: Nil)

27. Capital commitment

There were no capital commitments as at 31st December 2019 (2018: Nil)

28. 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.

29. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 15 October 2019.

30. 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.

31. Categories of financial instruments

31-Dec-19	Loans and receivables	Available for sale	Held to maturity	Fair value through profit or loss	Total
Financial Assets	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Cash and bank balance	-	-	-	2,728,814	2,728,814
Trade and other receivables	133,707,750	-	-	-	133,707,750
Other assets	1,384,004	-	-	-	1,384,004
	135,091,755	**-**	**-**	**2,728,814**	**137,820,569**

	Amortised cost	Other financial liabilities	Total
Financial Liabilities	N'000	N'000	N'000
Trade and other payables	276,692,067	-	276,692,067

31-Dec-18	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	-	-	-	3,942,882	3,942,882
Trade and other receivables	105,826,360	-	-	-	105,826,360
Other assets	2,336,812	-	-	-	2,336,812
	108,163,172	-	-	3,942,882	112,106,054

31. Categories of financial instruments (Cont'd)

	Amortised cost	Other financial liabilities	Total
Financial Liabilities	**N'000**	**N'000**	**N'000**
Trade and other payables	201,129,284	-	201,129,284

32. *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.

33. Risk management

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

- Market risk
- Liquidity risk
- Credit risk

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

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits, controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

.1 Market risk

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

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

.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.

33. Risk management (contd)

.2.1 Exposure to liquidity risk

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

31/12/2019	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	276,692,067	-			
Trade payable and other payables (Note 23)	**276,692,067**	**-**	**-**	**-**	**-**

31/12/2018	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	201,129,283	-	26,494,982	50,859,900	123,186,425
Trade payable and other payables (Note 23)	**201,129,283**	**-**	**26,494,982**	**50,859,900**	**123,186,425**

.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:

	2019 N'000	2018 N'000
Trade receivables	133,707,750	105,826,360
Other assets	1,384,004	3,251,812
Bank deposits	2,185,538	3,902,200
	137,277,293	**112,980,372**

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

Residential consumers	30,189,063	26,285,894
Commercial consumers	6,530,539	6,237,532
Industrial consumers	2,908,911	2,652,704
Street Light	148,772	148,584
Special Tariff	6,512,512	5,759,341
	46,289,796	**41,084,055**

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

34. 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 2019	Fair value N'000 2019	Carrying amount N'000 2018	Fair value 2018
Financial assets				
Trade receivables	133,707,750	33,888,534	105,826,360	34,139,539
Cash and bank balances	2,728,814	2,728,814	3,942,882	3,942,882
	136,436,564	**36,617,348**	**109,769,242**	**38,082,421**
Financial liabilities				
Trade payables	**276,692,067**	**276,692,067**	**201,129,283**	**201,129,283**

35. Going concern assessement

The assessment of the use of going concern of the company as at 31 December 2019 revealed a working capital deficiency of N237.70 Billion (2018: N159.509 Billion) and losses before tax of N82.03 Billion (2018: N68.209 Billion). The company has persistently incurred losses which was largely caused by the structural inadequacies in the Nigerian Electricity Supply Industry (NESI) because of imposed constraints on the company by the regulators from recovering its cost of electricity through tariff increase.

Going Concern issues include but not limited to the following:
The continuous high gearing level of the Company's financial position makes it unattractive to prospective lenders and investors to inject funds into the Company, regardless of the investment plan and strategic growth road map put forward by the directors.

Government hesitation to implement the net off policy on the monthly tariff short fall as contained in the Transitional Electricity Market (TEM) significantly contributed to the financial status of the company

The commercial and collection losses is 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. This significant commercial & collection losses are largely attributable to security challenges of banditary to include rustling & kidnapping which have permeated large expanse of our franchise area particularly within Sokoto, Zamfara & Kaduna States respectively. This has denied us unfettered access to these locations which in turn has adversely hindered our ability to implement revenue drive inititaives that would have ordinarily improved our collection efficiency.

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;

35. Going concern assessement

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic and most governments have taken restrictive measures to contain the spread by introducing lockdowns, closure of borders and travel restrictions which affected the free movement of people and goods. The Nigerian Centre for Disease Control (NCDC) has confirmed COVID -19 cases in Nigeria and this has resulted in full/partial lock down in certain states. The pandemic has caused a significant reduction in social interactions, disruption in economic activities while some public facilities have been shut down in a bid to reduce the spread of the virus.

As the situation is fluid and rapidly evolving, the Directors do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak and will continue to evaluate the impact of COVID-19 on the Company's operations, financial position and operating results.

On the basis of the above, the Directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future and as such, realise its assets and settle its liabilities in the normal course of business. Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern.

Regulatory issues

Under the Power Sector Recovery Plan ("PSRP") the Federal Government has given approval that, all accrued electricity market liabilities in the company's financial records arising from tariff shortfalls to be transferred off the balance sheet and fully settled under the financing plan of the PSRP initiative. All interest payable by the company on unpaid invoices issued by NBET and the MO and attributable to tariff shortfall shall also be transferred off the company's balance sheet. This implies that the net amount payable on the cost of energy would reduce by over 70 percent after the net off. This will impact positively on our going concern.

The commencement of the Meter Asset Providers (MAPs) scheme in 2019 is expected to have a significant positive impact in our collection and energy accounting. The Non Maximum Demand NMD class of our customers which accounts for over 65 percent of our revenue base are expected to be metered in the near future. This will significantly reduce our current collection losses of over 70 percent from this class of customers. We are confident that this will in no doubt improve the profitability status of the company when the MAPs program becomes fully effective.

Various strategies instituted by the directors to enable the company continue as a going concern

To ensure the company derive optimum and fair revenue on the energy consumed by the MD (Maximum Demand) class of customers, the Directors have approved the recertiification and upgrading of High tension metering of this class of customers. This initiative is geared towards reduction in the collection losses and improve billing efficiency. Our research and a pilot test run of this program using few of the MD customers indicated the company stands to record a significant improvement in cash inflow when this project is completed.

36. **Significant changes in accounting policies**

The company applied IFRS 15 and IFRS 9 from 1 January 2018. There were some other standards that became effective on this date, but only these two standards had some level of material effect on the company's financial statement. (see note 2.2)

The comparative information were not restated in the financial statement to reflect the requirements of the new standards, because the company adopted the cumulative effect adjustment method of transition.

The following table gives a summary of the impact of adopting IFRS 9 on the carrying amount of financial assets at 1 January 2018 that relates to the application of the new impairment matrix.

Financial assets	**2018 Audited financial N'000**	**Remeasurement N'000**	**Amount after adoption of IFRS 15 N'000**
Cash and cash equivalent			
Brought froward: Amortised cost	829,005	-	-
Remeasurement	-	-	-
Carried forward: Amortised cost	-	-	829,005
Trade and other receivables			
Brought froward: amortised cost	26,292,582	-	-
Remeasurement	-	(154,599)	-
Carried forward: Amortised cost	-	-	26,137,983
Amortised cost	**27,121,587**	**(154,599)**	**26,966,988**

The impact of IFRS 9 adoption has not had a significant effect on the Company's accounting policies with respect to financial liabilities and derivative financial instruments.

The incurred loss model in IAS 39 was replaced by the expected credit loss (ECL) model in IFRS 9. The ECL model applies to financial assets measured at amortised cost. The application of IFRS 9 impairment losses by the Company using the ECL impairment model at 1 January 2018 result in a reduction in impairment provision as follows;

	N'000
IAS 39 Loss allowance at 31 December 2018	55,294,894
Impairment recognised at 1 January 2018	
Impairment on trade receivables remeasurment	(154,599)
Impairment on other receivables remeasurement	-
Impairment on cash and cash equivalent	-
IFRS 9 Loss allowance at 1 January 2018	**55,140,295**

OTHER NATIONAL DISCLOSURES

KADUNA ELECTRICITY DISTRIBUTION PLC

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 N'000	%	2018 N'000	%
Revenue	46,289,796		41,084,055	
Other gains and losses	220,058		263,788	
	46,509,854		41,347,843	
Bought in material and services:				
Foreign	-		-	
Local	(87,745,326)		(75,886,741)	
Value added	**(41,235,472)**	**100**	**(34,538,899)**	**100**
Applied as follows:				
To pay employees;				
Staff costs	3,845,419	(9)	3,802,365	(11)
To pay government				
Taxation	232,549	(1)	(327,897)	1
To pay providers of capital:				
Finance costs	35,155,489	(85)	28,007,528	(81)
To provide for enhancement of assets and growth				
Depreciation	1,794,002	(4)	1,860,979	(5)
Impairment losses	-		-	-
Deferred taxation	-		-	
Loss for the year	(82,262,931)	199	(67,881,872)	197
	(41,235,472)	**100**	**(34,538,897)**	**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 2019

	IFRS				
	2019	**2018**	**2017**	**2016**	**2015**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**
ASSETS EMPLOYED					
Non current assets	80,010,596	81,557,227	64,863,054	65,008,667	53,180,232
Current assets	39,311,632	41,715,582	29,152,767	25,285,654	15,000,274
Non current liabilities	(18,390,118)	(16,233,218)	-	-	-
Current liabilities	(277,015,085)	(201,225,542)	(124,952,442)	(71,640,542)	(31,633,959)
Net assets	**(176,082,975)**	**(94,185,952)**	**(30,936,621)**	**18,653,780**	**36,546,548**
CAPITAL EMPLOYED					
Share capital	5,000	5,000	5,000	5,000	5,000
Capital contribution	51,716,644	51,716,644	47,238,701	47,238,701	47,238,701
Retained Earnings	(227,804,619)	(145,907,595)	(78,180,322)	(28,589,922)	(10,697,154)
Total equity	**(176,082,975)**	**(94,185,952)**	**(30,936,621)**	**18,653,780**	**36,546,547**
TURNOVER AND PROFIT					
Revenue	46,289,796	41,084,055	42,259,144	42,851,827	33,451,366
Loss before income tax	(82,030,382)	(68,209,769)	(49,166,241)	(30,502,194)	(16,293,422)
Income tax expenses	(232,549)	327,897	(52,836)	12,609,425	4,204,952
Loss for the year	(82,262,931)	(67,881,873)	(49,219,078)	(17,892,769)	(12,088,470)
Total comprehensive loss	(82,262,931)	(67,881,873)	(49,219,078)	(17,892,769)	(12,088,470)
Per share data (Kobo)					
Loss per share	**(822,629)**	**(678,819)**	**(492,191)**	**(178,928)**	**(120,885)**
Net assets per share	**(1,760,830)**	**(941,860)**	**(309,366)**	**186,538**	**365,465**

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.