



**IKEJA ELECTRIC PLC**  
(FORMERLY IKEJA ELECTRICITY DISTRIBUTION PLC)

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013

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**IKEJA ELECTRIC PLC***Financial statements**For the year ended 31 December 2013***Corporate information**

<b>Directors</b>	Tope Shonubi	(Nigerian)	Chairman
	Mallam Baba Gana	(Nigerian)	Vice Chairman
	Tonye Cole	(Nigerian)	Director
	Ade Odunsi	(Nigerian)	Director
	Kola Adesina	(Nigerian)	Director
	Yeom Gyoo Chull	(Korean)	Director
	James Ogungbemi	(Nigerian)	Director
	So Taisup	(Korean)	Director
<b>Registered Office</b>	Ikeja Electric PLC (formally Ikeja Electricity Distribution Plc) Obafemi Awolowo Way Ikeja Lagos State, Nigeria		
<b>Bankers</b>	Zenith Bank Plc. Plot 84, Ajose Adeogun Street Victoria Island, Lagos  United Bank for Africa Plc 57 Marina, Lagos Lagos State, Nigeria  First Bank of Nigeria Plc 35 Marina Lagos, Nigeria  Union Bank Plc Stallion Plaza 36 Marina Lagos		
<b>Solicitors</b>	Udo Udoma & Belo-Osagie 10th/13th Floor St. Nicholas House CMS, Lagos Island, Lagos		
<b>Auditor</b>	Akintola Williams Deloitte Civic Towers Ozumba Mbadiwe Road Victoria Island Lagos		
<b>Company Secretary</b>	Ejiro Gray		

**Statement of Directors' Responsibilities**  
**For the preparation and approval of the Financial Statements**

The Directors of Ikeja Electric Plc (Formally Ikeja Electricity Distribution Plc) are responsible for the preparation of financial statements that give a true and fair view of the financial position of the Company as at 31 December 2013, and the results of its operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011.

In preparing the financial statements, the Directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company and Company's financial position and financial performance; and
- making an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

**Going concern:**

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 year ahead.

The financial statements of the Company for the year ended 31 December 2013 were approved by the Board on 30 December, 2016

On behalf of the Directors of the Company

  
\_\_\_\_\_  
**Tonye Cole**  
**Director**  
**FRC/2015/IODN/00000008873**

  
\_\_\_\_\_  
**Ade Odunsi**  
**Director**  
**FRC/2013/ICAN/00000005046**



## REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF

### IKEJA ELECTRIC PLC

#### Report on the Financial Statements

We were engaged to audit the financial statements of **Ikeja Electric Plc ("The Company")** which comprise the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity, statements of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

#### Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies and Allied Matters Act CAP C20 LFN 2004, the Financial Reporting Council of Nigeria Act, 2011, the International Financial Reporting Standards and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

#### Basis of Disclaimer of Opinion

##### 1. Limitation of scope in respect of opening balances and comparative information for the financial years ended 31 December 2012 and 2013

We were appointed as auditors to the Company on 7 April 2014, shortly after its privatization on 1 November 2013, and as such, were not in a position to carry out audits during the previous years. Another audit firm carried out the audit of the prior years' up until 31 December 2012. We were however unable to perform an opening balance review with the predecessor auditor in line with the provisions of ISA 510 because the predecessor auditor were unavailable to provide the required explanations and support documents to facilitate opening balance review. The financial statements for the year ended 31 December 2012 were not issued by the past management. In addition, the predecessor auditor did not issue an audit opinion on the Company's 2012 financial statements. We were unable to satisfy ourselves by alternative means concerning the accuracy and completeness of comparative balances as at 31 December 2012 which are stated in the statement of financial position, statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2012.

As a result of this matter, we have been unable to form an opinion retrospectively about whether the statement of financial position as at 31 December 2012 gives a true and fair view of the financial position of the Company. We were also unable to determine whether any adjustments might have been found necessary in respect of the opening balances and the elements making up the statement of financial position as at 31 December 2012, the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows. The financial effects of this matter are impracticable to quantify. Accordingly, we do not express an opinion on these elements of the financial statements.

##### 2. Inability to effectively translate the balances as at 1/1/2012 and 31/12/2012 from Nigeria Statement of Accounting Standards (SAS) to International Financial Reporting Standards (IFRS)

In line with the road map of the Financial Reporting Council of Nigeria (FRCN), the Company is expected to translate its financial information from the Nigerian SAS to the International Financial Reporting Standards (IFRS) framework from the effective date: 1 January 2012. However based on the matter described in (1) above, the Company did not carry out the process due to lack of sufficient information and changes in personnel. We were also unable to determine whether any IFRS adjustments might have been found necessary in respect of the opening balances and the elements making up the statement of financial position as at 1 January 2012 and 31 December 2012, the statement of profit or loss and other comprehensive income statement of changes in equity and the statement of cash flows for the years then ended. The financial effects of this matter are impracticable to quantify.

**3. Limitation of scope in respect of classes of transactions and balances disclosed for the year ended 31 December 2013 in the statement of profit or loss and other comprehensive income and statement of financial position:**

The present management took over the Company on 1 November 2013 ("handover date"), however, adequate and sufficient information and supporting documents were not available to enable us to certify, validate and obtain appropriate and sufficient audit evidence for transactions recorded between 1 January 2013 and 30 October 2013 and balances as at 31 December, 2013. We could not substantiate the validity, accuracy and occurrence of the classes of transactions and balances disclosed for the period before the handover date as the supporting documents and explanations for such transactions could not be made available to us.

As a result of this matter, we are unable to form an opinion about whether the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of financial position for the year ended 31 December 2013 give a true and fair view of the financial performance of the Company.

**Disclaimer of opinion on the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows and the comparative information in the statement of financial position**

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the opening balances and the elements making up the statement of financial position as at 31 December 2012, the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows. Accordingly, we do not express an opinion on these elements of the financial statements.

**Disclaimer of Opinion**

We do not express an opinion on the accompanying financial statements of **Ikeja Electric Plc** because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, as we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**Other Matters**

No audit opinion was signed on the 2012 financial statements by the prior auditor and the financial statements were not finalized and issued by the Company's Management.

**Other reporting responsibilities**

In accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 LFN 2004, we expressly state that due to the basis of disclaimer opinion above

- i) We have not obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) We have not obtained all the information and explanations which will allow us to conclude whether the Company has kept proper books of account, so far as appears from our examination of those books.
- iii) We have not obtained all the information and explanations which will allow us to conclude whether the Company's balance sheet and its income statement are in agreement with the books of account and returns

Olufemi Abegunde, FCA – FRC/2013/ICAN/00000004507

**For: Akintola Williams Deloitte**  
**Chartered Accountants**  
**Lagos, Nigeria**

*30 December, 2016*





**IKEJA ELECTRIC PLC**  
*Financial statements*  
For the year ended 31 December 2013

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<b>Note</b>	<b>31 Dec 2013 N'000</b>	<b>31 Dec 2012 N'000 Unaudited</b>
Revenue	6	50,685,937	45,131,734
Operating costs	7	<u>(51,223,657)</u>	<u>(49,358,087)</u>
<b>Gross Loss</b>		<b>(537,720)</b>	<b>(4,226,353)</b>
Other income	9	311,746	716,849
Administrative costs	8	<u>(6,323,012)</u>	<u>(10,158,000)</u>
<b>Operating loss</b>		<b>(6,548,986)</b>	<b>(13,667,504)</b>
Finance income		<u>21,774</u>	<u>57,384</u>
<b>Loss before taxation</b>		<b>(6,527,212)</b>	<b>(13,610,120)</b>
Taxation	12	<u>(325,170)</u>	<u>3,264,821</u>
<b>Loss for the year</b>		<b>(6,852,382)</b>	<b>(10,345,299)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
De-recognition of NELMCO net liabilities	24	<u>21,862,388</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<b><u>15,010,006</u></b>	<b><u>(10,345,299)</u></b>
Earnings per share - Basic (Naira)	22	<b><u>(685.24)</u></b>	<b><u>(1,034.53)</u></b>

The explanatory notes on pages 7 to 38 form an integral part of these financial statements.

**IKEJA ELECTRIC PLC***Financial statements**For the year ended 31 December 2013***STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

	Note	31 Dec 2013 N'000	31 Dec 2012 N'000 Unaudited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	63,788,661	67,346,307
		<u>63,788,661</u>	<u>67,346,307</u>
<b>Current Assets</b>			
Inventories	15	-	1,176,209
Trade and other receivables	14	2,776,474	8,043,743
Cash and bank balances	16	2,290,741	5,361,126
Deferred tax Asset	12	-	28,133,980
		<u>5,067,215</u>	<u>42,715,058</u>
<b>Total Current Assets</b>		<u>5,067,215</u>	<u>42,715,058</u>
<b>TOTAL ASSETS</b>		<u>68,855,876</u>	<u>110,061,365</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	21	5,000	5,000
Federal government funding	23	-	4,834,147
Accumulated losses		(69,071,476)	(62,219,094)
Other reserves		131,392,850	104,696,315
		<u>62,326,374</u>	<u>47,316,368</u>
<b>TOTAL EQUITY</b>		<u>62,326,374</u>	<u>47,316,368</u>
<b>Current liabilities</b>			
Trade and other payables	17	6,204,332	61,572,276
Taxation	12	325,170	1,172,721
		<u>6,529,502</u>	<u>62,744,997</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>6,529,502</u>	<u>62,744,997</u>
<b>TOTAL LIABILITIES</b>		<u>6,529,502</u>	<u>62,744,997</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>68,855,876</u>	<u>110,061,365</u>

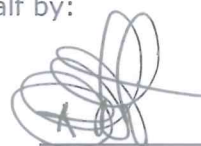
The financial statements on pages 3 to 40 were approved by the Board of Directors of the Company on 30 December, 2016. They were signed on its behalf by:



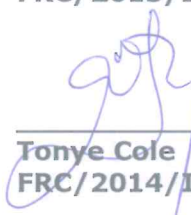
**Anthony Youdeowei**  
Chief Executive Officer (CEO)  
FRC/2015/IODN/00000008875



**Ade Odunsi**  
FRC/2014/ICAN/00000005046



**Aigbe Olotu**  
Chief Financial Officer  
FRC/2013/ICAN/00000005923



**Tonye Cole**  
FRC/2014/IODN/00000008873

The explanatory notes on pages 7 to 38 form an integral part of these financial statements.

**IKEJA ELECTRIC PLC**  
Financial statements  
For the year ended 31 December 2013

**STATEMENT OF CHANGES IN EQUITY**

	Note	Share Capital N'000	Federal Government Funding N'000	Accumulated Deficit N'000	Other Reserves N'000	Total Equity N'000
<b>Balance as at 1 January 2012 (Unaudited)</b>		5,000	4,834,147	(51,873,795)	104,696,315	57,661,667
Loss for the year		-	-	(10,345,299)	-	(10,345,299)
<b>Balance as at 1 January 2013 (Unaudited)</b>		5,000	4,834,147	(62,219,094)	104,696,315	47,316,368
Government funding de-recognition	23	-	(4,834,147)	-	4,834,147	-
De-recognition of NELMCO net assets	24	-	-	-	21,862,388	21,862,388
Loss for the year - 2013	10.1	-	-	(6,852,382)	-	(6,852,382)
<b>Balance as at 31 December 2013</b>		<b>5,000</b>	<b>-</b>	<b>(69,071,476)</b>	<b>131,392,850</b>	<b>62,326,374</b>

The opening accumulated loss represent the closing accumulated loss per the financial statements as audited by the former auditors, Price WaterHouse Coopers (PWC) for the year ended 31 December 2012.

Prior to privatization, the Federal Government offered grants to IKEDC for specific capital projects. This ceased to exist subsequent to privatization on 1 November 2013.

Other reserves includes net liabilities of N21.86m written off to Nigerian Electricity Liability Management Company (NELMCO) in line with the Purchase agreement. Opening balance of other reserves however represents the value of assets transferred from the now defunct PHCN to IKEDC in 2006. No additions were made to this balance in current year.

The explanatory notes on pages 7 to 38 form an integral part of these financial statements.



**IKEJA ELECTRIC PLC***Financial statements**For the year ended 31 December 2013***STATEMENT OF CASH FLOWS**

	<b>Note</b>	<b>31 Dec 2013 N'000</b>	<b>31 Dec 2012 N'000 Unaudited</b>
<b>Cash flow from operating Activities</b>			
Net (loss)/profit from operations		(6,852,382)	(13,610,120)
<b>Adjustments for:</b>			
Depreciation on distribution assets	13	2,995,550	2,228,512
Depreciation on non-distribution assets	13	562,096	467,498
Provision for doubtful debts	8	453,917	-
NELMCO balances derecognised	24	21,862,388	-
Adjustments to fixed assets	13	1,189,165	-
Finance income		(21,774)	(57,384)
		<b>27,041,342</b>	<b>2,638,626</b>
<b>Movements in working capital</b>			
Decrease/(increase) in trade and other receivables	14	4,813,352	(6,999,725)
Decrease/ (Increase) in inventory	15	1,176,209	560,353
(Decrease)/Increase in trade and other payables	17	(55,367,944)	21,685,389
Decrease/ (Increase) in deferred tax assets	12	28,133,980	-
(Decrease)/Increase in tax payable	12	(847,551)	-
<b>Total adjustments and movements</b>		<b>(22,091,954)</b>	<b>15,246,017</b>
<b>Net cash (used in)/provided by operating activities</b>		<b>(1,902,994)</b>	<b>4,274,523</b>
<b>Cash flow from investing activities</b>			
Additions to distribution network assets	13	(203,556)	(1,000,562)
Additions to other PPE	13	(466,570)	(777,654)
Additions to CWIP	13	(519,039)	(593,469)
Interest received		21,774	57,384
<b>Net cash (used in)/provided by investing activities</b>		<b>(1,167,391)</b>	<b>(2,314,301)</b>
<b>Cash flows from financing activities</b>			
Government funding		-	300,000
<b>Net cash (used in)/provided by financing activities</b>		<b>-</b>	<b>300,000</b>
Net increase/(decrease) in cash and cash equivalents		(3,070,385)	2,260,222
Cash and cash equivalents at beginning of the year		5,361,126	3,100,904
<b>Cash and cash equivalents at end of the year</b>		<b>2,290,741</b>	<b>5,361,126</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 1.0 The Company

Ikeja Electric Plc (Formally Ikeja Electricity Distribution Plc) ("the Company") was one of the unbundled companies from the defunct Power Holdings Company of Nigeria (PHCN). The Company was in the distribution sector of the PHCN which was a state-owned Electric Power Company. However, it was sold to the consortium of New Electricity Distribution Company (NEDC) and Korean Electric Power Company (KEPCO) in 2007 as part of the privatization of the electric power sector. The sale was authorized by the Bureau of Public Enterprises (BPE). Effective from 1 November 2013 (referred to as the handover date), the Federal Government of Nigeria (FGN) handed over the Company and other unbundled assets to their new owners. On 14 April 2015, the Company changed its name from Ikeja Electricity Distribution Plc to Ikeja Electric Plc

The Company has 10,000,000 units of 50k each per ordinary shares, with NEDC/KEPCO holding 6,000,000 units, BPE holding 3,200,000 units and Ministry of Finance Incorporated holding 800,000 units.

## 1.1 Shareholding structure

The shareholding structure of the Company is as follows:

	Naira'000	%
<i>NEDC/KEPCO</i>		
6,000,000 ordinary shares of 50k each	3,000	60
<i>BPE</i>		
3,200,000 ordinary shares of 50k each	1,600	32
<i>Ministry of Finance Incorporated</i>		
800,000 ordinary shares of 50k each	400	8
<i>Total issued ordinary shares</i>	<u>5,000</u>	<u>100</u>

## 1.2 Going concern consideration

As at the reporting date, the Company had working capital deficiency of N1.5 billion (2012: N20.03 billion), losses of N6.9 billion (2012: N13.6 billion) and negative operating cash flows of N1.9 billion (2012: positive cash flows of N4.3 billion). This is in part due to structural inadequacies in the pricing model of the MYTO issued by the Regulator for the Nigeria electricity industry.

The going concern of the Company is therefore primarily dependent on the continued support of the shareholders through advances for funding of the Company's working capital. The going concern assumption is also dependent on the continued action of the Market Operator in not demanding for full payment for its invoices from Distribution companies pending the issuance of a full "Cost Reflective Tariff Order" and a "Regulatory Asset statement" or other funding solution for the current tariff deficit as contemplated for the Industry by the Nigeria Electricity Regulatory commission.

The Directors of Ikeja Electric PLC having evaluated the above, believe that the use of the going concern is appropriate for the preparation of the 2013 financial statements. The Directors are positive that the Company will achieve adequate resources to continue operations into the foreseeable future with proposed reforms in the sector.

**NOTES TO THE FINANCIAL STATEMENTS****1.3 Principal activities**

The Company is involved in the distribution of power. The Company entered into a Technical Service Agreement with KEPCO in November 2013 to provide technical services for the efficient working and maintenance of its distribution stations and transformers. The Company also obtained a working capital loan from its parent Company in December 2013 to meet its day to day working capital requirements.

**1.4 Financial period**

These financial statements cover the financial year from 1 January 2013 to 31 December 2013, with comparative figures for the financial year from 1 January 2012 to 31 December 2012.

**1.5 Composition of IFRS financial statements**

The financial statements are drawn up in Nigerian Naira (N), the functional currency of Ikeja Electric PLC, in accordance with IFRS accounting presentation. The directors also present its financial statements in US\$ to aid international comparison and acceptability on its transactions. The financial statements comprise:

- i. Statement of profit or loss and other comprehensive income
- ii. Statement of financial position
- iii. Statement of changes in equity
- iv. Statement of cash flows
- v. Notes to the financial statements

Additional information provided by management includes:

- i. Statement of value added
- ii. Five-year financial summary

**1.6 Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These are the Company's first IFRS financial statements but due to scope limitation in the provision of financial information, IFRS 1, First Time Adoption of International Financial Reporting Standards could not be applied fully.

The financial information for the periods before the handover date i.e. 1st November 2013 could not be reliably obtained from the Company's new management as they could not provide sufficient audit evidence and information necessary to translate the balances from under the old framework to IFRS. Hence, transition of the Company's books which should have been done for the period 1 January 2012, 31 December 2012 and 31 December 2013 in line with the roadmap of the Financial Reporting Council of Nigeria and IFRS could not be done. Hence, the transition date for the entity's financial statements was 1st January 2013 and comparative figures were stated under the previous framework.



## NOTES TO THE FINANCIAL STATEMENTS

## 2 ADOPTION OF NEW AND REVISED IFRS STANDARDS

**Accounting standards and interpretations issued but not yet effective**

The following revisions to accounting standards and pronouncements that are applicable to the Company were issued but are not yet effective. Where IFRSs and IFRIC Interpretations listed below permits early adoption, the Company has elected not to apply 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.

Pronouncement	Nature of Change	Required to be implemented for periods beginning on or after
Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	The amendment reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarifies the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.	Applicable to annual periods beginning on or after 1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting' (Amendments to IAS 39)	Amends IAS 39 Financial Instruments: Recognition and Measurement make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.	Applicable to annual periods beginning on or after 1 January 2014
IFRS 9 ( 2010)	A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.	Applies to annual periods beginning on or after 1 January 2015
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	The amendment clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off', the application of simultaneous realisation and settlement, the offsetting of collateral amounts and the unit of account for applying the offsetting requirements.	Applicable to annual periods beginning on or after 1 January 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	The amendment provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement. Require additional disclosure about why the entity is considered an investment entity, details of the entity's un subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries. Require an investment entity to account for its investment in a relevant subsidiary in the same way and separate financial statements (or to only provide separate financial statements if all subsidiaries are un).	Applicable to annual periods beginning on or after 1 January 2014
IFRIC 21 Levies	Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The liability is recognised progressively if the obligating event occurs over a period of time. If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.	Applies to annual periods beginning on or after 1 January 2014
IAS 19 Employee Contributions	The amendment provides guidance on how to recognise contributions by employees. This depends on the contributions made by the employee to the period in which it is due. If contribution is solely linked to services rendered in the period due, the accounting policy choice should recognise the contribution in the period due or under the projected unit credit method and if not, only the projected unit credit method is permitted.	Applicable to annual periods beginning on or after 1 July 2014

## NOTES TO THE FINANCIAL STATEMENTS

## 2 ADOPTION OF NEW AND REVISED IFRS STANDARDS (CONT'D)

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

Pronouncement	Nature of Change	Required to be implemented for periods beginning on or after
IFRS Annual Improvement Project (AIP) AIP 2010 - 2012	This relates to amendments made to some existing IFRSs.	Applicable to annual periods beginning on or after 1 July 2014
	IFRS 2 – The definitions for vesting conditions, market conditions were amended while new definitions were given for performance conditions and service conditions.	
	IFRS 3 – The amendments provides that contingent consideration classified as asset or liability should be measured at fair value. Any changes in fair value should be recognised in statement of profit or loss.	
	IFRS 8 – This provides for the disclosure of the judgement made in aggregation of operating segments and reconciliation of total reportable segments' assets to the entity's assets.	
	IFRS 13 - Short-term receivables and payables with no stated interest rate can be measured without discounting, if the effect is immaterial.	
	IAS 16/38 – Provides guidance on Revaluation method of PPE presentation as it affects the proportionate restatement of accumulated depreciation/amortisation. The gross carrying amount should be adjusted consistently for the amount of the revaluation of the carrying amount of the asset while the accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount, net of accumulated impairment losses.	
	IAS 24 – Provides further addition to classes of people to be considered related parties to an entity. Management entity providing key management personnel services to an entity is to be regarded as a related party and must disclose the amounts incurred for the services received from the management entity.	
IFRS Annual Improvement Project (AIP) AIP 2011 - 2013	This also relates to amendments made to some existing IFRSs.	Applicable to annual periods beginning on or after 1 July 2014
	IFRS 1 – This gives clarification of the meaning of "effective IFRSs". First-time adopter is allowed to apply a new IFRS that is not yet mandatory, if that IFRS permits early application.	
	IFRS 3 – This gives clarification of the scope exclusion for joint ventures. It does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.	
	IFRS 13 - The portfolio exception for measuring the fair value of a group of financial assets and liabilities on a net basis applies to all contracts within the scope of IAS 39/IFRS 9, even if the definitions of financial assets or financial liabilities are not met.	
IFRS 11 Joint Arrangements	IAS 40 – This clarifies the interrelationship between IFRS 3 and IAS 40 stating that they are not mutually exclusive and application of both standards may be required.	Applies to annual periods beginning on or after 1 January 2016
	The amendment provides guidance on accounting for acquisition of interests in joint operation. If the joint operation meets the definition of a business, IFRS 3 is applicable. For acquisition of an additional interest in a previously held joint operation, no re-measurement is required for the previously held interest.	
IAS 16/38 Guidance	The amendment provides guidance on the acceptable methods of depreciation and amortisation. Revenue is an inappropriate depreciation basis as it reflects factors other than the consumption of the economic benefits embodied in the asset.	Applies to annual periods beginning on or after 1 January 2016
	Rebuttable presumption that revenue is an inappropriate amortisation basis, unless (limited circumstances) either high correlation between revenue and the consumption of the economic benefits embodied in the asset, or the intangible asset is expressed as a measure of revenue.	



## NOTES TO THE FINANCIAL STATEMENTS

## 2 ADOPTION OF NEW AND REVISED IFRS STANDARDS (CONT'D)

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

Pronouncement	Nature of Change	Required to be implemented for periods beginning on or after
IAS 16 Bearer Plant	This amendment seeks to adjust the standard which used to address bearer plant issues, its government grant and not the produce of bearer plants. To take bearer plants out of IAS 41, put within the scope of IAS 16 as PPE and to permit measurement at cost or revaluation. Also, the option to use fair value as deemed cost on asset by asset basis. Also, government grants related to bearer plants no longer fall into the scope of IAS 41 but need to be accounted for under IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance.	Applies to annual periods beginning on or after 1 January 2016
IFRS 14 Regulatory Deferral Accounts	This is only applicable to IFRS first time adopters. They have the option to continue to recognise amounts related to regulatory deferral accounts in accordance with their previous GAAP but if they do so, the effect of rate regulation must be presented separately from other items.	Applies to annual periods beginning on or after 1 January 2016
IFRS 15 Revenue	This standard aims to replace IAS 11 - Construction Contracts and IAS 18 - Revenue. It is expected to cover all contracts except lease contracts, insurance contracts, financial instruments and non-monetary exchanges between entities in same line of business to facilitate sales to customers or potential customers. It introduces a 5-step model into recognising revenue from Identifying the contract with the customer, identify the separate performance obligations, determine the transaction price, allocate the transaction price to the separate performance obligations and recognise revenue when (or as) performance obligations are satisfied. Revenue is recognised over time if performance is satisfied over time and if not it is recognised at a point in time.	Applies to annual periods beginning on or after 1 January 2017
IFRS 9	This amendment seeks to better align the standard with risk management objectives. The three types of hedge accounting remain. Significant changes have been made to the types of transactions eligible for hedge accounting, effectiveness test has been overhauled, and changes in accounting for forward contracts and derivative options used in hedge accounting relationship reduce profit or loss volatility and additional disclosures required.	Applies to annual periods beginning on or after 1 January 2018

**NOTES TO THE FINANCIAL STATEMENTS****3. BASIS OF PREPARATION****BASIS OF PREPARATION OF THE ACCOUNTS**

This financial statements have been prepared in accordance with International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee ("IFRIC") Interpretations (collectively referred to as IFRS), the Companies and Allied Matters Act (CAMA) and the Financial Reporting Council of Nigeria (FRC) Act as at 31 December 2013.

The financial statements have been prepared in a historical cost basis except for the fixed assets account balance which has been recognized on a revaluation model basis. The historical cost is generally based on the fair value of the consideration given in exchange for the assets while the revaluation model refers to the replacement costs of the fixed assets.

**Accounting policies**

The financial statements have been prepared in accordance with the Company's accounting policies approved by the Board of Directors of the Company.

**A. Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measured. Revenue is measured at fair value of the consideration received/receivable, excluding Value Added Tax (VAT). Revenue from the sale of electricity to postpaid and prepaid customers is the value of the volume of energy units supplied to the customers in line with the applicable tariff framework. Prices charged by the Company for electricity distribution are regulated. The Company does not recognize an asset or liability, as the case may be, on account of under recovery or over recovery except where it is obligated to provide future services at a loss in which case a provision is recognized

**B. Property, plant and equipment****1. Distribution network assets**

The Company's distribution network assets are stated at cost less accumulated depreciation and impairment losses and is generally depreciated over the estimated operating capacity/ useful life of the assets. Operating assets includes the core assets which the Company uses in carrying out its normal course of business; distributing power to high network and other customers. They include the overhead lines and cables, underground cables, plant and Machinery (transformers, feeder pillars), meters, towers and substation buildings.

Assets under construction are stated at cost which includes cost of material and direct labor and any costs incurred in bringing it to its present location and condition

**2. Non distribution assets**

The Company's non-distribution assets are stated at fair value using the revaluation model less accumulated depreciation and accumulated impairment losses. Depreciation is on a straight line method over the estimated useful lives of the assets. Non-operating assets includes land, administrative office building, furniture and fittings, motor vehicles, etc. Land is not depreciated.

In line with IAS 16, subsequent expenditure is included in the asset's carrying amount or recognized as a separate asset only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of the replaced component is derecognized



## NOTES TO THE FINANCIAL STATEMENTS

## 3. BASIS OF PREPARATION (CONT'D)

## 3. Depreciation

The main depreciation rate and basis used by the Company for its assets are as set out below:

Asset Class	Useful life (yrs)	Basis
<b>Distribution assets</b>		
Distribution Network Assets	5-25	Estimated useful life
<b>Non distribution assets</b>		
Land	Nil	N/A
Buildings	50	Estimated Useful life
Office equipment	5	Estimated Useful life
Furniture and fittings	5	Estimated Useful life
Motor Vehicles	4	Estimated Useful life
Work-in-Progress	Nil	N/A

## C. Impairment of property, plant and equipment

The carrying amounts of the Company's long-term assets are reviewed at each reporting date to determine whether there is any indication of impairment. If an indication of impairment exists, then the asset's recoverable amount is estimated. Operating assets are assessed for impairment when they are reclassified to property, plant and equipment (PP&E), and if facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount through the statement of profit or loss and other comprehensive income.

For the purpose of impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell ("FVLCTS").

Value in use is determined by estimating the present value of the pre-tax future net cash flows expected to be derived from the continued use of the asset. FVLCTS is based on available market information, where applicable. The Company generally estimates fair value less costs to sell using a discounted cash flow model which has a significant number of assumptions. The model uses expected cash flows from capacity of electricity distribution forecast, energy unit sales price in force and other operational cost parameters. The discount rate applied to the cash flows is also subject to management's judgment and will affect the recoverable amount calculated. The Company monitors internal and external indicators of impairment relating to its distribution and non-distribution assets.

**NOTES TO THE FINANCIAL STATEMENTS****3. BASIS OF PREPARATION (CONT'D)****D. Financial instruments****Financial assets****Initial recognition and measurement**

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets, as derivatives or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus (in the case of investments not at fair value through profit or loss) directly attributable transaction costs. The Company's financial assets include cash and short-term deposits, trade and other receivables and loan.

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in finance income or finance costs (as appropriate) in statement of profit or loss. Financial assets designated upon initial recognition at fair value through profit or loss are designated at the initial recognition date and only if the criteria set out in IAS 39 are satisfied. The Company evaluates its financial assets as held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets. The reclassification to loans and receivables, available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition. Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in statement of profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance income in statement of profit or loss. The losses arising from impairment are recognized in statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.



**NOTES TO THE FINANCIAL STATEMENTS****3. BASIS OF PREPARATION (CONT'D)****D. Financial instruments****Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short term deposits with an original maturity of three months or less, but exclude any restricted cash which is not available for use by the Company and therefore is not considered highly liquid. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**Derecognition**

A financial asset (or, where an applicable part of a financial asset or part of a group of similar financial assets) is de-recognized when:

- The right to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**Impairment of financial assets**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



**NOTES TO THE FINANCIAL STATEMENTS****3. BASIS OF PREPARATION (CONT'D)****D. Financial instruments (Cont'd)****Financial assets carried at amortized cost**

For financial assets carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in statement of profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in statement of profit or loss.

**Financial liabilities and equity instruments****Classification as debt or equity**

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

**Financial liabilities****Initial recognition and measurement**

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Company's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **3. BASIS OF PREPARATION (CONT'D)**

#### **D. Financial instruments**

##### **Subsequent measurement**

The measurement of financial liabilities depends on their classification as described below.

##### **Financial liabilities at fair value through profit or loss.**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss should be designated at the initial recognition date and only if the criteria set out in IAS 39 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss."

##### **Interest-bearing loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in statement of profit or loss when the liabilities are derecognized, as well as through the EIR method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are integral part of the EIR. The EIR amortization is included in finance cost in statement of profit or loss.

##### **Derecognition**

A financial liability is derecognized when the associated obligation is discharged or cancelled or expires. 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 a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in statement of profit or loss.

##### **Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

##### **Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value



**NOTES TO THE FINANCIAL STATEMENTS****3. BASIS OF PREPARATION (CONT'D)****D. Financial instruments**

is determined using appropriate valuation techniques. Such techniques may include: using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

**Creditors and accruals**

Creditors and accruals are the financial obligations due to third parties and are falling due within one year. The outstanding balances are not interest bearing and are stated at their nominal value.

**E. Finance income and expense**

Finance expense comprises interest expense on borrowings, accretion on decommissioning liabilities, evaluation of derivative financial liabilities and impairment losses recognized on financial assets comprises interest earned on cash and cash equivalents, short-term investments and financial instruments through profit or loss.

**F. Retirement benefit costs**

The Company maintains a Defined Contribution Pension Scheme in accordance with the Pension Reform Act, 2004. The contribution by the employer and employee is 7.5% each of the employees' monthly basic salary, transport, and housing allowances respectively. Contribution by the employer to defined contribution retirement benefit plans are recognized as an expense in the income statement.

However with effect from July 2014, the Company is expected to comply with the terms of the Pension Reform Act 2014. Under this Act, the contribution per employer and employee will be 10% and 8% respectively."

**G. Short-term employee benefits**

Short-term employee benefits are rewards such as wages, salaries, paid annual leave, and bonuses (if payable within twelve months of the end of the year) and non-monetary benefits (such as medical care, housing, cars, etc.)

**Medical Insurance Scheme**

The Company subscribes to a medical insurance plan on behalf of its employees, paying a gross premium to a health management organization based on the level of the employee. This premium is treated as a prepayment and charged to staff costs on a monthly basis.

**H. Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **3. BASIS OF PREPARATION (CONT'D)**

#### **I. Operating Leases**

Rental payable under operating lease are charged to income on a straight line basis over the term of the relevant lease.

#### **J. Inventories**

Inventories are stated at the lower of cost and net realizable value. Inventories represent small parts, other consumables and gas fuel, the majority of which is consumed by our projects in provision of their services within one financial year. Cost comprises; direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Specific identification entails assigning cost of inventories of items that are not ordinarily interchangeable, and of goods or services produced and segregated for specific projects. The method is appropriate when items of inventory are produced for specific projects or when other items of inventory held could not be substituted for those items.

Cost is determined by the First In, First Out (FIFO) method.

Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Estimates are based on the most reliable evidence available and take into consideration fluctuations in price or cost directly relating to events occurring after the reporting period to the extent that such events confirm conditions existing at the end of the reporting period.

#### **K. Provisions** **General**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost in statement of comprehensive income.



**NOTES TO THE FINANCIAL STATEMENTS****3. BASIS OF PREPARATION (CONT'D)****D. Foreign currencies**

The functional currency of the Company is the Nigerian Naira ("NGN"), which represents the currency of the primary economic environment in which the Company operates. Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Assets and liabilities denominated in foreign currencies at the statement of financial position date are reported at the foreign exchange rate prevailing at that date. Any gains or losses arising from changes in exchange rates subsequent to the date of transaction are included as an exchange gain or loss in the statement of comprehensive income.

**E. Taxation****Company Income Tax**

Income tax expense is the aggregate of the charge to the statement of comprehensive income in respect of current income tax, education tax and deferred tax.

Current income tax is the amount of income tax payable on the taxable profit of the year determined in accordance with the Company Income Tax ACT, CAP C21 LFN 2004 (as amended). Education tax is assessed at 2% of the assessable profit in line with Tertiary Education Trust fund Act CAP 2011. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are not taxable or deductible

**Deferred tax**

Deferred tax is recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of the other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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.

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 realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred taxation is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred taxation is also dealt within equity. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they related to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on net basis.



## **NOTES TO THE FINANCIAL STATEMENTS**

### **3. BASIS OF PREPARATION (CONT'D)**

#### **F. Taxation**

##### **Current and Deferred Taxes for the period**

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

#### **G. Intangible assets**

##### **Computer software**

Acquired computer software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Amortization is calculated using the straight-line method over a period of rights obtained to allocate the cost of computer software. If software is integral to the functionality of related property, plant and equipment (PPE), then it is capitalized as part of the PPE. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets and amortized as above. Costs include employee costs incurred as a result of developing software, borrowing costs if relevant and an appropriate portion of relevant overheads. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

#### **H. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where surplus funds are available for a short term out of money borrowed specifically to finance a project, the income generated from the temporary investment of amounts is also capitalized and deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

### **4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy to be followed could materially affect the reported amounts of revenues, expenses, assets and liabilities of the Company should it later be determined that a different choice would be more appropriate. In addition, in preparing the accounts in conformity with IFRS, the Company is required to make estimates and assumptions that impact on the reported amounts of revenues, expenses, assets, and liabilities of the Company. Actual results may differ from these estimates. These are discussed in more details below. These critical accounting judgments and key sources of estimation uncertainty should be read in conjunction with the full statement of Accounting Policies at Note 1.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **4.1 Revenue**

The nature of the energy industry in the Nigerian market in which the Company operates is such that revenue recognition is subject to a degree of estimation and is dependent on reconciled energy volumes distributed to consumers vis a vis the energy report received from the market operator on a monthly basis.

Billed revenue comprises of fixed and variable charges which is dependent on the consumption class recipients of energy volumes fall into and is valued based on the Multi-Year Tariff Order (MYTO) structure. This is recognised in the Statement of profit or loss and statement of financial position as Revenue and Trade Receivables respectively based on the value of capacity and energy charge the Company distributes.

### **4.2 Nigerian Electricity Liability Management Company Limited (NELMCO) balances**

Significant judgment has been made by the Directors in respect of the de-recognition of the net position of the NELMCO's current assets & current liabilities which existed up to the date of the completion of the privatisation of the Company; 31 October 2013 and in line with the Pre- Completion Liabilities Transfer and Pre- Completion Receivables Transfer Agreements which cedes all current liabilities, current assets and all forms of tax liabilities (except inventory) as at 31 October, 2013 to NELMCO through a derecognition in the statement of other comprehensive income.

The NELMCO-related balances are those identified from the Company's internal records and external parties up to the date of approval of these financial statements and therefore represents available credible information at the Directors' disposal. Any future identified NELMCO-related balances within the first six months after the handover i.e. until 30th April 2014 or any extension that may be granted by the Nigerian Electricity Regulatory Commission (NERC), is the obligation or asset of NELMCO as a separate and distinct entity.

#### **Key sources of estimation uncertainty**

### **4.3 Impairment of Trade Receivables**

Trade receivables are stated net of allowance for impairment of doubtful debts and adjustments on the confirmed revenue arising from reconciled distributed energy units. The Company estimates its provision for impairment taking into account future cash flows, based on prior experience, ageing analysis and an assessment of the current economic environment within which the Company operates. Such estimates involve a significant degree of judgment.

### **4.4 Impairment of Property, plant and equipment**

Impairment of Property, plant and equipment is conducted at every reporting period in line with the provisions of IAS 36. However, in certain circumstances if there are impairment indicators, Property, plant and equipment are required to be reviewed for impairment. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of the expected future cash flows of the relevant Cash Generating Unit ("CGU"), or disposal value if higher. The discount rate applied is based on the Company's weighted average cost of capital with appropriate adjustments for the risks associated with the CGU. Estimates of cash flows involve a significant degree of judgment and are consistent with management's plans and forecasts.



## **NOTES TO THE FINANCIAL STATEMENTS**

### **4.5 Estimated useful economic lives of assets**

Management of the Company reviews the estimated useful lives of items of property, plant and equipment at each balance sheet date. In assessing the useful lives of property, plant and equipment, management considers, amongst other things, the expected usage of the assets by the Company and the terms of relevant sales and purchase agreements. Any changes in estimates of the remaining useful lives of fixed assets will result in a higher or lower of depreciation expense in future periods.

### **4.7 Recoverability of deferred tax amounts**

Judgement is required to determine whether deferred income tax assets are recognized in the statement of financial position. Deferred income taxes, including those arising from unutilized losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods, in order to utilize deferred income tax assets. Assumptions about future taxable profits depends on management's estimate of future cash flows. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred income taxes recorded at the reporting date could be impacted.

In addition, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

### **4.6 Contingencies**

Appropriate recognition and disclosure of contingent liabilities is made regarding litigation, tax matters, and environmental issues, among others. Accounting for contingencies requires significant judgment by management regarding the estimated probabilities and ranges of exposure to potential loss. The evaluation of these contingencies is performed by specialists either externally contracted or internal personnel. The Company's assessment of its exposure to contingencies could change as new developments occur or more information becomes available. The outcome of the contingencies could vary significantly and could materially impact the Company's results and financial position. The Company has used its best judgment in applying IAS 37 'Provisions, Contingent liabilities and Contingent assets' to these matters during the year.

### **4.6 Decommissioning and environmental liability**

The Company periodically revises the estimates made concerning the costs to be incurred in the decommissioning of the Company's distribution network assets and its constructive obligation to restore the station sites over the course of their operational lives. At 31 December 2013, the present value of the decommissioning liability amount to N (2012 - nil).

**NOTES TO THE FINANCIAL STATEMENTS**

**5 First time adoption of International Financial Reporting Standards**

Until 31 December 2012, the Company prepared its financial statement in accordance with the Statement of Accounting Standards, issued by the Financial Reporting Council of Nigeria ("Nigerian GAAP"). The Company's transition date to IFRS reporting is 1 January 2013 due to the non-availability of financial information in relation to prior periods in order for the transition to be carried out accurately and appropriately.

There are some exemptions permitted by IFRS 1. The Company's first time adoption decisions regarding these exemptions are detailed below. Other options available under IFRS 1, which are not discussed here, are not material / applicable to the Company's business.

Accounting policy	Exemptions	Decision taken
Borrowing costs	Allows an entity to apply the transitional provisions of IAS 23 in lieu of full retrospective application. The effective date in this instance is considered to be the later of January 1, 2009 and the date of transition.	Election taken.
Fair value measurement of financial assets or financial liabilities at initial recognition	A first-time adopter can apply IAS 39's (or IFRS 9) "Day 1" gain or loss provisions prospectively to transactions occurring on or after the date of transition to IFRS.	Election taken.
Decommissioning liabilities	An entity that elects to use the deemed cost exemption for distribution assets in the development or production phases is required to measure decommissioning liabilities as at the transition date to IFRS in accordance with IAS 37 and recognise directly in retained earnings any difference between that amount and the carrying amount of those liabilities at the date of transition to IFRS determined under the entity's previous GAAP.	Election taken.

	31 Dec 2013 N'000	31 Dec 2012 N'000 Unaudited
<b>6 Revenue</b>		
Residential	21,981,933	20,349,483
Commercial	12,140,269	10,858,729
Industrial	13,500,381	11,129,212
Street Lighting	4,100	-
Prepayment billing	-	2,794,310
Other electricity sales	3,059,254	-
Sale of electricity	<u>50,685,937</u>	<u>45,131,734</u>

Revenue recorded represents the total value of billed energy distributed to customers for the year in line with the multi-year tariff order (MYTO) structure.



**NOTES TO THE FINANCIAL STATEMENTS**

<b>7 Operating costs</b>	<b>31 Dec 2013 N'000</b>	<b>31 Dec 2012 N'000 Unaudited</b>
Cost of Energy	39,355,943	37,565,995
Salaries and wages	8,045,010	6,785,547
Depreciation expense (Note 13)	2,995,550	2,228,512
Repairs and maintenance	827,154	2,135,964
Other operating costs	-	642,069
	<b>51,223,657</b>	<b>49,358,087</b>
<b>8 Administrative expenses</b>	<b>31 Dec 2013 N'000</b>	<b>31 Dec 2012 N'000 Unaudited</b>
Other staff costs	1,403,346	4,302,634
Provision for Inventory (Note 15)	1,280,933	-
Other overheads	678,471	495,599
Depreciation and Amortisation (Note 13)	562,095	467,498
Bank charges	521,480	106,157
Impairment /Provision of trade receivables	453,917	4,086,512
Transport and travel expenses	323,159	155,853
Other sales expenses	281,730	-
Entertainment, advertisement and public relations	219,960	-
Repairs and Maintenance	205,755	86,397
Printing, stationery and consumables	204,464	248,236
Accommodation	90,715	148,409
Audit fees	36,000	-
Legal and Professional Fees	29,411	15,961
Training expenses	27,602	-
Insurance	3,974	44,744
	<b>6,323,012</b>	<b>10,158,000</b>
<b>9 Other income</b>	<b>31 Dec 2013 N'000</b>	<b>31 Dec 2012 N'000 Unaudited</b>
Other operating revenue	284,496	109,587
Other non operating income	15,509	480,447
Contractors registration fees	10,504	20
Income from asset disposal	1,237	-
Reconnection fees	-	124,990
Service connection	-	1,805
	<b>311,746</b>	<b>716,849</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 10 Pre-acquisition and post acquisition profit or loss statements

On 1 November, 2013, the handover of Ikeja Electric PLC to the new owners, New Electricity Distribution Company Limited was completed. As part of the sale and purchase agreement, all pre-completion current assets (except inventories), current liabilities (including all forms of tax liabilities and employee benefits) were to be taken on by the Nigeria Electricity Liability Management Company (NELMCO). As a result, pre-acquisition profits related to assets and liabilities are also transferred to NELMCO. These pre-completion assets and liabilities were derecognised and recorded against other comprehensive income.

	Unaudited Pre- acquisition Opening balance	Audited Post acquisition Activity Nov-Dec 2013	Closing balance
	31 Oct 2013 N'000	2013 N'000	31-Dec-13 N'000
<b>10.1 Statement of profit or loss - Naira</b>			
Net sales	42,725,088	7,960,849	50,685,937
Operating cost	(43,915,320)	(7,308,337)	(51,223,657)
<b>Gross profit</b>	<b>(1,190,232)</b>	<b>652,512</b>	<b>(537,720)</b>
Administrative expenses	(4,055,677)	(2,267,335)	(6,323,012)
Finance income	21,772	2	21,774
Finance cost	-	-	-
<b>Operating profit</b>	<b>(5,224,137)</b>	<b>(1,614,821)</b>	<b>(6,838,958)</b>
Other gains/(losses)	299,636	12,110	311,746
<b>Loss before taxation</b>	<b>(4,924,501)</b>	<b>(1,602,711)</b>	<b>(6,527,212)</b>
Taxation	-	(325,170)	(325,170)
<b>Loss for the year</b>	<b>(4,924,501)</b>	<b>(1,927,881)</b>	<b>(6,852,382)</b>
<b>Other comprehensive income</b>			
Derecognition of NELMCO balances (Note 23)	21,862,388	-	21,862,388
<b>Total comprehensive loss for the year</b>	<b>16,937,887</b>	<b>(1,927,881)</b>	<b>15,010,006</b>



**NOTES TO THE FINANCIAL STATEMENTS**

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
	<b>N'000</b>	<b>N'000</b>
<b>11 Profit before taxation</b>		<b>Unaudited</b>
This is stated after charging:		
Auditor's remuneration	36,000	15,961
Depreciation	3,557,645	2,696,010
Other income	<u>311,746</u>	<u>716,849</u>
<b>12 Taxation</b>		
<b>12 Income tax expenses recognised in profit or loss</b>		
<b>Current tax</b>		
Income tax	325,170	470,807
Education tax	<u>-</u>	<u>-</u>
<b>Current tax expenses for the current year</b>	325,170	470,807
Deferred tax (Note 12.2)	<u>-</u>	<u>(3,735,628)</u>
<b>Total income tax expenses recognised in profit and loss in the current year for continuing operations</b>	<u><b>325,170</b></u>	<u><b>(3,264,821)</b></u>

Corporation tax is calculated at 30% (2012: 30%) of the estimated taxable profit for the year. The charge for taxation is based on the provisions of the Companies Income Tax Act CAP C21 LFN 2004, as amended

The charge for Tertiary Education Tax of 2% (2014: 2%) is based on the Tertiary Education Trust Fund Act 2011

The tax charge for the year has not been reconciled to the results per the Company's statement of profit or loss and other comprehensive income. This is because the Company did not have taxable profits in the year and therefore recognized minimum tax in line with the provisions of the Companies Income Tax Act CAP C21 LFN 2014.

**NOTES TO THE FINANCIAL STATEMENTS**

<b>12.1 Current tax</b>	<b>31 Dec 2013 N'000</b>	<b>31 Dec 2012 N'000 Unaudited</b>
At 1 January	1,172,721	701,914
Write off of tax liabilities	(1,172,721)	-
Tax charged for the year	325,170	470,807
Payment during the year	-	-
	<u>325,170</u>	<u>1,172,721</u>
At 31 December	<u>325,170</u>	<u>1,172,721</u>

The charge for taxation in these financial statements is based on the provision of the Companies Income Tax (CAP C2, LFN 2004) and Tertiary Education Trust Fund Act, 2011

<b>12.2 Deferred tax</b>	<b>31 Dec 2013 N'000</b>	<b>31 Dec 2012 N'000 Unaudited</b>
At 1 January	(28,133,980)	(24,398,352)
Write off of tax liabilities	28,133,980	-
Recognized in income statement	-	(3,735,628)
	<u>-</u>	<u>(3,735,628)</u>
At 31 December	<u>-</u>	<u>(28,133,980)</u>

The Company has an estimated deferred tax asset of N3.5billion primarily relating to unutilized capital allowances and unutilized tax losses. The Directors have not recognized the asset as it is not certain when the Company will make sufficient taxable profit to offset this deferred tax asset against and the period in which these timing differences will reverse.

In line with the NELMCO Pre-completion Receivables/Liability Transfer Agreement between Ikeja Electric PLC and Nigerian Electricity Liability Management (NELMCO) Ltd/Gte, pre-acquisition current and deferred tax balances have been derecognised.



## NOTES TO THE FINANCIAL STATEMENTS

### 13 Property, plant and equipment

	DISTRIBUTION ASSETS			NON DISTRIBUTION ASSETS				
	Plant and machinery N'000	CWIP	Total	Equipment, Furniture & fittings N'000	Motor vehicles N'000	Buildings N'000	Total	Total N'000
<b>Cost or valuation</b>								
At 1 January 2012 (unaudited)	88,152,423	2,390,534	90,542,957	512,239	1,182,695	9,061,534	10,756,468	101,299,425
Additions (unaudited)		1,594,031	1,594,031	740,281	27,600	9,773	777,654	2,371,685
Transfers (unaudited)	1,000,562	(1,000,562)	-					-
At 1 January 2013 (unaudited)	89,152,985	2,984,003	92,136,988	1,252,520	1,210,295	9,071,307	11,534,122	103,671,110
Post-Acquisition Adjustments (13.1)	-	-	-		(70,707)	(1,118,458)	(1,189,165)	(1,189,165)
Addition	203,556	519,039	722,595	450,526	-	16,044	466,570	1,189,165
Transfers	641,663	(641,663)	-	-	-	-	-	-
At 31 December 2013	89,998,204	2,861,379	92,859,583	1,703,046	1,139,588	7,968,893	10,811,527	103,671,110
<b>Accumulated depreciation and impairment</b>								
At 1 January 2012 (unaudited)	29,814,208	-	29,814,208	165,357	668,221	2,981,007	3,814,585	33,628,793
Charge for the year (unaudited)	2,228,512	-	2,228,512	64,018	242,059	161,421	467,498	2,696,010
At 1 January 2013 (unaudited)	32,042,720	-	32,042,720	229,375	910,280	3,142,428	4,282,083	36,324,803
Charge for the year	2,995,550	-	2,995,550	156,823	190,262	215,011	562,096	3,557,646
At 31 December 2013	35,038,270	-	35,038,270	386,198	1,100,542	3,357,439	4,844,179	39,882,449
<b>Carrying amount</b>								
At 1 January 2012 (unaudited)	58,338,215	2,390,534	60,728,749	346,882	514,474	6,080,527	6,941,883	67,670,632
At 31 December 2012 (unaudited)	57,110,265	2,984,003	60,094,268	1,023,145	300,015	5,928,879	7,252,039	67,346,307
At 31 December 2013	54,959,934	2,861,379	57,821,313	1,316,848	39,046	4,611,454	5,967,348	63,788,661

**13.1** Post-acquisition adjustment represents excess of the unaudited comparative balance of PPE in comparison to the closing balances. These costs could neither be substantiated nor supported hence the adjustment.

**13.2** Management at the reporting date have considered possible impairment triggers in respect of the operations of the Company. Based on its assessment, no impairment provision has resulted based on the assumptions and estimates adopted on the expected cash flows from installed capacity, weighted average cost of capital and technical loss ratio. Management believes that the estimates and assumptions made are reasonable and based on best available information for both planning and operational purposes. Management acknowledges that sensitivity fluctuations may exist in the future based on macro-economic indices and Company specific factors due to the continuing restructuring and regulations in the power industry but expects that any fluctuation which may impact on the carrying amount of the distribution network assets will be accounted for prospectively, if any exists in the applicable reporting period.

**IKEJA ELECTRIC PLC***Financial statements**For the year ended 31 December 2013***NOTES TO THE FINANCIAL STATEMENTS**

<b>14 Trade and other receivables</b>	<b>31 Dec 2013 N'000</b>	<b>31 Dec 2012 N'000 Unaudited</b>
Energy customers	2,982,302	4,845,630
Related Party receivables	-	3,190,146
Collection agents	248,089	-
Staff loans and advances	-	7,967
	<b>3,230,391</b>	<b>8,043,743</b>
Provision for doubtful debt	(453,917)	-
<b>Net trade and other receivables</b>	<b>2,776,474</b>	<b>8,043,743</b>

Trade receivables represent amounts due from billable consumers in respect of energy distributed in kilowatts valued at rates detailed in the Multi-Year Tariff Order 2 ("MYTO 2").

The ageing of customers at the end of the reporting period that were not impaired was as follows:

	<b>31 Dec 2013 N'000</b>	<b>31 Dec 2012 N'000 Unaudited</b>
<b>Past due but not impaired</b>		
Past due (0-30 days)	2,687,857	-
Past due (31-90 days)	88,617	-
Past due 90+ days	-	8,043,743
	<b>2,776,474</b>	<b>8,043,743</b>

<b>Ageing of impaired trade receivables</b>	<b>31 Dec 2013 N'000</b>	<b>31 Dec 2012 N'000 Unaudited</b>
1-30 days	46,432	-
31 -60 days	26,339	-
60 - 90 days	381,146	-
Above 90 days	-	-
	<b>453,917</b>	<b>-</b>

<b>Movement in allowance for doubtful debt</b>	<b>31 Dec 2013 N'000</b>	<b>31 Dec 2012 N'000 Unaudited</b>
Balance at the beginning of the year	-	-
Impairment recognized in the year	453,917	-
Amounts recovered during the year	-	-
	<b>453,917</b>	<b>-</b>

In determining the recoverability of a trade receivable the entity considers any changes in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The directors are in discussions with its customers on the recovery of these receivables. Customers make payments on accounts. Hence management makes full provisions to cover for non-current bills (>90days). The Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Company to the counterparty. The average age of these receivables is 60 days. The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.



**IKEJA ELECTRIC PLC***Financial statements**For the year ended 31 December 2013***NOTES TO THE FINANCIAL STATEMENTS****15 Inventories**

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
	<b>N'000</b>	<b>N'000</b>
		<b>Unaudited</b>
Distribution stores	512,392	1,220,449
General stores	753,502	1,006,160
Stationery	15,039	16,312
Provision for inventory	(1,280,933)	(1,066,712)
	<u>-</u>	<u><b>1,176,209</b></u>

Inventory values in 2013 have been provided for to the extent that they cannot be validated in line with IAS 2.

**16 Cash and bank balances**

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
	<b>N'000</b>	<b>N'000</b>
		<b>Unaudited</b>
Cash at hand	45	60,440
Cash in bank	2,290,696	5,300,686
	<u><b>2,290,741</b></u>	<u><b>5,361,126</b></u>

**17 Trade and other payables**

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
	<b>N'000</b>	<b>N'000</b>
		<b>Unaudited</b>
Amount due to related parties (Note 17.1)	65,363	-
Trade creditors	5,601,508	58,474,089
Other creditors and accrued expenses	537,461	3,098,187
	<u><b>6,204,332</b></u>	<u><b>61,572,276</b></u>

**17.1 Related party transactions**

Sahara group, a related party advanced N40million (2012: none) for operations and working capital purposes. In addition, Sahara group also recharged costs of staff seconded to the Company amounting to N25.4million (2012: none). These amounts are unsecured and will be settled in the normal course of business. No interests are charged on these amounts neither have guarantees been given or received. No provisions have been made in respect of amounts payable.

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
	<b>N'000</b>	<b>N'000</b>
		<b>Unaudited</b>
<b>Amounts due to related companies</b>		
Sahara Group	65,363	-
	<u><b>65,363</b></u>	<u><b>-</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

### 18 Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from prior year. The capital structure of the Company consists of cash and cash equivalents as disclosed in Note 17, debts as shown in Note 18 and the reserves in the statement of changes in equity.

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

#### Gearing ratio

	31 Dec 2013 N'000	31 Dec 2012 N'000 Unaudited
The gearing ratio is as follows:		
Debt	-	-
Cash and cash equivalents	2,290,741	5,361,126
Net debt	<u>2,290,741</u>	<u>5,361,126</u>
Equity	<u>62,326,374</u>	<u>47,316,368</u>
Net debt to equity ratio	<u>0.037</u>	<u>0.113</u>

Debt is defined as all forms of borrowing excluding derivatives and financial guarantee contracts.

Equity comprises capital of the Company that is managed as capital.

### 19 Financial instruments

#### 19.1 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

#### 19.2 Categories of financial instruments

The following table summarizes the Company's financial instruments:

	31 Dec 2013 N'000	31 Dec 2012 N'000 Unaudited
<b>19.2.1 Financial assets (Loans and receivables)</b>		
Cash and cash equivalents	2,290,741	5,361,126
Trade and other receivables	2,776,474	8,043,743
	<u>5,067,215</u>	<u>13,404,869</u>
<b>19.2.2 Financial liabilities</b>		
<b>Financial liabilities at amortised cost</b>		
Trade and other payables (Note 17)	<u>6,204,332</u>	<u>61,572,276</u>



**NOTES TO THE FINANCIAL STATEMENTS**

**19.2.3 Fair value of financial instruments**

In the opinion of the Directors, the carrying amounts of financial instruments as stated above approximate their fair values.

**20 Financial risk management**

**20.1 Financial risk management objectives**

The Company monitors and manages financial risks relating to its operations through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include foreign exchange risk, credit risk, liquidity risk and cash flow interest rate risk.

Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Company's activities. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

**20.2 Foreign exchange risk**

The impact of a 1% change in the Nigerian Naira to US dollar exchange rate was not material in 2013 and 2012.

**20.3 Credit risk management**

The company is exposed to both settlement risk defined as the risk of a counterparty failing to pay for energy and/or services which have been delivered. Credit risk is mitigated by active engagement and reconciliation of energy supplied to the customers and promotion of compliance with the MYTO agreement. Credit risk is an activity managed by the Directors with all relevant stakeholders to ensure reduced impact on provisioning policy. The allowance for doubtful debts is analyzed at each reporting date and this is estimated by management taking into account future cash flows, prior experience, ageing analysis and an assessment of the current economic climate within which the company operates. The maximum exposure to credit risk in respect of trade receivables is the carrying value of the trade receivables at the reporting date. The carrying value of trade receivables is stated net of the allowance for recoverability provision.

The credit risk on liquid funds and non-derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and related companies.

The carrying amount of financial assets represents the Company's maximum exposure, which as at the reporting date, was as follows:

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
	<b>N'000</b>	<b>N'000</b>
		<b>Unaudited</b>
Cash and cash equivalents	2,290,741	5,361,126
Trade and other receivables	2,776,474	8,043,743
	<b>5,067,215</b>	<b>13,404,869</b>

**i) Collateral held as security and other credit enhancements**

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk as no collateral or other credit enhancements are held.

**20.4 Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built a liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company maintains adequate liquid reserves, by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivity run for different scenarios including, but not limited to, changes in Energy Tariff and changes in distribution class and status of customers. On this basis, the Company's forecasts, taking into account

## NOTES TO THE FINANCIAL STATEMENTS

### 20.4 Liquidity risk management (cont'd)

reasonably possible changes as described above and further in the going concern section of the financial statements, shows that the Company will be able to operate within its current debt facilities and has sufficient financial headroom based on the support of its ultimate parent undertaking.

The Company's cash reserves are held in Nigeria. All of the Company's cash and cash equivalents are currently held within reputable and well known commercial institutions.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The amounts are based on undiscounted cash flows and the earliest date on which the Company can be required to pay.

	31 Dec 2013 N'000	31 Dec 2012 N'000 Unaudited
30 days	2,893,313	-
60 days	3,311,019	-
90 days	-	-
90+ days	-	61,572,276
	<u>6,204,332</u>	<u>61,572,276</u>

### 20.5 Energy market risk

The company is exposed to market risk associated with fluctuations in the market price of electricity within the framework of the Multi Year Tariff Order (MYTO) and confirmation by the market operator and volumetric loss risk of power distributed caused by unplanned changes in the load, volume of power received from generating companies, capacity of distribution assets and demand by customers. The risk management policies are implemented at the business level with the oversight of the Company's board, technical partner, and management teams.

### 20.6 Treasury risk

Treasury risk is comprised of liquidity and market risk. The company's cash management and short-term financing activity.

#### i) Treasury liquidity risk

Liquidity risk, the risk that the company will have insufficient funds to meet its liabilities. This is met or mitigated through active assessment of funding requirements by the finance operation team and decision by the board. The Company adopts a mix of funding arrangements to limit its exposures but enhance operations through related parties, financial institutions and when required long term debt to finance core expansion projects.

#### (ii) Treasury market risk

Market risk is the risk of loss that results from changes in market rates (foreign exchange rates and interest rates). The Company is exposed to foreign currency fluctuation primarily between the Naira and US\$ due to continuing devaluation weakening of the Naira which is the functional currency. Exchange risk exposures are mitigated where possible through local purchases or denomination of capital expenses in Naira where feasible.

#### (iii) Interest Rate Risk

The Company's interest rate exposures is subject to the commercial fluctuations in the financial market in which the loan is being sourced. Exposures are limited by funding foreign currency purchases with foreign currency loans and local purchases with local finance. Also, the Company adequately and routinely assesses its working capital and excess funds are utilized for other long term funding obligations.



**IKEJA ELECTRIC PLC**  
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**NOTES TO THE FINANCIAL STATEMENTS**

	31 Dec 2013 N'000	31 Dec 2012 N'000 Unaudited
<b>21 Share capital</b>		
<i>Authorised, Issued and fully paid</i>		
10,000,000 ordinary shares of N0.50k each	<u>5,000</u>	<u>5,000</u>
<b>Shareholders</b>	<b>Unit</b>	<b>Unit</b>
NEDC/KEPCO Consortium Limited	6,000,000	-
Bureau of Public Enterprises	3,200,000	8,000,000
Ministry of Finance Incorporated	<u>800,000</u>	<u>2,000,000</u>
	<u><b>10,000,000</b></u>	<u><b>10,000,000</b></u>
	<b>%</b>	<b>%</b>
NEDC/KEPCO Consortium Limited	60	-
Bureau of Public Enterprises	32	80
Ministry of Finance Incorporated	<u>8</u>	<u>20</u>
	<u><b>100</b></u>	<u><b>100</b></u>
<b>22 (Loss) per share</b>	<b>31 Dec 2013 N'000</b>	<b>31 Dec 2012 N'000 Unaudited</b>
<b>(Loss)</b>		
(Loss) for the purpose of basic loss per share is based on net loss attributable to equity holders of the Company.	<u><b>(6,852,382)</b></u>	<u><b>(10,345,299)</b></u>
<b>Number of shares</b>	<b>31 Dec 2013 Number</b>	<b>31 Dec 2012 Number Unaudited</b>
Number of ordinary shares for the purpose of basic loss per share	<u><b>10,000,000</b></u>	<u><b>10,000,000</b></u>
	<b>31 Dec 2013 N'000</b>	<b>31 Dec 2012 N'000 Unaudited</b>
Earnings per share (Naira) - Basic	<u><b>(685.24)</b></u>	<u><b>(1,034.53)</b></u>
<b>23 Reconciliation of retained earnings</b>	<b>31 Dec 2013 N'000</b>	<b>31 Dec 2012 N'000 Unaudited</b>
<b>As at 1st January (unaudited)</b>		
- Retained earnings brought forward	47,311,368	(51,873,795)
- Federal government funding de-recognised	-	4,834,147
- Other Reserves (Note 24)	21,862,388	104,696,315
Loss for the year	-	(10,345,299)
Loss for the 10-month period (Note 10.1)	(4,924,501)	-
Loss for the 2-month period (Note 10.1)	<u>(1,927,881)</u>	<u>-</u>
<b>As at 31 December</b>	<u><b>62,321,374</b></u>	<u><b>47,311,368</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

### 23.1 Opening retained earnings

The opening accumulated loss represent the closing accumulated loss per the financial statements as audited by the former auditors, Price WaterHouse Coopers (PWC) for the year ended 31 December 2012.

Prior to privatisation, Federal Government grants represent funds received from the Federal Government of Nigeria in respect of capital projects. Upon privatisation in November 2011, these grants ceased to exist hence they have been written off.

Prior to privatisation, other reserves represented the value of assets transferred by the now defunct PHCN to Ikeja Distribution Plc. This balance was written off to the extent that it could not be validated. Currently, other reserves represents non-core net liabilities written off to Nigerian Electricity Liability Management Company (NELMCO) in line with the Purchase agreement

### 24 Other NELMCO balances

The other NELMCO balances relate to the derecognition of the aggregate NELMCO-related balances and adjustments in line with the NELMCO Pre-completion Receivables/Liability Transfer Agreement between Ikeja Electric PLC and Nigerian Electricity Liability Management (NELMCO) Ltd/Gte. The agreement became effective from the handover date; 1st November 2013.

**31 Dec 2013**  
**N'000**

Assets of NELMCO derecognised (Note 24.1)	51,550,767
Liabilities of NELMCO derecognized (Note 24.2)	(73,413,155)

#### Net liabilities due from NELMCO

**(21,862,388)**

### 24.1 Assets of NELMCO derecognised

Trade and other receivables	14,553,159
Inventories	(775,907)
Other current assets	718,359
Deferred taxes	29,213,396
Prepayments	203,081
Cash and bank balances	<u>7,638,679</u>

#### Total assets due to NELMCO

**51,550,767**

### 24.2 Liabilities of NELMCO derecognised

Trade and other payables	(65,707,734)
Accrued expenses and other liabilities	(4,949,691)
Income taxes	<u>(2,755,730)</u>

#### Total liabilities due from NELMCO

**(73,413,155)**



## NOTES TO THE FINANCIAL STATEMENTS

### 25 Information regarding directors and employees

25.1 Directors	31 Dec 2013 N'000	31 Dec 2012 N'000 Unaudited
Directors' emoluments comprise:		
Fees	-	-
Expenses	6,206,667	-
	<u>6,206,667</u>	<u>-</u>

The number of Directors including the Chairman whose emoluments were within the bands stated below were:

	31 Dec 2013 Number	31 Dec 2012 Number
Up to NGN 150,000	<u>7</u>	<u>-</u>

The Directors have no interests in contracts executed by the Company during the year ended 31 December 2013

### 25.2 Employees

Total number of employees as at year-end:

	31 Dec 2013 Number	31 Dec 2012 Number Unaudited
Management	46	54
Senior	1,429	2,685
Junior	1,157	1,308
	<u>2,632</u>	<u>4,047</u>

#### Aggregate staff costs:

Salaries and wages	8,045,010	6,785,547
Pension contributions	41,821	-
Medical expenses	-	-
Other staff costs	1,361,525	4,302,634
	<u>9,448,356</u>	<u>11,088,181</u>

The number of paid employees with gross emoluments within the bands stated below were:

	31 Dec 2013 N'000	31 Dec 2012 N'000 Unaudited
N500,000 - N1,000,000	-	-
N1,000,000 - N1,500,000	1034	-
N1,500,001 - N2,000,000	259	-
N2,000,001 - N2,500,000	234	-
N2,500,001 and above	1,105	-
	<u>2,632</u>	<u>-</u>

The salary band for 2012 was unavailable as a result of insufficient information and is therefore excluded.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **26 Contingent liabilities**

The Company has contingent liabilities in respect of pending litigation and claims separately and jointly amounting to N512bn as at the date of approval of these financial statements in the normal course of business and contingent assets in respect of suit it instituted of N500million. The Directors, on the advice of the solicitors are confident that the Company will suffer no material loss as the suits are likely to be decided in their favor. Consequently, no provisions have been made in these financial statements.

### **27 Financial commitments**

There was no capital commitments contracted by the Company or approved by the Board which had not been provided for as at the reporting date (2012: Nil)

### **28 Subsequent events**

On 10 November, 2016, the Company increased its authorized share capital from N10 million to N100 million by the issuance of 90 million ordinary shares at a nominal share price of N1.00 per share.

In 2015, Nigeria Electricity Regulatory Commission (NERC) increased tariffs thus introducing the Multi Year Tariff Order (MYTO) 2015 as against the MYTO 2 plan applicable in current year. MYTO 2015 covers a 10 year period up to 2024.

On 14 April 2015, the Company changed its name from Ikeja Electricity Distribution Plc to Ikeja Electric Plc.

There were no other significant events after the reporting date that could have a material effect on the state of affairs of the Company as at 31 December 2013, or on the net results for the year which have not been adequately provided for or disclosed in these financial statements.



**IKEJA ELECTRIC PLC***Financial statements**For the year ended 31 December 2013***STATEMENT OF VALUE ADDED**

	<b>31 Dec 2013</b>		<b>31 Dec 2012</b>	
	<b>N'000</b>	<b>%</b>	<b>N'000</b>	<b>%</b>
Revenue	50,685,937	(999)	<b>Unaudited</b> 45,131,734	-25927%
Bought in materials and services				
- Imported	-	-	-	-
- Local	<u>(55,761,380)</u>	<u>1,099</u>	<u>(45,305,805)</u>	<u>26027%</u>
<b>Value consumed</b>	<b><u>(5,075,443)</u></b>	<b><u>100</u></b>	<b><u>(174,071)</u></b>	<b><u>100%</u></b>
<b><i>Distributed as follows:</i></b>				
<b>To pay employees</b>				
Staff cost	(8,045,010)	159	(11,088,181)	6,370
<b>To pay Government</b>				
Taxation	(325,170)	6	(470,807)	270
<b>Maintenance of assets and future expansion</b>				
Depreciation	(3,557,645)	70	(2,696,010)	1,549
Loss for the year	6,852,382	(135)	10,345,299	(5,943)
Deferred tax	<u>-</u>	<u>-</u>	<u>3,735,628</u>	<u>(2,146)</u>
<b>Value consumed</b>	<b><u>(5,075,443)</u></b>	<b><u>100</u></b>	<b><u>(174,071)</u></b>	<b><u>100</u></b>

Value consumed represents the change in the Company's wealth through its operations and those of its employees. This statement shows the allocation of that wealth among employees, the government and the portion consumed for the future creation of wealth

## FIVE YEAR FINANCIAL SUMMARY

	31 Dec 2013 N'000 (IFRS)	31 Dec 2012 N'000 (NGAAP) Unaudited	31 Dec 2011 N'000 (NGAAP) Unaudited	31 Dec 2010 N'000 (NGAAP) Unaudited	31 Dec 2009 N'000 (NGAAP) Unaudited
<b>Statement of financial position</b>					
<b>Assets</b>					
Property, plant and equipment	63,788,661	67,346,307	67,658,119	82,630,947	4,470,211
Current assets	5,067,215	42,715,058	40,505,783	14,477,351	12,813,253
	<u>68,855,876</u>	<u>110,061,365</u>	<u>108,163,902</u>	<u>97,108,298</u>	<u>17,283,464</u>
<b>Capital and Liabilities</b>					
Current liabilities	6,529,502	62,744,997	50,802,235	40,307,466	21,675,948
Share capital	5,000	5,000	5,000	5,000	5,000
Accumulated reserves/(deficits)	(69,071,476)	(62,219,094)	(51,873,795)	(47,189,058)	(15,240,493)
Federal government funding	-	4,834,147	4,534,147	4,064,989	3,526,810
Other reserves	131,392,850	104,696,315	104,696,315	99,919,901	7,316,199
<b>Total equity</b>	<u><b>68,855,876</b></u>	<u><b>110,061,365</b></u>	<u><b>108,163,902</b></u>	<u><b>97,108,298</b></u>	<u><b>17,283,464</b></u>
<b>Statement of profit or loss and other comprehensive income</b>					
Turnover	50,685,937	45,131,734	38,301,988	44,504,446	21,480,883
Loss before taxation	(6,527,212)	(13,610,120)	(26,233,212)	(30,149,818)	(2,773,896)
Taxation	(325,170)	3,264,821	7,239,083	8,336,815	581,816
Loss for the year	(6,852,382)	(10,345,299)	(18,994,129)	(21,813,003)	(2,192,080)
<b>Total comprehensive loss</b>	<u><b>15,010,006</b></u>	<u><b>(10,345,299)</b></u>	<u><b>(18,994,129)</b></u>	<u><b>(21,813,003)</b></u>	<u><b>(2,192,080)</b></u>
Earnings per share - Basic (Naira)	(685.24)	(1,034.53)	(1,899.41)	(2,181.30)	(219.21)
Net assets/ liabilities per share	6,232.64	4,731.64	5,736.17	5,680.08	(439.25)

**Notes**

Loss per share is based on the loss for the year and it is computed on the basis of the number of ordinary shares in issue as at the end of the respective statement of financial position date

Net assets/ liabilities per share is based on the net assets/liabilities and the number of ordinary shares in issue as at the end of the respective statement of financial position date