

**Jos Electricity Distribution Plc**

**IFRS Financial Statements**  
**for the year ended 31 December 2015**

**Jos Electricity Distribution Plc**  
**Index to the financial statements**  
**for the ended 31 December 2015**

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**Jos Electricity Distribution Plc**  
**Directors and professional advisers**  
**For the year ended 31 December 2015**

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<b>DIRECTORS</b>	Ahmed Mahmud Yayale	Chairman	
	Modibo Moh'd Tukur	Director	Resigned December 2015
	Tsavsar Joseph	Director	
	Kosehkahyaoglu Mehmet	Director	
	Marangoz Serdar	Director	
	Dalami Zakari Jelka	Director	
	Joda Hamid	Director	
	Bello Falalu	Director	
<b>COMPANY SECRETARY</b>	Odujinrin & Adefulu		
<b>REGISTERED OFFICE</b>	9, Ahmadu Bello Way Jos, Plateau State Nigeria		
<b>AUDITORS</b>	PricewaterhouseCoopers (Chartered Accountants)		
<b>BANKERS</b>	United Bank for Africa		
	Unity Bank Plc		
	First Bank of Nigeria Plc		
	Union Bank Plc		

**Jos Electricity Distribution Plc**  
**Directors' report**  
**For the year ended 31 December 2015**

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2015, which disclose the state of affairs of the Company.

**INCORPORATION AND ADDRESS**

Jos Electricity Distribution Plc was incorporated in Nigeria on November 7, 2005 under the Companies and Allied Matters Act as a public limited liability company, and is domiciled in Nigeria. The address of its registered office is:

9, Ahmadu Bello Way  
 Jos, Plateau State  
 Nigeria

**PRINCIPAL ACTIVITIES**

The Company is in the business of distribution of electric power to customers in Plateau, Benue, Bauchi and Gombe states of Nigeria.

**RESULTS**

The Company's results for the year are set out on page 7. The loss for the year of N8.72 billion (2014 : loss of N6.04 billion) has been transferred to retained earnings.

**PRIVATISATION OF THE COMPANY**

The Company is one of the successor companies of the Power Holding Company of Nigeria, owned by the Federal Government of Nigeria through the Bureau of Public Enterprises and Ministry of Finance Incorporated. The Company was incorporated on November 7, 2005, but the privatisation was completed 31 October 2013. The private investors took over the management and operations of the Company on 1 November 2013, based on a share sale agreement between Aura Energy Limited and Aydem Energy FZE, UAE as buyers and Bureau of Public Enterprises and Ministry of Finance Incorporated as sellers.

**DIRECTORS' INTEREST IN CONTRACTS**

None of the Directors has notified the Company for the purpose of Section 277 of the Companies and Allied Matters Act of their direct or indirect interest in contracts or proposed contracts with the Company during the year.

**SHAREHOLDINGS**

As of 31 December, 2015, the shares of the Company were held as follows:

	<b>31 December 2015</b>		<b>31 December 2014</b>	
	No of shares	%	No of shares	%
Aura Energy Limited	5,000,000	50%	5,000,000	50%
Aydem Energy FZE, UAE	1,000,000	10%	1,000,000	10%
Bureau of Public Enterprises	3,200,000	32%	3,200,000	32%
Ministry of Finance Incorporated	800,000	8%	800,000	8%
	<u>10,000,000</u>	<u>100%</u>	<u>10,000,000</u>	<u>100%</u>

**EMPLOYMENT OF DISABLED PERSONS**

The Company has a policy of fair consideration of job applications by disabled persons having regard to their abilities and aptitude. The Company's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees.

**EMPLOYEE HEALTH, SAFETY AND WELFARE**

Health and safety regulations are in force within the Company's premises and employees are aware of existing regulations. Careful attention is given to employees' health through top class clinics.

**Jos Electricity Distribution Plc**  
**Directors' report**  
**For the year ended 31 December 2015**

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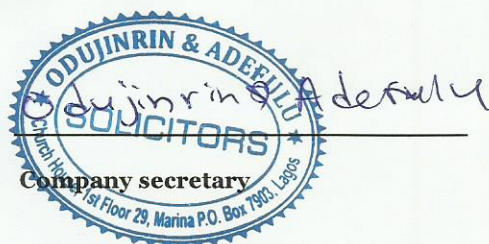
**DONATIONS AND GIFTS**

The Company made nil donations during the year (2014:Nil).

**AUDITORS**

Messrs. PricewaterhouseCoopers (Chartered Accountants) have indicated their willingness to continue in office in accordance with Section 357(2) of the Companies and Allied Matters Act.

By order of the Board



2017

**Jos Electricity Distribution Plc**  
**Directors and professional advisers**  
**For the year ended 31 December 2015**

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The Companies and Allied Matters Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. This responsibility includes:

- (a) ensuring that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act;
- (b) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or other irregularities; and
- (c) preparing the Company's financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, that are consistently applied.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit or loss. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.



Managing Director



Director

2017

2017

**Jos Electricity Distribution Plc**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2015**

	Notes	31 December 2015 N'000	31 December 2014 N'000
Revenue	5	22,666,456	17,504,750
Cost of sales	6	(20,620,106)	(14,985,805)
<b>Gross profit</b>		2,046,350	2,518,945
Administrative expenses	6	(10,030,516)	(7,733,590)
Selling expenses	6	(517,510)	(483,854)
Other operating income	8	185,883	35,108
<b>Operating loss</b>		(8,315,793)	(5,663,391)
Finance income		24,556	81,593
Finance cost		(500,431)	(74,010)
Net finance cost		(475,875)	7,583
<b>Loss before tax</b>		(8,791,668)	(5,655,808)
Tax expenses	9	70,330	(383,077)
<b>Loss for the year</b>		(8,721,338)	(6,038,885)
<b>Other comprehensive income:</b>		-	-
<b>Total comprehensive loss for the year</b>		(8,721,338)	(6,038,885)
Loss per share	18	(872)	(604)

The results shown above for both 2015 and 2014 relate to continuing operations.

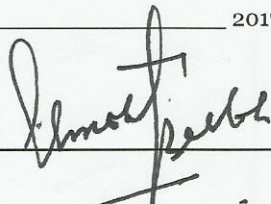
The accounting policies and notes on pages 11 to 28 are an integral part of these financial statements.


**Jos Electricity Distribution Plc**  
**Statement of financial position**  
**As at 31 December 2015**


		<b>31 December 2015 N'000</b>	<b>31 December 2014 N'000</b>
	<b>Notes</b>		
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	32,292,537	33,251,305
Asset under construction	11	1,438,300	897,859
Intangible Assets		235,025	-
		<b>33,965,862</b>	<b>34,149,164</b>
<b>Current assets</b>			
Inventories	13	486,931	1,115,576
Trade and other receivable	14	13,585,201	6,019,591
Cash and cash equivalents	15	377,902	950,523
		<b>14,450,034</b>	<b>8,085,690</b>
<b>Total assets</b>		<b>48,415,896</b>	<b>42,234,854</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Income tax payable	9	347,637	209,590
Trade and other payable	16	26,055,112	11,365,977
		<b>26,402,749</b>	<b>11,575,567</b>
<b>Non- current liabilities</b>			
Deferred tax liability	12	-	208,377
<b>Total liabilities</b>		<b>26,402,749</b>	<b>11,783,944</b>
<b>Equity</b>			
Ordinary share capital	17	5,000	5,000
Retained earnings	18	22,008,147	30,445,910
<b>Total equity</b>		<b>22,013,147</b>	<b>30,450,910</b>
<b>Net equity and liabilities</b>		<b>48,415,896</b>	<b>42,234,854</b>

The financial statements on pages 7 to 28 were approved and authorised for issue by the board of Directors on

\_\_\_\_\_ 2017 and were signed on its behalf by:

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Executive Director Finance



## **REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF JOS ELECTRICITY DISTRIBUTION PLC**

### **Report on the financial statements**

We have audited the accompanying financial statements of Jos Electricity Distribution Plc ("the company"). These financial statements comprise the statement of financial position as at 31 December 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Directors' responsibility for the financial statements*

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies and Allied Matters Act 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.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the 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 our audit to obtain reasonable assurance that 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 auditor's judgement, 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 auditor considers 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 opinion.

#### *Opinion*

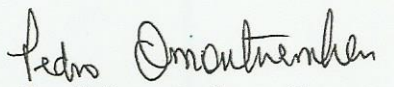
In our opinion the accompanying financial statements give a true and fair view of the state of the company's financial affairs at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.



### **Report on other legal requirements**

The Companies and Allied Matters Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) the company has kept proper books of account, so far as appears from our examination of those books;
- iii) the company's statements of financial position and comprehensive income are in agreement with the books of account.

  
For: **PricewaterhouseCoopers**  
Chartered Accountants  
Lagos, Nigeria

27 February 2017

Engagement Partner: Pedro Omontuemenhen  
FRC/2013/ICAN/00000000739

**Jos Electricity Distribution Plc**  
**Statement of changes in equity**  
**For the year ended 31 December 2015**

	Note	Share capital N'000	Retained earnings N'000	Total equity N'000
<b>Balance as at 1 January 2014</b>		5,000	36,484,795	36,489,795
Total comprehensive income:				
Loss for the year		-	(6,038,885)	(6,038,885)
<b>Balance as at 31 December 2014</b>		<b>5,000</b>	<b>30,445,910</b>	<b>30,450,910</b>
<b>Balance as at 1 January 2015</b>		5,000	30,445,910	30,450,910
Total comprehensive income:				
Loss for the year		-	(8,721,338)	(8,721,338)
Transaction with owners of the business				
Capital contribution - Federal government funding		-	283,575	283,575
<b>Balance as at 31 December 2015</b>		<b>5,000</b>	<b>22,008,147</b>	<b>22,013,147</b>

Capital contribution relates to power distribution materials received from the Federal Government of Nigeria during the year. These items relate to materials purchased by the Federal Government of Nigeria before the privatisation of the industry, under the defunct Power Holding Company of Nigeria. The items are included in the inventory items.

In line with IAS 1 para 109, the items have been recognised as transaction with Federal Government of Nigeria in its capacity as shareholder, represented by the Bureau of Public Enterprises and Ministry of Finance Incorporated.

The statement of accounting policies and notes on pages 11 to 28 are an integral part of these financial statements

**Jos Electricity Distribution Plc**  
**Statement of Cash flows**  
**For the year ended 31 December 2015**

	Notes	31 December 2015 N'000	31 December 2014 N'000
Cash flows from operating activities:			
Cash generated from operations	19	<u>965,933</u>	<u>1,385,184</u>
<b>Net cash generated from operating activities</b>		<u>965,933</u>	<u>1,385,184</u>
Cash flows from investing activities:			
Purchase of property, plant and equipment	11	(973,983)	(511,426)
Additions to assets under construction	11	<u>(564,571)</u>	<u>(364,855)</u>
<b>Net cash used in investing activities</b>		<u>(1,538,554)</u>	<u>(876,281)</u>
Net (decrease)/increase in cash and cash equivalents		(572,621)	508,903
Cash and cash equivalents at start of year		<u>950,523</u>	<u>441,620</u>
<b>Cash and cash equivalents at the end of the year</b>		<u><u>377,902</u></u>	<u><u>950,523</u></u>

The statement of accounting policies and notes on pages 11 to 28 are an integral part of these financial statements

**Jos Electricity Distribution Plc**  
**Notes to the financial statements**  
**For the year ended 31 December 2015**

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**1 General information**

Jos Electricity Distribution Plc ('the Company') is one of the eleven electricity distribution companies in Nigeria. The Company was granted operational license in 2006 by the Nigeria Electricity Regulatory Commission (NERC) to distribute electricity to consumers in four states in Nigeria: Plateau, Benue, Bauchi and Gombe States. As part of the privatisation, a new operational license was granted to the Company on 1 October 2013 by NERC.

The Company became a privately managed entity on 1 November 2013 following the completion of sale of 60% of the Federal Government of Nigeria interest in the Company to Aura Energy Limited and Aydem Energy FZE, UAE.

The Company currently services about 400,000 customers with its major activities being to:

- operate its network assets effectively;
- maintain its assets so that they are in a condition to remain reliable;
- upgrade the existing networks and or build new ones to provide additional electricity supplies or capacity to its customers.
- bill its customers for energy consumed based on prevailing tariff and collect payments on such basis.

The Company's registered address is 9, Ahmadu Bello Way, Jos, Plateau State, Nigeria.

**2 Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

**2.1 Basis of preparation**

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The financial statements have been prepared under the historical cost convention and are presented in Naira. All values are rounded to the nearest thousand (N'000), except when otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

**2.1.1 Going concern**

The financial statements have been prepared on a going concern basis. The directors have no doubt that the Company would remain in existence 12 months from the date of these financial statements.

**2.1.2 Changes in accounting policies and disclosures**

**(a) New standards, amendments and interpretations adopted by the Company**

Below is a list of standards/interpretations that have been issued and are effective for periods beginning on or after 1 January 2015 and have an impact on the Company:

**(i) IFRS 7, Financial instruments: Disclosures.**

Servicing contracts – financial assets transferred to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement. There is a consequential amendment to IFRS 1 to give the same relief to first time adopters.

**(b) New standards, amendments and interpretations not early adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

*Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' regarding depreciation and amortisation (effective 1 January 2016)*

This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

*IFRS 15 - Revenue from contracts with customers (Effective 1 January 2018)*

The standard establishes the principles that an entity should apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. It replaces the previous revenue standards. IAS 18 Revenue and IAS 11 Construction contracts and the related interpretation on revenue recognition: IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreement from the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions involving Advertising Services. It stipulates that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The framework will be applied consistently across transactions, industries and capital markets and will improve comparability in the 'top line' of the financial statements of companies globally.

*IFRS 9 - Financial instruments (Effective 1 January 2018)*

IFRS 9 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010.

IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

Management is yet to assess the impact of amendments to IAS 16, IFRS 7, IFRS 15 and IFRS 9.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

**2.2 Functional currency and translation of foreign currencies**

**(i) Functional and presentation currency**

Items included in the financial statements of the entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Naira (NGN), which is the Company's functional and presentation currency.

**Jos Electricity Distribution Plc**  
**Notes to the financial statements**  
**For the year ended 31 December 2015**

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**(ii) Transactions and balances in the Company**

Foreign currency transactions are translated into the functional currency entity using the exchange rates prevailing at the dates of the transactions or the date of valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'other operating income/operating losses'.

**2.3 Revenue**

Revenue is measured at the fair value of the consideration received or receivable for sales of goods and services, in the ordinary course of the Company's activities and is stated net of value-added tax (VAT), rebates and discounts and after eliminating sales within the Company. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and when specific criteria have been met for each of the Company's activities as described below:

Sales of electricity

Revenue from power supply is based on amount of energy supplied to the customers in KW/MW as recorded at the metering point. This is computed using the Multi-Year Tariff Order (MYTO) per customer class, as prescribed in the MYTO framework.

For prepaid customers, the energy consumed is estimated as a percentage of total amounts vended by the customers. Unutilised energy costs are deferred to the next reporting period. The amounts of prepaid customers vending is not significant to these financial statements.

**2.4 Property, plant and equipment**

All categories of property, plant and equipment are initially recorded at cost and subsequently stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight line method to write down their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Asset category	Estimated useful lives
Building	2% - 2.5%
Plant & Machinery	2% - 5%
Computer hardwares	25% - 33.3%
Furniture and Fittings	10% - 33.3%
Motor Vehicles	10% - 20%

Where the cost of a part of an item of property, plant and equipment is significant when compared to the total cost, that part is depreciated separately based on the pattern which reflects how economic benefits are consumed.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance reporting date. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the profit or loss statement.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads, but excludes financing costs.

#### **Impairment of non-financial assets**

All assets are reviewed whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recoverable. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable value, which is the higher of fair value less cost of disposal and value in use, the latter being determined as the amount of estimated risk-adjusted discounted future cash flows. For this purpose, assets are grouped into cash generating units based on separately identifiable and largely independent cash inflows.

### **2.5 Financial instruments**

#### **Financial assets**

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise of cash, trade and other receivables.

#### **Impairment of financial assets**

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

#### **Financial liabilities**

The Company classifies its financial liabilities as financial liabilities at amortised cost. The interest expense is included in 'interest expense' in the statement of profit or loss.

#### **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### **2.6 Inventory**

Inventory is stated at the lower of cost and net realisable value. If the purchase or production cost is higher than the net realisable value, inventories are written down to net realisable value. The cost of inventories is generally based on the first in first out method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition while net realisable value is the estimated selling price in the ordinary course of business.

### **2.7 Trade Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payment (more than 30 days overdue), are the indicators that trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss within administrative costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative costs in the profit or loss.

**2.8 Payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.9 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 as share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve.

**2.10 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

**2.11 Current and deferred income tax**

Income tax expense is the aggregate of the charge to the income statement in respect of current and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation.

Education tax is provided at 2% of assessable profits of companies operating within Nigeria.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Current and deferred income tax is determined using tax rates and laws enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**2.12 Leases**

**Operating lease**

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

**2.13 Employee benefits**

**(i) Wages, salaries and annual leave**

Wages, salaries, bonuses, other contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the Company.

**(ii) Defined contribution plan**

The Company operates a defined contribution scheme for its employees in line with the Pension Reform Act 2014. A defined contribution plan is a pension plan 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.

The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Company and employees. The Company's contributions to the defined contribution schemes are charged to the profit or loss account in the year to which they relate.

**2.14 Provisions**

Provisions are recognised when the entity has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**2.15 Dividend distribution**

The Company recognises a liability to make dividend distribution to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Dividends proposed by the Directors but not yet approved by members are disclosed in the financial statements.

### **3 Financial risk management**

#### **3.1 Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on its financial and operational performance.

The Company has a risk management function that manages the financial risks relating to the Company's operations under the policies approved by the Board of Directors. The Company's liquidity, credit, foreign currency, interest rate and price risks are continuously monitored. The Board approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk and credit risk.

#### Market risk

##### *(i) Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions and recorded assets and liabilities are denominated in a currency that is not the entity's functional currency e.g. foreign denominated loans, purchases and sales transactions etc. The Company did not have any material balance denominated in foreign currency at 31 December 2015.

##### *(ii) Interest rate risk*

The Company does not have any investment with fixed rate. Therefore the Company is not exposed to fair value interest rate risk.

##### *(iii) Price risk*

There are no financial instruments exposed to other price risk.

#### Credit risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers including outstanding receivables. The Company has policies in place to ensure that credit limits are set for commercial customers taking into consideration the customers' tariff class, past trading relationship, credit history and other factors. When customers default in paying bills on due date, the Company disconnect supply to such customer and reconnection attracts a fee which is another revenue stream for the Company.

Management monitors the aging analysis of receivables on a periodic basis. The analysis of current, past due but not impaired and impaired receivables is as follows:

	<b>31 December 2015 N'ooo</b>	<b>31 December 2014 N'ooo</b>
Current:		
Cash and cash equivalents	377,902	950,523
Trade receivables (Gross)	26,318,364	11,055,920
	<u>26,696,266</u>	<u>12,006,443</u>
Not impaired	<u>12,102,443</u>	<u>3,798,808</u>
Past due but not impaired:		
- by up to 90 days	1,287,800	2,701,243
- by 91 to 180 days	625,199	359,717
Total past due but not impaired	<u>1,912,999</u>	<u>3,060,960</u>
Impaired	<u>12,798,212</u>	<u>5,146,675</u>
	<u>26,813,654</u>	<u>12,006,443</u>

All receivable past due by more than 180 days are considered to be fully impaired, others are measured at the estimated recoverable value.

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Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	31 December 2015 N'000	31 December 2014 N'000
<u>Cash and bank balance</u>		
A +	-	912,897
B	358,842	37,123
Not rated	19,060	3
	<u>377,902</u>	<u>950,023</u>

Trade receivables

Counter parties without external credit rating:	<u>26,318,364</u>	<u>11,055,920</u>
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Liquidity risk

**3.1.1 Management of liquidity risk**

Cash flow forecasting is performed by the treasury department. The treasury department monitors the forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs. Prudent liquidity risk management implies maintaining sufficient cash. Due to the dynamic nature of the underlying businesses, Company treasury maintains flexibility in funding.

Management monitors rolling forecasts of the Company's liquidity reserve comprising cash and cash equivalents on the basis of expected cash flow.

**3.1.2 Maturity analysis**

The table below analyses financial liabilities of the Company into relevant maturity periods based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year N'000	Over 1 year N'000	Total N'000
<b>At 31 December 2015:</b>			
Trade and other payables	22,845,659	-	22,845,659
<b>At 31 December 2014:</b>			
Trade and other payables	10,224,945	-	10,224,945

**3.2 Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company did not have any borrowings within the periods reported in these financial statements.

### 3.3 Fair value estimation

#### (a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily listed instruments classified as trading securities or available for sale.

#### (b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

#### (c) Financial instrument in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Techniques, such as discounted cash flow analysis, are used to determine fair value for the financial instruments included in level 3.

### Financial instruments by category

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of income or other comprehensive income.

Those categories are: loans and receivables; and for liabilities, amortized cost. The following table shows the carrying values of assets and liabilities for each of these categories at December 31, 2015 and 2014 :

	31 December 2015 N'ooo	31 December 2014 N'ooo
<b>Assets</b>		
Loans and receivables:		
Trade and other receivables	13,520,152	5,909,245
<b>Liabilities</b>		
Amortized cost:		
Trade and other payables	26,055,112	11,365,977

The fair value of the financial assets and liabilities approximate their carrying amount, due to the short term nature.

### Fair valuation methods and assumptions

#### (i) Cash and bank balances and short term deposits

Cash and bank balances represent cash held with banks. The fair value of these balances is their carrying amounts. These fall under level 2 in the fair value hierarchy.

#### (ii) Trade and other receivables

Loans and receivables are carried at amortized cost net of provision for impairment. The estimated fair value of loans and receivables represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine the fair value. These fall under level 3 in the fair value hierarchy.

#### (iii) Trade and other payables

Loans and receivables are carried at amortized cost net of provision for impairment. The estimated fair value of the payables represent the discounted amount of estimated future cash flows expected to be received. These are short term hence the fair value is the carrying amount as the impact of discounting is not material. These fall under level 3 in the fair value hierarchy.

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	<b>31 December 2015 N'000</b>	<b>31 December 2014 N'000</b>
<b>5 Revenue</b>		
Electricity distribution	22,666,456	17,504,750
Revenue represents energy charge and other regulatory charges on the power distributed to customers.		
The Company's revenue is analysed based on the customer categories as follows:		
By customer payment type:		
Postpaid customer	21,637,789	16,761,867
Prepaid customers	1,028,667	742,883
	<u>22,666,456</u>	<u>17,504,750</u>
By customer tariff class:		
Residential	14,999,138	11,383,273
Commercial	3,873,560	3,021,746
Industrial	1,967,878	1,560,655
Government and others	1,825,880	1,539,076
	<u>22,666,456</u>	<u>17,504,750</u>
<b>6 Expenses by function</b>		
<b>Included in cost of sales:</b>		
Cost of energy	17,809,504	12,573,271
Depreciation of plant and machinery (Note 10)	1,822,742	1,587,232
Staff costs	970,951	694,278
Cost of repairs and other maintenance	16,909	131,024
	<u>20,620,106</u>	<u>14,985,805</u>
<b>Included in administrative expenses:</b>		
Depreciation on property, plant and equipment (Note 10)	134,139	140,037
Staff costs	844,541	1,061,389
Audit fees	21,750	21,750
Provision for bad debts	6,912,753	5,146,675
Transport and travelling	161,360	100,155
Consultancy fees	549,341	682,021
Rent of office buildings	50,754	34,011
Repairs and maintenance	23,248	15,579
Hotel and accommodation expenses	72,668	48,696
Security, driving and cleaning costs	296,104	198,425
Insurance expenses	13,368	8,958
Bank charges and other payment solutions commission	31,295	20,972
Customer records and collection expenses	57,645	38,629
General advertisement	13,966	9,359
Inventory written off	525,730	-
General administrative expenses	321,854	206,933
	<u>10,030,516</u>	<u>7,733,590</u>
<b>Included in selling expenses:</b>		
Staff cost	459,865	410,662
Marketing expenses	57,645	73,192
	<u>517,510</u>	<u>483,854</u>

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	<b>31 December 2015 N'000</b>	<b>31 December 2014 N'000</b>
<b>7 Employee costs</b>		
<b>a Staff costs analysed as follows:</b>		
Distribution (Technical) staff	970,951	694,278
Marketing staff	459,865	410,662
Administrative staff	464,534	551,650
Casual/contract staff	213,362	153,114
Other staff related expenses	166,645	356,624
	<u>2,275,357</u>	<u>2,166,328</u>
<b>b The average number of persons employed during the year was as follows:</b>		
	Number	Number
Management	22	23
Senior staff	678	603
Junior staff	323	754
	<u>1,023</u>	<u>1,380</u>
The number of employees (excluding the directors) who received emoluments in the following ranges are:		
	Number	Number
N1,000,000 and below	320	747
N1,000,001 - N2,000,000	398	329
N2,000,001 - N3,000,000	189	199
N3,000,001 - N4,000,000	63	52
N4,000,001 - N5,000,000	12	15
Above 5,000,000	41	38
	<u>1,023</u>	<u>1,380</u>
<b>8 Other operating income</b>		
Re-connection fee	27,492	16,592
Other charges on customers	33,523	18,516
Electricity imbalance	123,439	-
Other income	1,429	-
	<u>185,883</u>	<u>35,108</u>
<b>9 Taxes</b>		
<b>i Tax expenses</b>		
Current income tax charge	138,047	174,700
Deferred tax charge	(208,377)	208,377
Tax charge	<u>(70,330)</u>	<u>383,077</u>
<b>ii Current income tax payable</b>		
At 1 January	209,590	34,890
Income tax	138,047	174,700
At 31 December	<u>347,637</u>	<u>209,590</u>

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	31 December 2015 N'000	31 December 2014 N'000
<b>iii Reconciliation of effective tax rate</b>		
Loss before income tax	(8,791,668)	(5,655,808)
Income tax using the domestic corporation tax rate of 30%	(2,637,500)	(1,696,742)
Non-deductible expenses	-	468,963
Minimum tax levy	138,047	174,700
Investment allowance	24,995	85,476
Effect of deferred tax asset on tax losses not recognised	2,404,128	1,350,680
Total income tax expense in statement of profit or loss	(70,330)	383,077

**10 Property, plant and equipment**

	Land N'000	Building N'000	Plants & Machinery N'000	Motor Vehicles N'000	Furniture & equipment N'000	Total N'000
<b>Year ended 31 December 2015</b>						
Opening net book value	304,293	535,096	31,855,638	456,693	99,585	33,251,305
Additions	-	-	833,174	101,556	39,253	973,983
Reclassification (Note 11)	-	45,465	(47,850)	61,053	(34,538)	24,130
Depreciation	-	(14,136)	(1,822,742)	(87,214)	(32,789)	(1,956,881)
<b>Closing net book value</b>	304,293	566,425	30,818,220	532,088	71,511	32,292,537
<b>At 31 December 2015</b>						
Cost	304,293	628,212	37,907,705	801,239	203,749	39,845,198
Accumulated Depreciation	-	(61,787)	(7,089,485)	(269,151)	(132,238)	(7,552,661)
<b>Net book value</b>	304,293	566,425	30,818,220	532,088	71,511	32,292,537
<b>Year ended 31 December 2014</b>						
Opening net book value	310,293	349,084	33,409,240	78,168	3,014	34,149,799
Additions	-	171,836	9,188	211,765	118,637	511,426
Reversal of non core assets	(6,000)	(41,449)	-	-	-	(47,449)
Reversal of asset transfers	-	68,915	24,442	240,033	31,408	364,798
Depreciation	-	(13,290)	(1,587,232)	(73,273)	(53,474)	(1,727,269)
<b>Closing net book value</b>	304,293	535,096	31,855,638	456,693	99,585	33,251,305
<b>At 31 December 2014</b>						
Cost	304,293	584,704	37,142,057	636,697	199,179	38,866,929
Accumulated Depreciation	-	(49,608)	(5,286,418)	(180,004)	(99,594)	(5,615,624)
<b>Net book value</b>	304,293	535,096	31,855,638	456,693	99,585	33,251,305
<b>Net book values</b>						
<b>At 31 December 2015</b>	304,293	566,425	30,818,220	532,088	71,511	32,292,537
<b>At 31 December 2014</b>	304,293	535,096	31,855,638	456,693	99,585	33,251,305

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	31 December 2015 N'000	31 December 2014 N'000
<b>11 Asset under construction</b>		
At 1 January	897,859	533,004
Additions	564,571	364,855
Transferred to property, plants and equipment (Note 10)	(24,130)	-
As at 31 December	<u>1,438,300</u>	<u>897,859</u>

Assets under construction are capital expenditures on projects within the power distribution network, that have not been completed.

**12 Deferred taxes**

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using an effective tax rate of 30 % (2014: 30 %).

The analysis of deferred tax assets and deferred tax liabilities is as follows:

Deferred taxes:

- Deferred tax asset to be recovered after more than 12 months	-	2,482,347
- Deferred tax asset to be recovered within 12 months	-	-
- Deferred tax liability to be settled after more than 12 months	-	2,690,724
- Deferred tax liability to be settled within 12 months	-	-

Deferred tax assets/ liabilities (net)	<u>-</u>	<u>(208,377)</u>
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The gross movement on deferred income tax account is as follows:

At 1 January	(208,377)	-
Movements during the year	<u>208,377</u>	<u>(208,377)</u>
At 31 December	<u>-</u>	<u>(208,377)</u>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balance is as follows:

<b>Deferred tax liabilities</b>	<b>Property, plant &amp; equipment N'000</b>	<b>Total N'000</b>
At 1 January 2014	-	-
Credited to profit or loss	2,690,724	2,690,724
At 31 December 2014	<u>2,690,724</u>	<u>2,690,724</u>
Charged to profit or loss	(2,690,724)	(2,690,724)
At 31 December 2015	<u>-</u>	<u>-</u>

<b>Deferred tax assets</b>	<b>Property, plant &amp; equipment N'000</b>	<b>Total N'000</b>
At 1 January 2014	-	-
Credited to profit or loss	2,482,347	2,482,347
At 31 December 2014	<u>2,482,347</u>	<u>2,482,347</u>
Charged to profit or loss	(2,482,347)	(2,482,347)
At 31 December 2015	<u>-</u>	<u>-</u>
Net deferred tax	<u>-</u>	<u>-</u>

Deferred tax liabilities and assets arise from capital allowances granted on assets values and unabsorbed capital allowances respectively, the deferred tax assets and liabilities qualify for offset, the net deferred tax asset of N4.4 billion is not recognised in this financial statements.

The Company has additional deferred tax assets of N4.7 billion as at 31 December 2015 (2014: N1.35 billion) relating to tax losses from its operations. The deferred tax assets were not recognised in these financial statements as the Company is

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	<b>31 December 2015 N'000</b>	<b>31 December 2014 N'000</b>
<b>13 Inventory</b>		
Distribution materials	472,505	1,100,217
Stationeries	14,426	15,359
	<u>486,931</u>	<u>1,115,576</u>

The cost of inventory items included in the expenses for the year was N840 million (2014: N738 million).

None of the Company's inventories has been pledged as collateral to secure debt.

**14 Trade and other receivable**

Trade receivable	26,318,364	11,055,920
Provision for impairment of trade receivables	<u>(12,798,212)</u>	<u>(5,146,675)</u>
Trade receivable - net	13,520,152	5,909,245
Prepaid expenses	32,322	32,992
Advance payments	<u>32,727</u>	<u>77,354</u>
	<u>13,585,201</u>	<u>6,019,591</u>

**15 Cash and cash equivalents**

Cash at bank	358,842	232,650
Short term bank deposits	-	717,373
Cash in hand	<u>19,060</u>	<u>500</u>
	<u>377,902</u>	<u>950,523</u>

**16 Trade and other payable**

Trade payable	22,845,659	10,224,945
Other payable	<u>3,209,453</u>	<u>1,141,032</u>
	<u>26,055,112</u>	<u>11,365,977</u>

**17 Share capital**

<b>a Authorised:</b>		
100 million/10 million Ordinary shares of 50 kobo each	<u>50,000</u>	<u>5,000</u>

<b>b Issued:</b>		
10 million Ordinary shares of 50 kobo each	<u>5,000</u>	<u>5,000</u>

**c Loss per share**

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

Profit for the year attributable to shareholders	<u>(8,721,338)</u>	<u>(6,038,885)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>10,000</u>	<u>10,000</u>
Basic and diluted earnings per share (in thousands Naira)	<u>(872)</u>	<u>(604)</u>

There are no potentially dilutive shares that may have an effect on the earnings per share, hence basic and diluted earnings per share have the same value.

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	<b>31 December 2015 N'ooo</b>	<b>31 December 2014 N'ooo</b>
<b>18 Retained earnings</b>		
Balance as at 1 January	30,445,910	36,484,795
Loss for the year	(8,721,338)	(6,038,885)
Capital contribution - Federal government funding	283,575	-
Balance as at 31 December	<u>22,008,147</u>	<u>30,445,910</u>
<b>19 Cash generated from operations</b>		
Reconciliation of loss before income tax to cash generated from operations:		
Loss before income tax	(8,791,668)	(5,655,808)
Depreciation (Note 10)	1,956,881	1,727,269
Adjustments for movement in working capital:		
Increase in receivables and prepayments	(7,517,061)	(4,549,091)
Decrease in inventory	628,645	590,860
Increase in trade and other payables	14,689,135	9,271,954
Cash generated from operations	<u>965,933</u>	<u>1,385,184</u>

**20 Related party transactions**

(a) The following are the related parties transactions and balances for the year:

**i Aura Energy Limited**

Aura Energy Limited owns 50% of the equity of the Company. Aura Energy Limited is an independent company.

There were no transactions with Aura Energy Limited during the year. In 2014, Aura Energy Limited provided a short term loan of N500 million at interest rate of 20%, in addition to an existing loan of N300 million at interest rate of 18.75% given in 2013. All loans were fully repaid during the year ended 31 December 2014.

Additionally, in 2014, Aura Energy Limited purchased vehicles on behalf of the Company for N116.8 million and incurred operational expenses of N87 million on behalf of the Company. All sums were paid to Aura Energy during the year ended 31 December 2014.

**ii Aydem Energy FZE, UAE**

Aydem Energy FZE owns 10% of the Company's shareholding, and it is a technical partner to Aura Energy Limited. There were no transactions with or balances due from Aydem Energy FZE, UAE (2014: nil).

**iii Bureau of Public Enterprises (BPE)**

BPE owns 32% of the equity shareholding of the Company. BPE is an agency of the Federal Government of Nigeria, and it is wholly owned by the Government. There were no transactions with or balances due from BPE (2014: nil).

**iv Ministry of Finance Incorporated (MOFI)**

MOFI owns 8% of the equity shareholding of the Company. MOFI is an agency of the Federal Government of Nigeria, and it is wholly owned by the Government. There were no transactions with or balances due from MOFI (2014: nil).

**v Operator of the Nigerian Electricity Market (Market operator or MO)**

Operator of the Nigerian Electricity Market is an operational arm of the Transmission Company of Nigeria (TCN). TCN is owned by the Federal Government of Nigeria, through BPE and MOFI.

The Company purchased energy from the Market Operators in January 2015 and subsequently from Nigerian Bulk Electricity Trading Company (NBET). The cost of power purchased and other ancillary costs during the year was N5.08 billion (2014: 12.54 billion). Market settlements were made based on the baseline remittance under the interim period rules of the Nigerian Electricity Market Industry (NESI) rules. The amounts payable to Market Operators as at 31 December 2015 was N14.56 billion (2014: N10.22 billion).

**Jos Electricity Distribution Plc**  
**Notes to the financial statements**  
**For the year ended 31 December 2015**

**vi Nigerian Electricity Liability Management Limited/GTE**

Nigerian Electricity Liability Management Limited (NELMCO) (a wholly owned government entity - owned 90% by BPE and 10% by MOFI) was authorised by the National Council on Privatisation (NCP) to take over the management and settlement of Power Holding Company of Nigeria's obligations and other legacy debts as may be determined by the Council (NCP) within the Nigeria Electricity Supply Industry.

The precompletion receivables and liabilities of the Company were transferred NELMCO.

The transactions between NELMCO and the Company relate to precompletion receivables and payable. Precompletion receivable collected is payable to NELMCO, whereas any precompletion liability is claimed from NELMCO. The balance payable to NELMCO as at 31 December 2015 was N19.4 million (2014: 19.4 million). There were no collections in respect of the precompletion receivables during the year.

**vi Nigerian Bulk Electricity Trading Company (NBET)**

Nigerian Bulk Electricity Trading Company (NBET), is responsible for bulk purchase and sale of electricity in the Nigerian Electricity Market Industry (NESI). NBET is owned by the Federal Government of Nigeria, through BPE and MOFI.

The Company purchased energy from the Nigerian Bulk Electricity Trading Company (NBET) from February 2015. The cost of power purchased during the year was N12.61 billion and 0.5 billion being interest on outstanding NBET bills (2014: nil). Market settlements made during the year was N4.34 billion. The amounts payable to NBET as at 31 December 2015 was N8.27 billion for cost of power and accrued interest on late remittances of No.5 billion.

**(b) Key management personnel compensation**

Key management personnel of Jos Electricity Distribution Plc consists of the directors and executive management. The compensation paid or payable to key management personnel for employee services is shown below:

**i Remuneration paid to the Company's directors (excluding certain allowances)**

	<b>31 December 2015 N'000</b>	<b>31 December 2014 N'000</b>
Directors' fees	48,600	32,050
Highest paid director	9,000	6,250

The number of directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	<b>Number</b>	<b>Number</b>
Below N5,000,000	2	6
N5,000,001 - N10,000,000	6	1
	8	7

There was no other compensation paid during the period. There were no loans to key management personnel.

**ii Remuneration paid to the Company's executive directors**

Salaries and wages	64,284	144,865
Pension contribution - Defined contribution plan	1,600	3,603
	65,884	148,468

**21 Capital commitments and contingent liabilities**

The Company had on-going capital projects as at 31 December 2015. The Company has capital commitments of N9.03 billion based on agreed contract sums for procurement of materials (2014: N0.15 billion).

The Company has no approved capital projects as at 31 December 2015 (2014: N895 million).

The Company has a number of claims against it currently under litigation of N0.34 billion as at 31 December 2015 (2014: N3.75 billion), based on the advice of its lawyers, the directors have not recognised any provisions in respect of the litigations, as the directors are of the view that the likelihood of success of the litigation claims is remote.

**22 Events after the reporting date**

**CBN/NEMSF intervention loan - fund disbursement**

The Company entered into agreement for CBN-Nigerian Electricity Market Stabilization Facility (CBN-NEMSF) Terms and Condition dated 27 February 2015. The fund was incorporated to solve the liquidity problem in the Nigerian Electricity Supply Industry (NESI), in order to phase out the Interim Rules Period ("IRP") and launch the Transitional Electricity Market (TEM).

As at date, the Company has received disbursement under the fund (including direct disbursement to upstream - Gas Legacy Debts) as follows:

Tranche 1 of N7.422 billion on 26 May 2016  
Tranche 2 of N0.767 billion on 10 June 2016  
Tranche 3 of N2.744 billion on 23 June 2016

**Jos Electricity Distribution Plc**  
**Statement of Value Added**  
**For the year ended 31 December 2015**

	<b>31 December 2015 N'ooo</b>		<b>31 December 2014 N'ooo</b>	
		<b>%</b>		<b>%</b>
Turnover	22,666,456		17,504,750	
Other operating income	185,883		35,108	
Finance income	24,556		-	
Bought in materials and services:				
Local	(27,436,325)		(19,302,069)	
<b>Value eroded</b>	<b>(4,559,430)</b>	<b>100</b>	<b>(1,762,211)</b>	<b>100</b>
<b>Applied as follows:</b>				
<b>To pay employees</b>				
Salaries and wages	2,275,357	-50%	2,166,328	-123%
<b>Maintenance of assets</b>				
Depreciation	1,956,881	-43%	1,727,269	-98%
<b>To pay government</b>				
Taxation	(70,330)	2%	383,077	-22%
<b>Retained for replacement of assets and business growth:</b>				
Loss attributable to members	(8,721,338)	191%	(6,038,885)	343%
<b>Value eroded</b>	<b>(4,559,430)</b>	<b>100%</b>	<b>(1,762,211)</b>	<b>100%</b>

The statement of value added is presented in these financial statements for the purposes of the Companies and Allied Matters Act disclosure requirements.



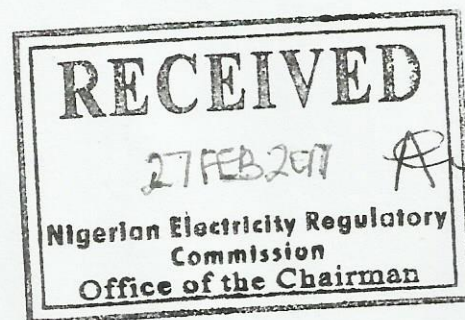
# Jos Electricity Distribution Plc

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Jos, Plateau State  
[info@jedplc.com](mailto:info@jedplc.com)  
[www.jedplc.com](http://www.jedplc.com)

Ref: JEDPLC/MD/CEO/29/2.72/336/2017

Date: 27<sup>th</sup> February, 2017

The Chairman  
Nigerian Electricity Regulatory Commission,  
Adamawa Plaza,  
Plot 1099,  
1<sup>st</sup> Avenue Off Shehu Shagari Way,  
Central Area,  
Abuja.



Dear Sir,

**RE: NOTICE OF INTENTION TO COMMENCE ENFORCEMENT ACTION AGAINST JOS ELECTRICITY DISTRIBUTION PLC PURSUANT TO SECTION 75 OF THE EPSR ACT 2005, REGULATION 5(1)(a) AND 11 OF NERC ELECTRICITY INDUSTRY (ENFORCEMENT) REGULATIONS 2014, AND THE INHERENT JURISDICTION OF THE COMMISSION.**

Your letter dated 17<sup>th</sup> February 2017 with reference NERC/ENFAC/17/JEDC/12 on the above subject matter refers. Please be informed that the Executive Management of Jos Electricity Distribution Plc. wishes to notify the Commission of its compliance with its request to submit the 2015 signed Annual Audited Reports and Financial Statements as attached.

However, JED Plc wishes to inform the Commission that the non-submission of the Annual Audited Report and Financial Statements was not intended to be delayed to this present time.

While appreciating your understanding and anticipating your kind consideration, please accept the assurances of our esteemed best regards.

**Mohammed Modibbo**  
**Managing Director/CEO**