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IKEJA ELECTRIC PLC
(FORMERLY IKEJA ELECTRICITY DISTRIBUTION PLC)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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IKEJA ELECTRIC PLC*Financial statements**For the year ended 31 December 2014***CORPORATE INFORMATION****Directors**

| | | |
|------------------|------------|---------------|
| 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 |

Registered Office

Ikeja Electric Plc
(Formally Ikeja Electricity Distribution Plc)
Obafemi Awolowo
Way, Ikeja
Lagos State, Nigeria

Principal Bankers

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

Principal Solicitors

Udo Udoma & Belo-Osagie
Adetunji Adedeji & Company
A.G Bamiro & Co

Auditors

Akintola Williams Deloitte
Civic Towers
Ozumba Mbadiwe Road
Victoria Island
Lagos

Company Secretary

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) ("**The Company**") 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 2014, 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 (see Note 1.2, page 7 for more details).


The financial statements of the Company for the year ended 31 December 2014 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 AUDITORS 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 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

1. Limitation of scope in respect of comparative information

The present management took over the Company on 1 November 2013 ('handover date') and appointed us as auditors to the Company on 7 April 2014. However, adequate, sufficient information and supporting documents were not available to management and consequently to us to obtain appropriate and sufficient audit evidence for transactions recorded between 1 January 2013 and 31 December 2013. We therefore could not substantiate the validity, valuation, accuracy and occurrence of the transactions and balances disclosed as the supporting documents and explanations for such transactions and balances could not be made available to us.

As a result of this matter, 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 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended. The financial effects of this matter were impracticable to quantify. Accordingly, we did not express an opinion on these elements of the financial statements.

2. Inability to effectively translate the balances as at 31/12/2012 and 31/12/2013 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 in 2013. 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 31 December 2013 and the statement of profit or loss and other comprehensive income statement. The financial effects of this matter on the comparative figures were impracticable to quantify.

Qualified Opinion

Except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph above, the financial statements give a true and fair view of the financial position of Ikeja Plc as at 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act, Cap C20, LFN 2004, and the Financial Reporting Council of Nigeria Act No 6, 2011.

Emphasis of Matter

We draw attention to Note 1.2 to the financial statements concerning the Directors' assessment of the Company's going concern as at year end. Our opinion is not qualified in respect of this.

Other reporting responsibilities

In accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 LFN 2004 we expressly state that except for the matters described in the Basis of Qualified Opinion paragraph above:

- i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) The Company has kept proper books of account, so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received;
- iii) The Company's statements of financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

Olufemi Abegunde, FCA - FRC/2014/ICAN/00000004507
For: Akintola Williams Deloitte
Chartered Accountants
Lagos, Nigeria

30 December, 2016



IKEJA ELECTRIC PLC
Financial statements
For the year ended 31 December 2014
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | 2014 N'000 | 2013 N'000 |
|---|------|---------------------|--------------------|
| Revenue | 5 | 54,436,806 | 50,685,937 |
| Operating costs | 6 | (50,860,638) | (51,223,657) |
| Gross Loss | | 3,576,168 | (537,720) |
| Other income | 8 | 112,005 | 311,746 |
| Administrative costs | 7 | (25,997,270) | (6,323,012) |
| Operating loss | | (22,309,097) | (6,548,986) |
| Finance income | | 11,923 | 21,774 |
| Loss before taxation | | (22,297,174) | (6,527,212) |
| Taxation | 10 | 10,187,466 | (325,170) |
| Loss for the year | | (12,109,708) | (6,852,382) |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | |
| Derecognition of NELMCO net liabilities | 21 | - | 21,862,388 |
| Gain/(loss) on revaluation | 11 | 35,440,104 | - |
| Deferred tax on revaluation surplus | 10 | (10,632,031) | - |
| Total comprehensive income for the year | | 12,698,365 | 15,010,006 |
| Earnings per share - Basic (Naira/ US\$) | 19 | (1,210.97) | (685.24) |

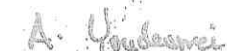
The explanatory notes on pages 7 to 34 form an integral part of these financial statements.

IKEJA ELECTRIC PLC
Financial statements
As at 31 December 2014

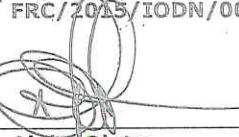
STATEMENT OF FINANCIAL POSITION

| | Note | 31 Dec 2014 N'000 | 31 Dec 2013 N'000 |
|-------------------------------------|------|----------------------|----------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 90,826,220 | 63,788,661 |
| Deferred tax | 10 | 10,632,031 | - |
| | | <u>101,458,251</u> | <u>63,788,661</u> |
| Inventories | 13 | 153,874 | - |
| Trade and other receivables | 12 | 6,378,168 | 2,776,474 |
| Cash and bank balances | 14 | 1,877,211 | 2,290,741 |
| Prepaid expenses | | 112,265 | - |
| Total Current Assets | | <u>8,521,518</u> | <u>5,067,215</u> |
| TOTAL ASSETS | | <u>109,979,769</u> | <u>68,855,876</u> |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 18 | 5,000 | 5,000 |
| Federal government funding | | - | - |
| Revaluation reserves | | 24,808,073 | - |
| Accumulated deficit | | (81,181,184) | (69,071,476) |
| Other reserves | 20 | 131,392,850 | 131,392,850 |
| TOTAL EQUITY | | <u>75,024,739</u> | <u>62,326,374</u> |
| LIABILITIES | | | |
| Deferred tax liability | 10 | 10,632,031 | - |
| | | <u>10,632,031</u> | <u>-</u> |
| Current liabilities | | | |
| Trade and other payables | 15 | 23,553,264 | 6,204,332 |
| Taxation | 10 | 769,735 | 325,170 |
| TOTAL CURRENT LIABILITIES | | <u>24,322,999</u> | <u>6,529,502</u> |
| TOTAL LIABILITIES | | <u>34,955,030</u> | <u>6,529,502</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>109,979,769</u> | <u>68,855,876</u> |

The financial statements on pages 3 to 36 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


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



Ade Odunsi
Director
FRC/2014/ICAN/00000005046


Tonye Cole
Director
FRC/2014/IODN/00000008873

The explanatory notes on pages 7 to 34 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

| | Note | Share Capital N'000 | Federal Government Funding N'000 | Accumulated Deficit N'000 | Revaluation Reserves N'000 | Other Reserves N'000 | Total Equity N'000 |
|---|------|------------------------|--|---------------------------------|----------------------------------|----------------------------|--------------------------|
| Balance as at 1 January 2013 (Unaudited) | | | | | | | |
| De-recognition of government grants | | 5,000 | 4,834,147 | (62,219,094) | - | 104,696,315 | 47,316,368 |
| De-recognition of NELMCO net assets | 21 | - | (4,834,147) | - | - | 4,834,147 | - |
| Losses for the year – 2013 | | - | - | (6,852,382) | - | 21,862,388 | 21,862,388 |
| | | | | | | | (6,852,382) |
| Balance as at 1 January 2014 | | 5,000 | - | (69,071,476) | - | 131,392,850 | 62,326,374 |
| Revaluation reserves | 11 | - | - | - | 35,440,104 | - | 35,440,104 |
| Deferred tax on revaluation surplus | | - | - | - | (10,632,031) | - | (10,632,031) |
| Loss for the year – 2014 | | - | - | (12,109,708) | - | - | (12,109,708) |
| Balance as at 31 December 2014 | | 5,000 | - | (81,181,184) | 24,808,073 | 131,392,850 | 75,024,739 |

Prior to privatisation, Federal Government grants represent funds received from the Federal Government of Nigeria in respect of capital projects. Upon privatisation in November 2013, no further grants were received.

Prior to privatisation, other reserves represented the value of assets transferred by the now defunct PHCN to Ikeja Distribution Plc. In 2013, other reserves represented non-core net liabilities written off to Nigerian Electricity Liability Management Company (NELMCO) in line with the Purchase agreement.

The explanatory notes on pages 7 to 34 form an integral part of these financial statements.

IKEJA ELECTRIC PLC

Financial statements

For the year ended 31 December 2014

STATEMENT OF CASH FLOWS

| | Note | 2014 N'000 | 2013 N'000 |
|---|------|---------------------|---------------------|
| Cash flow from operating activities | | | |
| Net (loss)/profit from operations | | (12,109,708) | (6,852,382) |
| Adjustments for: | | | |
| Depreciation on distribution assets | 11 | 8,044,793 | 2,995,550 |
| Depreciation on non-distribution assets | 11 | 357,752 | 562,096 |
| Provision for doubtful debts | 7 | 13,904,727 | 453,917 |
| NELMCO balances derecognised | 21 | - | 21,862,388 |
| Adjustments to fixed assets | | - | 1,189,165 |
| Deferred tax | 10 | (10,632,031) | 28,133,980 |
| Income tax | 10 | 444,565 | (847,551) |
| Finance income | | (11,923) | (21,774) |
| | | 12,107,883 | 54,327,771 |
| Movements in working capital | | | |
| (Increase)/decrease in trade and other receivables | 12 | (17,506,421) | 4,813,352 |
| (Increase)/ (Decrease) in inventory | 13 | (153,874) | 1,176,209 |
| (Increase)/ Decrease in prepaid assets | | (112,265) | - |
| (Decrease)/Increase in trade and other payables | 15 | 17,348,932 | (55,367,944) |
| | | (423,628) | (49,378,383) |
| Total adjustments and movements | | (11,684,255) | (4,949,388) |
| Net cash (used in)/provided by operating activities | | (425,453) | (1,902,994) |
| Cash flow from investing activities | | | |
| Additions to distribution network assets | 11 | - | (203,556) |
| Additions to other PPE | 11 | - | (466,570) |
| Additions to intangible assets | | - | (519,039) |
| Interest received | | 11,923 | 21,774 |
| Net cash provided by/(used in) investing activities | | 11,923 | (1,167,391) |
| Net increase/(decrease) in cash and cash equivalents | | (413,530) | (3,070,385) |
| Cash and cash equivalents at beginning of the year | | 2,290,741 | 5,361,126 |
| Cash and cash equivalents at end of the year | | 1,877,211 | 2,290,741 |

The explanatory notes on pages 7 to 34 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. The Company

Ikeja Electric Plc (Formally Ikeja Electricity Distribution Company 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 ordinary shares of 50k each, 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

| | 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 N15.8 billion (2013: N1.5 billion), losses of N12.1 billion (2013: N6.9 billion) and negative operating cash flows of N0.4 billion (2013: N1.9 billion). This is in part due to structural inadequacies in the pricing model of the Multi Year Tariff Order ("MYTO") issued by the Regulator for the Nigeria electricity industry.

The going concern of the Company is therefore primarily dependent on the attainment of the programs as detailed in the Company's cashflows and the continued intervention of the Federal Government in the industry. 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 2014 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 Phenix Technologies in November 2013 to provide technical services for the efficient working and maintenance of its distribution stations and transformers.

1.4 Financial period

These financial statements cover the financial year from 1 January 2014 to 31 December 2014, with comparative figures for the financial year from 1 January 2013 to 31 December 2013.

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 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

NOTES TO THE FINANCIAL STATEMENTS**2 Adoption of new and revised IFRS standards****2.1 Accounting standards and interpretations effective in the current year**

In the current year, the following new and revised standards and interpretations have been adopted.

Their application has not had any significant impact on the amounts reported or the disclosures in these financial statements.

| | |
|----------------------|--|
| IFRS 10 (amendments) | Consolidated financial statements |
| IFRS 12 (amendments) | Disclosures of interest in other entities |
| IAS 27 (amendments) | Separate financial statements |
| IAS 32 (Amendments) | Offsetting financial assets and financial liabilities |
| IAS 36 (Amendments) | Recoverable amount disclosures for non-financial assets |
| IAS 39 (Amendments) | Novation of derivatives and continuation of hedge accounting |
| IFRIC 12 | Leases |

2.2 Accounting standards and interpretations issued but not yet effective

| Pronouncement | Nature of Change | Required to be implemented for periods beginning on or after |
|----------------------------|--|--|
| 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 |
| IFRS 11 Joint Arrangements | 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. | Applies to annual periods beginning on or after 1 January 2016 |
| 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. 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. | Applies to annual periods beginning on or after 1 January 2016 |
| 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 |

NOTES TO THE FINANCIAL STATEMENTS

2.2 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 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 2014.

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)****B. Property, plant and equipment (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 |
|-----------------------------|-------------------|-----------------------|
| Distribution assets | | |
| Distribution Network Assets | 5-25 | Estimated useful life |

Non distribution assets

| | | |
|------------------------|-----|-----------------------|
| 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 recognised 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 recognised 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 recognised 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 amortised cost using the effective interest rate method (EIR), less impairment. Amortised 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 amortisation is included in finance income in statement of profit or loss. The losses arising from impairment are recognised 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)****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-recognised 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 recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises 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-organisation 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.

Financial assets carried at amortised cost

For financial assets carried at amortised 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, recognised are not included in a collective assessment of impairment.

NOTES TO THE FINANCIAL STATEMENTS

3. Basis of preparation (Cont'd)

Financial assets carried at amortised cost (Cont'd)

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 recognised 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 realised 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 recognised, the previously recognised 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 recognised 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.

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 recognised 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."

NOTES TO THE FINANCIAL STATEMENTS**3. Basis of preparation (Cont'd)****Interest-bearing loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised, as well as through the EIR method amortisation process. Amortised 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 amortisation is included in finance cost in statement of profit or loss.

Derecognition

A financial liability is derecognised 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 recognised 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 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. Finance income 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 recognised as an expense in the income statement.

NOTES TO THE FINANCIAL STATEMENTS**3. Basis of preparation (Cont'd)****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.

G. 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.

H. Operating Leases

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

I. 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.

J. 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)

K. 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.

L. Taxation

1. 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.

2. Deferred tax

In general, deferred tax is recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws enacted or substantively enacted by the reporting date and expected to apply when the deferred tax asset or liability is settled. This is determined through the liability method.

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 assets and liabilities are presented as non-current assets or liabilities respectively.

M. Intangible assets

Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation 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 capitalised 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 recognised as intangible assets and amortised 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 programmes are recognised as an expense as incurred.

N. 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 capitalised 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.

NOTES TO THE FINANCIAL STATEMENTS**3. Basis of preparation (Cont'd)****N. Borrowing costs (Cont'd)**

Where funds are borrowed specifically to finance a project, the amount capitalised 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 capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

All other borrowing costs are recognised 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 3.

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. Revenue from the sales of electricity to the postpaid customers is the value of volume of units supplied during the year including an estimate of the volume of units supplied to these customers. In the case of prepaid meter customers, an estimate is made based on average consumer behaviour for unearned revenue at year end and this is included in the statements of financial position as deferred revenue.

4.2 Nigerian Electricity Liability Management Company Limited (NELMCO) balances

Significant judgment was 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.

NOTES TO THE FINANCIAL STATEMENTS**4 Critical accounting judgements and key sources of estimation uncertainty (Cont'd)****Key sources of estimation uncertainty****4.3 Financial Instruments**

IAS 39 requires certain financial instruments, in particular derivatives, to be recorded as assets and liabilities in the statements of financial position. The company's valuation strategy for these financial instruments is to utilise, as far as possible, quoted prices in an active trading market. In the absence of quoted prices for identical or similar assets or liabilities, it is sometimes necessary to apply valuation techniques where contracts are marked to approved models. The assumptions within the models used to value financial instruments are critical, since any changes in assumptions could have a significant impact on the fair values and changes which are reflected in the income statement, statement of comprehensive income, and statement of financial position.

4.4 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.

4.5 Estimated useful economic lives of assets

Management of the Company reviews the estimated useful lives of items of property, plant and equipment at each reporting 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.

4.6 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.

4.7 Provision for obsolete inventory

The Company reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in profit or loss, the Company makes judgements as to whether there is any observable data indicating that there is any future saleability of the product and the net realizable value for such product. Accordingly, provision for impairment, if any, is made where the net realizable value is less than cost based on best estimates by the management. Inventory items prior to acquisition of the company of which information in respect of the prices and usage are not available were fully provided for.

4.8 Recoverability of deferred tax amounts

Judgement is required to determine whether deferred income tax assets should be 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.

NOTES TO THE FINANCIAL STATEMENTS

4.9 Contingencies

Contingent liabilities are recorded and disclosed 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.

| 5 Revenue | 2014 N'000 | 2013 N'000 |
|-------------------------|-----------------------|-----------------------|
| Residential | 24,258,132 | 21,981,933 |
| Commercial | 13,725,574 | 12,140,269 |
| Industrial | 14,872,552 | 13,500,381 |
| Street Lighting | 12,061 | 4,100 |
| Prepayment billing | - | - |
| Other electricity sales | 1,568,487 | 3,059,254 |
| Sale of electricity | <u>54,436,806</u> | <u>50,685,937</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.

| 6 Operating cost | 2014 N'000 | 2013 N'000 |
|--------------------------------|-----------------------|-----------------------|
| Cost of Energy | 40,354,529 | 39,355,943 |
| Salaries and wages | 1,072,981 | 8,045,010 |
| Repairs and maintenance | 1,388,335 | 827,154 |
| Depreciation expense (Note 11) | 8,044,793 | 2,995,550 |
| Other operating costs | - | - |
| | <u>50,860,638</u> | <u>51,223,657</u> |

IKEJA ELECTRIC PLC
Financial statements
For the year ended 31 December 2014

NOTES TO THE FINANCIAL STATEMENTS

| | 2014 | 2013 |
|--|--------------------------|-------------------------|
| | N'000 | N'000 |
| 7 Administrative expenses | | |
| Impairment /Provision of trade receivables (Note 12) | 13,904,727 | 453,917 |
| Operations and maintenance expenses | 3,882,743 | - |
| Other staff costs | 5,813,423 | 1,403,346 |
| Other sales expenses | 884,815 | 281,730 |
| Legal and Professional Fees | 459,613 | 29,411 |
| Depreciation and Amortisation (Note 11) | 357,752 | 562,095 |
| Other overheads | 337,804 | 678,471 |
| Transport and travel expenses | 163,336 | 323,159 |
| Accommodation | 106,668 | 90,715 |
| Printing, stationery and consumables | 93,711 | 204,464 |
| Repairs and Maintenance | 142,995 | 205,755 |
| Training expenses | 90,216 | 27,602 |
| Entertainment, advertisement and public relations | 65,064 | 219,960 |
| Audit fees | 45,000 | 36,000 |
| Bank charges | 4,817 | 521,480 |
| Insurance | 3,169 | 3,974 |
| Inventory provision | (358,583) | 1,280,933 |
| | <u>25,997,270</u> | <u>6,323,012</u> |
| 8 Other income | | |
| Other non operating income | 51,279 | 15,509 |
| Other gain | 60,726 | 284,496 |
| Contractors registration fees | - | 10,504 |
| Income from asset disposal | - | 1,237 |
| | <u>112,005</u> | <u>311,746</u> |
| | 2014 | 2013 |
| | N'000 | N'000 |
| 9 Profit before taxation | | |
| This is stated after charging: | | |
| Auditor's remuneration | 45,000 | 36,000 |
| Depreciation | 8,402,545 | 3,557,646 |
| Other income | <u>112,005</u> | <u>311,746</u> |

NOTES TO THE FINANCIAL STATEMENTS

| 10 Taxation | 2014 N'000 | 2013 N'000 |
|--|---------------------|----------------|
| 10.1 Income tax expenses recognised in profit or loss | | |
| Current tax | | |
| Income tax | 444,565 | 325,170 |
| Education tax | - | - |
| Current tax expenses for the current year | <u>444,565</u> | <u>325,170</u> |
| Deferred tax credit (Note 10.3) | (10,632,031) | - |
| Total income tax expenses recognised in profit and loss in the current year for continuing operations | <u>(10,187,466)</u> | <u>325,170</u> |
| Deferred tax charge recognised in other comprehensive income | <u>10,632,031</u> | <u>-</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.

| 10.2 Current tax | 2014 N'000 | 2013 N'000 |
|--|----------------|----------------|
| At 1 January | 325,170 | 1,172,721 |
| Write off of tax liabilities (Note 21.2) | - | (1,172,721) |
| Tax charged for the year | 444,565 | 325,170 |
| Payment during the year | - | - |
| At 31 December | <u>769,735</u> | <u>325,170</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

| 10.3 Deferred tax | 2014 N'000 | 2013 N'000 |
|--|---------------|---------------|
| At 1 January | - | (28,133,980) |
| Write off of tax liabilities (Note 21.1) | - | 28,133,980 |
| Recognised in income statement | (10,632,031) | - |
| Recognised in other comprehensive income | 10,632,031 | - |
| At 31 December | <u>-</u> | <u>-</u> |

The Company has an estimated deferred tax asset of N20.5 billion (2013: N14.3 billion) primarily relating to unutilized capital allowances and unutilized tax losses. The Company only recognized the deferred tax asset to the extent that this can be offset against the deferred tax liability, and that the remaining amount of N9.9bn has not been recognized because there uncertainty about there being sufficient future taxable profit to offset the deferred tax amount against.

The revaluation surplus during the year resulting from the revaluation of the Company's assets, generated a deferred tax liability since it is a temporary difference which create a difference between the tax written down value and book value of the assets.

This deferred tax liability on the revaluation of assets has been recorded in the statement of profit or loss and other comprehensive income and as part of "other reserves" in equity section of the statement of financial position in line with the provisions of IAS 12 - Income taxes.

NOTES TO THE FINANCIAL STATEMENTS

11.1 Revaluation surplus represents excess of the carrying amount of distribution and non-distribution assets of the entity based on the revaluation exercise carried out by Management through independent valuers (Appraisal & Valuation Consultant Ltd (AVC); a UK Company & Ismail and Partners respectively) in 2014. The distribution assets were revalued using the depreciated replacement cost method while the non-distribution assets were on the basis of its open market value. This excess has been reflected in the respective assets account and also as a separate line item in the equity section of the statement of financial position as "Asset revaluation reserves" in line with IAS 16.

11.2 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.

11.3 The Company is currently in dispute with the Nigerian Electricity Liability Management Company (NELMCO) over the ownership of the head office building as to whether the building was part of the assets transferred to the Company at take over date by the new investors. The Directors took a decision during the year to derecognize this building in the financial statements pending the resolution of this dispute. The value of the building in the books of the Company as at the time it was derecognized was N1.65billion.

| | 2014 N'000 | 2013 N'000 |
|--|-------------------|------------------|
| 12 Trade and other receivables | | |
| Energy customers | 19,538,635 | 2,982,302 |
| Collection agents | 1,195,057 | 248,089 |
| Other debtors | 1,388 | - |
| Interest receivables | 363 | - |
| Staff loans and advances | 1,372 | - |
| | 20,736,815 | 3,230,391 |
| Provision for doubtful debt | (14,358,647) | (453,917) |
| Net trade and other receivables | 6,378,168 | 2,776,474 |

The net trade debtors disclosed above are amounts due at the end of the reporting period after provision for those considered doubtful of recovery. There has not been a significant change in credit quality and the amounts outstanding are still considered recoverable.

The ageing of trade and other receivables at the end of the reporting period that were not impaired was as follows:

| | 2014 N'000 | 2013 N'000 |
|-------------------------------|------------------|------------------|
| Neither past due nor impaired | | |
| Past due 1-30 days | 4,742,404 | 2,687,857 |
| Past due 31-90 days | 1,635,764 | 88,617 |
| Past due 90+ days | - | - |
| | 6,378,168 | 2,776,474 |

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NOTES TO THE FINANCIAL STATEMENTS

12 Trade and other receivables (Cont'd)

| Ageing of impaired trade receivables | 31 Dec 2014 N'000 | 31 Dec 2013 N'000 |
|--|-----------------------|-----------------------|
| 1-30 days | 71,945 | 46,432 |
| 31 -60 days | 282,621 | 26,339 |
| 60 - 90 days | 725,216 | 381,146 |
| Above 90 days | 13,278,865 | - |
| | <u>14,358,647</u> | <u>453,917</u> |
| Movement in allowance for doubtful debt | 2014 N'000 | 2013 N'000 |
| Balance at the beginning of the year | 453,917 | - |
| Impairment recognized in the year | 13,904,730 | 453,917 |
| | <u>14,358,647</u> | <u>453,917</u> |

In determining the recoverability of a trade receivable the entity considers 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

| | 31 Dec 2014 N'000 | 31 Dec 2013 N'000 |
|--|----------------------|----------------------|
| 13 Inventories | | |
| Distribution stores | 553,022 | 512,392 |
| General stores | 520,504 | 753,502 |
| Stationery | 2,718 | 15,039 |
| Provision for damaged and obsolete stock | (922,370) | (1,280,933) |
| | <u>153,874</u> | <u>-</u> |

Inventory values in 2014 have been provided for to the extent that they cannot be validated in line with IAS 2.

NOTES TO THE FINANCIAL STATEMENTS

| 14 Cash and bank balances | 2014 | 2013 |
|---|--------------------------|-------------------------|
| | N'000 | N'000 |
| Cash at hand | 1,078 | 45 |
| Cash in bank | 1,876,133 | 2,290,696 |
| | <u>1,877,211</u> | <u>2,290,741</u> |
| 15 Trade and other payables | | |
| Amount due to related parties (Note 15.1) | 55,533 | 65,363 |
| Trade creditors | 20,046,205 | 5,601,508 |
| Deferred revenue | 129,230 | - |
| Other creditors and accrued expenses | 3,322,296 | 537,461 |
| | <u>23,553,264</u> | <u>6,204,332</u> |

15.1 Related party transactions

Sahara group, a related party recharged costs of staff seconded to the Company amounting to N55.4million (2013: 25.4million). In 2013, Sahara advanced N40million for operations and working capital purposes which is yet to be repaid as at reporting date. The amount is unsecured and will be settled in the normal course of business. No interest are charged on this amounts neither have guarantees been given or received. No provisions have been made in respect of amounts payable.

16 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 14, debts as shown in Note 15 and the reserves in the statement of changes in equity.

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

Gearing ratio

| | 2014 | 2013 |
|----------------------------------|--------------------------|--------------------------|
| | N'000 | N'000 |
| The gearing ratio is as follows: | | |
| Debt | - | - |
| Cash and cash equivalents | 1,877,211 | 2,290,741 |
| Net debt | <u>1,877,211</u> | <u>2,290,741</u> |
| Equity | <u>75,074,427</u> | <u>62,326,374</u> |
| Net debt to equity ratio | <u>0.025</u> | <u>0.037</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.

NOTES TO THE FINANCIAL STATEMENTS**17 Financial instruments****17.1 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.

17.2 Categories of financial instruments

The following table summarizes the Company's financial instruments:

| | 31 Dec 2014 N'000 | 31 Dec 2013 N'000 |
|--|----------------------|----------------------|
| 17.2.1 Financial assets (Loans and receivables) | | |
| Cash and cash equivalents | 1,877,211 | 2,290,741 |
| Trade and other receivables | 6,378,168 | 2,776,474 |
| | <u>8,255,379</u> | <u>5,067,215</u> |
| 17.2.2 Financial liabilities | | |
| Financial liabilities at amortised cost | | |
| Trade and other payables (Note 15) | <u>23,553,264</u> | <u>6,204,332</u> |

17.2.3 Fair value of financial instruments

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

17.3 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 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:

17.4 Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters. The Company's exposure to the risk of changes in foreign exchange rates is determined not to be material.

The impact of a 1% change in the Nigerian Naira to US dollar exchange rate was not material in 2014 and 2013.

NOTES TO THE FINANCIAL STATEMENTS**17.5 Credit risk management**

The Company is exposed to 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:

| | 31 Dec 2014 N'000 | 31 Dec 2013 N'000 |
|-----------------------------|----------------------|----------------------|
| Cash and cash equivalents | 1,877,211 | 2,290,741 |
| Trade and other receivables | 6,378,168 | 2,776,474 |
| | 8,255,379 | 5,067,215 |

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.

17.6 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS

17.6 Liquidity risk management (cont'd)

| | 2014 N'000 | 2013 N'000 |
|----------|-------------------|------------------|
| 30 days | 9,455,610 | 2,893,313 |
| 60 days | 3,545,306 | 3,311,019 |
| 90 days | 4,027,044 | - |
| 90+ days | 6,525,304 | - |
| | <u>23,553,264</u> | <u>6,204,332</u> |

17.7 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.

17.8 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.

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NOTES TO THE FINANCIAL STATEMENTS

| | 2014 N'000 | 2013 N'000 |
|---|---------------------|--------------------|
| 18 Share capital | | |
| <i>Authorised, issued and fully paid</i> | | |
| 10,000,000 ordinary shares of N0.50k each | <u>5,000</u> | <u>5,000</u> |
| Shareholders | Unit | Unit |
| KEPCO Energy Resources Limited | 6,000,000 | 6,000,000 |
| Bureau of Public Enterprises | 3,200,000 | 3,200,000 |
| Ministry of Finance Incorporated | 800,000 | 800,000 |
| | <u>10,000,000</u> | <u>10,000,000</u> |
| | % | % |
| KEPCO Energy Resources Limited | 60 | 60 |
| Bureau of Public Enterprises | 32 | 32 |
| Ministry of Finance Incorporated | 8 | 8 |
| | <u>100</u> | <u>100</u> |
| 19 (Loss)/earnings per share | N'000 | N'000 |
| (Loss)/earnings | | |
| (Loss)/earnings for the purpose of basic earnings per share is based on net profit attributable to equity holders of the Company. | <u>(12,109,708)</u> | <u>(6,852,382)</u> |
| Number of shares | Number | Number |
| Number of ordinary shares for the purpose of basic (loss)/earnings per share | <u>10,000,000</u> | <u>10,000,000</u> |
| | N'000 | N'000 |
| Earnings per share (US\$ / Naira) - Basic | <u>(1,210.97)</u> | <u>(685.24)</u> |
| 20 Reconciliation of other reserves | 2014 N'000 | 2013 N'000 |
| As at 1st January | | |
| Opening balance | 131,392,850 | 104,696,315 |
| NELMCO balances (Note 21) | - | 4,834,147 |
| Government grants derecognized | - | 21,862,388 |
| As at 31 December | <u>131,392,850</u> | <u>131,392,850</u> |
| 20.1 Other reserves | | |
| Other reserves houses the value of assets transferred by the now defunct PHCN to Ikeja Distribution Plc prior to privatisation. In addition, other reserves represents non-core net liabilities written off to Nigerian Electricity Liability Management Company (NELMCO) in line with the Purchase agreement post privatization. | | |

NOTES TO THE FINANCIAL STATEMENTS

21 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.

| | 2014 N'000 | 2013 N'000 |
|--|---------------|---------------------|
| Assets of NELMCO derecognised (Note 21.1) | - | 51,550,767 |
| Liabilities of NELMCO derecognised (Note 21.2) | - | (73,413,155) |
| Net liabilities due to NELMCO | - | (21,862,388) |
| 21.1 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 | - | 7,638,679 |
| Total assets due to NELMCO | - | 51,550,767 |
| 21.2 Liabilities of NELMCO derecognised | | |
| Trade and other payables | - | (65,707,734) |
| Accrued expenses and other liabilities | - | (4,949,691) |
| income taxes | - | (2,755,730) |
| Total liabilities due from NELMCO | - | (73,413,155) |

NOTES TO THE FINANCIAL STATEMENTS

22 Information regarding directors and employees

| | 2014 N'000 | 2013 N'000 |
|---------------------------------|---------------|---------------|
| 22.1 Directors | | |
| Directors' emoluments comprise: | | |
| Fees | - | - |
| Expenses | 37,240 | 6,207 |
| | <u>37,240</u> | <u>6,207</u> |

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

| | 2014 Number | 2013 Number |
|-------------------|----------------|----------------|
| Up to NGN 150,000 | <u>7</u> | <u>7</u> |

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

22.2 Employees

Total number of employees as at year-end:

| | 2014 Number | 2013 Number |
|------------|----------------|----------------|
| Management | 79 | 46 |
| Senior | 1,507 | 1,429 |
| Junior | 648 | 1,157 |
| | <u>2,234</u> | <u>2,632</u> |

Aggregate staff costs:

| | N'000 | N'000 |
|-----------------------|------------------|------------------|
| Salaries and wages | 4,819,697 | 8,045,010 |
| Pension contributions | 296,160 | 41,821 |
| Medical expenses | 146,913 | - |
| Other staff costs | 1,623,634 | 1,361,525 |
| | <u>6,886,404</u> | <u>9,448,356</u> |

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

| | 2014 | 2013 |
|-------------------------|--------------|--------------|
| N500,000-N1,000,000 | 582 | - |
| N1,000,000 - N1,500,000 | 337 | 1,034 |
| N1,500,001 - N2,000,000 | 153 | 259 |
| N2,000,001 - N2,500,000 | 215 | 234 |
| N2,500,001 and above | 947 | 1,105 |
| | <u>2,234</u> | <u>2,632</u> |

NOTES TO THE FINANCIAL STATEMENTS

23 Contingent liabilities

The Company has contingent liabilities in respect of pending and ongoing litigations and claims separately and jointly amounting to N513bn as at the reporting date in the normal course of business and contingent assets in respect of suits 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.

24 Financial commitments

There were no capital commitments contracted by the Company or approved by the Board which had not been provided for as at the reporting date (2013: Nil)

25 Subsequent events

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

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.

In 2016, the Central Bank of Nigeria (CBN) intervened in the power sector by providing a long term intervention facility to support and sustain the Nigerian Electricity Supply Industry (NESI). The disbursements from this intervention facility made to NESI that is recoverable through Multi Year Tariff Order of 2015 for Ikeja Electric Plc. as at the time of this financial statements are: ₦1.065 million, ₦786 million, ₦3.365 million and ₦775 million on 25-May-16, 10-Jun-16, 23-Jun-16 and 5-Oct-16 respectively.

Based on the Board approval obtained on 4 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. This was filed with the Corporate Affairs Commission on 11 November, 2016.

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 2014, or on the net results for the year which have not been adequately provided for or disclosed in these financial statements.

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STATEMENT OF VALUE ADDED

| | 2014 N'000 | % | 2013 N'000 | % |
|--|-------------------------|-------------------|---------------------------|--------------------|
| Revenue | 54,436,806 | | 50,685,937 | |
| Bought in materials and services | | | | |
| - Imported | | | - | |
| - Local | (45,361,874) | | (55,761,380) | |
| Value consumed | <u>9,074,932</u> | <u>100</u> | <u>(5,075,443)</u> | <u>100%</u> |
| <i>Distributed as follows:</i> | | | | |
| To pay employees | | | | |
| Staff cost | (4,819,697) | (53) | (8,045,010) | 159 |
| To pay Government | | | | |
| Taxation | (444,565) | (5) | (325,170) | 6 |
| Maintenance of assets and future expansion | | | | |
| Depreciation | (8,402,545) | (93) | (3,557,645) | 70 |
| Loss for the year | 12,109,708 | 134 | 6,852,382 | 135 |
| Deferred tax | 10,632,031 | 117 | - | 0 |
| Value consumed | <u>9,074,932</u> | <u>100</u> | <u>(5,075,443)</u> | <u>100</u> |

Value added/ (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 2014 N'000 (IFRS) | 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) |
|---|--------------------------------|--------------------------------|--|--|--|
| Statement of financial position | | | | | |
| Assets | | | | | |
| Property, plant and equipment | 90,826,220 | 63,788,661 | 67,346,307 | 67,658,119 | 82,630,947 |
| Deferred tax assets | 10,632,031 | - | - | - | - |
| | 8,521,518 | - | - | - | - |
| Current assets | <u>109,979,769</u> | <u>5,067,215</u> | <u>42,715,058</u> | <u>40,505,783</u> | <u>14,477,351</u> |
| | <u>109,979,769</u> | <u>68,855,876</u> | <u>110,061,365</u> | <u>108,163,902</u> | <u>97,108,298</u> |
| Capital and Liabilities | | | | | |
| Non current liabilities | 10,632,031 | - | - | - | - |
| Current liabilities | 24,322,999 | 6,529,502 | 62,744,997 | 50,802,235 | 40,307,466 |
| Share capital | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| PPE revaluation reserves | 24,808,073 | - | - | - | - |
| Accumulated reserves/(deficits) | (81,181,184) | (69,071,476) | (62,219,094) | (51,873,795) | (47,189,058) |
| Federal government funding | - | - | 4,834,147 | 4,534,147 | 4,064,989 |
| Other reserves | 131,392,850 | 131,392,850 | 104,696,315 | 104,696,315 | 99,919,901 |
| Total equity and liabilities | <u>109,979,769</u> | <u>68,855,876</u> | <u>110,061,365</u> | <u>108,163,902</u> | <u>97,108,298</u> |
| Statement of profit or loss and other comprehensive income | | | | | |
| Turnover | 54,436,806 | 50,685,937 | 45,131,734 | 38,301,988 | 44,504,446 |
| Loss before taxation | (22,297,174) | (6,527,212) | (13,610,120) | (26,233,212) | (30,149,818) |
| Taxation | 10,187,466 | (325,170) | 3,264,821 | 7,239,083 | 8,336,815 |
| Loss for the year | (12,109,708) | (6,852,382) | (10,345,299) | (18,994,129) | (21,813,003) |
| Total comprehensive loss | 12,698,365 | 15,010,006 | (10,345,299) | (18,994,129) | (21,813,003) |
| Earnings per share - Basic (Naira) | (1,210.97) | (685.24) | (1,034.53) | (1,899.41) | (2,181.30) |
| Net assets/ liabilities per share | 7,502.47 | 6,232.64 | 4,731.64 | 5,736.17 | 5,680.08 |

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.