Jos Electricity Distribution Plc

Financial statements

For the year ended 31 December 2018

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Financial statements
For the year ended 31 December 2018
Contents

Company registration number

RC 638619

Directors	Position	Nationality
Falalu Bello OFR	Chairman	Nigerian
Hamid Joda	Director	Nigerian
Joseph Tsavsar	Director	Nigerian
Adamu Yusuf (Resigned April 2020)	Director	Nigerian
Serdar Marangoz	Director	Turkey
Mehmet Kosehkhagolu	Director	Turkey

Company Secretary

Wilson Tingir
9, Ahmadu Bello Way
Jos, Plateau State
Nigeria

Company registered office

9, Ahmadu Bello Way
Jos, Plateau State
Nigeria

Auditors

PricewaterhouseCoopers
(Chartered Accountants)
Landmark Towers
5B Water Corporation Road
Victoria Island
Lagos, Nigeria

Bankers

First Bank of Nigeria Plc
United Bank for Africa Plc
Union Bank of Nigeria Plc
Zenith Bank Plc

The directors of Jos Electricity Distribution Company Plc ("the Company") present their annual report together with the audited financial statements for the year ended 31 December 2018, which disclose the state of affairs of the Company.

Incorporation

The Company 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 stated on page 3.

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 11. The loss for the year of N42.5 billion (2017:N22.3 billion) has been transferred to accumulated deficit. The summarised results are presented below:

	2018 N'000	2017 N'000
Revenue	28,352,558	32,096,746
Loss before taxation	(42,481,366)	(22,341,006)
Taxation	-	-
Loss after tax	**(42,481,366)**	**(22,341,006)**

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 on 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

The directors who held office during the year and to the date of this report are set out on page 3.

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 2018, the shares of the Company were held as follows:

Shareholders	No of shares	%
Aura Energy Limited	5,000,000	50%
Aydem Energy FZE, UAE*	1,000,000	10%
Bureau of Public Enterprises	3,200,000	32%
Ministry of Finance Incorporated	800,000	8%
	10,000,000	**100%**

* Aydem Energy FZE, UAE is no longer a shareholder although the CAC documents have not been updated.

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

It is the Company's policy to conduct its activities in such a way that the health, safety and welfare of its employees, contractors and other persons who may be affected are safeguarded. Accordingly, the Company trains all categories of staff in health and safety matters as is commensurate with their jobs, so as to enhance their awareness and increase their effective participation and contribution as individuals. Where appropriate, the Company provides employees with protective clothing and equipment, in compliance with the health and safety code issued by the Nigerian Electricity Regulatory Commission (NERC).

Employee training and involvement

The directors maintain regular communication and consultation with the employees on matters affecting employees and the Company. There is great emphasis on staff development and training through carefully planned training courses and seminars to update the special skills and job requirement of the staff throughout the Company.

Donations and gifts

The Company made no donations during the year. (2017: Nil)

Property, plant and equipment

Movement in property, plant and equipment during the year, shown in note 10 to the financial statements. In the opinion of the directors the market value of the Company's property, plant and equipment is not lower than the value shown in the financial statements.

Independent 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

Company secretary
FRCN:

5 June 2020

Statement of directors' responsibilities

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. The 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 misstatements, whether due to fraud or error; 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.

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.

Director
FRC/2013/CIBN/00000002035

Director
FRC/2016/NIM/00000014048

Independent auditor's report

To the Members of Jos Electricity Distribution Plc

Report on the audit of the financial statements

Our opinion

In our opinion, Jos Electricity Distribution Plc's ("the company's") financial statements give a true and fair view of the financial position of the company as at 31 December 2018, 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.

What we have audited

Jos Electricity Distribution Plc's financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Material uncertainty relating to going concern

We draw attention to Note 2 in the financial statements, which indicates that the company incurred a net loss of ₦42.5 billion during the year ended 31 December 2018 and, as of that date, the company has net current liabilities of ₦111.9 billion.

As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2 indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment of trade and other receivables (₦64.7 billion) *Refer to notes 2.6, 2.7, 3, 5 and 17 of the financial statements* The company bills its customers monthly using the Multi Year Tariff Order (MYTO). The energy supplied is multiplied by the tariff for each customer class as specified by the Nigeria Electricity Regulatory Commission (NERC). Customers are classified based on their payment pattern as prepaid and post-paid. The risk of impairment to trade receivables relates to only post-paid customers because some customers do not make payment as and when due on the bills. We focused on this area due to the materiality of the trade receivable of N77.8 billion and resulting impairment of N64.7 billion and because it requires significant judgement both for timing of recognition of impairment and estimation of the amount of such impairment. We also focused on this area because the adoption of IFRS 9 *Financial instrument* introduced a new, forward looking, expected credit loss (ECL) model which required significant judgement in measuring ECL especially incorporating forward looking information in building the economic scenarios used in the ECL model. The company utilised the "simplified approach' model for the trade receivable. Under the simplified approach, the provision combines the historical loss rate with forward looking assumptions (forecast inflation and GDP) which takes management's view of the future of the customer into account.	Our procedures included the following: • We obtained an understanding of the company's process for estimating the expected credit loss (ECL); • We tested the calculation of the historical loss rate and recalculated the loss rate spread across the aging buckets; • For forward looking assumptions (forecast inflation and GDP) used by the company, we held discussions with management and corroborated the assumptions using both internal and publicly available information; • We reviewed the IFRS 9 disclosures for reasonableness.

Other information

The directors are responsible for the other information. The other information comprises the Corporate information, Report of the directors, Statement of directors' responsibilities, Value added statement and Five-year financial summary, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria 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.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory 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 and returns adequate for our audit have been received from branches not visited by us;

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

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
0685279

Pedro Omontuemhen

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

5 June 2020

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

Statement of profit or loss and other comprehensive income

	Notes	31 December 2018 N'000	31 December 2017 Restated* N'000
Revenue from contracts with customers	6	28,352,558	32,096,746
Cost of sales	7a	(34,435,348)	(35,779,024)
Gross loss		(6,082,790)	(3,682,278)
Selling expenses	7b	(2,440,680)	(1,611,119)
Administrative expenses	7c	(7,198,643)	(7,411,765)
Other operating income	9	76,246	62,667
Net impairment losses on financial assets	10	(10,817,551)	-
Operating loss		(26,463,418)	(12,642,495)
Finance income	11a	647,888	537,069
Finance cost	11b	(16,665,836)	(10,235,580)
Loss before tax		(42,481,366)	(22,341,006)
Tax expenses	12	-	-
Loss for the year		**(42,481,366)**	**(22,341,006)**
Total comprehensive loss for the year		**(42,481,366)**	**(22,341,006)**
Loss per share (Naira)	23c	(4,248)	(2,234)

* Amounts are after the restatement disclosed in note 5.1

The statement of accounting policies and notes on pages 15 to 51 are an integral part of these financial statements

Jos Electricity Distribution Plc
Financial statements
As at 31 December 2018
Statement of financial position

	Notes	31 December 2018 N'000	31 December 2017 Restated* N'000	1 January 2017 Restated* N'000
Assets				
Non-current assets				
Property, plant and equipment	13	36,882,813	36,840,393	37,858,544
Intangible assets	14	4,943,482	364,158	389,568
		41,826,295	**37,204,551**	**38,248,112**
Current assets				
Inventories	16	846,044	885,027	448,242
Trade and other receivable	17	16,042,195	37,157,670	21,727,764
Cash and cash equivalents	18	3,451,935	3,207,517	2,222,284
		20,340,174	**41,250,214**	**24,398,290**
Total assets		**62,166,469**	**78,454,765**	**62,646,402**
Liabilities				
Current liabilities				
Income tax payable	12	484,024	448,571	407,080
Trade and other payable	19	130,179,647	80,743,160	42,868,348
Borrowings	20	712,076	402,284	604,874
Deferred intervention fund - government grant	21	821,085	499,750	447,033
		132,196,832	**82,093,765**	**44,327,335**
Non- current liabilities				
Borrowings	20	7,762,447	7,095,372	6,538,060
Deferred intervention fund - government grant	21	2,831,436	2,986,697	3,161,070
Retirement benefit obligation	22	143,507	-	-
		10,737,390	**10,082,069**	**9,699,130**
Total liabilities		**142,934,222**	**92,175,834**	**54,026,465**
Equity				
Share capital	23	5,000	5,000	5,000
(Accumulated deficit)/ retained earnings	24	(80,772,753)	(13,726,069)	8,614,937
Total equity		**(80,767,753)**	**(13,721,069)**	**8,619,937**
Net equity and liabilities		**62,166,469**	**78,454,765**	**62,646,402**

* Amounts are after the restatement disclosed in note 5.1

The statement of accounting policies and notes on pages 15 to 51 are an integral part of these financial statements

The financial statements on pages 11 to 53 were approved and authorized for issue by the Board of directors on 5 June 2020 and were signed on its behalf by:

Director
FRC/2013/CIBN/00000002035

Director
FRC/2016/NIM/00000014048

Executive Director Finance
FRC/2013/ICAN/00000003412

Statement of changes in equity

	Share capital N'000	Retained earnings/ (accumulated loss) N'000	Total equity N'000
Balance as at 1 January 2017- Restated*	5,000	8,614,937	8,619,937
Total comprehensive income:			
Loss for the year	-	(22,341,006)	(22,341,006)
Balance as at 31 December 2017- Restated*	**5,000**	**(13,726,069)**	**(13,721,069)**
Balance as at 1 January 2018	5,000	(13,726,069)	(13,721,069)
Impact of change in accounting policy:			
Adjustment on initial application of IFRS 9	-	(24,565,318)	(24,565,318)
Total comprehensive income:			
Loss for the year	-	(42,481,366)	(42,481,366)
Balance as at 31 December 2018	**5,000**	**(80,772,753)**	**(80,767,753)**

* Amounts are after the restatement disclosed in note 5.1

The statement of accounting policies and notes on pages 15 to 51 are an integral part of these financial statements

Statement of cash flows

	Notes	31 December 2018 N'000	31 December 2017 Restated* N'000
Cash flows from operating activities:			
Cash generated from operations	25	7,338,852	2,996,778
Interest received	11	88,604	79,827
Net cash generated from operating activities		**7,427,456**	**3,076,605**
Cash flows from investing activities:			
Purchase of property, plant and equipment	13	(2,275,459)	(1,028,893)
Additions to intangible assets	14	(4,605,177)	-
Net cash used in investing activities		**(6,880,636)**	**(1,028,893)**
Cash flows from financing activities:			
Proceed from borrowings	20	2,275,198	1,006,196
Repayment of principal	20	(1,314,591)	(971,722)
Repayment of interest	20	(1,217,516)	(1,096,953)
Net cash from financing activities		**(256,909)**	**(1,062,479)**
Net increase in cash and cash equivalents		289,911	985,233
Cash and cash equivalents at start of year		3,207,517	2,222,284
Adjustment to cash on initial application of IFRS 9	18	(45,493)	-
Cash and cash equivalents at the end of the year	18	**3,451,935**	**3,207,517**

* Amounts are after the restatement disclosed in note 5.1

The statement of accounting policies and notes on pages 15 to 51 are an integral part of these financial statements

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 520,000 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 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

i Compliance with IFRS

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), the requirements of the Companies and Allied Matters Act (CAMA) and the Financial Reporting Council of Nigeria Act (FRC).

The preparation of financial statements, in conformity with generally accepted accounting principles under IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

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.

ii Historical cost convention

The financial statements have been prepared on a historical cost basis except for government grants, borrowings and financial assets and liabilities. The financial statements are presented in Naira. All values are rounded to the nearest thousand (₦'000), except where otherwise indicated.

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 after twelve (12) months.

The Company made a loss after tax of N42.5 billion (2017: N22.3 billion), with a positive cash flow from operating activities of N7.4 billion (2017: N3.1 billion) and net current liability of N111.9 billion at year ended 2018 (2017: N40.8 billion net liability position).

These events or conditions give rise to a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors state that the profile of the Company is very characteristic of Nigeria's Power Sector in general and the distribution companies in particular. The Nigeria Power Sector is in its start-up phase. The negative trend is expected to reverse in the coming periods. The power sector is highly regulated, therefore the profitability of the Company is dependent on among other things the relationship between the prescribed cost of energy relative to the tariff. The declaration of Transitional Electricity Market (TEM) was supposed to implement cost reflective tariffs with regular adjustments for inflation, exchange rate and power supplied, whilst requiring the distribution companies to pay the full price of energy. However, with the declaration of TEM, the distribution companies have been required to pay full price of energy, with over 2 years lag in implementing a cost reflective tariff through the half-yearly minor review. This has resulted in both tariff (due from customers to DisCos) and market (due from Discos to the market) shortfalls. Efforts are being made by the Federal Government of Nigeria via NERC and the Power Sector Recovery Program (PSRP) to provide various mechanisms to offset the shortfalls pending pricing adjustment.

Pursuant to the PSRP, the Nigerian Electricity Regulatory Commission issued a Multi-Year Tariff Order (MYTO) Order No NERC /GL/176A effective from 1 July 2019. The order among other things, recognised a tariff shortfall of N88 billion between 2015 and 2018, and directed that the Company shall be compensated for the market shortfall under the Federal Government's PSRP. No disbursements have been made under the PSRP.

The directors have taken steps to ensure strict energy accounting and audit as well as increased working capital some of which include: deployment of meters to customers in order to improve collections; embarking on vigorous collection drive to improve on collection of bills for customers and customer enumeration. The directors are confident that the actions taken will result in significant improvement in the Company's operating results and financial position.

The directors are mindful that the absence of cost reflective tariff and poor collections from customers have resulted in net losses from operations. However after considering the actions described above, the directors have concluded that they have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. For these reasons, the Company continues to adopt the going concern basis in preparing the annual report and accounts.

2.1.2 *Changes in accounting policies and disclosures*

(a) *New and amended standards adopted by the Company*

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018. The Company had to change its accounting policies and did not require retrospective adjustments. This is disclosed in note 3.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The following amendments, improvements and interpretations are effective for period beginning on or after 1 January 2018 but did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- Annual Improvements 2014-2016 cycle
- Transfers to Investment Property – Amendments to IAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

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

Certain new accounting standards and interpretations have been published that are not effective for 31 December 2018 reporting periods and have not been early adopted by the Company.

IFRS 16 Leases (effective 1 January 2019)

IFRS 16 was issued in January 2016. The standard for leases is mandatory for financial years commencing on or after 1 January 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The Company does not expect any material impact on its financial statements resulting from adoption of this new standard.

IFRIC 23 Uncertainty over income tax treatment (effective 1 January 2019)

These amendments were issued in June 2017. IAS 12 Income taxes specifies requirements for current and deferred tax assets and liabilities. An entity applies the requirements in IAS 12 based on applicable tax laws. It may be unclear how tax law applies to a particular transaction or circumstance. The acceptability of a particular tax treatment under tax law may not be known until the relevant taxation authority or a court takes a decision in the future. Consequently, a dispute or examination of a particular tax treatment by the taxation authority may affect an entity's accounting for a current or deferred tax asset or liability.

This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. These amendments are mandatory for annual periods beginning on or after 1 January 2019. The Company does not intend to adopt the amendments before its effective date and does not expect it to have a material impact on its current or future reporting periods.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 (N), which is the Company's functional and presentation currency.

(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 statement of profit or loss.

2.3 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 statement of profit or loss 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 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 hardware	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.

2.4 Intangible asset

a) Software

Intangible assets relate to billing application software. Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives at 10%.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

b) Development costs

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Company are recognised as intangible assets when the following criteria are met:
- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

2.5 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.

2.6 Financial instruments (policy from 1 January 2018)

The Company's accounting policies were changed to comply with IFRS 9. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

a) Classification and measurement

Financial assets

It is the Company's policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in profit or loss. The Company does not currently have financial assets measured at fair value through profit or loss or other comprehensive income.

Classification and subsequent measurement is dependent on the Company's business model for managing the asset and the cash flow characteristics of the asset. On this basis, the Company may classify its financial instruments at amortised cost, fair value through profit or loss and at fair value through other comprehensive income.

The business models applied to assess the classification of the financial assets held by the Company are:

• Hold to collect: Financial assets in this category are held by the Company solely to collect contractual cash flows and these cash flows represents solely payments of principal and interest. Assets held under this business model are measured at amortised cost.

• Hold to collect and sell: Financial assets in this category are held to collect contractual cash flows and sell where there are advantageous opportunities. The cash flows represents solely payment of principal and interest. These financial assets are measured at fair value through other comprehensive income.

• Hold to sell: This category is the residual category for financial assets that do not meet the criteria described above. Financial assets in this category are managed in order to realise the asset's fair value. These financial assets are measured at fair value through profit or loss.

The Company's financial assets are held to collect contractual cash flows that are solely payments of principal (for non-interest bearing financial assets) or solely payments of principal and interest ((for interest bearing financial assets). The financial assets are measured at amortised cost.

The Company's financial assets include trade receivables and cash and cash equivalents. They are included in current assets, except for maturities greater than 12 months after the reporting date which are included in non-current assets. Interest income from these assets is included in finance income using the effective interest rate method.

Financial liabilities

Financial liabilities of the Company are classified and measured at fair value on initial recognition net of directly attributable transaction costs and subsequently measured at amortised cost.

Fair value gains or losses for financial liabilities designated at fair value through profit or loss are accounted for in profit or loss except for the amount of change that is attributable to changes in the Company's own credit risk which is presented in other comprehensive income. The remaining amount of change in the fair value of the liability is presented in profit or loss. The Company has no financial liabilities measured at fair value through profit or loss.

The Company's financial liabilities include trade and other payables and borrowings.

b) Impairment of financial asset

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to the Company's financial assets classified at amortised cost. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The simplified approach is applied to trade receivables while the general approach is applied to cash and cash equivalents.

The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the Company's historical default rates observed over the expected life of the receivable and adjusted forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as 12 month ECL which is a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimate of expected cash recoveries after considering the historical pattern of the receivable and assessing the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period. External data was also sourced from Moody's corporate recovery rates to determine the LGD for some financial assets. The EAD is the total amount of outstanding receivable at the reporting period. These three components are multiplied together and adjusted for forward looking information, such as the unemployment rate in Nigeria, inflation rate, and crude oil prices to arrive at an ECL which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss and presented on the face of the statement of profit or loss.

Significant increase in credit risk and default definition

The Company assesses the credit risk of its financial assets based on the information obtained during periodic review of publicly available information, industry trends and payment records. Based on the analysis of the information provided, the Company identifies the assets that require close monitoring.

Furthermore, financial assets that have been identified to be more than 30 days past due on contractual payments are assessed to have experienced significant increase in credit risk. These assets are grouped as part of Stage 2 financial assets where the three-stage approach is applied.

In line with the Company's credit risk management practices, a financial asset is defined to be in default when contractual payments have not been received at least 90 days after the contractual payment period. Subsequent to default, the Company carries out active recovery strategies to recover all outstanding payments due on receivables. Where the Company determines that there are no realistic prospects of recovery, the financial asset and any related loss allowance is written off either partially or in full.

c) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition. Gains or losses on derecognition of financial assets are recognised as other income/ (losses).

Financial liabilities

The Company derecognises a financial liability when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised immediately in the statement of profit or loss.

d) Offsetting financial assets and liabilities

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

The legally enforceable right is not contingent on future events and is enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.7 Financial instruments (policy prior to 1 January 2018)

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.

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 statement of profit or loss and other comprehensive income.

2.8 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 less any cost to sell and less cost to completion if any.

2.9 Trade and other 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.

2.10 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.

2.11 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.

2.12 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.

2.13 Leases

i) 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.

ii) Finance lease

Leases of assets where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in long term liabilities if the tenure is more than one year. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.14 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. The Company operates both defined benefit and defined contribution pension schemes.

(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.

(iii) Defined benefit plan

A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, dependent on, years of service and compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions (remeasurements) are recognised in other comprehensive income in the period in which they arise.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Current service and interest cost are included as part of employee benefit expense in the profit or loss.

2.15 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.

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised costs: any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.17 Government grant

The Company benefits from Federal Government Intervention in the power sector through funds provided to ensure liquidity in the industry and assets granted to power sector participants. The Federal Government of Nigeria through the Central Bank of Nigeria provides finance to these power sector participants at subsidised interest rates. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

2.18 Revenue recognition (policy from 1 January 2018)

The Company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies in the financial statements. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

The Company recognises revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those services. A valid contract is recognised as revenue after;

- The contract is approved by the parties.
- Rights and obligations are recognised.
- Collectability is probable.
- The contract has commercial substance
- The payment terms and consideration are identifiable.

Sale and Distribution of Power

The Company derives its revenue from the supply of power to customers. Revenue from power supply is based on amount of energy supplied to the customers as recorded at the meters or estimated. This is computed using the MYTO tariff per customer class as regulated by Nigerian Electricity Regulatory Commission. Although the performance obligation to deliver electricity is satisfied over time as the customers simultaneously receive and consume electricity provided, the Company applies the practical expidient provisions in IFRS 15 and recognises revenue from the supply of power at a point in time at the invoice dates when electricity bills are sent to customers. The Company does not give rebates or discounts to customers.

For post paid customers, payment of the transaction price is due immediately when the bills are sent to the customers and trade receivable is recognised thereafter. Prepaid customers make payments in advance for electricty credits and the payments are recognised as contract liabilities. Revenue in respect of the prepaid customers is recognised when the electricity has been consumed by the customers based on the Company's estimation.

There are no significant financing components as postpaid bills are due on issue and the prepaid amounts are utilised within 12 months, thus the Company applies the practical expidient provision in IFRS 15.

Disaggregation of revenue from contract with customers

The Company recognises revenue from the transfer of services at a point in time for postpaid and prepaid customers for the ease of accounting. The Company derives revenue from different tariff codes broadly classified into residential, commercial, industrial and special.

2.19 Revenue recognition (policy prior to 1 January 2018)

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 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 kilowatt/megawatt (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. However customers without meters are allocated an estimated cost arrived at by allocating the remaining unbilled electricity consumption (estimated bills).

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 estimated unutilised energy amount as at the reporting date is not significant to these financial statements.

2.20 Cost of sales

Cost of sales includes the cost of energy, depreciation of distribution assets, staff costs of distribution (technical) staff and other direct costs for distribution of energy.

Cost of energy refers to all cost incurred in the purchase of energy from suppliers. This comprises cost of electricity purchase from the Nigerian Bulk Electricity Trading Company (NBET) and service charges from the Market Operator (MO).

2.21 Interest income

Interest income is accrued on a time basis in the profit or loss, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.22 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.

2.23 Comparatives

Except where a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Where IAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year.

3 Transition notes - Impact on the financial statements

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a effective date of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Company did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustment to the carrying amounts of financial assets and liabilities at the date of transition were recognized in opening accumulated deficit on 1 January 2018 in the statement of changes in equity. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

On adoption of IFRS 9, the Company has adopted the provision matrix approach for the calculation of expected credit loss on trade receivables. The IFRS 9 general model has been applied to determine the expected credit loss on all other financial assets at amortised cost.

The Company has also adopted IFRS 15: Revenue from Contracts with Customers using the modified retrospective method. This implied that the information presented for 2017 financial year has not been restated but is presented as previously reported, under IAS 18 and related interpretations. There was no impact on the Company's opening accumulated deficit as at 1 January 2018 as a result of the adoption of IFRS 15.

The following tables summarise the impact (net of tax) of transition to IFRS 9 and IFRS 15 for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. There was no impact on the statement of cash flows as a result of adopting the new standards. The adjustments are explained in more detail by standard below:

	Note	As at 31 December 2017 N'000	Impact of IFRS 9 N'000	As at 1 January 2018 N'000
Asset				
Current assets				
Trade receivables	a	63,532,936	(24,519,825)	39,013,111
Cash and bank balances	b	3,207,517	(45,493)	3,162,024
		66,740,453	(24,565,318)	42,175,135
Equity and liabilities				
Equity				
Accumulated deficits		(49,444,861)	(24,565,318)	(74,010,179)

3.1 IFRS 9 Financial instruments – Impact of adoption

The new financial instruments standard, IFRS 9 replaces the provisions of IAS 39. The new standard presents a new model for classification and measurement of assets and liabilities, a new impairment model which replaces the incurred credit loss approach with an expected credit loss approach, and new hedging requirements. The Company does not apply hedge

3.1.1 Classification and measurement

a.) Financial assets

On 1 January 2018 (the date of initial application of IFRS 9), the Company's management assessed the classification of its financial assets which is driven by the contractual cash flow characteristics of the instrument and the business model in which the asset is held.
The Company's financial assets include cash and cash equivalents (Cash in hand, cash at bank and short term deposits) and trade receivables. The Company's business model is to hold these financial assets to collect contractual cash flows (Principal and inerest). For cash and cash equivalents, interest is based on prevailing market rates of the respective bank accounts in which the cash and cash equivalents are domiciled.

Cash and cash equivalents and trade receivables that were previously classified as loans and receivables (L and R) are now classified as financial assets at amortised cost.

The changes in the classification and measurement requirements of IFRS 9 only resulted in a nomenclature change and as a result, this had no effect on the carrying amount of the financial assets and the opening accumulated deficit as at 1 January

b.) Financial liabilities

The adoption of IFRS 9 requires that for financial liabilities that are measured under the fair value option, entities should recognise the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss.

The Company does not have any financial liabilities measured at fair value. Therefore the adoption of IFRS 9 did not affect the measurement of its financial liabilities. Consequently, no retrospective adjustments have been made in relation to this change as at 1 January 2018.

On the date of initial application, 1 January 2018, the classification of the financial instruments of the Company and their gross amounts are as follows:

	Classification and measurement category		Gross carrying amount	
	IAS 39	**IFRS 9**	**IAS 39 N'000**	**IFRS 9 N'000**
Current financial assets				
Trade receivables	Loans and Receivables	Amortised cost	63,532,936	63,532,936
Cash and cash equivalents	Loans and Receivables	Amortised cost	3,207,517	3,207,517
Non-current financial liabilities				
Borrowings	Amortised cost	Amortised cost	7,095,372	7,095,372
Current financial liabilities				
Borrowings	Amortised cost	Amortised cost	402,284	402,284
Trade and other payables*	Amortised cost	Amortised cost	77,282,088	77,282,088

**Trade and other payables includes trade payables, other payables and accruals*

3.1.2 Impairment of financial assets

Under IFRS 9, the Company is required to revise its previous impairment methodology under IAS 39 for each of these classes of assets. The following are the Company's financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables
- Cash and bank balances (short term bank deposits)

i) The impact of the change in impairment methodology on the Company's accumulated deficit and equity is disclosed below:

	Notes	N'000
Closing accumulated deficit as at 31 December 2017– IAS 39		**(49,444,861)**
Increase in provisions for trade receivables	a	(24,519,825)
Increase in provision for cash and bank balances (short term deposits)	b	(45,493)
Total transition adjustments		**(24,565,318)**
Opening accumulated deficit as at 1 January 2018 on adoption of IFRS 9		**(74,010,179)**

(a) Trade receivables

The Company applies the simplified approach in measuring the expected credit losses (ECL) which recognises a lifetime expected loss allowance for all trade receivables. Trade receivables represent the amount of receivable from third-party customers for the supply of power. The expected credit loss rate for this receivable is determined using a provision matrix approach.

The provision matrix approach is based on the historical credit losses experienced within 36 months before 1 January 2018 and 48 months before 31 December 2018. The historical loss rates are adjusted to reflect forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the unemployment rate of Nigeria (being the country in which it sells its goods) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 1 January 2018 and 31 December 2018 on adoption of IFRS 9 was determined as follows:

The expected loss rates as at 1 January 2018 are as follows:

Age of trade receivables (in N' Millions)

	Current	1 - 3 months	4 - 6 Months	7 - 9 Months	10 - 12 Months	Above 1 year	Total
Gross carrying amount	32,567	4,269	2,072	2,006	1,898	20,721	63,533
Default rate	74.31%	82.34%	85.91%	91.81%	98.45%	100.00%	
Lifetime ECL	24,200	3,515	1,780	1,842	1,869	20,721	53,926
Net carrying amount	**8,367**	**754**	**292**	**164**	**29**	-	**9,607**

The expected loss rates as at 31 December 2018 are as follows

Age of trade receivables (in N' Millions)

	Current	1 - 3 months	4 - 6 Months	7 - 9 Months	10 - 12 Months	Above 1 year	Total
Gross carrying amount	46,302	1,449	1,264	1,528	1,837	25,370	77,751
Default rate	73.33%	78.26%	84.79%	91.45%	98.81%	100.00%	
Lifetime ECL	33,952	1,134	1,072	1,398	1,816	25,370	64,741
Net carrying amount	**12,350**	**315**	**192**	**131**	**22**	-	**13,010**

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The Company categorises a receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

b) Cash and bank balances - Short term bank deposit

The Company applied the general model for measuring expected credit losses (ECL) on this receivable. This requires a three-stage approach in recognising the expected loss allowance. A day one provision will now be required on these instruments. The three stage model will require monitoring of credit risk to determine when there has been a significant increase. The ECL has been calculated using the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The three (3) stage model also incorporate forward looking estimates.

The ECL recognised for the period is a probability-weighted estimate of credit losses discounted at the effective interest rate of the financial asset. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

The expected credit loss as shown below:

	1 January 2018			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	N'000	**N'000**	**N'000**	**N'000**
Gross EAD	2,066,365	-	-	2,066,365
Loss allowance as at 1 January 2018	(45,493)	-	-	(45,493)
Net EAD	**2,020,872**	-	-	**2,020,872**

	31 December 2018			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	N'000	**N'000**	**N'000**	**N'000**
Gross EAD	2,145,108	-	-	2,145,108
Loss allowance as at 31 December 2018	(47,968)	-	-	(47,968)
Net EAD	**2,097,140**	-	-	**2,097,140**

Impairment loss on cash and bank balances (except the short term deposits) are immaterial as the contractual period of exposure to credit risk is very short. No impairment has been recognised on this asset (See note 4.1.2).

The Company considers both quantitative and qualitative indicators in classifying these financial assets into the relevant stages for impairment calculation. Impairment provision is recognised in three stages based on days past due.

Using the criteria stated, a worst case staging is assigned to every investment.

- Stage 1: This stage includes financial assets that are less than 30 days past due (Performing).

- Stage 2: This stage includes financial assets that have been assessed to have experienced a significant increase in credit risk using the days past due criteria (i.e. the outstanding amounts are more than 30 days past due but less than 90 days past due) and other qualitative indicators such external credit rating (as far as available) and actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations.

- Stage 3: This stage includes financial assets that have been assessed as being in default. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

The parameters used to determine impairment using the general approach on its investments are as shown below:

	Cash and bank balances
Probability of Default (PD)	The rating of the counterparty is used to determine the PD. The respective ratings were mapped to S&P's rating. The PD resulted in 3.60% based on Standards and Poor's one year PD of B credit rating.
Loss Given Default (LGD)	The LGD was applied based on Moody's weighted average ultimate recovery from (1983 to 2017) for senior unsecured bonds. This resulted in LGD of 52%. This was further adjusted with the Basel federal reserve formulae to produce a downturn PD of 56%.
Exposure At Default (EAD)	The EAD is the maximum exposure of the receivable to credit risk without taking account of any collateral but adjusted for repayment pattern and interest receivable.
Macroeconomic indicators	The historical inflation rate and GDP growth rate were identified as economic variables affecting the credit risk.
Probability weightings	The Z score was used to calculate the probability of having a best, downturn and optimistic scenarios by comparing Nigeria GDP historical experience from 2000 – 2017 for 2017, arriving at 44% weight was assigned to base case, 28% for optimistic and 28% for downturn and comparing Nigeria GDP historical experience from 2000 – 2018 for 2018, arriving at 45% weight was assigned to base case, 26% for optimistic and 29% for downturn.

ii) Reconciliation of impairment loss on financial asset

Movements in the impairment provision of the financial assets that are assessed for impairment are as follows:

	Trade receivables N'000	Cash and bank balances N'000
At 1 January	29,406,361	-
Impact on initial application of IFRS 9	24,519,825	45,493
Adjusted balance at 1 January 2018	**53,926,186**	**45,493**
Reversal of previously recognised impairment losses	-	-
Allowance for impairment recognised during the year	10,815,077	2,475
At 31 December 2018	**64,741,263**	**47,968**

The reconciliation of the gross carrying amount for the financial assets assessed for impairment is as follows:

	Trade receivables N'000	Cash and bank balances N'000
Gross carrying amount as at 1 January	63,532,936	3,207,517
Additions	14,218,210	244,418
Gross carrying amount as at 31 December	77,751,146	**3,451,935**

IFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies in the financial statements. The adoption of the new standard requires the Company to apply the five (5)-step model for recognizing revenue.

In accordance with the transition provision of IFRS 15, the company has adopted the new rules using the modified retrospective approach and has not restated the comparatives of 2017 financial year. There was no impact on the Company's opening accumulated deficits at the date of initial application (i.e. 1 January 2018).

4 Financial risk management

4.1 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 principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest-rate risk and credit risk.

4.1.1 Market risk

(i) Foreign exchange risk

Foreign exchange 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. The Company is exposed to risks resulting from fluctuations in foreign currency exchange rates. A change in the value of any such foreign currency could have an effect on the Company's cash flow and future profits. The Company is exposed to exchange rate risk as a result of cash balances denominated in a currency other than the Naira.

	31 December 2018 N'000	31 December 2017 N'000
Financial asset		
Cash and bank balances	76	35
Financial liabilities		
Other payables	49,140	-

Other payable in foreign currency relates to amount payable to technical partners, TATA.

	31 December 2018 N'000	31 December 2017 N'000
Impact on profit or loss		
10% increase in exchange rates	4,906	4
10% decrease in exchange rates	(4,906)	(4)

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. The Company's borrowing is at a fixed rate, thus the Company is not exposed interest rate risks.

(iii) Price risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk. There are no financial instruments exposed to other price risk

4.1.2 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 disconnects supply to such customer and reconnection attracts a fee which is other income 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:

Financial instruments exposed to credit risk

Maximum exposure	31 December 2018 N'000	31 December 2017 N'000
Current:		
Cash and cash equivalents	3,499,903	3,207,517
Trade receivables (gross)	77,751,146	63,532,936
Other receivables (gross)	3,032,311	3,031,095
Gross amount	**84,283,360**	**69,771,548**
Impairment	(64,789,230)	(29,406,361)
Net amount	**19,494,130**	**40,365,187**

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:

Cash - Not rated	4,373	27,762
Bank balance		
AA-	3,437,964	-
A+	-	3,168,955
BBB	9,598	10,800
	3,451,935	**3,207,517**

Fitch - National long-term rating

This is based on Fitch national long-term rating. National Credit Ratings are an assessment of credit quality relative to the rating of the lowest credit risk in a country. This lowest risk will normally, although not always, be assigned to all financial commitments issued or guaranteed by the sovereign state.

National Ratings are not intended to be internationally comparable and are denoted by a special identifier for the country concerned. The performance of National Ratings will also not be strictly comparable over time, given the moving calibration of the entire scale to the entity or entities with the lowest credit risk in a country, whose creditworthiness relative to other entities internationally may change significantly over time.

These ratings are explained as follows:

AA' National ratings denote expectations of very low default risk relative to other issuers or obligations in the same country. The default risk inherent differs only slightly from that of the country's highest rated issuers or obligations.

A' National ratings denote expectations of low default risk relative to other issuers or obligations in the same country. However, changes in circumstances or economic conditions may affect the capacity for timely repayment to a greater degree than is the case for financial commitments denoted by a higher rated category

BBB' National ratings denote a moderate default risk relative to other issuers or obligations in the same country. However, changes in circumstances or economic conditions are more likely to affect the capacity for timely repayment than is the case for financial commitments denoted by a higher rated category

Non rated' are banks or cash in hand that are not rated by Fitch

"+" or "-" are used with a rating symbol to indicate the relative position of a credit within the rating category.

This is based on Fitch national long- term rating

4.1.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently does not have a liquidity risk policy and relies on cash flows generated from customer payments to settle its financial obligations.

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.

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.

	31 December 2018			
	0-6 months N'000	**6-12 months N'000**	**Over 1 year N'000**	**Total N'000**
Financial liabilities				
Trade and other payables (excluding accruals and deferred revenue)	-	95,496,195	-	95,496,195
Borrowings	143015	569,061	7,762,447	8,474,523
Total financial liabilities	**143,015**	**96,065,256**	**7,762,447**	**103,970,718**

	31 December 2017			
	0-6 months N'000	**6-12 months N'000**	**Over 1 year N'000**	**Total N'000**
Financial liabilities				
Trade and other payables (excluding accruals and deferred revenue)	-	63,954,931	-	63,954,931
Borrowings	190,206	212,078	7,095,372	7,497,656
Total financial liabilities	**190,206**	**64,167,009**	**7,095,372**	**71,452,587**

4.2 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's objective is to maintain these financial ratios in excess of any debt covenant restrictions and use them as a performance measurement and hurdle rate. The failure of a covenant test could render the facilities in default and repayable on demand at the option of the lender.

Total capital is calculated as equity plus net debt. The gearing ratios as at the end of December 2018 is as follows:

	31 December 2018 N'000	31 December 2017 N'000
Total borrowing	8,474,523	7,497,656
Less: Cash and cash equivalent	(3,451,935)	(3,207,517)
Net debt	5,022,588	4,290,139
Total equity	(80,767,753)	(13,721,069)
Total capital	(75,745,165)	(9,430,930)
Gearing ratio	-7%	-45%

The change in the gearing ratio is due to increase in negative capital arising from loss for the year and additional credit loss recognised in equity.

4.3 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 current bid price. These instruments are included in level 1. Instruments included in Level 1 comprise primarily Nigerian Stock Exchange (NSE) listed instruments classified as trading securities. The Company does not hold level 1 financial instruments.

(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 maximize 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 profit or loss 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 31 December 2018 and 31 December 2017:

	31 December 2018 N'000	31 December 2017 N'000
Assets		
Amortised costs/loans and receivables:		
Cash and cash equivalents	3,451,935	3,207,517
Trade receivables	77,751,146	63,532,936
	81,203,081	**66,740,453**

Liabilities	31 December 2018 N'000	31 December 2017 N'000
Amortised cost:		
Borrowings	8,474,523	7,497,656
Trade and other payables	130,179,647	80,743,160
	138,654,170	**88,240,816**

Financial assets exclude prepayments and withholding tax, as these are not financial instruments. The fair value of the financial assets and liabilities approximate their carrying amount.

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 amortised 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

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.

(iv) Borrowing

Fair values are based on discounted cash flows used on a discount rate based upon market borrowing rate that would be available to the Company. These fall under level 3 in the fair value hierarchy.

5 Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

5.1 Correction of error in accounting for property, plant and equipment items

In 2018, the Company started an asset tagging exercise of its networrk assets. Based on the final result of the asset tagging, it was noted that a number of network assets existing as far back as takeover following the privatisation, have not be recognised in the Company's books as fixed assets. As a consequence, property plant and equipment have not been properly stated.

Based on additional information available, the Company also reclassified asset items from property plant and equipment to intangible asset to meet the proper classification of the items, and to advance payment in trade and other receivables for prepayment for meters.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

	31 December 2017 N'000	Increase/ (Decrease) N'000	31 December 2017 Restated N'000	31 December 2016 N'000	Increase/ (Decrease) N'000	1 January 2017 Restated N'000
Balance sheet (extract)						
Property, plant and equipment	36,409,816	430,577	36,840,393	37,331,580	526,964	37,858,544
Intangible assets	187,938	176,220	364,158	213,348	176,220	389,568
Trade and other receivable	34,412,344	2,745,326	37,157,670	18,982,437	2,745,327	21,727,764
Net assets	71,010,098	3,352,123	74,362,221	56,527,365	3,448,511	59,975,876
Accumulated deficit/ (retained earnings)	17,078,192	(3,352,123)	13,726,069	(5,166,426)	(3,448,511)	(8,614,937)
Total Equity	17,078,192	(3,352,123)	13,726,069	(5,166,426)	(3,448,511)	(8,614,937)

Statement of profit or loss (extract)

	31 December 2017 N'000	Increase/ (Decrease) N'000	31 December 2017 Restated N'000
Cost of sales	(35,682,636)	(96,388)	(35,779,024)
Loss for the year	(22,244,618)	(96,388)	(22,341,006)

5.2 Significant estimate and judgement

5.2.1 Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default, expected loss rates and maximum contractual period. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note (4).

Sensitivity analysis

The tables below shows information on the sensitivity of the carrying amounts of the Company's financial assets to the methods, assumptions and estimates used in calculating impairment losses on the financial assets at the end of the reporting period. These methods, assumptions and estimates have a significant risk of causing material adjustments to the carrying amounts of the Company's financial assets.

Simplified approach:

The table below shows the sensitivity of the Expected credit loss to an inverse and positive change to each forward looking macro variables:

	Macro economic indicators* N'000
Increase of 10%	4,583
Decrease of 10%	(4,583)

General approach:

Cash and bank balances – short term bank deposits

In establishing sensitivity to ECL estimates for financial assets, changes in the PD, LGD and macro-economic factors were considered individually.

The table below demonstrates the sensitivity to a 10% change in each estimate with all other variables held constant:

Increase/(decrease) of:	Probability of Default (PD) N'000	Loss Given Default (LGD) N'000	Macro economic indicators* N'000
Decrease of 10%	(5,370)	(1,569)	(2,136)
Increase of 10%	5,370	1,569	2,136

*Macroeconomic indicators used in the model are inflation rate and GDP growth rate.

5.2.2 Deferred taxation

The Company has a deferred tax asset of ₦48.2 billion (2017: ₦35.3 billion) arising from tax losses, accelerated capital deductions and provisions. Management is of the view that there are no sufficient profits against which the deferred tax asset would be offset. These deferred tax assets have not been recognized in the financial statement.

Tax estimates are based on the position taken in the tax returns with respect to situations in which the applicable tax legislation is subject to interpretation.

Minimum tax

The Company is assessed to tax for the year under the minimum tax provision and has applied the requirement of IFRIC 21 "levies". IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. Hence, the levy identified has been treated as part of operating expenses.

There are situations where an obligation behaves both like an income tax within the scope of IAS 12 and a levy within the scope of IFRIC 21. In respect of the minimum tax, the law requires a payment of minimum tax whenever there is no net taxable margin or the net taxable margin gives rise to tax that is less than the minimum tax. Management has treated the minimum tax as a levy (and therefore expensed this amount) as the company had no taxable profit. Where the entity has taxable profit but it is less than the minimum tax, the amount will be split between income tax and operating expenses.

5.2.3 Impairment assessment of non-financial asset

The Company has substantial investments in tangible long-lived assets comprising mainly of network distribution assets, land and building. The Company conducts impairment reviews of these assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable in accordance with the relevant accounting standards. Determining whether an asset is impaired requires an estimation of the value in use, which requires the Company to estimate the future cash flows, a growth rate (that reflects the economic environments in which the Company operates) and a pre-tax discount rate (that reflects the current market assessments of the time value of money and the risks specific to the asset) in order to calculate the present value. Where the expected cash flows are less than the asset's carrying amount, an impairment loss may arise. After reviewing the business environment as well as the Company's objectives and past performance management has concluded that, there is no impairment.

5.2.4 Defined benefit pension plans

The Company operates a defined benefit pension plan. The plan is a end of service appreciation payment, which provide benefits to employees who have spent five (5) years or more with the company in the form of a one-time payment payable at the end of service. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement or exit from the Company.

The Company makes provision for its defined benefit plan based on actuarial valuation performed using the projected unit credit method. The estimate is dependent on a number of financial and demographic assumptions including the salary growth rate, interest rate, pre-retirement mortality, withdrawal from service among others.

	31 December 2018 N'000	31 December 2017 N'000
6 Revenue from contracts with customers		
Electricity distribution	**28,352,558**	**32,096,746**

The Company distribute electricity to consumers in four states in Nigeria: Plateau, Benue, Bauchi and Gombe States.

The Company's revenue is analysed based on the customer categories as follows:

	31 December 2018 N'000	31 December 2017 N'000
By customer payment type:		
Postpaid customer	25,583,318	30,206,615
Prepaid customers	2,769,240	1,890,131
	28,352,558	**32,096,746**
By customer tariff class:		
Residential	17,529,651	20,871,279
Commercial	4,932,386	6,027,318
Industrial	2,835,901	2,314,019
Government and others	3,054,620	2,884,130
	28,352,558	**32,096,746**

7 Expenses by nature

7a *Included in cost of sales:*

	31 December 2018 N'000	31 December 2017 N'000
Cost of energy	31,288,920	32,405,904
Depreciation of plant and machinery (Note 13)	2,096,419	1,813,768
Staff costs (Note 8)	723,019	1,329,666
Cost of repairs and other maintenance	326,990	229,686
	34,435,348	**35,779,024**

7b *Included in selling expenses:*

	31 December 2018 N'000	31 December 2017 N'000
Employee cost (Note 8)	999,652	1,337,393
Direct sales agents	918,958	-
Marketing expenses	522,070	273,726
	2,440,680	**1,611,119**

	31 December 2018 N'000	31 December 2017 N'000
7c *Included in administrative expenses:*		
Depreciation on property, plant and equipment (Note 13)	136,620	144,680
Amortisation of intangible assets (Note 14)	25,853	25,410
Staff costs (Note 8)	999,646	567,431
Defined benefit expense (Note 22)	143,507	-
Audit fees	26,250	26,250
Impairment of trade receivables	-	5,340,295
Trade receivable write off	1,120,006	-
Inventory write down	228,862	-
Transport and travelling	285,020	210,284
Technical fees	2,452,728	-
Rent of office buildings	95,092	25,130
Repairs and maintenance	51,199	59,948
Hotel and accommodation expenses	128,310	53,039
Security, driving and cleaning costs	718,739	388,590
Insurance expenses	193,260	47,636
Bank charges and other payment solutions commission	22,353	56,188
General advertisement	35,338	59,904
Consultancy fees*	102,524	40,395
Minimum tax levy**	35,453	41,491
General administrative expenses***	397,883	325,094
	7,198,643	**7,411,765**

*Included in consultancy fees is the sum N6.5 million (2017: nil) earned by PwC Nigeria - Capital Markets Accounting Consulting Services team for the impact assessment and adoption of new accounting standards by the Company.

**The Company is liable to pay minimum tax of N35.5 million (2018: N41.5 million) for the year. In line with IFRIC 21 - Levies, minimum tax is considered as a levy and is charged as operating expenses to the income statement.

***General and administrative expenses include costs such as: training costs, board member expenses, printing and stationaries and other office and administrative expenses incurred by the Company during the year.

8 Employee costs

	31 December 2018 N'000	31 December 2017 N'000
a Staff costs analysed as follows:		
Distribution (technical) staff	723,019	1,329,666
Marketing staff	999,652	1,337,393
Administrative staff	835,501	132,678
Casual/contract staff	35,077	297,387
Other staff related expenses	129,068	137,365
	2,722,317	**3,234,489**

	31 December 2018 N'000	31 December 2017 N'000

b The average number of persons employed during the year was as follows:

	Number	**Number**
Management	18	15
Senior staff	620	35
Junior staff	1,739	729
	2,377	**779**

The number of employees (excluding the directors) who received emoluments in the following ranges are:

	Number	**Number**
N1,000,000 and below	1492	520
N1,000,001 - N2,000,000	514	168
N2,000,001 - N3,000,000	176	39
N3,000,001 - N4,000,000	61	25
N4,000,001 - N5,000,000	15	9
Above 5,000,000	119	18
	2,377	**779**

9 Other operating income

Re-connection fee	11,558	17,755
Other charges on customers	64,688	44,912
	76,246	**62,667**

Other charges on customers relate to penalties charges to customers.

10 Impairment losses on financial assets

Impairment losses on trade receivables (note 17)	10,815,076	-
Impairment losses on cash and cash equivalents (note 18)	2,475	-
	10,817,551	**-**

11 Finance cost and income

11a Finance income:

Amortised government grant	(559,284)	(457,242)
Interest income	(88,604)	(79,827)
	(647,888)	**(537,069)**

11b Finance cost:

	31 December 2018 N'000	31 December 2017 N'000
Interest on electricity market payable	14,706,702	8,482,793
Interest on borrowing	1,959,134	1,752,787
	16,665,836	**10,235,580**
Net finance cost	**16,017,948**	**9,698,511**

12 Taxation

i Tax expenses

The Company has tax loss for the year, and does not have any current tax assesment on this basis. The Company is subject to minimum tax levy of ₦35.5 million (2018: ₦41.5 million) for the year. In line with IFRIC 21 - Levies, minimum tax is considered as a levy and is charged as operating expenses to the income statement.

	31 December 2018 N'000	31 December 2017 N'000
ii Current income tax payable		
At 1 January	448,571	407,080
Income tax (minimum tax levy)	35,453	41,491
At 31 December	**484,024**	**448,571**
iii Reconciliation of effective tax rate		
Loss before income tax	(42,481,366)	(22,203,127)
Income tax using the domestic corporation tax rate of 30%	(12,744,410)	(6,660,938)
Investment allowance	6,435	29,962
Effect of deferred tax asset on tax losses not recognised	12,737,975	6,630,976
Total income tax expense in statement of profit or loss	-	-

13 Property, plant and equipment

	Land N'000	Asset under construction N'000	Building N'000	Plants & machinery N'000	Motor vehicles N'000	Furniture & equipment N'000	Total N'000
Cost							
At 1 January 2017-Restated*	304,293	3,861,833	633,868	41,454,504	799,306	283,773	47,337,577
Additions	-	633,423	10,676	299,615	19,845	65,334	1,028,893
Disposal	-	-	-	-	(88,596)	-	(88,596)
At 31 December 2017	**304,293**	**4,495,256**	**644,544**	**41,754,119**	**730,555**	**349,107**	**48,277,874**
At 1 January 2018	304,293	4,495,256	644,544	41,754,119	730,555	349,107	48,277,874
Additions	25,000	1,976,705	4,557	163,293	54,684	51,220	2,275,459
Reclassification	-	(4,528,792)	-	4,528,792	-	-	-
At 31 December 2018	**329,293**	**1,943,169**	**649,101**	**46,446,204**	**785,239**	**400,327**	**50,553,333**
Accumulated depreciation							
At 1 January 2017-Restated*	-	-	(77,984)	(8,875,644)	(360,241)	(165,164)	(9,479,033)
Depreciation for the year	-	-	(14,358)	(1,813,768)	(88,665)	(41,657)	(1,958,448)
At 31 December 2017	-	-	**(92,342)**	**(10,689,412)**	**(448,906)**	**(206,821)**	**(11,437,481)**
At 1 January 2018	-	-	(92,342)	(10,689,412)	(448,906)	(206,821)	(11,437,481)
Depreciation for the year	-	-	(17,222)	(2,096,419)	(64,591)	(54,807)	(2,233,039)
At 31 December 2018	-	-	**(109,564)**	**(12,785,831)**	**(513,497)**	**(261,628)**	**(13,670,520)**
Net book value:							
At 31 December 2017	**304,293**	**4,495,256**	**552,202**	**31,064,707**	**281,649**	**142,286**	**36,840,393**
At 31 December 2018	**329,293**	**1,943,169**	**539,537**	**33,660,373**	**271,742**	**138,699**	**36,882,813**

	31 December 2018 N'000	31 December 2017 N'000
Depreciation charges included in cost of sales	2,096,419	1,813,768
Depreciation charges included in administrative expenses	136,620	144,680
	2,233,039	**1,958,448**

14 Intangible asset

	Asset under construction N'000	Software N'000	Total N'000
Cost			
At 1 January 2017	176,220	240,858	417,078
Additions	-	-	-
At 31 December 2017	**176,220**	**240,858**	**417,078**
At 1 January 2018	176,220	240,858	417,078
Additions	4,307,876	297,301	4,605,177
Reclassification	(157,500)	157,500	-
At 31 December 2018	**4,326,596**	**695,659**	**5,022,255**
Accumulated amortisation			
At 1 January 2017	-	(27,510)	(27,510)
Amortisation charge	-	(25,410)	(25,410)
At 31 December 2017	**-**	**(52,920)**	**(52,920)**
At 1 January 2018	-	(52,920)	(52,920)
Amortisation charge	-	(25,853)	(25,853)
At 31 December 2018	**-**	**(78,773)**	**(78,773)**
Net book value:			
At 31 December 2017	**176,220**	**187,938**	**364,158**
At 31 December 2018	**4,326,596**	**616,886**	**4,943,482**

Software relates to the Company's billing system (Unified Vending System) used for the maintenance of customer records and computation of energy consumption (revenue consumption). The Company capitalised the cost of purchasing/implementing the software in line with IAS 38, and recognises the annual amortisation in the income statement for the year.

Development cost relates to the Company's systems under development for customer enumeration, asset mapping that will be used for the maintenance of customer record, real time monitoring of assets and computation of energy consumption.

15 Deferred taxes

The Company has net deferred tax asset of N48.2 billion (2017: N35.3 billion) with N3.4 billion (2017: N2.7 billion) arising from accelerated capital allowances, N24.4 billion (2017: N15.3 billion) relating to tax losses from its operations and N20.4 billion (2017: N17.3 billion) arising from impairment loss on trade receivables.

The deferred tax assets are not recognised in these financial statements as the Company can not determine if it will generate enough taxable income, for the deferred tax assets to be utilised. The inability of the Company to determine future taxable profit is linked to the factors disclosed in Note 2.

	31 December 2018 N'000	31 December 2017 N'000
16 Inventory		
Distribution materials	838,273	884,117
Stationeries	7,771	910
	846,044	**885,027**

17 Trade and other receivable		
Trade receivable	77,751,146	63,532,936
Impairment of trade receivables	(64,741,262)	(29,406,361)
Trade receivable - net	13,009,884	34,126,575
Prepaid expenses	165,272	178,748
Advance payments*	2,867,039	2,852,347
	16,042,195	**37,157,670**

*Advance payment includes payment of N2.8 billion to NiconX Communications Limited for supply of 41,095 units of single phase prepaid meters.

Movement in provision for impairment of trade receivables:

1 January	29,406,361	23,193,211
Impact of IFRS 9 on opening retained earning	24,519,825	-
Additional allowance in the year	10,815,076	6,213,150
31 December	**64,741,262**	**29,406,361**

18 Cash and cash equivalents		
Cash in hand	4,373	27,762
Cash at bank	1,350,422	1,113,390
Short term bank deposits (collateral)	2,145,108	2,066,365
Impairment of bank deposit*	(47,968)	-
	3,451,935	**3,207,517**

Short term bank deposits (collateral) relates to amounts held by UBA on behalf of CBN, in relation to the CBN-NEMSF loan, as security for the interest on the loan balance advanced to JED Plc based on the agreement between JED Plc and CBN.

***Impairment of bank deposits**

The loss allowance relates to 12 month expected credit loss on short term bank deposits and bank accounts on garnishee order, the movement in loss allowance is as shown below

1 January	-	-
Impact of IFRS 9 on opening retained earning	(45,493)	-
Increase in loss allowance for the year	(2,475)	-
31 December	**(47,968)**	-

19 Trade and other payable	31 December 2018 N'000	31 December 2017 N'000
Trade payable	95,496,195	63,954,931
Interest payable	26,243,971	11,537,269
Other payable and accruals	2,425,770	1,789,888
Contract liabilities*	44,469	-
Value added tax	5,204,041	3,399,215
Withholding tax	765,201	61,857
	130,179,647	**80,743,160**

* Contract liabilities relate to payment received from prepaid meters customers for energy not yet utilised. The collection from prepaid meters for the year was N2.8 billion, out of which N44 million was deferred as contract liabilities. The revenue recognised from sale of electricity from prepaid meters of N2.77 billion comprises of cash of N2.72 billion and N55 million deferred in the prior year now recognised.

20 Borrowings

Opening balance	7,497,656	7,142,934
Disbursement during the year	2,275,198	1,006,196
Interest on borrowings	1,959,134	1,752,787
Transfer to deferred grant	(725,357)	(335,586)
Principal repayment	(1,314,591)	(971,722)
Interest repayment	(1,217,517)	(1,096,953)
	8,474,523	**7,497,656**
Current portion	712,076	402,284
Non- current portion	7,762,447	7,095,372
	8,474,523	**7,497,656**

Borrowings relates to the Central Bank of Nigeria/Nigerian Electricity Market Stabilisation Fund (CBN-NEMSF) released to the Company and other electricity companies in Nigeria for the financing of approved projects, and the settling the outstanding payment obligations due to the market participants, in the Nigerian Electricity Supply Industry (NESI).

The Company was a beneficiary of N14.97bn provided as a facility in 7 tranches from May 2016 to July 2018 at an interest rate of approximately 10%, repayable over ten years. The disbursed fund was utilised for settlement of market debts of N8.27 billion, payment of legacy gas debt of N0.3 billion and working capital requirements of N6.4 billion.

Fair values are based on discounted cash flows used on a discount rate based upon market borrowing rate that would be available to the Company at the reporting date.

21 Deferred intervention fund - government grant

Opening balance	3,486,447	3,608,103
Addition	725,358	335,586
Amortisation to profit or loss	(559,284)	(457,242)
	3,652,521	**3,486,447**
Current portion	821,085	499,750
Non- current portion	2,831,436	2,986,697
	3,652,521	**3,486,447**

Government grant relates to the loan obtained from the Federal Government of Nigeria through the Central Bank of Nigeria ("CBN") at a rate below the prevailing market rate. The fair value of the grant was recognised initially on the grant date and subsequently amortised on a straight line basis over the tenure of the loan. There were no unfulfilled conditions relating to the grant as at the reporting date.

22 Retirement benefit obligation

Defined benefits plan

The Company operates an unfunded defined benefit pension scheme where qualifying employees receive a lump sum payment based on the length of service and the remuneration of the employee at the time of retirement. The plan was approved by management in the staff employement handbook approved on 21 November 2018.

It is paid to qualified employees who have put in at least 5 years in service and are exiting, they shall be paid a certain percentage of their annual salary and emolument as "end of service appreciation" for meritorious service to the Company.

The Company makes provision for its defined benefit plan based on actuarial valuation performed using the projected unit credit method.

Below are the details of movements and amounts recognised in the financial statements:

	31 December 2018 N'000	31 December 2017 N'000
a Liability recognised in the financial position	143,507	-
b Amount recognised in the profit or loss:		
Current service cost	143,507	-

The movement in the defined benefit obligation over the years is as follows:

	31 December 2018 N'000	31 December 2017 N'000
At 1 January	-	-
Current service cost	143,507	-
As at 31 December	143,507	-

The significant actuarial assumptions were as follows:

i) Mortality in Service

The rate of mortality assumed for employees are those according to the British A67/70 ultimate table published by the Institute of Actuaries of England. These rates combined are approximately summarized as follows:

Sample Age	No of deaths per 10,000 lives
25	7
30	7
35	9
40	14
45	26
50	48
55	84

ii) Withdrawal from Service

The withdrawal rates are believed to be reasonably representative of the Nigeria experience. The valuation assumed a rate of withdrawal as follows:

Age Range	Rates
18 - 31	12.00%
31 - 35	8.00%
36 - 40	8.00%
41 - 45	5.00%
46 - 50	5.00%
51 - 55	0.00%
56 and above	0.00%

Summary of economic and demographic assumptions (rates are per annum):

	31 December 2018 N'000	31 December 2017 N'000
Interest Rate	15.74%	-
Retirement Age	60	-
Maximum Working Life	35	-
Salary Growth Rate	10.00%	-
Pre-retirement mortality	A67/70	-

The sensitivity of the overall pension liability to changes in the discount rate and rate of salary increase assumption is:

Salary increase rate			
1% increase	3% increase	144,367	146,113
1% decrease	3% decrease	142,657	140,982
Interest rate			
1% increase	3% increase	142,063	139,254
1% decrease	3% decrease	144,979	148,007

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

	31 December 2018 N'000	31 December 2017 N'000
23 Share capital		
a Authorised:		
100 million Ordinary shares of 50 kobo each	50,000	50,000
b Issued:		
10 million Ordinary shares of 50 kobo each	5,000	5,000

c Loss per share

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

	31 December 2018 N'000	31 December 2017 N'000
Loss for the year attributable to shareholders	(42,481,366)	(22,341,006)
Weighted average number of ordinary shares in issue (thousands)	10,000	10,000
Basic and diluted earnings per share	(4,248)	(2,234)

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

24 Accumulated deficit

Balance as at 1 January	(13,726,069)	8,614,937
Adjustment to opening on initial application of IFRS 9	(24,565,318)	-
Loss for the year	(42,481,366)	(22,341,006)
Balance as at 31 December	**(80,772,753)**	**(13,726,069)**

25 Cash generated from operations

Loss before income tax	(42,481,366)	(22,341,006)
Adjustment for:		
Depreciation (Note 13)	2,233,039	1,958,448
Loss on disposal	-	88,596
Retirement benefit obligation (Note 22)	143,507	-
Interest received (Note 11a)	(88,604)	(79,827)
Interest on borrowing (Note 20)	1,959,134	1,752,787
Impairment of trade receivable (Note 17)	10,815,076	6,213,150
Amortisation of intangible asset (Note 14)	25,853	25,410
Amortisation of government grant (Note 21)	(559,284)	(457,242)
Minimum tax levy	35,453	41,491
Adjustments for movement in working capital:		
Increase in receivables and prepayments	(14,219,426)	(21,643,057)
Decrease/ (increase) in inventory	38,982	(436,784)
Increase in trade and other payables	49,436,488	37,874,812
Cash generated from operations	**7,338,852**	**2,996,778**

26 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 or balances due from Aura Energy Limited (2017: Nil).

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. The amount due as technical fee for services provided from takeover following the privatizaton was N2.4 billion.

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 (2017: 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 during the year. (2017: 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 was charged for electricity ancillary services provided by the Operator of the Nigerian Electricity Market of N4.9 billion during the year (2017: N5.6 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 2018 was N19.1 billion (2017: N17.2 billion).

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 amounts payable to NELMCO as at 31 December 2018 was N96.1 million (2017: N19.4 million). The movement of N77.2 million represents invoice from NELMCO for rent of office building.

vii 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). The cost of power purchased during the year was N26.4 billion (2017: N26.9 billion). The amounts payable to NBET as at 31 December 2018 was N70.5 billion (2017: N46.7 billion) for cost of power. The interest on outstanding NBET bills was N26.2 billion (2017: N11.5 billion).

viii NiconX Communications Limited

The Company and Nicon X Communication Limited are related by common directorship. Nicon X Communication Limited supplies prepaid meters to JED Plc. JED Plc had prepaid the sum of N2.8 billion (2017: N2.8 bllion) for 41,095 units of single phase prepaid meters, which were yet to be supplied by NiconnX.

ix RSG Limited

The Company and RSG Limited are related by common directorship. RSG Limited is responsible for providing a comprehensive customer enumeration and asset mapping service for JED Plc's customers and its property plant and equipment, respectively for Benue and part of Plateau states. The cost of the transaction is N1.8 billion. The oustanding as at 31 December 2018 is N624 million.

x Tripple Seventh Nigeria Ltd

The Company and Tripple Seventh Nigeria Limited are related by common directorship. Tripple Seventh Nigeria Limited is responsible for providing a comprehensive customer enumeration and asset mapping service for JED Plc's customers and its property plant and equipment, respectively for Bauchi, Gombe and part of Plateau states. The cost of the transaction is N2.5 billion. The oustanding as at 31 December 2018 is N1.5 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)

	31 December 2018 N'000	31 December 2017 N'000
Directors' fees	83,547	83,547
Highest paid director	19,000	19,000

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

	Number	Number
N5,000,001 - N10,000,000	7	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	64,284	64,284
Pension contribution - defined contribution plan	1,600	1,600
	65,884	**65,884**

27 Capital commitments and contingent liabilities

i) Contingent liabilities

There were a number of claims against the Company arising from litigations over its normal course of operations. As at 31 December 2018, total claims of N1.7 billion (2017: N0.3 billion) were outstanding against the Company. Based on the legal advise of its external legal counsels, the directors have concluded that the claims are remote and no material financial obligations would result from the litigations. No liabilities have been recorded for these claims in these financial statements.

ii) Capital commitments

The Company has no capital commitments as at 31 December 2018 (2017: nil).

28 Events after reporting date

i) The impact of COVID 19 pandemic

In the first quarter of 2020, there was a COVID-19 outbreak which has spread globally. The outbreak has been declared a Public Health Emergency of International concern by World Health Organisation (WHO). As at the date of this report, several cases have been confirmed in Nigeria by the Nigerian Centre for Disease Control.

The disease has caused a significant reduction in social interaction, with a shutdown of public facilities and physical interaction. Measures taken to contain the virus have affected economic activity.

The Company is not able to estimate the financial impact of COVID-19 on its operations and financial statements. The Company is generally able to continue to supply power to its customer, as power is an essential commodity, despite the restrictions on movement during the pandemic. Management foresees enforcement of collections as a challenge during the current pandemic and possibly after the pandemic because of general economic uncertainties. Management has also considered the potential implications of this outbreak and have put in place measures to mitigate against a significant impairment of the carrying value of assets. The management is confident that there are no plans to liquidate any of the Company's operations or to cease trading.

ii) The Nigerian Electricity Regulatory Commission (NERC) Multi-Year Tariff Order (MYTO) Order

Subsequent to the year end, the Nigerian Electricity Regulatory Commission issued a Multi-Year Tariff Order (MYTO), Order No NERC /GL/176A effective from 1 July 2019. The order among other things, recognised a tariff shortfall of N88 billion between 2015 and 2018 due to the Company, and directed that the Company shall be compensated for the market shortfall under the Federal Government's Power Sector Recovery Program (PSRP). No disbursements have been made under the PSRP.

Value added statement

	31 December 2018 N'000	%	31 December 2017 Restated* N'000	%
Turnover	28,352,558		32,096,746	
Other operating income	76,246		62,667	
Finance income	647,888		537,069	
	29,076,692		**32,696,482**	
Bought in materials and services:				
Local	(66,567,249)		(49,803,060)	
Value eroded	**(37,490,557)**	100	**(17,106,578)**	100
Applied as follows:				
To pay employees				
Salaries and wages	2,722,317	(7)	3,234,489	(19)
Maintenance of assets				
Depreciation	2,233,039	(6)	1,958,448	(11)
To pay government				
Taxation (minimum tax levy)	35,453	(1)	41,491	(1)
Retained for replacement of assets and business growth:				
Loss attributable to members	(42,481,366)	114	(22,341,006)	131
Value eroded	**(37,490,557)**	100	**(17,106,578)**	100

* Amounts are after the restatement disclosed in note 5.1

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

Five-year financial summary

	31 December 2018 N'000	31 December 2017 Restated* N'000	31 December 2016 Restated* N'000	31 December 2015 N'000	31 December 2014 N'000
Statement of financial position					
Non-current assets	41,826,295	37,204,551	38,248,112	33,965,862	34,149,164
Current assets	20,340,174	41,250,214	24,398,290	14,450,034	8,085,690
Current liabilities	(132,196,832)	(82,093,765)	(44,327,335)	(26,402,749)	(11,575,567)
Non-current liabilities	(10,737,390)	(10,082,069)	(9,699,130)	-	(208,377)
Net assets	**(80,767,753)**	**(13,721,069)**	**8,619,937**	**22,013,147**	**30,450,910**
Share capital	5,000	5,000	5,000	5,000	5,000
Retained earnings	(80,772,753)	(13,726,069)	8,614,937	22,008,147	30,445,910
Total equity	**(80,767,753)**	**(13,721,069)**	**8,619,937**	**22,013,147**	**30,450,910**
Statement of comprehensive income					
Turnover	28,352,558	32,096,746	26,875,032	22,666,456	17,504,750
Loss before taxation	(42,481,366)	(22,341,006)	(16,782,278)	(8,791,668)	(5,655,808)
Taxation	-	-	(59,443)	70,330	(383,077)
Loss after tax	**(42,481,366)**	**(22,341,007)**	**(16,841,721)**	**(8,721,338)**	**(6,038,885)**
Basic loss per share (Naira)	(4,248)	(1,684)	(1,684)	(872)	(604)

* Amounts are after the restatement disclosed in note 5.1

The five year financial summary is presented in these financial statements for the purposes of the Companies and Allied Matters Act disclosure requirements.