Deinde Odusanya & Co.

(Chartered Accountants)

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Ibadan Electricity Distribution Company Plc

Financial Statements -- December 31, 2013

Together with Directors' and Auditor's Reports

Contents

Corporate Information

Registration Number RC. 638633

Directors:	Mrs Bolanle Onagoruwa Benjamin Ezra Dikki Mohammed Kyari Dikwa
Registered and Principal Address:	Capital Building , 115 Ring Road Ibadan, Oyo State
Legal Adviser:	G. Elias and Co. Solicitors & Advocates, 6, Broad Street, Lagos, Nigeria.
Auditor:	Deinde Odusanya and Co. (Chartered Accountants) 6B, Ireti Street, Yaba, P.O.BOX 50563, Falomo Ikoyi, Lagos State.
Bankers:	Skye Bank Plc Zenith Bank Plc United Bank for Africa Plc Mainstreet Bank Plc Diamond Bank Plc First Bank Plc Stanbic IBTC Bank Plc

Directors' Report

For the year ended December 31,2013

The Directors present their annual report on the affairs of Ibadan Electricity Distribution Company Plc ("IBEDC" or "the Company"), together with the financial statements and auditors' report for the year ended December 31, 2013.

Legal Form

The Company was incorporated on November 8, 2005 as a public company limited by shares with registration number RC 638633.

Principal Activities

The principal activities of the company are the distribution and marketing of electricity within the franchise areas of Oyo State, Ogun State, Osun State, Kwara State, parts of Kogi, Ekiti and Niger The Company earned revenue of N49.10 billion for the year ended December 31, 2013, (2012: N41.13 billion). The Company reported a loss before taxation of N8.26billion for the year ended December 31, 2013, (2012: N9.50 billion)

State of Affairs

In the opinion of the Directors, the state of the Company's affairs is satisfactory and there has been no material change since the balance sheet date, which would affect the financial statements as presented.

Reporting Framework

Following the directives of the Financial Reporting Council of Nigeria, the Company had adopted the International Financial Reporting Standards (IFRS) in preparing its account for the year ended 2013 and 2012.

	31 Dec 2013	31 Dec 2012
	₦'000	₦'000
Revenue	49,100,316	41,133,177
Loss for the year	(8,257,893)	(9,500,225)
Taxation	-	(55,507)

Dividend

The Directors did not recommend to members the payment of dividend in respect of the year ended December 31 2013.

Directors and their interests

The directors in office during the year are listed below:

Name	Nationality	Designation	(Resigned)/ Appointed
Mrs Bolanle Onagoruwa	Nigerian	- Director	(Resigned)
Benjamin Ezra Dikki	Nigerian	- Director	Appointed
Mohammed Kyari Dikwa	Nigerian	- Director	

Directors' shareholding and interest

None of the Directors held ownership interest in the Company during the period under review. None of the directors has notified the Company for the purpose of Section 277 of the Companies & Allied Matters Act 1990 of their direct or indirect interest in the contracts or proposed contracts with the Company during the year.

Analysis of shareholding

The names of the shareholders and the number of shares held as at December 31, 2013 is as stated below:

	No of Shares	Percentage
Intergrated Energy Distribution and Marketing Limited	6,000,000	60%
Bureau of Public Enterprises	3,200,000	32%
Federal Ministry of Finance Incorporated	800,000	8%
	10,000,000	100%

Charitable gifts and Donation

The Company made no charitable donations during the year (2012: Nil). In compliance with section 38(2) of the Companies and Allied Matters Act of Nigeria, the Company did not make any donation or gift to any political party, political association or for any political purpose in the course of the year under review (2012: Nil).

Employment of disabled persons

The company operates a non-discriminatory policy on recruitment. Applications by disabled person are fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment continues and that appropriate training is arranged for them. It is the policy of the company that the training, as far as practicable, be identical with that of the other employees.

Health, safety and welfare at work

The company places considerable importance on the health, safety and welfare of its employees in their place of work and has various forms of insurance policies, including workmen's compensation and group life assurance, to adequately secure and protect their interests. Protective clothing and footware and fire fighting equipments are provided at the stations, in offices and other operational locations where required.

Employee training and development

As a strategy to develop its employees, the company organises various in-house, local and overseas training courses. It also provides programes of developmental/work assignments for employees overseas.

Events after the reporting period

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

Auditors

In accordance with Section 357 (2) of the Companies and Allied Matters Act, Deinde Odusanya and Co. chartered accountants have indicated their willingness to continue in office as external auditors to the company.

By order of the Board

June 9, 2016

Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended December 31, 2013

The directors accept responsibility for the preparation of these financial statements set out on pages 8 to 46 that give a true and fair view in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria.

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

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Signature	Signature
J. D. AYENI, CON	John D. [illegible]
Name	Name
June 9, 2016	June 9, 2016
Date	Date

Lagos Office:
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Block 13, Flat 4, 7th Street,
Games Village, Abuja FCT.
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Deinde Odusanya & Co.
(Chartered Accountants)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of **Ibadan Electricity Distribution Company Plc**

Report on the Financial Statements

We have audited the accompanying individual financial statements of Ibadan Electricity Distribution Company Plc ("IBEDC" or "the Company"), which comprises the statement of financial position as at December 31, 2013; the statement of comprehensive income; the statement of changes in equity; and the statement of cash flows for the same year ended along with a summary of significant accounting policies and other explanatory information.

Directors' Responsibilities for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view of the state of affairs of the Company in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria ("CAMA") 1990, the Financial Reporting Council of Nigeria ("FRCN") Act, 2011, Electricity Power Sector Reform Act ("EPSRA") 2005, Nigeria Electricity Regulatory Commission ("NERC") Circulars and for such internal control as determined necessary by the directors, to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

Auditors' Responsibilities

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 ("ISA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurances whether the financial statements are free from material misstatements.

Basis of opinion

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 risk of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements that give a true and fair view 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. Also, an audit includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of "IBEDC" as at December 31, 2013, and of its financial performance and cash flows for the year ended in accordance with "IFRS", "EPSRA" and in the manner required by CAMA and relevant Nigeria Electricity Regulatory Commission circulars.

Report on Other Legal Regulatory Requirements

Compliance with the requirements of schedule 6 of Companies and Allied Matters Act of Nigeria

In our opinion, IBEDC has kept proper books of account, so far as it appears from our examination of the Company's statement of financial position and its statement of comprehensive income, which are in agreement with the books of account.

Signed:

Oladeinde Odusanya, FCA
FRC/2013/ICAN/00000003192
For: Deinde Odusanya & Co. (Chartered Accountants)
February 17, 2016.
Lagos, Nigeria.

Statement of Financial Position

As at

	Note	31 Dec 2013	31 Dec 2012	01 January, 2012
Assets		N'000	N'000	N'000
Non-Current Assets				
Property, plant and equipment	18	112,973,785	52,232,499	53,765,466
Total non-current assets		112,973,785	52,232,499	53,765,466
Current Assets				
Inventories	19.	1,434,926	2,887,124	2,838,533
Trade and other receivables	20.	3,659,219	39,320,768	22,463,041
Prepayment	21.	-	4,298,146	4,166,458
Cash and cash equivalents	22.	2,708,939	8,293,031	5,399,065
Total Current Assets		7,803,084	54,799,069	34,867,097
Total Assets		120,776,869	107,031,568	88,632,563
Equity				
Share capital	27.	5,000	5,000	5,000
Revaluation reserves	28.	47,434,358	-	-
Retained earnings		45,118,408	43,894,145	34,734,279
Total Equity		92,557,766	43,899,145	34,739,279
Non-Current Liabilities				
Employee retirement benefits		-	7,178,090	5,489,302
Deferred tax	28.	20,329,011	-	-
Total Non-Current Liabilities		20,329,011	7,178,090	5,489,302
Current Liabilities				
Trade and other payableS	23.	7,714,796	55,861,106	48,366,262
Deferred income	24.	175,297	-	-
Current income tax	17.	-	93,227	37,720
Total Current Liabilities		7,890,092	55,954,333	48,403,982
Total liabilities		28,219,103	63,132,423	53,893,284
Total Equity and Liabilities		120,776,869	107,031,568	88,632,563

Olatunde Ayeni	John Bonnachie	Aderonke Owotomo
Chairman, Board of Directors	Managing Director / CEO	Financial Controller
FRC/2013/IODN/00000001738		FRC/2015/ICAN/00000013338

The notes on pages 12 to 44 are an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December

	Note	31 Dec 2013	31 Dec 2012
		₦'000	₦'000
Revenue	6.	49,100,316	41,133,117
Direct costs	8.	(37,305,028)	(33,788,004)
Gross profit		11,795,288	7,345,113
Other income	7.	3,660,552	3,311,362
		15,455,840	10,656,475
Distribution expenses	9.	(8,782,962)	(7,234,326)
Billing and collection expenses	10.	(1,874,538)	(107,564)
Customer service expenses	11.	(5,405,106)	(5,051,325)
Administrative expenses	12.	(7,651,127)	(7,763,485)
Loss from operating activities		(8,257,893)	(9,500,225)
Loss before taxation		(8,257,893)	(9,500,225)
Income tax		-	(55,507)
Loss after taxation		(8,257,893)	(9,555,732)
Other comprehensive income:			
Revaluation of property, plant and equipment	28.	67,763,369	-
Tax on other comprehensive income	28.	(20,329,011)	-
Other comprehensive income for the year		47,434,358	-
Total comprehensive income for the year		39,176,465	(9,555,732)

The notes on pages 12 to 44 are an integral part of these financial statements.

Statement of Changes in Equity

	Share capital	Revaluation reserve	Federal Government funding	Retained earnings	Consumer contribution	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Balance as at 1 Janurary, 2012	5,000	47,844,022	16,635,966	(30,335,574)	589,865	34,739,279
Capital contribution	-	-	654,617	-	191,412	846,029
Current account balance	-	-		17,869,569	-	17,869,569
	5,000	47,844,022	17,290,583	(12,466,005)	781,277	53,454,877
Loss for the year	-	-	-	(9,555,732)	-	(9,555,732)
Balance as at 31 December, 2012	**5,000**	**47,844,022**	**17,290,583**	**(22,021,737)**	**781,277**	**43,899,145**
Balance as at 1 January, 2013	5,000	47,844,022	17,290,583	(22,021,737)	781,277	43,899,145
Derecognition of previous revaluation surplus / other reserves	-	(47,844,022)	(17,290,583)	65,915,882	(781,277)	-
	5,000	-	-	43,894,145	-	43,899,145
Revaluation of Property, plants and equipment during the year	-	47,434,358	-	-	-	47,434,358
Transfer of pre-takeover reserves	-	-	-	53,376,301	-	53,376,301
Adjustment during the year	-	-	-	(43,894,145)	-	(43,894,145)
Loss for the year	-	-	-	(8,257,893)	-	(8,257,893)
Balance as at 31 December, 2013	**5,000**	**47,434,358**	**-**	**45,118,408**	**-**	**92,557,766**

The notes on pages 12 to 44 are an integral part of these financial statements.

Statement of Cash Flows
For the year ended 31 December

	Note	31 Dec 2013 ₦'000	31 Dec 2012 ₦'000
Cash flows from operating activities:			
Loss before tax		(8,257,893)	(9,500,225)
Adjustment:			
Depreciation	14.	3,121,241	2,320,758
Employee benefits		2,212,530	1,688,789
Write off of property, plant and equipment		4,465,854	-
Impairment		1,797,604	
ITF contribution		-	116,076
Workmen compensation		-	116,076
Capital contribution		-	(48,212)
		3,339,336	**(5,306,738)**
Changes in:			
(Increase)/Decrease in inventories		1,452,198	(48,591)
(Increase)/Decrease in trade & other receivables		33,863,945	(17,000,648)
(Increase)/Decrease in prepayment		4,298,146	-
Increase/(Decrease) in trade and other payables		(48,148,002)	7,513,549
Increase/(Decrease) in deferred income		175,297	
Inter business operators current account		-	17,869,568
Net cash from operating activities		**(5,019,081)**	**3,027,140**
Cash flows from investing activities:			
Acquisition of property, plant and equipment	18	(565,011)	(787,791)
Net cash from/(used) in investing activities		**(565,011)**	**(787,791)**
Cash flows from financing activities:			
Federal government funding		-	654,616
Net cash used in financing activities		-	**654,616**
Net increase/(decrease) in cash and cash equivalents		(5,584,092)	2,893,965
Cash and cash equivalents at 1 January		8,293,031	5,399,065
Cash and cash equivalents at 31 December		**2,708,939**	**8,293,031**

The notes on pages 12 to 44 are an integral part of these financial statements.

Notes to the financial statements

1. Reporting entity

Ibadan Electricity Distribution Plc ("IBEDC" or "the Company") was incorporated in Nigeria under the Companies and Allied Matters Act CAP (C20) as a public limited liability company on November 8, 2005. It is domiciled in Nigeria with its operating and financial decisions being controlled by its Board of Directors.

a. Principal activities and business review

The principal activities of the company are the distribution and marketing of electricity within the franchise areas of Oyo State, Ogun State, Osun State, Kwara State,parts of Kogi, Ekiti and Niger States.

b. Composition of financial statements

The financial statements are drawn up in Naira, the functional currency of Ibadan Electricity Distribution Company Plc, in accordance with IFRS accounting presentation. The financial statements comprise:

- Statement of financial position
- Statement of comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements

2. Basis of preparation

a. Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) which is a collective term that includes all International Accounting Standards and related interpretations, promulgated by the International Accounting Standard Board ("IASB"). These financial statements comply with the Companies and Allied Matter Act of Nigeria and Financial Reporting Council Act of Nigeria. The IFRS accounting policies have been consistently applied to all periods presented. IFRS comprises of International Financial Reporting Standards, International Accounting Standards and interpretations originated by the International Financial Reporting Interpretation Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

Notes to the financial statements

b. Basis of measurement

The financial statements have been prepared on the historical cost basis except for Property, Plant and Equipment that has been reported based on revaluation model. The methods used to measure fair values for initial recognition and disclosure purposes are discussed further in Note 5.

c. Financial period

These financial statements cover a 12 - month period ended December 31, 2013.

d. Functional and presentation currency

The financial statements of the Company are prepared in the currency that mostly reflects its business environment. This is referred to as the functional currency. These financial statements are presented in Naira, which is the Company's functional currency. All financial information presented in Naira have been rounded to the nearest thousand unless stated otherwise.

e. Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about assumptions and estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

(i) Recognition of deferred tax assets requires an assessment of future taxable profits. Deferred tax assets are only recognised to the extent that it is probable that the future taxable profits will be available against which deductible temporary differences can be utilised. The availability of future taxable profits depends on several factors including the Company's future financial performance and if necessary implementation of tax planning strategies.

Notes to the financial statements

3. Adoption of new and revised standards

a. Accounting standards and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

Effective for the financial year commencing 1 January 2014

• Defined Benefit Plans : Employee Contributions (Amendments to IAS 19)
• IFRIC 21 *Levies*

Effective for the financial year commencing 1 January 2018

• IFRS 9 *Financial Instruments*

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

IFRS 10, IFRS 12 and IAS 27 amendment investment entities, Recoverable Amount Disclosures for Non-Financial Assets (Amendment to IAS 36), Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39), Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) are not applicable to the business of the entity and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

Amendments to IAS 19 Defined Benefit Plans : Employee Contributions

The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:

- set out in the formal terms of the plan
- linked to service; and
- independent of the number of years of service

When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. The Company's defined benefit plan meets the requirement and consequently the company intends to apply this amendment and will recognise the contributions as reduction of the service costs in the period in which the related service is rendered.

Notes to the financial statements

IFRS 9 Financial Instruments

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cashflow. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening statement of financial position at 1 January 2012 for the purposes of the transition to IFRS, unless otherwise indicated.

a. Revenue recognition

Revenue is derived principally from sale of energy and is measured at the fair value of consideration received or receivable, after deducting discounts, value added tax and any estimated. Revenue from sale of energy is stated at the invoiced amount which is net of value added taxes and discounts.

Revenue is recognised to the extent that it is possible that the economic benefits will flow to the Company and that the revenue can be reliably measured. Revenue comprises primarily use of energy system income. Revenue includes an assessment of the volume of unbilled energy distributed to customers between the date of the last meter reading and the period end.

b. Financial instruments

i. Non-derivative financial assets

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Notes to the financial statements

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Company has the following non-derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Short-term receivables that do not attract interest are measured at original invoice amount where the effect of discounting is not material. Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand; cash balances with banks and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of statement of cash flows.

II. Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Company has the following non-derivative financial liabilities: loans and borrowings, trade and other payables.

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method. Short-term payables that do not attract interest are measured at original invoice amount where the effect of discounting is not material.

iii. Share capital

The Company has only one class of shares, ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

c. Impairment

i. Non-derivative financial assets (including receivables)

A financial asset not carried at fair value through profit or loss, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired, if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset where applicable continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii. Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together 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 "cash-generating unit, or CGU"). The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

Notes to the financial statements

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

d. Property, plant and equipment

Property, plant and equipment held for use in the production of supply of services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any revaluation increase arising on the revaluation of such property, plant and equipment is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease for the same assets previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and building is charged to profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserves relating to a previous revaluation of that assets.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying asstes, borrowing costs capitalised in accordance with the company's accounting policy. Depreciation of these asstes on the same basis as other property asstes, commences when the asstes are ready for their intended use.

Notes to the financial statements

i. Recognition and measurement

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Property, plant and equipment under construction are disclosed as capital work-in-progress. The cost of self-constructed asset includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use including, where applicable, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

ii. Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

iii. Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Items of property, plant and equipment are depreciated from the date that they are available for use or, in respect of self constructed assets, from the date that the assets is completed and ready for use.

Notes to the financial statements

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case the assets are depreciated over the useful life.

The estimated useful lives for the current and comparative periods are as follows:

Land	Not Depreciated
Building	50 years
Plant and machinery	35 years
Furniture, fittings and equipment	10 years
Motor - cars	5 years
Motor - operational lorries	10 years

Depreciation methods, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate. Capital work-in-progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

e. Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Notes to the financial statements

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

f. Employee benefits

i. Post-employment benefits

Defined contribution plan

A defined contribution plan is a post-employment benefit plan (pension fund) under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

In line with the provisions of the Pension Reform Act 2004, the Company has instituted a defined contribution pension scheme for its permanent staff. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is recognised in profit or loss as employee benefit expense in the periods during which services are rendered by employees. Employees contribute 8 % each of their Basic salary, Transport and Housing Allowances to the Fund on a monthly basis. The Company's contribution is 10 % of each employee's Basic salary, Transport and Housing Allowances.

Notes to the financial statements

Defined benefit plan

For defined benefit plans, the cost of providing benefit is determined using the projected unit credit method, with actuarial valuations being carried out periodically so that a provision for the present value of the estimated cost for liabilities due at the reporting date in respect of employee's terminal gratuities based on qualifying years of service and applicable emoluments as per operating collective agreement is being made in the statement of financial position.

ii. Termination benefits

Termination benefits are recognized as an expense and liability at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring that is within the scope of IAS 37 Provisions, contingent liabilities and contingent assets and involve the payment of termination of benefits. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

iii. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonuses if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

g. Foreign currency transactions

Transactions denominated in foreign currencies during the year are translated and recorded in Nigerian Naira at the actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the rates of exchange prevailing at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Notes to the financial statements

h. Income and deferred tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent of items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates statutorily enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax asset is recognised in profit or loss account except to the extent that it relates to a transaction that is recognised directly in equity. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the amount will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

i. Loans and borrowings

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Loans and borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Loans and borrowings, for which the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date, are classified as non-current liabilities.

Notes to the financial statements

j. Statement of cash flows

The statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows such as translation differences, fair value changes, equity-settled share-based payments and other non-cash items, have been eliminated for the purpose of preparing the statement. Dividends paid to ordinary shareholders are included in financing activities. Finance costs paid is also included in financing activities while finance income is included in investing activities.

5. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i. Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes. For short-term trade receivables, no disclosure of fair value is presented when the carrying amount is a reasonable approximation of fair value.

ii. Trade and other payables

The fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For short term trade payables, no disclosure of fair value is presented when the carrying amount is a reasonable approximation of fair value.

iii. Property, plant and equipment

The fair value of property, plant and equipment was determined using the direct sale comparison and the depreciated replacement cost method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location, or condition of the specific property.

Notes to the financial statements

6. Revenue

	31 Dec 2013	31 Dec 2012
	₦'000	₦'000
Residential	24,244,494	18,349,652
Commercial	7,460,249	10,256,319
Industrial	17,153,863	8,940,140
Street lighting	241,710	3,587,006
	49,100,316	41,133,117

7. Other income

	31 Dec 2013	31 Dec 2012
	₦'000	₦'000
Government subsidy	2,733,956	2,856,468
Customer contribution	46,657	-
Reconection fee	196,402	406,682
Intrerest income	1,283	-
Commission received	515,760	-
Sundry income	166,494	48,212
	3,660,552	3,311,362

a. Commission received represents accrued commission income on legacy trade receivables collected on behalf of NELMCO. Pursuant to Section 3.3 of the Deed of Assignment of Pre-completion receivables between the Nigerian Electricity Liability Management Company (NELMCO) and IBEDC, all money collected by IBEDC in respect of pre-completion receivables shall forthwith be paid to NELMCO and the latter shall pay IBEDC a sum equivalent to 20% of the amount collected. Remittance of collection to NELMCO is expected to be net of the commission.

Notes to the financial statements (continued)

8. **Direct costs**

	31 Dec 2013	31 Dec 2012
	₦'000	₦'000
Cost of energy	37,305,028	33,788,004
	37,305,028	33,788,004

9. **Distribution expenses**

	31 Dec 2013	31 Dec 2012
	₦'000	₦'000
Salaries and wages	4,502,388	1,757,453
Repairs and maintenance	1,101,150	2,973,374
Reserve for inventory obsolescence	51,929	-
Depreciation- plant & machinery	3,022,174	2,259,968
Other direct expenses	105,322	243,531
	8,782,962	7,234,326

This represents expenses related to the core distribution activities of IBEDC Plc including salaries and other staff costs of staff responsible for these activities and various maintenance of the power lines and other equipment for distributing electricity.

10. **Billing & collection expenses**

	31 Dec 2013	31 Dec 2012
	₦'000	₦'000
Meter reading	59,542	83,248
Repairs & maintenance	17,392	24,316
Doubtful debts	1,797,604	-
	1,874,538	107,564

Notes to the financial statements (continued)

11. Customer service expenses

	31 Dec 2013	31 Dec 2012
	₦'000	₦'000
Salaries and wages	5,331,344	4,935,915
Repairs and maintenance	42,925	60,015
Transport and travelling	30,837	55,395
	5,405,106	5,051,325

12. Administrative expenses

	31 Dec 2013	31 Dec 2012
	₦'000	₦'000
Salaries and wages	3,483,607	3,225,432
Entertainment	62,532	-
Hotel and accommodation	65,754	72,067
Transport and travelling	108,698	138,311
Motor vehicle running and repairs	108,385	28,878
Advertisement and publicity	17,622	-
Printing and stationeries	138,069	168,119
Repairs and maintenance	100,222	1,229,808
Subscription and fees	25,560	12,262
Bank charges	87,147	
Provison for retirement benefit	2,107,208	1,688,789
Courier services	-	66,787
Rent and rates	70,250	-
Security expenses	167,782	12,849
Telephone and postages	16,589	-
Training expenses	8,335	-
Employee welfare	113,360	-
Technical service fees	315,400	-
Long service award	27,961	-
Administrative overhead	-	769,491
Medical expenses	136,942	-
ITF contribution	144,835	116,076
Workmen's compensation contribution	144,835	116,076
Audit fee and expenses	13,742	57,750
Depreciation	99,067	60,790
Company income tax written off	55,395	-
Other miscellaneous expenses	31,828	-
	7,651,127	7,763,485

Notes to the financial statements (continued)

13. **Finance income and cost**

	31 Dec 2013	31 Dec 2012
	₦'000	₦'000
Interest income		
Interest costs	-	-
	-	-

14. **Depreciation**

	31 Dec 2013	31 Dec 2012
	₦'000	₦'000
Depreciation (Admin)	99,067	60,790
Depreciation (Cost of sales/Direct cost)	3,022,174	2,259,968
	3,121,241	2,320,758

15. **Operating profit/(Loss) before minimum and income taxes**

The following items have been charged in arriving at operating loss:

	₦'000	₦'000
Depreciation of fixed assets (Note 14)	3,121,241	2,320,758
Staff costs	13,317,339	11,775,167
Auditors' remuneration	13,742	57,750

16. Employee benefit expense

(i) Employee benefit expense during the year comprise:

	2013	2012
	₦'000	₦'000
Salaries and wages	13,239,772	11,659,091
Pension costs	77,567	116,076
	13,317,339	11,775,167

(ii) The table below shows the number of employees of the Company whose duties were wholly or mainly discharged in Nigeria, who received remuneration during the year in the following ranges:

Notes to the financial statements (continued)

	2013	2012
	Number	Number
₦ 200,001 - ₦ 800,000	527	864
₦ 800,001 - ₦ 1,400,000	494	703
₦ 1,400,000 - ₦ 2,000,000	517	409
₦ 2,000,000 - ₦ 3,000,000	684	1125
₦ 3,000,000 - ₦ 4,000,000	203	1715
₦ 4,000,000 - ₦ 5,000,000	186	226
₦ 5,000,000 and Above	72	7
	2683	5042

(iii) The average number of full time persons employed during the year (other than executive directors) was as follows:

	2013	2012
	Number	Number
Operations	2,158	3,890
Administration	525	1,152
	2,683	5,042

(iv) **Directors**

The Director's remuneration for the period is Nil

17. Taxation

(a) The Company has applied the provisions of the Companies Income Tax Act that mandates a minimum tax assessment, where a taxpayer does not have taxable profit which would generate an eventual tax liability when assessed to tax. The Company's assessment based on the minimum tax legislation for the year ended 31 December 2013 is Nxx million (2012 : Nxx million).

(b) The Company is subject to tax under the Companies Income Tax Act as amended to date. Companies Income Tax was not charged during the year as the Company did not have taxable or assessable profit for the year ended December 31, 2013 (2012: Nil). The tax expense/(credit) for the year comprises:

Notes to the financial statements (continued)

18 Property, plant and equipment

	Land	Building	Plant & Machinery	Furniture, Fittings & Equipment	Motor Vehicles	Capital Work-in-progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost:							
At January 1, 2013	1,653	121,663	90,295,934	269,703	366,043	4,743,621	95,798,617
Written off	-	(45,886)	-	-	-	(4,428,223)	(4,474,109)
Additions	534	18,154	344,993	66,095	135,235	-	565,011
At December 31, 2013	2,187	93,931	90,640,927	335,798	501,278	315,398	91,889,519
Depreciation:							
At January 1, 2013	-	22,046	43,079,044	178,775	286,252	-	43,566,117
Written off	-	(8,255)	-	-	-	-	(8,255)
Charge for the period	-	3,729	3,022,174	43,393	51,945	-	3,121,241
At December 31, 2013	-	17,520	46,101,218	222,168	338,197	-	46,679,103
Net book value:							
At December 31, 2013	2,187	76,411	44,539,709	113,630	163,081	315,398	45,210,415
At December 31, 2012	1,653	99,617	47,284,610	77,994	79,791	4,688,835	52,232,500
At 1 January, 2012	1,653	102,050	49,423,654	81,412	63,101	4,093,596	53,765,466

The revalued property, plant and equipment consists of land, building, plant and machinery, furniture, fittings and equipment and motor vehicles. Management determined that these constitute five classes of assets under IFRS 13, based on the nature, characteristics and risks of the property. Fair value of the properties was determined using the direct sale comparison and the depreciated replacement cost methods. This means that valuation performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location, or condition of the specific property. As at the date of revaluation on December 31, 2013, the properties' fair values are based on valuations performed by Oni Ibitoye and Co.(Estate Surveyors), an accredited independent valuer who has valuation experience for similar properties in Nigeria. Fair value measurement disclosures for revalued property, plant and equipment are provided in note 5 (iii).

	Land	Building	Plant & Machinery	Furniture, Fittings & Equipment	Motor Vehicles	Capital Work-in-progress	Total
b. **Carrying amount at Dec. 31, 2013**	2,187	76,411	44,539,709	113,630	163,081	315,398	45,210,415
Revaluation surplus	3,673,870	1,790,027	61,885,228	76,663	337,582	-	67,763,369
Fair value at Dec. 31, 2013	3,676,057	1,866,438	106,424,937	190,293	500,663	315,398	112,973,785

Notes to the financial statements (continued)

19. **Inventories**

	31 Dec 2013	31 Dec 2012	1 January 2012
	₦'000	₦'000	₦'000
Distribution	716,454	834,235	1,004,539
Cables and conductors	81,994	126,427	169,167
Capital items	136,224	286,417	296,234
General stores	452,246	588,255	410,462
Lubricants	466	168	2,289
Stationeries	11,829	17,867	12,764
Transmission	-	2	21,936
Tools	9,254	11,161	18,612
World bank materials	-	-	26
Meter receipts & issue	143,558	1,087,763	967,675
Write-down of inventories	(117,100)	(65,171)	(65,171)
	1,434,926	2,887,124	2,838,533

Inventories consisits of materials and supplies used in the power distributuion and services segments. The excess of cost over net realisable value relating to inventories consists of collective and specific provisions. The cost of inventories is written down whenever the net realisable value become lower than the cost due to damage, physical deterioration, obsolescence, change in price levels or other causes. The lower of cost or net realisable value of inventories is reviewed on a periodic basis. Inventories items identified to be obsolete and unusable are written off and charged as expenses in the income statement.

20. **Trade and other receivables**

	31 Dec 2013	31 Dec 2012	1 January 2012
	₦'000	₦'000	₦'000
Federal government ministries and agencies	109,295	4,499,252	2,943,961
State government ministries and agencies	76,151	2,380,390	1,610,606
Local government authorities	32,125	957,190	640,735
Private consumers	5,238,361	50,707,564	36,463,723
Other consumers	-	11	11
Other receivables	891	-	27,644
Impairment (20a)	(1,797,604)	(19,223,639)	(19,223,639)
	3,659,219	39,320,768	22,463,041

a. **Impairment**

This account represents billed amounts due from electricity customers. An allowance for non-recovery is established to restate the balance to a net realisable value based on the review of the outstanding balance as at December 31, 2013.

21. **Prepayments**

	31 Dec 2013	31 Dec 2012	1 January 2012
	₦'000	₦'000	₦'000
Prepayments	-	4,298,146	4,166,458
	-	4,298,146	4,166,458

Notes to the financial statements (continued)

22. Cash and cash equivalents

	31 Dec 2013	31 Dec 2012	1 Jan 2012
	N'000	N'000	N'000
Cash in hand	-	2,974,100	2,430,398
Cash at bank	2,297,876	1,053,847	1,903,769
Imprest - undertaking	410,863	-	-
Letters of credit	-	4,265,084	1,064,898
Petty cash	200	-	-
	2,708,939	8,293,031	5,399,065

23. Trade and other payables

	31 Dec 2013	31 Dec 2012	1 Jan 2012
	N'000	N'000	N'000
Trade payable (Market Operator)	6,380,600	52,115,498	38,251,533
Amount due to related party	49,117	-	-
Accrued expenses	409,046	1,515,266	1,122,582
Other creditors	876,032	2,230,342	8,992,147
	7,714,795	55,861,106	48,366,262

24. Deferred income - prepaid power sales	175,297	-	-

25. Financial instruments

Financial risk management overview

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Notes to the financial statements (continued)

The Company Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

a. **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and other related parties.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	31 Dec 2013	31 Dec 2012	1 Jan 2012
		₦'000	₦'000	₦'000
Trade receivables	20	5,455,932	58,544,396	41,659,025
Cash and cash equivalents	22.	2,708,939	8,293,031	5,399,065
		8,164,871	66,837,427	47,058,090

There are no collaterals associated with these transactions.

Trade and other receivables

Based on the collective assessment of the other receivable balances of the Company, There were no indication of impairment loss of the amount due from customers.

The aging of trade receivables at the end of the reporting period was as follows:

	₦'000
1 - 60 days	5,455,932
61 - 180 days	-
More than 180 days	-
	5,455,932

Cash and cash equivalents

The Company held cash and cash equivalents of =N=2.71 billion as at December 31, 2013 (2012: =N=8.29 billion). The cash and cash equivalents are held by banks and financial institutions in Nigeria.

Notes to the financial statements (continued)

b. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company has a clear focus on ensuring sufficient access to capital to finance growth. As part of the liquidity management process, the Company has various credit arrangements with its related parties which can be utilised to meet its liquidity requirements.

Typically, the credit terms with customers are more favourable compared to payment terms to its vendors in order to help provide sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Notes	Carrying amount	Contractual cash flows	6 months or less
		₦'000	₦'000	₦'000
Non-derivative financial liabilities				
31 December 2013				
Trade and other payables	23	7,714,795	7,714,795	7,714,795
		7,714,795	7,714,795	7,714,795
31 December 2012				
Trade and other payables	23	55,861,106	55,861,106	55,861,106
		55,861,106	55,861,106	55,861,106

c. Market risk

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

The Company manages market risks by keeping costs low through various cost optimization programs. Moreover, market developments are monitored and discussed regularly, and mitigating actions are taken where necessary.

Notes to the financial statements (continued)

d. **Currency risk**

The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

In managing currency risk, the Company aims to reduce the impact of short-term fluctuations on earnings. The Company has no export sales. Thus the exposure to currency risk in that regard is non existent. The Company monitors the movement in the currency rates on an ongoing basis.

Sensitivity analysis

A weakening of the Naira against the dollar at 31 December would have had the equal but opposite effect on the above dollar to the amounts shown above, on the basis that all other variables remain constant.

The following significant exchange rates were applied during the year

	Reporting date spot rate	
	2013	2012
	₦	₦
US Dollar	155.20	155.27

e. **Capital risk management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity. Management also monitors the level of dividends to all shareholders.

	31 Dec 2013	31 Dec 2012
	₦'000	₦'000
Total liabilities	28,219,103	63,132,423
Less: cash and cash equivalents (Note 21)	(2,708,939)	(8,293,031)
Net debt	25,510,164	54,839,392
Total Equity	92,557,766	43,899,145
Net debt to equity ratio	0.28	1.25

Notes to the financial statements (continued)

f. **Fair values**

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

		Loans and receivables
		₦'000
31 December 2013		
Financial assets		
Trade and other receivables	20	3,659,219
Cash and cash equivalents	22	2,708,939
		6,368,158
Financial liabilities		
Trade and other payables	23	7,714,795
		7,714,795

		Loans and receivables
		₦'000
31 December 2012		
Financial assets		
Trade and other receivables	20	39,320,768
Cash and cash equivalents	22.	8,293,031
		47,613,799
Financial liabilities		
		₦'000
Trade and other payables	23	55,861,106
		55,861,106

The Company's financial instruments are categorised as follows:

Trade receivables and trade payables are the Company's short-term financial instruments. Accordingly, management believes that their fair values are not expected to be materially different from their carrying values.

Notes to the financial statements (continued)

26. Capital commitments

The Company had no capital commitment as at the reporting date.

27. Share capital

	31 Dec 2013	31 Dec 2012
	₦'000	₦'000
Authorised:		
10,000,000 ordinary shares of ₦0.5 each	5,000	5,000
Issued and fully paid:		
10,000,000 ordinary shares of ₦0.5 each	5,000	5,000
Issued and fully alloted:		
10,000,000 ordinary shares of ₦0.5 each	5,000	5,000

28. Revaluation reserve

	31 Dec 2013	31 Dec 2012
	₦'000	₦'000
Revaluation surplus	67,763,369	-
Deferred tax	(20,329,011)	-
	47,434,358	-

Deffered tax was charged at 30% on the Revaluation surplus which would be the net amount of the asset recapitalisation -Plant & Machinery and the Revaluation surplus.

29. Related party transactions

	2013	2012
	₦'000	₦'000
Integrated Energy Distribution and	49,117	-
Marketing Ltd	49,117	-

30. Contingent liabilities

The Company had no disclosable contingent liability as at year end (2012: Nil).

31. Segment reporting

There was no segment information to be disclosed for the period

Notes to the financial statements (continued)

32. **Events after the reporting date**

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

33. **Off balance sheet item**

CAPMI

In the exercise of its mandate to maximise access to electricity, bridge the metering gap and reduce estimated billing, the Nigerian Electricity Regulatory Commission ("NERC") designed the Credit Advance Payment for Metering Implementation ("CAPMI"). This scheme is to enable customers willing to make an advance payment for the purchase of meters to do so and be refunded through a reduction to the fixed charge element of their bill over time. The amount of cash that has been received from customers amounted to =N=25.23 million

Notes to the financial statements (continued)

34. **Property, plant and equipment**

Derecognition and reclassification adjustments at transition date

Under the Nigerian Generally Accepted Accounting Principles (NGAAP), the company did not recognised construction work in progress (CWIP) as part of its property, plant and equipment (PPE). Under IFRS, construction work in progress is reclassified and recognised within PPE. The net effect of this is a reduction of CWIP by N4.09 billion and N4.69 billion at January 1, 2012 (transition date) and December 1, 2012 (comparative date) respectively and an increase in PPE by the same amounts. There was no net impact on retained earnings.

a. **Construction work in progress**

	31 Dec 2012	01-Jan-12
	₦'000	₦'000
NGAAP	4,688,835	4,093,596
Property, plants and equipment	(4,688,835)	(4,093,596)
Per IFRS	-	-

b. **Property, plant and equipment**

	31 Dec 2012	01-Jan-12
	₦'000	₦'000
NGAAP	-	-
Construction work in progress	4,688,835	4,093,596
Per IFRS	4,688,835	4,093,596

The company has elected to measure items of property, plant and equipment at their NGAAP carrying amount at transition date. However, certain reclassifications were made to properly recognised PPEs in line with IFRS. This option does not affect the company's accounting policy on PPE subsequent to IFRS adoption which is to measure PPE using the revaluation model. Additionally, as required by IFRS, management shall continue to carry out annual assessments of useful lives, depreciation methods and residual values of PPE and if there are changes, they will be accounted for as changes in estimates.

c. **Inventory**

	31 Dec 2012	01-Jan-12
	₦'000	₦'000
NGAAP	2,952,295	2,903,704
write-down	(65,171)	(65,171)
Per IFRS	2,887,124	2,838,533

At transition date, inventory was written down permanently to the extent of the provision for obsolescence and slow moving items under NGAAP. There was no net impact on retained earnings.

d. **Intangible asset-software**

Under IFRS reporting, computer software that are not an integral part of computer equipment are recognised separately as intangible assets and are to be accounted for by applying IAS 38. However, the company ascertained that at transition date, there was no such non-integral software requiring separate recognition and measurement.

Notes to the financial statements (continued)

e. **Consumer debtors**

	31 Dec 2012	01-Jan-12
	₦'000	₦'000
NGAAP	58,544,407	41,659,036
Trade receivables	(58,544,407)	(41,659,036)
Per IFRS	-	-

Under NGAAP, amounts receivable from customers for the sale of energy was recognised and classified as consumer debtors in the statement of financial position. At the transition date, this has been reclassified as trade receivables with no impact on retained earnings.

f. **Trade and other receivables**

	31 Dec 2012	01-Jan-12
NGAAP	₦'000	₦'000
Consumer debtors	58,544,407	41,659,036
Receivables impairment	(19,223,639)	(19,223,639)
Short term advances to staff	11,234	27,644
Per IFRS	39,332,002	22,463,041

At transition date, trade receivables were impaired to the extent of the provision for bad and doubtful debt recognised under NGAAP. There was no net impact on retained earnings.

g. **Prepayments and other receivables**

	31 Dec 2012	01-Jan-12
	₦'000	₦'000
Staff loans and advances	11,234	27,644
Trade and other receivables	(11,234)	(27,644)
Per IFRS	-	-

Under NGAAP, staff loans and advances were classified as part of prepayments. On transition, this amount was reclassified to Trade and Other Receivables. The net impact on retained earnings is NIL.

Notes to the financial statements (continued)

h. **Payable to Market Operators**

	31 Dec 2012	01-Jan-12
	₦'000	₦'000
NGAAP	52,115,498	38,251,533
Trade and other payables	(52,115,498)	(38,251,533)
Per IFRS	-	-

i. **Other payables and accruals**

	31 Dec 2012	01-Jan-12
	₦'000	₦'000
NGAAP	3,756,842	10,114,730
Trade and other payables	(3,756,842)	(10,114,730)
Per IFRS	-	-

j. **Trade and other payables**

	31 Dec 2012	01-Jan-12
	₦'000	₦'000
NGAAP	-	-
Payable to Market Operators	52,115,498	38,251,533
Other payables and accruals	3,756,842	10,114,730
Per IFRS	55,872,340	48,366,263

At the transition date, "payables to market operators" and "other payables and accruals" were reclassified and included in Trade and Other Payables in the Statement of Financial Position under IFRS. There was no impact on retained earnings

k. **Customers contribution**

	31 Dec 2012	01-Jan-12
	₦'000	₦'000
NGAAP	781,277	589,865
Retained earnings	(781,277)	(589,865)
Per IFRS	-	-

Capital contributions from customers were recognised as deferred income within non-current liabilities under NGAAP. They were then subsequently amortised over the life of the asset. Since there were no further obligations on the part of the company, these amounts should have been recognised as part of revenue in the respective years. Therefore at transition date, the balance in the account has been transferred to retained earnings.

Notes to the financial statements (continued)

l. Federal government fundng

	31 Dec 2012	01-Jan-12
	₦'000	₦'000
NGAAP	17,290,583	16,635,966
Retained earnings	(17,290,583)	(16,635,966)
Per IFRS	-	-

Under the NGAAP, Federal Government funding of N17.29 billion was recognised and disclosed separately as part of equity in the balance sheet. At transition date, this has been reclassified to retained earnings.

m. Revaluation reserve

	31 Dec 2012	01-Jan-12
	₦'000	₦'000
NGAAP	47,844,022	47,844,022
Retained earnings	(47,844,022)	(47,844,022)
Per IFRS	-	-

At transition date, items of PPE were recognised and measured using their NGAAP carrying amounts as deemed cost. Consequently, revaluation reserve has been elimnated with a net impact of N47.8b on retained earnings.

n. Accumulated deficit

	31 Dec 2012	01-Jan-12
	₦'000	₦'000
NGAAP	(22,021,737)	(30,335,574)
Retained earnings	22,021,737	30,335,574
Per IFRS	-	-

o. Retained earnings

	31 Dec 2012	01-Jan-12
	₦'000	₦'000
Retained earnings under NGAAP	(22,021,737)	(30,335,574)
Federal government funding	17,290,583	16,635,966
Revaluation reserve	47,844,022	47,844,022
Customer contributions	781,277	589,865
Retained earnings under IFRS	43,894,145	34,734,279

Notes to the financial statements (continued)

35. **IFRS Transition Note**

Reconciliation Statement of Profit or Loss and Other Comprehensive Income

	Note	Local GAAP 31/12/2012	IFRS Adjustment	IFRS 31/12/2012
Revenue	a	44,396,267	(3,422,150)	40,974,117
Cost of sales		(41,022,329)	-	(41,022,329)
Gross profit		3,373,938	(3,422,150)	(48,212)
Other income		48,212	3,422,150	3,470,362
Administrative expenses		(12,922,374)		(12,922,374)
Total administrative expenses		(12,922,374)	-	(12,922,374)
Loss before tax		(9,500,224)	-	(9,500,224)
Income tax expense (Provision)		(55,507)		(55,507)
Loss after income tax		(9,555,731)	-	(9,555,731)
		-	-	-
Loss from continuing operations		(9,555,731)	-	(9,555,731)
Other comprehensive income		-		-
Loss for the year		(9,555,731)	-	(9,555,731)
Earnings per share				
Basic Earnings/(Loss) per share (=N=)		(955.57)		(955.57)
Diluted earnings per share (=N=)		-		-

a. Other form of income of N3,422,150 which was initially recognised as part of turnover now properly reclassified as Other income in line with the requirement of IAS 1.

b. IFRS 1 requires that analysis of expenses recognised in profit or loss should be classified based either on their nature or function. In compliance with this requirement, operating expenses were classified by function and details of items like Employee cost and depreciation that will make it comply with classification by nature were separated and presented and disclosed in the notes to the financial statements.

Other Financial Information
Value Added Statement
For the year ended 31 December

	2013 ₦'000	%	2012 ₦'000	%
Revenue	49,100,316		41,133,117	
Bought in materials and services				
- Local	(39,122,025)		(38,449,291)	
- Imported	-		-	
	(40,919,629)		(36,592,924)	
Finance income	-		-	
	8,180,687	100	4,540,193	100
To employees:				
- Wages, salaries and other staff costs	13,317,339	163	11,775,167	259
To providers of finance:				
- Finance cost and similar charges	-	-	-	-
To government as:				
- Taxes	-	-	-	-
Retained in the business:				
To maintain and replace:				
- Property, plant and equipment	3,121,241	38	2,320,758	51
- To augment/(deplete)reserve	(8,257,893)	(101)	(9,555,732)	(210)
	8,180,687	100	4,540,193	100

Financial Summary

Statement of profit or loss and other comprehensive income

	2013	2012
	₦'000	₦'000
Revenue	49,100,316	41,133,117
Profit /(loss) before income tax	(8,257,893)	(9,500,225)
Profit/(loss) after income tax	(8,257,893)	(9,555,732)
Total comprehensive income for the year	39,176,465	(9,555,732)

Statement of financial position

	31 Dec 2013	31 Dec 2012	1 Jan 2012
	₦'000	₦'000	₦'000
Employment of funds			
Property, plant and equipment	112,973,785	52,232,499	53,765,466
Deferred tax assets/(liabilities)	(20,329,011)		
Employee retirement benefit	-	(7,178,090)	(5,489,302)
Net current (liabilities)/assets	(87,008)	(1,155,264)	(13,536,885)
Net assets/(liabilities)	92,557,766	43,899,145	34,739,279
Funds employed			
Share capital	5,000	5,000	5,000
Revaluation reserves	47,434,358	-	0
Retained earnings	45,118,408	43,894,145	34,734,279
	92,557,766	43,899,145	34,739,279

The financial information presented above reflects historical summaries based on International Financial Reporting Standards. Information related to prior years has not been presented as it is based on a different financial reporting framework (Nigerian GAAP) and is therefore not directly comparable.