Jos Electricity Distribution Plc

Financial statements

For the year ended 31 December 2016

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Directors and professional advisers

Company registration number
RC 638619

Directors

Ahmed Mahmud Yayale	Chairman
Tsavsar Joseph	Director
Kosehkahyaoglu Mehmet	Director
Marangoz Serdar	Director
Dalami Zakari Jelka	Director
Joda Hamid	Director
Bello Falalu	Director

Company Secretary
Odujinrin & Adefulu

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
United Bank for Africa
First Bank of Nigeria Plc
Union Bank of Nigeria 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 2016, 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 1.

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 8. The loss for the year of N16.84 billion (2015 : loss of N8.72 billion) has been transferred to retained earnings.

Privatisation of the Company

The Company is one of the successor companies of the Power Holding Company of Nigeria, owned by the Federal Government of Nigeria through the Bureau of Public Enterprises and Ministry of Finance Incorporated. The Company was incorporated on November 7, 2005, but the privatisation was completed 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' 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 2016, the shares of the Company were held as follows:

	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%

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).

Donations and gifts

The Company made no donations during the year (2015: Nil).

Auditors

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

By order of the Board

ODUJINRIN & ADEFULU
BARRISTERS SOLICITORS & NOTARIES PUBLIC

Company secretary
FRCN: 2017/NBA/00000016351

19 December 2017

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 include:

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
19 December 2017

Director
FRC/2016/NIM/00000014048
19 December 2017

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 financial statements give a true and fair view of the financial position of the company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the 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 2016;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Material uncertainty relating to going concern

We draw attention to Note 24 in the financial statements, which indicates that the company incurred a net loss of N16.8 billion during the year ended 31 December, 2016 and, as of that date, the company has net current liabilities of N22.2 billion.

As stated in Note 24, these events or conditions, along with other matters as set forth in Note 24, 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.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, Statement of Directors' Responsibilities, Statement of Value Added 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 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 on the other information that we obtained prior to the date of this auditor's report, 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 the International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

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 comprehensive income are in agreement with the books of account.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
0058110

Pedro Omontuemhen

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

22 December 2017

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

Jos Electricity Distribution Plc

Financial statements

For the year ended 31 December 2016

Statement of profit or loss and other comprehensive income

	Notes	31 December 2016 N'000	31 December 2015 N'000
Revenue	5	26,875,032	22,666,456
Cost of sales	6	(26,545,400)	(20,620,106)
Gross profit		329,632	2,046,350
Administrative expenses	6b	(13,016,304)	(10,030,516)
Selling expenses	6c	(1,121,350)	(517,510)
Other operating income	8a	315,219	185,883
Operating loss		(13,492,803)	(8,315,793)
Finance income	8b	9,964	24,556
Finance cost	8b	(3,299,439)	(500,431)
Net finance cost		(3,289,475)	(475,875)
Loss before tax		(16,782,278)	(8,791,668)
Tax expenses	9	(59,443)	70,330
Loss for the year		**(16,841,721)**	**(8,721,338)**
Total comprehensive loss for the year		**(16,841,721)**	**(8,721,338)**
Loss per share	18c	(1,684)	(872)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 12 to 35.

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For the year ended 31 December 2016
Statement of financial position

	Notes	31 December 2016 N'000	31 December 2015 N'000
Assets			
Non-current assets			
Property, plant and equipment	10	30,548,200	32,292,537
Asset under construction	11	6,783,380	1,438,300
Intangible assets	12	213,348	235,025
		37,544,928	**33,965,862**
Current assets			
Inventories	14	448,242	486,931
Trade and other receivable	15	18,982,437	13,585,201
Cash and cash equivalents	16	2,222,284	377,902
		21,652,963	**14,450,034**
Total assets		**59,197,891**	**48,415,896**
Liabilities			
Current liabilities			
Income tax payable	9	407,080	347,637
Trade and other payable	17	42,868,348	26,055,112
Borrowings	21a	604,874	-
		43,880,302	**26,402,749**
Non- current liabilities			
Deferred intervention fund - government grants	21b	3,608,103	-
Borrowings	21a	6,538,060	-
		10,146,163	**-**
Total liabilities		**54,026,465**	**26,402,749**
Equity			
Share capital	18	5,000	5,000
Retained earnings	19	5,166,426	22,008,147
Total equity		**5,171,426**	**22,013,147**
Net equity and liabilities		**59,197,891**	**48,415,896**

The financial statements on pages 8 to 35 were approved and authorised for issue by the Board of Directors on 19 December 2017 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 N'000	Total equity N'000
Balance as at 1 January 2015	5,000	30,445,910	30,450,910
Total comprehensive income:			
Loss for the year	-	(8,721,338)	(8,721,338)
Capital contribution - Federal government funding	-	283,575	283,575
Balance as at 31 December 2015	**5,000**	**22,008,147**	**22,013,147**
Balance as at 1 January 2016	5,000	22,008,147	22,013,147
Total comprehensive income:			
Loss for the year	-	(16,841,721)	(16,841,721)
Balance as at 31 December 2016	**5,000**	**5,166,426**	**5,171,426**

Capital contribution during the year ended 31 December 2015 relates to power distribution materials received from the Federal Government of Nigeria during the year. These items relate to materials purchased by the Federal Government of Nigeria before the privatisation of the industry, under the defunct Power Holding Company of Nigeria.

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

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 12 to 35.

Statement of cash flows

	Notes	31 December 2016 N'000	31 December 2015 N'000
Cash flows from operating activities:			
Cash (used in)/generated from operations	20	(2,892,048)	911,902
Interest received		9,964	24,556
Net cash (used in)/generated from operating activities		**(2,882,084)**	**936,458**
Cash flows from investing activities:			
Purchase of property, plant and equipment	10	(103,001)	(690,408)
Additions to assets under construction	11	(5,404,270)	(564,571)
Additions to intangible assets	12	(5,833)	(254,100)
Net cash used in investing activities		**(5,513,104)**	**(1,509,079)**
Cash flows from financing activities:			
Proceed from borrowings		11,124,309	-
Repayment of principal		(269,278)	-
Repayment of interest		(615,461)	-
Net cash from financing activities		**10,239,570**	-
Net increase/(decrease) in cash and cash equivalents		1,844,382	(572,621)
Cash and cash equivalents at start of year		377,902	950,523
Cash and cash equivalents at the end of the year		**2,222,284**	**377,902**

The above statement of statement of cash flow should be read in conjunction with the accompanying notes on pages 12 to 35.

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 420,000 customers with its major activities being to:

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

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

2.1.1 Going concern

The financial statements have been prepared on a going concern basis. The Company's net loss for the year was N16.84 billion (December 2015: N8.72 billion), however the shareholders' funds for the year was N5.17 billion (31 December 2015: N22.01 billion surplus).

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 and accounts.

2.1.2 *Changes in accounting policies and disclosures*

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

The following new standards, amendments to standards and interpretations are effective for the financial year ending 31 December 2016 and have a impact on the Company except otherwise stated;

IFRS 14, Regulatory Deferral Accounts (effective 1 January 2016) describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with this standard because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods. IFRS 14 applies to first time adopters of IFRS, who had previously recognised regulatory deferral account balance under the previous GAAP. The Company is out of scope of IFRS 14.

Amendments to IFRS 13 confirms that short term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial. It clarifies that the portfolio exception in IFRS 13 (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of IAS 39 or IFRS 9. The impact of this standard on the Company's financial statement for the year was not material.

Amendments to IAS 1: address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes and clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply. The Company has applied this amendment in presenting these financial statements.

Amendments to IAS 24 – where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but not the compensation paid by the management entity to its employees or directors. The impact of this standard on the Company's financial statement for the year was not material, as there were no management personnel services from related parties.

Amendments to IAS 19 - clarifies the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of the benefits. Under the previous version of IAS 19, most entities deducted the contributions from the cost of the benefits earned in the year the contributions were paid. However, the treatment under the 2011 revised standard was not so clear. It could be quite complex to apply, as it requires an estimation of the future contributions receivable and an allocation over future service periods. To provide relief, changes were made to IAS 19. These allow contributions that are linked to service, but that do not vary with the length of employee service (e.g. a fixed % of salary), to be deducted from the cost of benefits earned in the period that the service is provided. Therefore many entities will be able (but not be required) to continue accounting for employee contributions using their existing accounting policy. The Company does not operate a defined benefit plan.

(b) *New standards, amendments and interpretations yet to be adopted by the Company*

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

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

IFRS 9 - Financial instruments (effective 1 January 2018)

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

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

IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019)

IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2018) IFRS 16 specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration', (effective for annual periods beginning on or after 1 January 2018)

IFRIC 22 'Foreign Currency Transactions and Advance Consideration', (effective for annual periods beginning on or after 1 January 2018) addresses foreign currency transactions or parts of transactions where: there is consideration that is denominated or priced in a foreign currency; the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepayment asset or deferred income liability is non-monetary.

IAS 12 Amended 'Income tax' (effective for annual periods beginning on or after 1 January 2017)

IAS 12 Amended 'Income tax' (Effective for annual periods beginning on or after 1 January 2017). This standard was amended to address the following: Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, where the carrying amount of an asset does not limit the estimation of probable future taxable profits, estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Management is yet to assess the impact of amendments and the likely impact of the standards: IAS 12, IFRIC 22 IFRS 15 and IFRS 9, and IFRS 16

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

2.2 Functional currency and translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Naira (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 income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'other operating income/operating losses.

2.3 Revenue recognition

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:

<u>Sales of electricity</u>
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.

2.4 Property, plant and equipment

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

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

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

Asset category	Estimated useful lives
Building	2% - 2.5%
Plant & machinery	2% - 5%
Computer hardwares	25% - 33.3%
Furniture and fittings	10% - 33.3%
Motor vehicles	10% - 20%

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

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

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

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

2.5 Intangible asset

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.

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

2.6 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.

2.7 Financial instruments

Financial assets

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

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

Impairment of financial assets

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

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

Financial liabilities

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

Offsetting financial instruments

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

2.8 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 in the ordinary course of business.

2.9 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.

2.10 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.

2.11 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.

2.12 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.

2.13 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.

2.14 Leases

Operating lease

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

2.15 Employee benefits

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

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

(ii) ***Defined contribution plan***

The Company operates a defined contribution scheme for its employees in line with the Pension Reform Act 2014. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

2.16 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.

2.17 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).

2.18 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.

2.19 Comparatives

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

2.20 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.

2.21 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.

2.22 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.

3 Financial risk management

3.1 Financial risk factors

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

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

Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recorded assets and liabilities are denominated in a currency that is not the entity's functional currency e.g. foreign denominated loans, purchases and sales transactions etc. The Company did not have any material balance denominated in foreign currency at 31 December 2016.

(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

There are no financial instruments exposed to other price risk.

Credit risk

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

	31 December 2016 N'000	31 December 2015 N'000
Current:		
Cash and cash equivalents	2,222,284	377,902
Trade receivables (gross)	42,095,416	26,318,364
	44,317,700	26,696,266

	31 December 2016 N'000	31 December 2015 N'000
Not impaired	13,597,238	11,607,153
Past due but not impaired	5,304,966	1,912,999
Impaired	23,193,211	12,798,212
	42,095,415	**26,318,364**
Past due but not impaired:		
- by up to 90 days	4,517,467	1,287,800
- by 91 to 180 days	787,499	625,199
Total past due but not impaired	**5,304,966**	**1,912,999**

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

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 and bank balance		
A +	2,175,243	-
B	22,262	358,842
Not rated	24,779	19,060
	2,222,284	**377,902**

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 above ratings are explained as follows:

'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

"B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.

'Not rated' indicate cash in hand and financial institutions with no available ratings.

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.

3.1.1 Management of liquidity risk

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

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

3.1.2 Maturity analysis

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

	Less than 1 year N'000	Over 1 year N'000	Total N'000
At 31 December 2016:			
Trade and other payables	36,800,737	-	36,800,737
Borrowings	1,964,428	13,917,092	15,881,520
At 31 December 2015:			
Trade and other payables	22,845,659	-	22,845,659

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 31 December 2016 and 31 December 2015 were as follows:	31 December 2016 N'000	31 December 2015 N'000
Total borrowing	7,142,934	-
Less: Cash and cash equivalent	(2,222,284)	(377,902)
Net debt	4,920,650	-
Total equity	5,171,426	22,013,147
Total capital	10,092,076	22,013,147
Gearing ratio	49%	0%

3.3 Fair value estimation

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instrument in level 3

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

Financial instruments by category

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

Those categories are: loans and receivables; and for liabilities, amortised cost. The following table shows the carrying values of assets and liabilities for each of these categories at 31 December 2016 and 31 December 2015:

	31 December 2016 N'000	31 December 2015 N'000
Assets		
Loans and receivables:		
Cash and cash equivalents	2,222,284	377,902
Trade and other receivables	18,902,205	13,520,152
	21,124,489	**13,898,054**
Liabilities		
Amortised cost:		
Borrowings	7,142,934	-
Trade and other payables	26,055,112	11,365,977
	33,198,046	**11,365,977**

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.

4 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.

4.1 Critical accounting estimates and assumptions

Impairment of trade receivable

The Company follows the guidance of IAS 39 to determine when a receivable is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the age of debts, customer's payment history, financial condition of the customer and customer with extended payment period.

Consumers' debts past due over 180 days with no subsequent payments are fully impaired, consumers' debts past due for over 90 days with no subsequent collections have been impaired averagely at 50%.

Inactive customers' debts are fully impaired. Total impairment recognised as at 31 December 2016 was N23.2 billion (2015: N12.8 billion).

Income tax

The Company is subject to income taxes only within the Nigerian tax authority which does not require much judgment in terms of provision for income taxes but a certain level of judgment is required for recognition of the deferred tax assets. Management is required to assess the ability of the Company to generate future taxable economic earnings that will be utilised by all deferred tax assets. The future cash flows are used by management to assess whether the Company will be able to generate enough future cash flows. As part of the management assumptions. The estimates are based on the future cash flow from operations taking into consideration the future energy billable to its customers. Deferred tax assets arising from accelerated capital allowances, tax losses and impairment losses are not recognised in these financial statements.

	31 December 2016 N'000	31 December 2015 N'000
6b *Included in administrative expenses:*		
Depreciation on property, plant and equipment (Note 10)	140,044	134,139
Staff costs	934,458	844,541
Audit fees	26,250	21,750
Provision for bad debts	10,033,659	6,912,753
Transport and travelling	92,395	161,360
Consultancy fees	648,831	549,341
Rent of office buildings	37,547	50,754
Repairs and maintenance	53,929	23,248
Hotel and accommodation expenses	67,578	72,668
Security, driving and cleaning costs	380,205	296,104
Insurance expenses	21,037	13,368
Bank charges and other payment solutions commission	63,147	31,295
Customer records and collection expenses	19,379	57,645
General advertisement	11,320	13,966
Inventory written off	-	525,730
Amortisation of intangible assets (Note 12)	27,510	19,075
General administrative expenses	459,015	302,779
	13,016,304	**10,030,516**
6c *Included in selling expenses:*		
Staff cost	428,529	459,865
Marketing expenses	692,821	57,645
	1,121,350	**517,510**

The increase in marketing cost of N 603 million during the year is due to cost incurred on direct sales agent contracted by the Company to improve collections from customers.

7 Employee costs

a Staff costs analysed as follows:

	31 December 2016 N'000	31 December 2015 N'000
Distribution (technical) staff	1,018,714	970,951
Marketing staff	428,529	459,865
Administrative staff	540,578	464,534
Casual/contract staff	291,433	213,362
Other staff related expenses	102,447	166,645
	2,381,701	**2,275,357**

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

	Number	Number
Management	28	22
Senior staff	550	678
Junior staff	459	323
	1,037	**1,023**

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

	Number	Number
N1,000,000 and below	210	320
N1,000,001 - N2,000,000	206	398
N2,000,001 - N3,000,000	98	189
N3,000,001 - N4,000,000	89	63
N4,000,001 - N5,000,000	230	12
Above 5,000,000	204	41
	1,037	**1,023**

	31 December 2016 N'000	**31 December 2015 N'000**
8a Other operating income		
Re-connection fee	19,167	27,492
Other charges on customers	62,126	33,523
Amortised government grant	233,926	-
Electricity imbalance	-	123,439
Other income	-	1,429
	315,219	**185,883**

Electricity imbalance relates to value of shortfall in electricity quantity received by the Company from the national grid compared with the agreed power allocation from the national grid.

8b Finance cost and income

Finance cost:		
Interest on electricity market payable	2,554,046	500,431
Interest on borrowing	745,393	-
	3,299,439	500,431
Finance income:		
Interest income	(9,964)	(24,556)
Net finance cost	**3,289,475**	**475,875**

9 Tax expense

	31 December 2016 N'000	31 December 2015 N'000
i Tax expenses		
Current income tax charge	59,443	138,047
Deferred tax charge	-	(208,377)
Tax charge	**59,443**	**(70,330)**
ii Current income tax payable		
At 1 January	347,637	209,590
Income tax	59,443	138,047
At 31 December	**407,080**	**347,637**
iii Reconciliation of effective tax rate		
Loss before income tax	(16,782,278)	(8,791,668)
Income tax using the domestic corporation tax rate of 30%	(5,034,683)	(2,637,500)
Minimum tax levy	59,443	138,047
Investment allowance	2,358	24,995
Effect of deferred tax asset on tax losses not recognised	5,032,325	2,404,128
Total income tax expense/(credit) in statement of profit or loss	**59,443**	**(70,330)**

10 Property, plant and equipment

	Land	Building	Plants & machinery	Motor vehicles	Furniture & equipment	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Cost						
At 1 January 2015	304,293	584,703	37,142,057	636,697	199,179	38,866,929
Additions	-	-	833,174	101,556	39,253	973,983
Reclassification	-	45,465	(47,850)	61,053	(34,538)	24,130
At 31 December 2015	**304,293**	**630,168**	**37,927,381**	**799,306**	**203,894**	**39,865,042**
At 1 January 2016						
Cost	304,293	630,168	37,927,381	799,306	203,894	39,865,042
Additions	-	3,700	19,422	-	79,879	103,001
Reclassification	-	-	59,190	-	-	59,190
At 31 December 2016	**304,293**	**633,868**	**38,005,993**	**799,306**	**283,773**	**40,027,233**
Accumulated depreciation						
At 1 January 2015	-	(49,608)	(5,286,418)	(180,004)	(99,594)	(5,615,624)
Depreciation for the year	-	(14,136)	(1,822,742)	(87,214)	(32,789)	(1,956,881)
At 31 December 2015	-	**(63,744)**	**(7,109,160)**	**(267,218)**	**(132,383)**	**(7,572,505)**
At 1 January 2016	-	(63,744)	(7,109,160)	(267,218)	(132,383)	(7,572,505)
Depreciation for the year	-	(14,240)	(1,766,484)	(93,023)	(32,781)	(1,906,528)
At 31 December 2016	-	**(77,984)**	**(8,875,644)**	**(360,241)**	**(165,164)**	**(9,479,033)**
Net book value:						
At 31 December 2015	**304,293**	**566,424**	**30,818,221**	**532,088**	**71,511**	**32,292,537**
At 31 December 2016	**304,293**	**555,884**	**29,130,349**	**439,065**	**118,609**	**30,548,200**

	31 December 2016	31 December 2016
	N'000	N'000
Depreciation charges included in cost of sales	1,766,484	1,822,742
Depreciation charges included in administrative expenses	140,044	134,139
	1,906,528	1,956,881

	31 December 2016	31 December 2015
11 Asset under construction	**N'000**	**N'000**
At 1 January	1,438,300	897,859
Additions	5,404,270	564,571
Transferred to property, plants and equipment	(59,190)	(24,130)
As at 31 December	**6,783,380**	**1,438,300**

Assets under construction are capital expenditures on projects within the power distribution network, that have not been completed or installed, including prepaid energy meters.

12 Intangible asset		
Opening balance	235,025	-
Additions	5,833	254,100
Amortisation	(27,510)	(19,075)
	213,348	**235,025**

Intangible asset relates to the Company's billing system (JED Cloud Statron, Unified vending system) used for the maintenance of customer record and computation of energy consumption (revenue computation). 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.

13 Deferred taxes

The Company has net deferred tax asset of N3.1 billion (2015: N4.4 billion) arising from accelerated capital allowances, N6.2 billion (2015: N4.7 billion) relating to tax losses from its operations and N3.2 billion (2015:Nil) 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 24.

14 Inventory

Distribution materials	442,859	472,505
Stationeries	5,383	14,426
	448,242	**486,931**

The cost of inventory items included in the expenses for the year was N146 million (2015: N840 million). None of the Company's inventories has been pledged as collateral to secure debt.

	31 December 2016 N'000	31 December 2015 N'000
15 Trade and other receivable		
Trade receivable	42,095,416	26,318,364
Provision for impairment of trade receivables	(23,193,211)	(12,798,212)
Trade receivable - net	18,902,205	13,520,152
Prepaid expenses	63,185	32,322
Advance payments	17,047	32,727
	18,982,437	**13,585,201**
16 Cash and cash equivalents		
Cash at bank	197,877	-
Short term bank deposits	2,000,000	358,842
Cash in hand	24,407	19,060
	2,222,284	**377,902**
17 Trade and other payable		
Trade payable	36,800,737	22,845,659
Other payable & accruals	6,067,611	3,209,453
	42,868,348	**26,055,112**
18 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.

Loss for the year attributable to shareholders	(16,841,721)	(8,721,338)
Weighted average number of ordinary shares in issue (thousands)	10,000	10,000
Basic and diluted earnings per share (in thousands Naira)	(1,684)	(872)

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.

	31 December 2016 N'000	31 December 2015 N'000
19 Retained earnings		
Balance as at 1 January	22,008,147	30,445,910
Loss for the year	(16,841,721)	(8,721,338)
Capital contribution	-	283,575
Balance as at 31 December	**5,166,426**	**22,008,147**
20 Cash generated from operations		
Reconciliation of loss before income tax to cash generated from operations:		
Loss before income tax	(16,782,278)	(8,791,668)
Depreciation (Note 10)	1,906,528	1,956,881
Interest received	(9,964)	(24,556)
Interest on borrowing	745,393	-
Amortization of intangible asset	27,510	19,075
Amortization of government grant	(233,926)	-
Adjustments for movement in working capital:		
Increase in receivables and prepayments	(5,397,236)	(7,565,610)
Decrease in inventory	38,689	628,645
Increase in trade and other payables	16,813,236	14,689,135
Cash (used in)/generated from operations	**(2,892,048)**	**911,902**
21a Borrowings		
Fair value of disbursed amount during the year	7,282,280	-
Interest on borrowings	745,393	-
Borrowing repaid	(884,739)	-
	7,142,934	-
Current portion	604,874	-
Non- current portion	6,538,060	-
	7,142,934	-

Borrowings relates to the Central Bank of Nigeria/Nigerian Electricity Market Stabilization 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 N11.7bn provided as a facility in 4 tranches from May 2016 to October 2016 at an interest rate of approximately 10%, repayable over ten years. The disbursed fund was utilised for settlement of market debts of N5 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.

	31 December 2016 N'000	31 December 2015 N'000
21b Deferred intervention fund - government grants		
Opening balance	-	-
Addition	3,842,029	-
Amortisation to profit or loss	(233,926)	-
	3,608,103	-

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 as described in note 21a. 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 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 Aydem Energy FZE, UAE (2015: 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. There were no transactions with or balances due from Aydem Energy FZE, UAE (2015: Nil).

iii Bureau of Public Enterprises (BPE)

BPE owns 32% of the equity shareholding of the Company. BPE is an agency of the Federal Government of Nigeria, and it is wholly owned by the Government. There were no transactions with or balances due from BPE (2015: 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 (2015: 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 N4.2 billion during the year (2015: N5.3 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 2016 was N13.3 billion (2015: N14.6 billion). The transactions with MO during the year was N4.2 billion, amount paid to MO during the year stood at N5.5 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 2016 was N19.4 million (2015: N19.4 million).

vi Nigerian Bulk Electricity Trading Company (NBET)

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

The Company purchased energy from the Nigerian Bulk Electricity Trading Company (NBET). The cost of power purchased during the year was N19.4 billion (2015: N8.27 billion) and N2.6 billion being interest on outstanding NBET bills (2015: N0.5 billion). The amounts paid to NBET during the year was N4.2 billion (2015: N4.3 billion) and amounts payable to NBET as at 31 December 2016 was N23.5 billion (2015: N8.3 billion) for cost of power and accrued interest on late remittances of N3 billion (2015: N0.5 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 2016 N'000	31 December 2015 N'000
Directors' fees	45,000	48,600
Highest paid director	9,000	9,000

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

	Number	Number
Below N5,000,000	-	2
N5,000,001 - N10,000,000	7	6
	7	8

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	54,000	64,284
Pension contribution - defined contribution plan	1,600	1,600
	55,600	65,884

23 Capital commitments and contingent liabilities

The Company had on-going capital projects as at 31 December 2016. The Company's capital commitments for the year ending 31 December 2016 was N0.1 billion (2015: N0.15 billion).

The Company has no approved capital projects as at 31 December 2016 (2015: N895 million).

The Company has a number of claims against it currently under litigation of 1.21 billion as at 31 December 2016 (2015: N0.34 billion). Based on the advice of its lawyers, the directors have not recognised any provisions in respect of the litigations, as the directors are of the view that the likelihood of success of the litigation claims is remote.

24 Going concern

The Company made a loss after tax of N16.8 billion (2015: N8.7 billion), with a negative cash flow from operating activities of N2.9 billion (2015: N0.9 billion positive cash flow) and net current liabilities of N22.2 billion at year end (2015: N12.0 billion).

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 realize 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.

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 loss 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 and accounts.

Statement of value added

	31 December 2016 N'000	%	31 December 2015 N'000	%
Turnover	26,875,032		22,666,456	
Other operating income	315,219		185,883	
Finance income	9,964		24,556	
	27,200,215		**22,876,895**	
Bought in materials and services:				
Local	(39,694,264)		(27,436,325)	
Value eroded	**(12,494,049)**	100	**(4,559,430)**	100
Applied as follows:				
To pay employees				
Salaries and wages	2,381,701	(19)	2,275,357	(50)
Maintenance of assets				
Depreciation	1,906,528	(15)	1,956,881	(43)
To pay government				
Taxation	59,443	(1)	138,047	(3)
Retained for replacement of assets and business growth:				
Deferred tax	-	-	(208,377)	5
Loss attributable to members	(16,841,721)	135	(8,721,338)	191
Value eroded	**(12,494,049)**	100	**(4,559,430)**	100

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

Jos Electricity Distribution Plc

Other national disclosures

For the year ended 31 December 2016

Five year financial summary

	31 December 2016 N'000	31 December 2015 N'000	31 December 2014 N'000	31 December 2013 N'000	31 December 2012 N'000
Statement of financial position					
Non-current assets	37,544,928	33,965,862	34,149,164	37,410,286	38,691,383
Current assets	21,652,963	14,450,034	8,085,690	11,958,376	9,069,212
Current liabilities	(43,880,302)	(26,402,749)	(11,575,567)	(32,693,955)	(22,664,760)
Non-current liabilities	(10,146,163)	-	(208,377)	(2,359,582)	(1,690,086)
Net assets	**5,171,426**	**22,013,147**	**30,450,910**	**14,315,125**	**23,405,749**
Share capital	5,000	5,000	5,000	5,000	5,000
Retained earnings	5,166,426	22,008,147	30,445,910	14,310,125	23,400,749
Total equity	**5,171,426**	**22,013,147**	**30,450,910**	**14,315,125**	**23,405,749**
Statement of comprehensive income					
Turnover	26,875,032	22,666,456	17,504,750	10,942,147	7,246,221
Loss before taxation	(16,782,278)	(8,791,668)	(5,655,808)	(9,273,692)	(5,456,613)
Taxation	(59,443)	70,330	(383,077)	(96,904)	-
	(16,841,721)	**(8,721,338)**	**(6,038,885)**	**(9,370,596)**	**(5,456,613)**
Basic loss per share (Naira)	(1,684.17)	(872.13)	(603.89)	(937.06)	(545.66)

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