Ibadan Electricity Distribution Company Plc.

Annual Report

December 31, 2017

Contents

Corporate Information

Registration Number RC. 638633

Directors:	Dr. Olatunde Ayeni, CON. F.IoD Captain (Dr.) Wells Idahosa Okunbo Mr. Alex Okoh Mr. Garth Dooley Dr. Olusola Ayandele Mr. Dan D. Kunle Mr. John Donnachie
Registered and Principal Address:	Capital Building 115 Ring Road Ibadan, Oyo State
Company Secretary:	Oluseye Alayande Capital Building 115 Ring Road Ibadan, Oyo State
Legal Adviser:	G. Elias and Co. Solicitors & Advocates 6, Broad Street Lagos State
Auditor:	Deinde Odusanya and Co. (Chartered Accountants) 6B Ireti Street, Yaba, P. O. BOX 50563, Falomo-Ikoyi Lagos State
Bankers:	Polaris Bank Limited United Bank for Africa Plc. First City Monument Bank Limited Keystone Bank Limited Diamond Bank Plc. Heritage Bank Limited

Financial Highlights

	31 Dec 2017	31 Dec 2016
	₦'000	₦'000
Major statement of profit or loss items		
For the year ended:		
Revenue	70,182,887	61,314,594
Direct costs	(77,347,265)	(56,562,365)
Loss before taxation	(58,364,123)	(35,859,519)
Taxation	(87,740)	10,872,147
Loss for the year	(58,451,863)	(24,987,372)
Major statement of financial position items		
As at:		
Total assets	150,845,034	139,826,806
Equity	(10,651,532)	47,800,331
Net (liabilities)/assets per shares	(1,065)	4,780
Loss per share	(5,845)	(2,499)

Directors' Report

For the year ended December 31, 2017

The Directors present their annual report on the affairs of Ibadan Electricity Distribution Company Plc. ("IBEDC" or "the Company"), together with the financial statements and auditor's report for the year ended December 31, 2017.

Legal form

The Company was incorporated on November 8, 2005 as a public company, limited by shares with registration number RC 638633. On November 1, 2013 Integrated Energy Distribution and Marketing Limited ("IEDM") acquired sixty percent (60%) of the equity of the company.

Principal activity and business review

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

The Company's revenue was ₦70.18 billion for the year ended December 31, 2017; an increase of 14.7% compared to prior year (2016: ₦61.31 billion). Increase in cost of energy purchased of ₦77.35 billion in 2017 was not commensurate with increase in revenue as the company was unable to pass the increase in cost through the tariff to customers, similarly interest charged on electricity suppliers' outstanding bill could not be charged on customers' outstanding debts. Hence, Company's loss before taxation increased significantly by 63% from ₦35.86 billion in 2016 to ₦58.36 billion in 2017.

The reported results are principally due to the numerous challenges facing the power sector in Nigeria. Some of the challenges include: non-cost reflective tariff and non-implementation of minor tariff review results; increase in power generation cost due to increase in gas price (foreign exchange differentials, inflation etc.) without corresponding increase in retail tariff; and distribution companies are not allowed to charge interest on customers outstanding bills including Ministries, Department and Agencies (MDAs) Debts whereas electricity vendors charge The Nigerian Inter-bank Offered Rate ("NIBOR") + 4% on outstanding invoices.

Reporting framework

Following the directives of the Financial Reporting Council of Nigeria ("FRCN"), the Company had adopted the International Financial Reporting Standards ("IFRS") in preparing its accounts for the year ended December 31, 2017.

Operating results

The following is a summary of the Company's operating results:

	2017	2016
	₦'000	₦'000
Revenue	70,182,887	61,314,594
Results from operating activities	(41,141,587)	(29,853,871)
Loss before taxation	(58,364,123)	(35,859,519)
Taxation	(87,740)	10,872,147
Loss for the year	(58,451,863)	(24,987,372)

State of affairs

In the opinion of the Directors, the accounts of the Company have been reviewed in a satisfactory manner and there has been no material change since the balance sheet date, which would affect the financial statements as presented.

Dividend

No dividend has been recommended by the Directors in respect of the year ended December 31, 2017 (2016: Nil).

Directors and their interests

The Directors in office during the year are listed below:

Name	Nationality	Designation
Dr. Olatunde Ayeni, CON. F.IoD	Nigerian	- Chairman
Captain (Dr.) Wells Idahosa Okunbo	Nigerian	- Director
Mr. Alex Okoh	Nigerian	- Director
Mr. Garth Dooley	Jamaican	- Director
Dr. Olusola Ayandele	Nigerian	- Director
Mr. Dan D. Kunle	Nigerian	- Director
Mr. John Donnachie	South African	- Managing Director

Directors' shareholding and interest

The Directors do not have any interests required to be disclosed under Section 275 of the Companies and Allied Matters Act, CAP C20 LFN 2004.

In accordance with Section 277 of the Companies and Allied Matters Act, CAP C20 LFN 2004, none of the Directors has notified the Company of any declarable interests in contracts with the Company.

Analysis of shareholding

The shareholding structure of the Company is as follows:

	Number of ordinary shares issued of 50k	
Shareholder	**2017**	**2016**
Integrated Energy Distribution and Marketing Limited	6,000,000	6,000,000
Bureau of Public Enterprises	4,000,000	4,000,000
	10,000,000	10,000,000

Property, plant and equipment

Information relating to changes in property, plant and equipment is disclosed in Note 13 to these financial statements.

Charitable donations

The Company made donations to charitable organisations amounting to ₦3.03 million during the year (2016: ₦3.98 million). In compliance with Section 38(2) of the Companies and Allied Matters Act, CAP C20 LFN 2004, the Company did not make any donation or gift to any political party, political association or for any political purpose in the course of the year (2016: Nil).

Events after the reporting period

There were no events after the reporting date which could have had a material effect on the state of affairs of the Company as at December 31, 2017 and on the loss for the year ended on that date which have not been adequately provided for or disclosed in these financial statements.

Employment and employees

(a) **Employee consultation and training**

The Company places considerable value on the involvement of its employees in major policy matters and keeps them informed on matters affecting them as employees and on various factors affecting the performance of the Company. This is achieved through regular meetings with employees and consultations with their representatives.

Management, professional and technical expertise are the Company's major assets. The Company continues to invest in developing such skills. The Company has in-house training facilities, complemented, when and where necessary, with external and overseas training for its employees. This has broadened opportunities for career development within the organization.

(b) **Dissemination of information**

In order to maintain shared perception of our goals, the Company is committed to communicating information to employees in a fast and effective manner as possible. This is considered critical to the maintenance of team spirit and high employee morale.

(c) **Employment of physically challenged persons**

The Company has one physically challenged person in its employment. Employment of physically challenged persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming physically challenged, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that training, career development and promotion of physically challenged persons should, as far as possible, be identical with that of other employees.

(d) **Employee health, safety and welfare**

The Company places a high premium on the health, safety and welfare of its employees in their places of work. To this end, the Company has various forms of insurance policies, including workmen's compensation and group life insurance to adequately secure and protect its employees.

The Company has a well-established Environmental Health and Safety (EH&S) management system, which formalises EH&S processes, procedures and programmes and provides for integration of EH&S issues into business planning and operations.

Auditors

In accordance with section 357(2) of the Companies and Allied Matters Act, CAP C20 LFN 2004, the auditors, Messrs Deinde Odusanya and Co., have expressed their willingness to continue in office as auditors of the Company.

BY ORDER OF THE BOARD

Oluseye

Lagos, Nigeria
December 27, 2018

Oluseye Alayande
FRC/2014/NBA/00000007513

Corporate Governance Report

For the year ended December 31, 2017

INTRODUCTION

In Ibadan Electricity Distribution Company Plc ("IBEDC"), we recognize that adherence to the highest standards of corporate governance ensures and contributes to the long-term success of a company. Considering this recognition, we continuously ensure that we subject our operations to the highest standards of corporate governance to create and deliver sustainable value to shareholders as well as stakeholders and achieve continuous corporate success.

We believe good corporate governance practices enhance the confidence placed in IBEDC by our shareholders, customers, business partners, employees, the Nigerian Electricity Supply Industry in which we operate and all other stakeholders. IBEDC's commitment to upholding the tenets and principles of good Corporate Governance is the bedrock of strong public trust and confidence reposed in us and the key to our continued long-term success.

As the Distribution Company (DisCo) with the largest franchise in Nigeria, we remain committed and dedicated to our duties and pledge to be the best electricity DisCo in Nigeria through transparent corporate governance practices.

IBEDC's Code of Corporate Governance is continuously reviewed to align with additional legal and regulatory requirements and global best practices, in order to remain a pace setter in the area of good corporate governance practices. In addition to the Code, IBEDC aggressively promotes its core values to its employees through its Conditions of Service as well as its Internal Policies, which regulate employee relations with internal and external parties. This is a strong indicator of the IBEDC's determination to ensure that its employees remain professional at all times in their business practices. IBEDC also has an entrenched culture of openness in which healthy discourse is encouraged and employees are mandated to report improper activities.

IBEDC complies with the requirements of the Nigerian Electricity Regulatory Commission ("NERC") in respect of submission of required reports on IBEDC's activities as well as compliance status to NERC's policies/directives. IBEDC also periodically reviews all aspects of the Boards' structure, composition, responsibilities, processes and relationships.

IBEDC continues to serve customers, clients, communities and create value for stakeholders. Our commitment to this principle is for us, the key to keeping public trust and confidence in us.

GOVERNANCE STRUCTURE

THE BOARD OF DIRECTORS ("THE BOARD")

The Board of Directors is responsible for the governance of IBEDC and is accountable to shareholders for creating and delivering sustainable value through the management of IBEDC's business.

The Board comprises of a mixture of Executive and Non-Executive directors led by a non-executive chairman. The Directors include individuals who possess integrity, relevant experience of corporate practice and who contribute positively to the growth and best management of IBEDC. Members of the Board of Directors are seasoned professionals, who have excelled in various sectors including; Law, Oil and Gas as well as Manufacturing.

The Board is committed to the highest standards of business integrity, ethical values and governance; it recognises the responsibility of IBEDC to conduct its affairs with transparency, prudence, fairness, accountability and social responsibility, thereby safeguarding the interests of all stakeholders.

The Board ensures that an appropriate level of checks and balances are maintained, in order to ensure that decisions are taken with the best interest of IBEDC's stakeholders in mind. Directors of IBEDC possess the right balance of expertise, skills and experience, which translates to an effective Board and an executive management team capable of steering the affairs of IBEDC in an ever changing and challenging environment.

The Board determines the overall strategy of IBEDC and follows up on its implementation, supervises the performance of Management and ensures adequate management, thus actively contributing to developing the IBEDC as a focused, sustainable and global brand.

The Board Oversees Management's formulation and implementation of sound strategic policies and guidelines on major capital expenditures, business strategies, plans and policies and periodically evaluate Management's overall performance. The Board ensures that IBEDC complies with all relevant laws, regulations and endeavour to adopt best industry practices.

The synergy between the Board and Management fosters interactive dialogue in setting broad policy guidelines in the management and direction of IBEDC to enhance optimal performance and ensure that associated risks are properly managed. Furthermore, the Board plays a central role in conjunction with Management in ensuring that IBEDC is financially strong, well governed and risks are identified and well mitigated.

In addition to the Board's direct oversight, the Board exercises its oversight responsibilities through four (4) Committees, namely, Board Audit, Risk and Governance Committee, Board Finance and Investment Committee, Board Human Capital, Remuneration and Safety Committee and Board Strategy and Business Development Committee.

Members of the Board of Directors are seasoned professionals, who have excelled in various sectors including; Law, Oil and Gas as well as Manufacturing. They possess the requisite integrity, skills and experience to bring to bear independent judgment on the deliberations of the Board and decisions of the Board (without prejudice to Directors right to earn Directors fees and hold interest in shares). Directors have a good understanding of IBEDC business and affairs to enable them properly evaluate information and responses provided by Management, and to provide objective challenge to Management.

Directors are prepared to challenge each other's assumptions, beliefs or viewpoints as necessary for the good of IBEDC and question intelligently, debate constructively and make decisions dispassionately.

The Board meets quarterly and additional meetings are convened as required. Material decisions may be taken between meetings by way of written resolutions, as provided for in the Articles of Association of IBEDC. The Directors are provided with comprehensive group information at each of the quarterly Board meetings and are also briefed on business developments between Board meetings.

RESPONSIBILITIES OF THE BOARD

The Board of Directors is primarily responsible for the governance of the company. Consequent to setting the policies for the accomplishment of the corporate objectives, it provides an independent check on Management.

The Board ensures that IBEDC complies with all relevant laws, regulations and endeavour to adopt best industry practices and also Identifies IBEDC's key stakeholders and oversee Management's formulation and implementation of IBEDC communication policy and program.

The Board has ultimate responsibility for determining the strategic objectives and policies of IBEDC to deliver long-term value by providing overall strategic direction within a framework of rewards, incentives and controls.

The Board has delegated the responsibility for day-to-day operations of IBEDC to Management and ensures that Management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives. In fulfilling its primary responsibility, the Board acknowledges the relationship between good governance and risk management practices.

Notwithstanding the delegation of the operation of IBEDC to Management, the Board reserves certain powers which include: the approval of quarterly, half-yearly and full year financial statements (whether audited or unaudited) and any significant change in accounting policies and/or practices; approval of major changes to IBEDC's corporate structure and changes relating to IBEDC's capital structure or its status as a public limited company; the determination and approval of the strategic objectives and policies of IBEDC to deliver long-term value; approval of IBEDC's strategy, medium and short term plan and its annual operating and capital expenditure budget; appointment and removal of Company Secretary; recommendation to shareholders of the appointment, removal of Auditors and the remuneration of Auditors; approval of resolutions and corresponding documentation for shareholders in general meeting(s), shareholders circulars, prospectus and principal regulatory filings with the Regulators.

Other powers reserved for the Board are the determination of Board structure, size and composition, including: appointment and removal of Directors; succession planning for the Board and senior management and Board Committee membership; appointment of the Managing Director; corporate governance framework and approval of policy documents on significant issues.

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE

The Chairman ensures the effective operation of the Board and provide overall leadership to other Directors and to IBEDC at large. The roles of the Chairman and Chief Executive Officer are separate and no one individual combines the two positions so as to avoid the concentration of power in one individual.

The Chairman's main responsibility is to lead and manage the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Chairman is responsible for ensuring that Directors receive accurate, timely and clear information to enable the Board take informed decisions and provide advice to promote the success of IBEDC. The Chairman also facilitates the contribution of Directors and promotes effective relationships and open communications between Executive and Non-Executive Directors, both inside and outside the Boardroom.

CHANGES ON THE BOARD

In the course of the financial year ended December 31, 2017, precisely April 21, 2017, the Bureau of Public Enterprises ("BPE") Director on the Board of IBEDC, Mr. Olatunde Ikuerowo, was replaced by Mr. Alex Okoh following the latter's appointment as the Director General of BPE, with Mr Muhammad Dikko serving as alternate director.

BOARD COMMITTEES

The Board carries out its responsibilities through its Committees, which have clearly defined terms of reference, setting out their roles, responsibilities, functions and scope of authority. The Board has four (4) Committees, namely, Board Audit, Risk and Governance Committee, Board Finance and Investment Committee, Board Human Capital, Remuneration and Safety Committee and Board Strategy and Business Development Committee.

Through these Committees, the Board is able to effectively carry out its oversight responsibilities and take advantage of individual expertise to formulate strategies for IBEDC.

The Committees make recommendations to the Board, which retains responsibility for final decision making. All Committees in the exercise of their powers so delegated, conform to the regulations laid down by the Board, with well-defined terms of reference contained in the Charter of each Committee. The Committees render reports to the Board at the Board's quarterly meetings.

A summary of the roles, responsibilities, composition and frequency of meetings of each of the Committees are as stated hereunder:

BOARD AUDIT, RISK AND GOVERNANCE COMMITTEE

The Board Audit, Risk and Governance Committee ("ARGC") is composed of Non-Executive Directors to keep under review the scope and results of Audit and the independence and objectivity of the external Auditors of IBEDC.

This Committee is tasked with the following responsibilities;

(i) assisting of the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring compliance with applicable laws, rules and regulations;

(ii) provision of oversight over Management's activities in managing credit, market, liquidity, operational, legal, and other risks of the company. iii. Perform oversight functions over the company's internal and external auditors. It shall ensure that internal and external auditors act independently from each other and that both auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions;

(iii) review and approve the annual internal audit plan to support the attainment of the objectives of the Company. The plan shall include the audit scope, resources, and budget necessary to implement it;

(iv) prior to commencement of a statutory audit, to discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one (1) audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;

(v) establishment of an effective audit function and consider the appointment of an independent external auditor, and the terms and conditions of their engagement and removal;

(vi) monitoring and evaluating the adequacy and effectiveness of the company's internal control system, including financial reporting control and information technology security;

(vii) reviewing the reports submitted by the internal and external auditors;

(viii) reviewing the completeness, accuracy, and fairness of the quarterly, half-year, and annual financial statements before their submission to the Board or regulators with regards to the provisions of Companies and Allied Matters Act, CAP C20 LFN 2004;

(ix) establishing and identifying the reporting line of the Internal Auditor to enable him to properly fulfil his duties and responsibilities. The ARGC shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties; and

(x) evaluating and determining the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to IBEDC's overall consultancy expenses. The ARGC shall disallow any non-audit work that will conflict with his duties as an external auditor that may pose a threat to his independence.

The Committee meets quarterly and additional meetings are convened as required.

The Board Audit, Risk and Governance Committee (ARGC) comprised the following members during the year under review:

	Name	Status	Designation
•	Mr. Dan D. Kunle	Non- Executive Director	Chairman
•	Captain (Dr.) Wells Idahosa Okunbo	Non- Executive Director	Member
•	Mr. John Donnachie	Managing Director	Member
•	Mrs. Oluseye Alayande	Company secretary	Secretary

BOARD FINANCE AND INVESTMENT COMMITTEE

This Committee is composed of at least two (2) directors with the Chief Finance Officer as ex-officio member. The Board Finance and Investment Committee ("BFIC") is in charge of reviewing the financial operations of IBEDC as well as matters regarding the acquisitions of or investments in companies, business or projects. It endorses recommendations to the Board as deemed appropriate or approved actions with its delegated authority.

The BFIC reviews, advises and recommends approval, decision or action on financial matters, including but not limited to the following:

(i) establishment of and changes to financial, accounting and treasury policies;
(ii) all major financing transactions of IBEDC;
(iii) issuance of shares and shares repurchases, valuation of shares, and other such activities involving existing shares;
(iv) IBEDC's corporate plans and budgets;
(v) proposals for Dividends and transfers to reserve;
(vi) financing, guarantees, indemnities and mortgaging of the company's assets;
(vii) any actual, or potential, major exception or occurrence which has, or may have, a major financial impact
(viii) guarantees, financial support, undertakings and indemnities concerning investments or liabilities of subsidiary or associated companies, other than those which are the subject of an existing general or specific Board or Committee approval;
(ix) proposed principal agreements with Government, Joint Venture and Shareholders' Agreements, Major Acquisitions, Divestment and Property Redevelopment;
(x) ensure cost effectiveness and efficiency in project implementation including procurement of goods, works and services;
(xi) establish a transparent procedure to ensure the award of contracts to competent and cost-competitive contractors; and
(xii) undertake relevant procurement research and survey before undertaking any project.

The Board Finance and Investment Committee (BFIC) meets at least once in each quarter. However, additional meetings are convened as required.
The BFIC is made up of the following members:

	Name	Status	Designation
•	Captain (Dr.) Wells Idahosa Okunbo	Non- Executive Director	Chairman
•	Mr. Alex Okoh	Non- Executive Director	Member
•	Dr. Sola Ayandele	Non- Executive Director	Member
•	Mr. John Donnachie	Managing Director	Member
•	Mrs. Oluseye Alayande	Company secretary	Secretary

BOARD HUMAN CAPITAL, REMUNERATION AND SAFETY COMMITTEE

This Committee is responsible for reviewing, and evaluating persons nominated to the Board, determining the remuneration of the Chief Executive Officer, the Executive Directors and the Heads of Departments of IBEDC.

The responsibilities of the Committee include the following;

(i) reviewing and evaluating the qualifications of all persons nominated to Board and other appointments that require Board approval in accordance with the qualifications prescribed by law, pertinent rules and regulations, any rules created by IBEDC. The screening shall include the evaluation of the nominee's directorship, membership and employment history in other corporations or organizations to ensure that he can perform his duties diligently and effectively;

(ii) recommendation of committee membership appointments, including committee chairmanships, to the Board for approval after receiving advice from the Chairman of the Board and CEO and with consideration of the desires of individual Board members;

(iii) reviewing annually the Charters of the Board Committees for the purpose of recommending any needed change(s) to the Board;

(iv) recommendation of processes and mechanisms for evaluating the performance of the Board, the Board committees and Management;

(v) assessing the effectiveness of the Board's processes and procedures in the election or replacement of Directors;

(vi) reviewing annually the prescribed full Interest disclosure of all incoming Directors and Officers;

(vii) reviewing and recommending the Human Resources Policy of IBEDC to the Board for approval;

(viii) approving the promotion, redeployment and disengagement of staff other than the MD/CEO, Executive Officers, Chief Operating Officer, Chief Finance Officer, Chief Technical Officer and Company Secretary;

(ix) recommendation of compensation for all staff of IBEDC, except the MD/CEO and Executive Directors, to the Board;

(x) overseeing strategic issues including employee retention, equality and diversity as well as other significant employee relationship matters;

(xi) preparing and annually reviewing benefit Policies and practices of IBEDC;

(xii) organising Board and Committees' induction and other training;

(xiii) reviewing public and employee safety standards and procedures, operational performance, and compliance issues relating to utility operations and facilities;

(xiv) providing input to the annual report of IBEDC in respect of Directors' compensation;

(xv) ensuring that a comprehensive succession policy and plan exists for the positions of the Chairman, MD/CEO, Executive Directors and the Heads of various departments;

(xvi) ensuring that the Board conducts performance evaluation of the Directors as regularly as the Board deems fit; and

(xvii) reviewing and making recommendations to the Board for approval of IBEDC's organizational structure and any proposed amendments.

The Board Human Capital, Remuneration and Safety Committee meets at least once in each quarter. However, additional meetings are convened as required.

The membership of the Committee is as follows:

	Name	Status	Designation
•	Mr. Garth Dooley	Non- Executive Director	Chairman
•	Mr. John Donnachie	Managing Director	Member
•	Mrs. Oluseye Alayande	Company secretary	Secretary

BOARD STRATEGY AND BUSINESS DEVELOPMENT COMMITTEE

The Board Strategy and Business Development Committee ("SBDC") has the following responsibilities:

(i) periodically reviewing changes in the economic and business environment, including emerging trends and other factors relevant to the Company's strategic goals;

(ii) studying and giving advice on the strategic plans for the long-term development of IBEDC (including but not limited to the funding, financial policies and other significant matters) for recommendation to the Board;

(iii) receiving and considering reports on the Company's performance against the annual and long-term plan;

(iv) reviewing and reporting to the Board on the effectiveness and timeliness of Management's execution of specific investments that were approved by the Board;

(v) conducting public engagement/consultation processes as required;

(vi) considering and making decisions which are within the Chief Executive's Officer's delegations, and which the Chief Executive has referred to Strategy and Policy Committee for decision making; and

(vii) assessing the investment, required resources, organization and the effort and time for the realization of the aforesaid opportunities.

The Committee meets at least once in each quarter. However, additional meetings are convened as required.

The membership of the Committee is as follows:

	Name	Status	Designation
•	Dr. Olusola Ayandele	Non- Executive Director	Chairman
•	Mr. Garth Dooley	Non- Executive Director	Member
•	Mr. John Donnachie	Managing Director	Member
•	Mrs. Oluseye Alayande	Company secretary	Secretary

Report of the Audit Committee

To the Members of Ibadan Electricity Distribution Company Plc.

In compliance with section 359(6) of the Companies and Allied Matters Act, CAP C20 LFN 2004, the members of the Audit Committee of Ibadan Electricity Distribution Company Plc. have reviewed the Audit Report for the year ended 31st December, 2017 and hereby state as follows:

1. We have exercised our statutory functions under Section 359(6) of the Companies and Allied Matters, Act CAP C20, Laws of the Federation of Nigeria 2004 and acknowledge the co-operation of management and staff in the conduct of these responsibilities;

2. We are of the opinion that the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices;

3. The scope and planning of both the external and internal audit for the year ended were satisfactory and reinforced the company's internal control systems which are constantly and effectively monitored; and

4. We have deliberated with the External Auditors, who have confirmed that necessary co-operation was received from management in the course of their statutory audit and we are satisfied with the management's response to the External Auditor's recommendations on accounting and internal control matters and with the effectiveness of the company's system of accounting and internal control.

August 8, 2018

Chairman, Audit Committee

Members of the Committee:

Mr. Dan D. Kunle	- Chairman
Captain (Dr.) Wells Idahosa Okunbo	- Member
Mr. John Donnachie	- Member
Mrs. Oluseye Alayande	-Secretary

The Financial Reporting Council of Nigeria ("FRCN") on May 23, 2018 granted a waiver to the Chairman of the Board Audit Committee; Mr. Dan D. Kunle to sign the report of the committee for the year ended without indicating any Financial Reporting Council ("FRC") number with the certification.

Statement of directors' responsibilities in relation to the financial statements for the year ended 31st December 2017

The directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act, CAP C20 LFN 2004 and the Financial Reporting Council of Nigeria Act, 2011.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, CAP C20 LFN 2004 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Signature

Dr. Olatunde Ayeni, CON. F.IoD
Chairman, Board of Directors
FRC/2013/IODN/00000001738

December 27, 2018

Signature

John Donnachie
Managing Director / CEO
FRC/2016/NIM/00000014551

December 27, 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IBADAN ELECTRICITY DISTRIBUTION COMPANY PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying individual financial statements of Ibadan Electricity Distribution Company Plc. ("IBEDC" or "the Company"), which comprises the statement of financial position as at December 31, 2017; the statement of profit or loss and other comprehensive income; the statement of changes in equity; and the statement of cash flows for the same year along with a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of IBEDC as at December 31, 2017 and of its financial performance and cash flows for the same year in accordance with International Financial Reporting Standards ("IFRS"), Electricity Power Sector Reform Act ("EPSRA") 2005 and in the manner required by Companies and Allied Matters Act ("CAMA") CAP C20 LFN 2004 and relevant Nigeria Electricity Regulatory Commission ("NERC") Circulars and Orders.

Basis of opinion

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in financial statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risk of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments judgement, the Auditor considers internal controls relevant to the entity's preparation and fair presentation of its financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Also, an audit includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management of the Company, as well as evaluating the overall presentation of the financial statements.

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

Material uncertainty relating to Going Concern

We draw your attention to note 26, which indicated that IBEDC recorded a loss before tax of ₦58.36 billion for the year ended December 31, 2017 (2016: ₦35.86 billion); and as at the same date, the Company's total liabilities exceeded its total assets by ₦10.65 billion (2016: total assets exceeded total liabilities by ₦47.80 billion). These may be indications of the existence of uncertainties that may cast doubt on the company's ability to continue as a going concern.

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 for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matter

Unsystematic receivables aging report and impairment assessment

During the course of the audit, we noted that the receivable aging analysis was, manually, carried out by the Company. See notes 16(a) and 27(a). Receivables ageing report and impairment analysis are key audit matters in the financial statements.

How we addressed this risk

We challenged the management's rationale of aging its receivable manually with its knowledge of the consumers behaviour, where a more effective, efficient and reliable analysis could be obtained from a system generated aging report. We insisted and collaborated with the management in employing the services of an independent consultant, who added a module to the company's existing billing software that now allows for systematic ageing and assessment of impairment of the Company's receivables.

Related party loan

Our audit indicated that the Company was unable to fully recover its related party loan, which was ₦5.7 billion at beginning of the year. The loan was granted in 2015 and 2016 out of the Nigeria Electricity Market Stabilisation Facility ("NEMSF") of ₦11.3 billion availed it by the Central Bank of Nigeria ("CBN") to assist in stabilising the company's operations. See note 23(b).

How we addressed this risk

To ensure that the transaction is consummated at arms length as stipulated by International Accounting Standard ("IAS") 24 on Related Party. We carried out an independent fair value calculation of interest on the loan using a market interest rate of 10% which is the same rate of the NEMSF loan.

Responsibilities of management 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 of the state of affairs of the Company in accordance with IFRS; and in the manner required by CAMA, CAP C20 LFN 2004, the Financial Reporting Council of Nigeria ("FRCN") Act, 2011, EPSRA, NERC Circulars and such other internal controls as determined necessary by the Directors, for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

D O & Co

Auditors' Responsibilities

Our objective is to obtain reasonable assurance, 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 it is not a guarantee that an audit conducted in accordance with International Standards on Auditing ("ISA") 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 the financial statements.

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

- 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 identified 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;
- Obtain an understanding of internal controls 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 in relation 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 auditors' 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 auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern; and
- 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 are required to communicate with the Directors 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 the audit. Also, we are required to provide the Directors, a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them on all relationships and other matters that may be thought to impact our independence and related safeguards, where applicable.

Report on Other Legal Regulatory Requirements
Compliance with the requirements of schedule 6 of CAMA CAP C20 LFN 2004.

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

Signed:

Oladeinde Odusanya, FCA
FRC/2013/ICAN/00000003192
For: Deinde Odusanya & Co. (Chartered Accountants)
December 27, 2018.
Lagos, Nigeria.

Statement of Financial Position

As at 31st December 2017

	Notes	2017	2016
		₦'000	**₦'000**
ASSETS			
Non-current assets			
Property, plant and equipment	*13*	108,655,258	109,399,707
Intangible assets	*14*	1,109,530	655,521
Deferred tax asset	*12(e)*	2,774,899	2,774,899
		112,539,687	**112,830,127**
Current assets			
Inventories	*15*	1,950,056	1,514,394
Trade and other receivables	*16*	27,301,181	16,764,749
Prepayments	*17*	633,074	1,559,536
Cash and cash equivalents	*18*	8,421,036	7,158,000
		38,305,347	**26,996,679**
Total assets		**150,845,034**	**139,826,806**
EQUITY			
Share capital	*19(a)*	5,000	5,000
(Accumulated deficit)/Retained earnings		(58,090,890)	360,973
Revaluation reserve	*19(b)*	47,434,358	47,434,358
Total Equity		**(10,651,532)**	**47,800,331**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	*22*	25,930,855	27,123,385
		25,930,855	**27,123,385**
Current Liabilities			
Deferred income	*21*	611,774	442,385
Trade and other payables	*20*	134,866,197	64,460,705
Current tax liabilities	*12(d)*	87,740	-
		135,565,711	**64,903,090**
Total liabilities		**161,496,566**	**92,026,475**
Total Equity and Liabilities		**150,845,034**	**139,826,806**

These financial statements were approved by the Board of Directors on December 27, 2018 and signed on its behalf by:

Dr. Olatunde Ayeni, CON, F.IoD	)	Chairman, Board of Directors *FRC/2013/IODN/00000001738*
John Donnachie	)	Managing Director / CEO *FRC/2016/NIM/00000014551*
Additionally certified by: Aderonke Owotomo	)	Chief Financial Officer *FRC/2015/ICAN/00000013338*

The notes on pages 23 to 52 are an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31st December 2017

	Notes	2017 ₦'000	2016 ₦'000
Revenue	*7*	70,182,887	61,314,594
Direct costs	*9(a)*	(77,347,265)	(56,562,365)
Gross (loss)/profit		**(7,164,378)**	**4,752,229**
Other income	*8*	206,821	986,064
Distribution expenses	*9(b)*	(8,032,931)	(6,646,272)
Billing and collection expenses	*9(c)*	(19,795,046)	(22,932,609)
Customer service expenses	*9(d)*	(2,144,330)	(1,991,243)
Administrative expenses	*9(e)*	(4,211,723)	(4,022,040)
Loss from operating activities		**(41,141,587)**	**(29,853,871)**
Finance income	*10*	1,987,899	333,054
Finance costs	*10*	(19,210,435)	(6,338,702)
Net finance costs	*10*	(17,222,536)	(6,005,648)
Loss before taxation	*11*	**(58,364,123)**	**(35,859,519)**
Taxation	*12(d)&(e)*	(87,740)	10,872,147
Loss after taxation		**(58,451,863)**	**(24,987,372)**
Other comprehensive income:			
Other comprehensive income, net of tax		-	-
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		**(58,451,863)**	**(24,987,372)**

The notes on pages 23 to 52 are an integral part of these financial statements.

Statement of Changes in Equity

	Share capital	Revaluation reserve	Retained earnings	Total
	₦'000	**₦'000**	**₦'000**	**₦'000**
Balance at January 1, 2016	5,000	47,434,358	25,348,345	72,787,703
Total comprehensive income				
Loss for the year	-	-	(24,987,372)	(24,987,372)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	**(24,987,372)**	**(24,987,372)**
Transaction with owners	-	-	-	-
Balance at December 31, 2016	**5,000**	**47,434,358**	**360,973**	**47,800,331**
Balance as at January 1, 2017	5,000	47,434,358	360,973	47,800,331
Total comprehensive income				
Loss for the year	-	-	(58,451,863)	(58,451,863)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	**(58,451,863)**	**(58,451,863)**
Transaction with owners	-	-	-	-
Balance at December 31, 2017	5,000	47,434,358	(58,090,890)	(10,651,532)

The notes on pages 23 to 52 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended December 31, 2017

	Note	31 Dec 2017 ₦'000	31 Dec 2016 ₦'000
Cash flows from operating activities:			
Loss before tax		(58,364,123)	(35,859,519)
Adjustment:			
- depreciation	13	4,411,085	4,155,525
- loss on disposal of asset	9(e)	19,415	89
- reclassified to inventory	13	-	2,883
- amortisation	14	272,702	8,624
- bad debts written off		-	30,509
- impairment allowance on receivables	16(a)	18,011,112	21,368,000
- obsolescence allowance on inventories	15	21,542	200,385
		(35,628,267)	**(10,093,504)**
Changes in:			
Increase in inventories	15	(457,204)	(436,587)
Increase in trade & other receivables	16	(28,547,543)	(25,523,007)
Decrease/(Increase) in prepayment	17	926,462	(831,066)
Increase in trade and other payables	20	70,405,492	42,480,434
Increase in deferred income	21	169,389	68,536
Cash generated from operating activities		6,868,329	**5,664,806**
Tax paid		-	-
Net cash generated from investing activities		6,868,329	**5,664,806**
Cash flows from investing activities:			
Acquisition of property, plant and equipment	13	(3,696,942)	(3,949,359)
Acquisition of Intangible Asset	14	(726,711)	(590,112)
Proceeds from asset disposal	13	10,890	13,842
Net cash used in investing activities		(4,412,763)	**(4,525,629)**
Cash flows from financing activities:			
Loans and borrowings	22	(1,192,530)	848,150
Net cash (used in) / generated from financing activities		(1,192,530)	**848,150**
Net increase in cash and cash equivalents		1,263,036	1,987,327
Cash and cash equivalents at 1 January		7,158,000	5,170,673
Cash and cash equivalents at 31 December	18	8,421,036	**7,158,000**

The notes on pages 23 to 52 are an integral part of these financial statements.

Notes to the Financial Statements

1 Reporting entity

Ibadan Electricity Distribution Company Plc. ("the Company") is a public liability company incorporated on November 8, 2005 to take over as a going concern, the electricity distribution activities and related business of the Power Holding Company of Nigeria ("PHCN") within the franchise areas of Oyo State, Ogun State, Osun State, Kwara State, parts of Kogi, Ekiti and Niger States. The Company is domiciled in Nigeria and has its registered office address at Capital Building, 115 Ring Road, Ibadan, Oyo state.

The Company supplies electricity within the captive regions above based on a licence granted to it by the Nigerian Electricity Regulatory Commission ("NERC"). The licence is for a period of 15 years and expires in 2028 with an option to renew for another 10 years. Based on the terms and conditions of the licence and regulations contained in the Electrical Power Sector Reform Act ("EPSRA") 2005, the Company is a monopoly within its geographical coverage area and operates under a price control regime known as the Multi Year Tariff Order ("MYTO"). As a result of the privatization of the power sector, the business activity of the Company during the year was governed by "the Interim Electricity Market Rules for the period between completion of privatization and the start of the Transitional Electricity Market ("TEM") of the Nigerian Electricity Supply Industry ("NESI") and the TEM Rules which came into effect on February 1, 2015.

2 Basis for accounting

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011. The financial statements were authorised for issue by the Board of Directors on December 27th, 2018.

Details of the Company's accounting policies are included in Note 5.

Going concern basis of accounting

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations for at least twelve months from the year end. See Note 26 for more details.

3 Functional and presentation currency

These financial statements are presented in Nigerian Naira ("NGN"), which is the Company's functional currency. All amounts stated in NGN have been rounded to the nearest thousand, unless otherwise indicated.

4 Use of judgments and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following note:

Note 13 – Property, plant and equipment

Notes to the Financial Statements

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties, that have a significant risk of resulting in material adjustments in the year ending December 31, 2017, is included in the following respective notes:

Notes 7 and 21 - Revenue Recognition – Estimation of deferred revenue from prepaid customers and unbilled revenue from Post-paid customers

Note 12(e) – Recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used

Note 24 – Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources

Note 27(a) - Impairment of trade receivables

5 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Revenue

Revenue primarily represents the sale value of electricity and other related energy services supplied to customers during the year and excludes Value Added Tax ("VAT"). The Company generally recognizes revenue upon completion/delivery of services rendered. Delivery is deemed complete when the risks and rewards associated with ownership have been transferred to the buyer as contractually agreed i.e. the electricity has been consumed by the customers, compensation has been contractually established and collection of the resulting receivable is probable. Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of electricity to post-paid customers is the value of the volume of units supplied during the year including an estimate of the value of volume of units supplied to these customers between the date of their last meter reading (which coincides with the last invoice date) and the year-end. In case of prepaid meter customers, an estimate is made for unearned revenue at year-end and this is included in the statement of financial position as deferred revenue.

In line with the applicable tariff framework, prices charged by the Company for electricity distribution are regulated. However, the Company is allowed to recover excess costs incurred through future price increases charged on future deliveries. Similarly, where current regulated rates are determined to be excessive, the Company may be subject to a rate reduction in the future against future deliveries. The Company does not recognise an asset or liability, as the case may be, on account of under-recovery or over-recovery except where it is obligated to provide future services at a loss in which case a provision is recognised.

Revenue from rendition of services is recognised when such services are rendered.

(b) Finance income and finance costs

Finance income comprises interest income on loans and short-term deposits with banks. Interest income on short-term deposits is recognised using the effective interest method.

Notes to the Financial Statements

Finance costs comprise interest expense on interest bearing borrowings, unwinding discount from CBN-NEMSF loan and effective interest rate on CBN-NEMSF. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss using the effective interest method. Included in finance cost is interest on NBET outstanding balance.

Foreign exchange gains and losses are recognised on net basis.

(c) Foreign currency transactions

Transactions denominated in foreign currencies (if any) are translated and recorded in the functional currency (Nigerian Naira) at the actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the rates of exchange prevailing at that date.

Foreign currency differences are generally recognized in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(d) Property, plant and equipment

i Recognition and measurement

Land, buildings and distribution network assets are carried at fair value, based on valuations by external independent valuers, less subsequent depreciation. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of land, buildings and distribution network assets are credited to other comprehensive income ("OCI") and shown as revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity, all other decreases are charged to the profit or loss.

All other items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets under construction (Capital work in progress "CWIP") are stated at cost which includes cost of materials and direct labour and any costs incurred in bringing it to its present location and condition.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal or derecognition of an item of property, plant and equipment is recognised in profit or loss.

Notes to the Financial Statements

Contributions by customers of items of property, plant and equipment, which require an obligation to supply goods to the customer in the future, are recognised at the fair value when the Company has control of the item. The Company assesses whether the transferred item meets the definition of an asset, and if so recognises the transferred asset as PPE. At initial recognition, its cost is measured at fair value, and a corresponding amount is recognized as income when the Company has no future performance obligations. If the Company is yet to discharge the future performance obligation, the corresponding amount is recognized as a deferred income pending the performance of the obligation.

ii Subsequent expenditure

Subsequent expenditure is included in the asset's carrying amount or recognized as a separate asset as appropriate, only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

iii Depreciation

Depreciation is calculated to write off the cost or fair value of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful life of items of property, plant and equipment are as follows:

	Life (years)
Land	Not depreciated
Buildings	50
Distribution network assets	35
Motor - cars	5
Motor - operational lorries	10
Furniture, fittings and equipment	10

Capital work in progress ("CWIP") is not depreciated until the asset is available for use and transferred to the relevant category of property, plant and equipment.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

iv Derecognition of PPE

The carrying amount of an item of property, plant and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal.

The gains or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised.

(e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Acquired computer software licences are capitalized on the basis of costs incurred to acquire and bring to use the specific software.

Notes to the Financial Statements

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, are recognised in profit or loss as incurred.

Amortization

Amortization is calculated to write-off the cost of intangible assets less the estimated residual values using the straight line method over their estimated useful lives and is generally recognized in profit or loss. The estimated useful life of intangible assets is 5 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Financial instruments

The Company classifies non-derivative financial assets as loans and receivables.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

i Non-derivative financial assets and financial liabilities – recognition and derecognition

The Company initially recognises loans and receivables on the date when they are originated. Financial assets and financial liabilities are initially recognised on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

ii Non-derivative financial assets – measurements

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. They are included in current assets, except for non-trade receivables that have maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Notes to the Financial Statements

iii Non-derivative financial liabilities – measurements

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. Non-derivative financial liabilities with maturity date more than twelve months from the year end are classified as non-current. Otherwise they are classified as current.

(g) Statement of cash flows

The cash flow statement is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows such as other non-cash items, have been eliminated for the purpose of preparing the statement. Interest paid is included in financing activities whilst finance income is included in investing activities.

(h) Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on weighted average cost principle. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

(j) Leases

i Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. At inception or on reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

ii Leased assets

Assets held by the Company under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

iii Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Notes to the Financial Statements

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(k) Impairment

i Non-derivative financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

• restructuring of an amount due to the Company on terms that the Company would not consider otherwise;

• indications that a debtor or issuer will enter bankruptcy;

• adverse changes in the payment status of borrowers or issuers;

Financial assets measured at amortised cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the estimated recoverable amount. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

ii Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Unit ("CGUs").

Notes to the Financial Statements

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

(l) Employee benefits

i Short term employee benefits

Short-term employee benefits are expensed as the related service is provided.

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

ii Defined contribution plan

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in future payments is available.

In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for all staff effective from July 1, 2014. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is recognized in profit or loss as employee benefit expense in the periods during which services are rendered by employees. Employees contribute 8% each of their basic salary, transport and housing allowances to the Fund on a monthly basis. The Company's contribution is 10% of each employee's basic salary, transport and housing allowances.

iii Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(m) Provisions and contingent liabilities

Provisions

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

Notes to the Financial Statements

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

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

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are only disclosed and not recognized as liabilities in the statement of financial position.

If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

(n) Minimum tax

Minimum tax is recognised where the revenue for the year is in excess of five hundred thousand Naira and the Company has no taxable income as a result of allowable expenses for a tax year being more than the taxable income, or the income tax computed is less than the minimum tax. It is measured in line with the provisions of the Company Income Tax Act.

(o) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

***(i)* Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income tax, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset if the Company:
- has legal enforceable right to set off the recognised amount; and
- Intends either to settle on a net basis, or to realise the asset and settle the liability

***(ii)* Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Notes to the Financial Statements

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if the Company:
- has legal enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to INCOME taxes levied by the same taxation authority.

6 Measurement of fair values

Some of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. The Chief Finance Officer ("CFO") has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values and reports directly to the Audit Committee and Board of Directors.

The CFO regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the CFO assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Audit Committee and Board of Directors. When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

• Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Notes to the Financial Statements

7 Revenue

Revenue comprise amounts derived from delivery of electricity and other related activities across the Company's distribution network within the franchise areas of Oyo State, Ogun State, Osun State, Kwara State, parts of Kogi, Ekiti and Niger States.

The Company record collections from pre-paid customers as unearned income and recognises them as deferred revenue in the month of collection. The amount recognised as deferred revenue is then recognised as fully earned revenue in the subsequent month. As at year end, the amount recognised as deferred revenue was wholly the December 2017 collections from pre-paid customers (Note 21).

The breakdown of revenue based on the consumption of electricity by customers is as follows:

	2017	2016
	₦'000	**₦'000**
Residential	35,700,904	29,035,698
Commercial	12,661,718	10,827,623
Industrial (Note 7(a))	21,795,885	21,425,104
Street lighting	24,380	26,169
	70,182,887	61,314,594

(a) Included in the Industrial revenue is the revenue derived from indirect electricity sale via a company who internally generates its electricity with whom IBEDC had an agreement with in May 2016 to distribute electricity to two (2) other companies within the same environ.
In February 2017, in line with the directives of Nigerian Electricity Regulatory Commission (NERC), Ibadan Electricity Distribution Company (IBEDC) cancelled all the indirect electricity sale contracts.

8 Other income

	2017	2016
	₦'000	**₦'000**
Reconnection fee	35,442	109,929
Fair Value Gain (Note 8(a))	26,312	868,247
Others (Note 8(b))	145,067	7,888
	206,821	986,064

(a) Fair value gain represent surplus accrued from fair valuing the Central Bank of Nigeria - Nigeria Electricity Market Stabilisation Fund ("CBN-NEMSF") obtained by IBEDC in each particular year using the prevailing market rate in conformity with IFRS and other standards issued by the International Accounting Standards Board ("IASB") on Government grants and borrowing

(b) Others relate to income generated from tender fees paid by vendors and penalty fees.

Notes to the Financial Statements

9 Expenses by nature

(a) *Cost of sales*

	2017	2016
	₦'000	₦'000
Cost of energy (Note 9(a(i)))	77,140,828	56,373,131
Recovered Gas Debt (Note 9(a(ii)))	206,437	189,234
Total cost of sales	77,347,265	56,562,365

(i) Included in Cost of energy is energy billed from other electricity purchased distinct from its major suppliers of electricity; (NBET and MO)

(ii) As stated in Multi Year Tariff Order (MYTO) II, the CBN/NEMSF loan facility given to the Electricity Distribution Companies ("Discos") was partly to finance certain identified legacy gas debts owed by Nigerian Electricity Supply Industry (NESI) players and accrued up to November 1, 2013 hand over date. This loan is to be recovered from customers over a period of ten (10) years through the electricity retail tariff. In 2016, IBEDC began to realise into Income statement from the Legacy gas debt on expiration of the moratorium period. This amounts to the total recognised amount. (Note 16(b(i))).

(b) *Distribution expenses*

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

	2017	2016
	₦'000	₦'000
Salaries and wages	1,961,015	1,977,267
Repairs and maintenance	681,515	444,636
Reserve for obsolescence	21,542	200,385
Depreciation- plant & machinery	4,090,542	3,884,248
Asset & Customers Enumeration **	1,140,790	-
Other distribution expenses	137,527	139,736
Total distribution expenses	8,032,931	6,646,272

** Asset & Customers Enumeration relates to asset mapping, customers enumeration, customers survey and technical audit.

(c) *Billing and collection expenses*

	2017	2016
	₦'000	₦'000
Meter reading	71,731	51,706
Collection fees	1,566,638	1,390,808
Impairment allowance on receivables **(Note 16(a))	18,011,112	21,368,000
Repairs and maintenance	82,074	61,203
Other collection expense	63,491	60,892
Total billing and collection expenses	19,795,046	22,932,609

Notes to the Financial Statements

** Impairment allowance on receivables represents provision for estimated uncollectible debts from customers and does not relate to cash outflow during the year.

(d) *Customer service expenses*

	2017	2016
	₦'000	₦'000
Salaries and wages	1,986,851	1,836,619
Advert and publicity	618	7,825
Repairs and maintenance	117,842	97,895
Transport and travelling	35,413	46,746
Miscellaneous expenses	3,606	2,158
Total customer service expenses	2,144,330	1,991,243

(e) *Administrative expenses*

	2017	2016
	₦'000	₦'000
Staff cost	1,531,246	1,466,471
Directors' cost	50,000	65,000
Entertainment	29,051	17,702
Transport and accommodation	376,424	229,573
Motor vehicle running and repairs	77,694	76,350
Advertisement and publicity	32,093	11,072
Printing and stationeries	62,610	40,911
Repairs and maintenance	134,773	141,540
Subscription and fees	42,939	53,386
Bank charges	18,635	19,363
Rent and rates	76,574	72,061
Security expenses	398,284	373,173
Loss on Disposal	19,415	89
Training expenses	69,026	16,081
Employee welfare	24,146	5,492
Consulting and other professional fees	256,172	804,555
Medical expenses	81,166	54,062
ITF contribution	42,016	41,638
Insurance	118,480	99,403
Audit fee and expenses	22,116	23,000
Depreciation	320,542	271,277
Amortisation expense	272,702	8,624
Electricity and Other utilities	98,032	74,056
Donation	3,031	3,981
Business development	49,602	47,389
Other miscellaneous expenses	4,954	5,791
Total administrative expenses	4,211,723	4,022,040
Total expenses	111,531,295	92,154,529

Notes to the Financial Statements

10 Net finance cost

	2017	2016
	₦'000	₦'000
Finance income		
Interest income	1,987,899	333,054
	1,987,899	333,054
Finance cost		
Interest expense (Note 10(a))	(19,210,435)	(6,338,702)
	(19,210,435)	(6,338,702)
Net finance cost	(17,222,536)	(6,005,648)

(a) Finance cost comprises:

	2017	2016
	₦'000	₦'000
Interest paid on CBN-NEMSF (Note 10(a(i)))	1,928,473	1,878,748
Effective interest rate on CBN-NEMSF	681,966	623,069
Interest on NBET bills	16,469,179	3,338,261
Other bank interest	4,170	329,726
Facility fee on Bank guarantee	116,553	116,553
Interest on CAPMI (Note 10(a(ii)))	10,094	52,345
	19,210,435	6,338,702

(i) Interest paid on CBN-NEMSF was charged at 10% per annum on the Nigeria Electricity Market Stabilisation Fund loan availed the company by CBN.

(ii) Interest expense on Credited Advance Payments Metering Implementation ("CAPMI") meters relates to 12% interest charged on the refundable portion of customers' payment for

11 Loss before taxation

(a) Loss before taxation is stated after charging:

	2017	2016
	₦'000	₦'000
Depreciation (Note 13)	4,411,084	4,155,525
Amortisation (Note 14)	272,702	8,624
Staff costs	5,479,112	5,280,357
Impairment of trade receivables	18,011,112	21,368,000
Directors' remuneration	50,000	65,000
Auditor's remuneration	22,116	23,000

(b) Staff costs

(i) Staff costs include:

	2017	2016
	₦'000	₦'000
Salaries and wages	5,243,508	5,018,848
Employer's pension contribution	235,604	261,509
	5,479,112	5,280,357

Notes to the Financial Statements

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

	2017	2016
	Number	**Number**
₦ 200,001 - ₦ 800,000	516	513
₦ 800,001 - ₦ 1,400,000	526	523
₦ 1,400,000 - ₦ 2,000,000	553	549
₦ 2,000,000 - ₦ 3,000,000	689	685
₦ 3,000,000 - ₦ 4,000,000	150	149
₦ 4,000,000 - ₦ 5,000,000	47	47
₦5,000,000 and above	73	73
	2,554	2,539

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

	2017	2016
	Number	**Number**
Operations	2,144	2,131
Administration	410	408
	2,554	2,539

(c) Directors' remuneration

Directors' remuneration paid and accrued during the year is analysed as follows:

	2017	2016
	₦'000	**₦'000**
Fees as directors	50,000	50,000
Other emoluments	-	15,000
	50,000	65,000

The directors' remuneration shown above includes:

	2017	2016
	₦'000	**₦'000**
Chairman	24,475	25,150
Highest paid director	24,475	25,150

The number of directors (excluding the Chairman and highest paid director) who received emoluments excluding pension contributions and certain benefits were within the following range:

	2017	2016
	Number	**Number**
₦10,000,000 - ₦40,000,000	4	4

Notes to the Financial Statements

12 Taxation

(a) The Company has applied the provisions of the Companies Income Tax Act that mandates a minimum tax assessment, where taxpayer does not have taxable profit which would generate an eventual tax liability when assessed to tax. The Company's assessment based on the minimum tax year legislation for the year ended December 31, 2017 is ₦87.7 million (2016: Nil).

(b) The Company is subject to tax under the Companies Income Tax Act as amended to date. Companies Income Tax and Tertiary Education Tax was not charged during the year as the Company did not have taxable or assessable profit for the year ended December 31, 2017 (2016: Nil). No deferred tax has been recorded on loss incurred to date by the Company because of the uncertainties around the recoverability of the losses (Note 12(e)).

(c) **Reconciliation of effective tax rates**

The tax on the Company's loss before tax differs from the theoretical amount as follows:

	%	2017 ₦'000	%	2016 ₦'000
Loss before minimum tax and income tax		(58,364,123)		(35,859,519)
Income tax using the statutory tax rate	30	(17,509,237)	30	(10,757,856)
Effect of:				
Movement in unrecognized deferred tax assets			-	-
Non-deductible expenses		17,509,237	(30)	10,757,856
Total income tax expense		-		-

(d) **Movement in current tax liability**

	31 Dec 2017 ₦'000	31 Dec 2016 ₦'000
Balance at January, 1	-	-
Charge for the year (minimum tax (Note 12(a)))	87,740	-
Balance at December, 31	87,740	-

(e) **Deferred tax liabilities / (assets)**

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profits will be available against which the Company can use the benefits therefrom.

	31 Dec 2017 ₦'000	31 Dec 2016 ₦'000
Balance at January, 1	(2,774,899)	8,097,248
Credit for the year	-	(10,872,147)
	-	-
Balance at December, 31	(2,774,899)	(2,774,899)

Notes to the Financial Statements

13 Property, plant and equipment

(a) The movement in the account is as follows:

	Land	Buildings	Distribution network assets	Furniture, Fittings & Equipment	Motor vehicles	Capital work in progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost or valuation							
Balance at 1 January 2017	3,676,057	1,866,438	113,843,878	572,900	1,095,892	213,595	121,268,760
Additions	-	-	2,467,398	307,835	235,307	686,402	3,696,942
Transfers	-	-	10,829	-	-	(10,829)	-
Disposal	-	-	-	-	(103,878)		(103,878)
Balance at 31 December 2017	3,676,057	1,866,438	116,322,105	880,735	1,227,321	889,168	124,861,824
Depreciation							
Balance at 1 January 2017	-	111,987	11,228,594	80,239	448,233	-	11,869,053
Charge for the year	-	37,329	4,091,981	49,194	232,581	-	4,411,085
Disposal	-	-	-	-	(73,572)	-	(73,572)
Balance at 31 December 2017	-	149,316	15,320,575	129,433	607,242	-	16,206,566
Carrying amounts							
At 31 December 2016	3,676,057	1,754,451	102,615,284	492,661	647,659	213,595	109,399,707
At 31 December 2017	3,676,057	1,717,122	101,001,530	751,302	620,079	889,168	108,655,258

(b) **Capital commitments**

The Company did not have any capital expenditure commitments during the year (2016: Nil).

(c) Capital work-in progress represents costs incurred in respect of property, plant and equipment (PPE) items in store and ongoing works with respect to substations. These costs will be transferred to the various asset classes on completion.

Notes to the Financial Statements

14 Intangible assets

Intangible assets comprise the cost of computer software and billing system. The movement in the account during the year is as follows:

	Computer software licences	
	31 Dec 2017	**31 Dec 2016**
	₦'000	**₦'000**
Cost		
Balance at 1 January	664,145	74,033
Additions	726,711	590,112
Write-off	(4,213)	-
Balance at 31 December	1,386,643	664,145
Accumulated amortisation		
Balance at 1 January	8,624	-
Charge for the year	272,702	8,624
Write-off	(4,213)	-
Balance at 31 December	277,113	8,624
Carrying amount		
At 31 December	1,109,530	655,521

15 Inventories

Inventories comprise:

	31 Dec 2017	**31 Dec 2016**
	₦'000	**₦'000**
Distribution materials - Tripping units, circuit breakers, poles etc.	590,988	925,953
Cables and conductors	75,451	67,622
Capital items - 15MVA, 50 - 500KVA etc. transformers	110,317	169,664
General stores - Feeder pillar units, insulators etc.	413,163	525,679
Lubricants - Oil, Fuel etc.	176	1,192
Stationeries	11,165	11,937
Tools - Safety equipments and materials.	23,931	34,669
Meters	964,979	91,734
Provision for obsolescence	(240,114)	(314,056)
	1,950,056	1,514,394

Notes to the Financial Statements

16 Trade and other receivables

	31 Dec 2017	31 Dec 2016
	₦'000	₦'000
Trade receivables *	79,344,494	52,180,212
Less :Allowance for impairment (Note 16(a))	(60,801,652)	(42,790,540)
Trade receivables, net **	18,542,842	9,389,672
Due from related parties (Note 23(b))	7,289,637	5,700,000
Other receivables (Note 16(b))	1,468,702	1,675,077
	27,301,181	16,764,749

* Included in trade receivables is ₦8.7 billion which was as a result of an injunction order obtained by Manufacturers Association of Nigeria ("MAN") restraining NERC and all the Electricity Distribution Companies ("Discos") from implementing the MYTO 2.1 order and further restraining them from disconnecting any of the members of the group.

** Information about the Company's exposure to credit and market risks, for trade and other receivables is included in Note 27.

(a) Movement in the allowance for impairment during the year was as follows:

	31 Dec 2017	31 Dec 2016
	₦'000	₦'000
Opening balance	(42,790,540)	(21,453,049)
Addition	(18,011,112)	(21,368,000)
Write-off in the year	-	30,509
	(60,801,652)	(42,790,540)

(b) Other receivables comprise:

	31 Dec 2017	31 Dec 2016
	₦'000	₦'000
Recoverable legacy debts (Note 16(b(i)))	1,462,264	1,668,701
Employee receivables	2,590	3,519
Input VAT	3,848	2,857
	1,468,702	1,675,077

(i) Recoverable legacy debts represent debts owed to gas producers and the Nigerian Gas Company Limited by the Power Holding Company of Nigeria ("PHCN"), before the acquision of 60% of the shares of IBEDC by its parent company; Integrated Energy Distribution and Marketing Limited ("IEDM"). The gas companies were reluctant to provide more gas to the privatised generation companies, until all or some of these debts were settled. Central Bank of Nigeria ("CBN") settled these legacy debts on behalf of the Company from the intervention loan given to distribution companies. The debts are expected to be recovered from subsequent billings to customers as stated in the Multi Year Tariff Order ("MYTO") II, the company began systemmatic amortization of the debt to the income statement in 2016. The amortization recognised in 2017 was 206.44 million (2016: 189.23 million).

Notes to the Financial Statements

17 Prepayments

	31 Dec 2017	31 Dec 2016
	₦'000	₦'000
Rent	31,393	48,222
Insurance	46,966	69,733
Vendors	92,937	542,868
CAPMI	113,317	796,818
ICAP (Note 22(b))	335,954	95,434
Others	12,507	6,461
	633,074	1,559,536

18 Cash and cash equivalents

	31 Dec 2017	31 Dec 2016
	₦'000	₦'000
Bank balances	8,420,484	7,157,500
Cash in hand	552	500
	8,421,036	7,158,000

19 Share capital and reserves

(a) Share capital

	31 Dec 2017	31 Dec 2016
	₦'000	₦'000
Authorised:		
20,000,000 ordinary shares of ₦0.50 each	10,000	10,000
Issued and fully paid:		
10,000,000 ordinary shares of ₦0.50 each	5,000	5,000
Issued and fully allotted:		
10,000,000 ordinary shares of ₦0.50 each	5,000	5,000

(b) Revaluation reserve

	31 Dec 2017	31 Dec 2016
	₦'000	₦'000
Asset recapitalisation- plant & machinery	47,434,358	47,434,358

Notes to the Financial Statements

20 Trade and other payables

	31 Dec 2017	31 Dec 2016
	₦'000	₦'000
Trade payables (Note 20(a))	126,931,177	58,721,928
Accruals (Note 20(b))	753,591	1,284,817
Other payables	919,883	445,250
	128,604,651	60,451,995
Statutory deductions	6,261,546	4,008,710
	134,866,197	64,460,705

The Company's exposure to liquidity and market risks for trade and other payables is included in Note 27 (b) and (c).

(a) Trade payables comprise amount due to the Nigerian Bulk Electricity Trading Plc. ("NBET") and the Operator of the Nigerian Electricity Market ("ONEM"). Following the commencement of the Transitional Electricity Market ("TEM") on February 1, 2015, NBET became the supplier of power to the Company and bills for the cost of energy while other administrative charges incidental to the cost of energy are billed by ONEM. The significant increase in current year's trade payable was as a result of the progressive increase in pricing tariffs of bulk electricity purchased from NBET.

(b) Included in Accruals is an amount of ₦36.44 million fees and allowance due to the directors as at December 31, 2017 (2016 : ₦115.25 million)

21 Deferred income

	31 Dec 2017	31 Dec 2016
	₦'000	₦'000
Collections from prepaid customers (Note 7)	611,774	442,385

22 Loans and borrowings

	31 Dec 2017	31 Dec 2016
	₦'000	₦'000
CAPMI payables (Note 22(a))	4,842,608	5,561,704
ICAP payables (Note 22(b))	820,744	251,432
Power intervention fund (Note 22(c))	20,267,503	21,310,249
	25,930,855	27,123,385

(a) On the 1st November 2016, the Credited Advance Payment for Metering Implementation (CAPMI) scheme was stopped by the Minister of Power, Work & Housing. Through various media, customers were assured of the company's commitment to meter all unmetered customers who had paid as at the date of winding-up of the scheme.

(b) IBEDC Credited Advance Payments (ICAP) was a scheme designed by management to replace the ceased CAPMI for customers who are willing to finance their meter and would be refunded within a period of three years through energy credit. Amount outstanding is the total collected from customers as at the date of winding-up of the scheme.

(c) This is a commercial loan facility sponsored by CBN and NERC to enable repayment of Interim Period revenue shortfall and certain identified legacy debts owed by Nigerian Electricity Supply Industry players and accrued up to the 1st November 2013 handover date. This loan is expected to be recovered from customers over a period of ten (10) years through the electricity retail tariff. Amount provided to IBEDC was N26.6 billion.

Notes to the Financial Statements

23 Related party transactions

(a) Parent and ultimate controlling party

Integrated Energy Distribution and Marketing ("IEDM") Limited acquired a majority of the Company's shares from BPE and Federal Ministry of Finance Incorporated on November 01, 2013. As a result, the parent company is IEDM.

(b) Due from related parties

Due from related parties comprises:

Integrated Energy Distribution and Marketing Limited

	31 Dec 2017	31 Dec 2016
	₦'000	₦'000
Opening balance	5,700,000	4,400,000
Disbursement	-	1,600,000
Repayment	-	(300,000)
Interest capitalised	1,589,637	-
	7,289,637	5,700,000

Subsequent to year end (31 December 2017), IEDM paid seven monthly instalments totalling ₦1.05 billion, out of its outstanding balance of ₦5.7 billion as agreed with NERC. Furthermore, the Bureau of Public Enterprises ("BPE") has issued a letter to the Federal Ministry of Finance ("FMF or the Ministry") to pay directly to IBEDC the outstanding loan balance in event of the ministry repayment of its payables to the related party.

(c) Transactions with key management personnel

Key management personnel compensation comprised:

	31 Dec 2017	31 Dec 2016
	₦'000	₦'000
Salaries	16,900	38,150
Other short-term benefits	19,535	77,470
	36,435	115,620

Other than as detailed above, in terms of compensation, there were no transactions between key management personnel and the Company. From time to time directors of the Company, or their related entities, may purchase energy from the Company. These purchases are on the same terms and conditions as those entered into by other Company employees and customers.

24 Contingencies

(a) Contingent liabilities

(i) Transfer of pre-acquisition liabilities and trade receivables

The Directors, based on independent legal advice obtained, as well as their understanding of the Share Purchase Agreement between IEDM, BPE and the Ministry of Finance Incorporated ("MoFi") are of the opinion that all trade receivables and pre-acquisition liabilities as at 31 October 2013 have been effectively transferred. The Company does not have an estimate of those debtors and liabilities since in its view this is the responsibility of Nigerian Electricity Liability Management Company Limited ("NELMCO").

Notes to the Financial Statements

The Company believes that it will neither realise those receivables nor settle any liabilities existing as at 31 October 2013 and as such, no recognition of provision is required. If in the process of agreeing the individual trade debtors and liabilities, certain items are identified and agreed to be borne by the Company, the amounts would be recorded in the period they were identified.

(ii) Litigations and claims

The Company is involved in certain litigations and claims (separate from those taken over by NELMCO). Maximum exposure based on the damages being claimed by the litigants amounts to ₦50 million (2016: ₦136.40 million). The Directors based on a review of the circumstances of each claim, believe the risk of material loss to the Company is remote and as such no provisions have been recorded.

(b) Contingent assets

The Company is involved in other actual legal proceedings and claims with which there are possible inflow based on the damages being claimed which amounts to ₦11.28 million (2016:Nil). Although the ultimate result of these legal proceedings cannot be predicted with certainty, it is the opinion of the Company's management that the outcome of any claim which is pending, either individually or on a combined basis be disclosed where an inflow of economic benefits is probable.

25 Events after the reporting period

(a) Payment of ₦ 1.05 billion by IEDM for the offset of its loan with IBEDC

Subsequent to year end, Integrated Energy Distribution and Marketing (IEDM) paid a sum of ₦1.05 billion to IBEDC, out of its outstanding balance of ₦5.7 billion as agreed with NERC as indicated in note 23(b).

(b) Notice of Ministries, Departments and Agencies ("MDAs") Debt Credit to IBEDC

Subsequent to the year end, the Federal Executive Council ("FEC") approved for NBET to net off from IBEDC trade payables to the electricity trader; NBET, verified electricity debts owed by MDAs to IBEDC amounting to ₦1.8 billion for 2015 and 2016 Financial Year End ("FYE").

(c) Ongoing Installation of CAPMI Metres to customers

Subsequent to year end, IBEDC as promised to its customers, continued the installation of CAPMI Metres to its customers who had made deposit before the pronouncement of Minister of Power, Works and Housing to wind down the scheme in November 2016. A total amount of ₦5.62 billion was paid by 203,207 customers, out of which a total of 172,524 customers have been metered, this is estimated at about ₦4.83 billion. The total outstanding for the remaining 30,683 Unmetered customers is estimated at ₦799 million.

(d) NERC suspends the Board of IBEDC

Subsequent to the year-end, Nigerian Electricity Regulatory Commission ("NERC" or "the Commission"), vide its Order No. NERC/181/2018 of June 19, 2018, suspended the board of IBEDC for failure to recover the outstanding balance of ₦5.7 billion intercompany loan mentioned in note 23(b) which the company accorded its parent company, IEDM.

In order to protect its investment and distribution licence, the Board of IBEDC, on 22nd June, 2018, brought an action at the Federal High Court (Abuja Judicial Division) to restrain NERC from implementing the said Order, in addition to challenging the validity of the Order. On 2nd July, 2018, the Court made an Order that parties should maintain Status Quo prior to the Order of 19th June, 2018 and should not take any steps that would unsettle the subject matter of the litigation. Consequently, the matter was adjourned to 15th October, 2018 for the hearing of the substantive suit.

Notes to the Financial Statements

26 Going concern

The Company reported a loss before tax of ₦58.36 billion for the year ended 31 December 2017 (2016: ₦35.86 billion) and as of that date, the Company's total liabilities exceeded its total assets by ₦10.65 billion (2016: total assets exceeded total liabilities by ₦47.80 billion). The Company has historically incurred losses due to the existing electricity pricing regime which did not allow the recovery of costs through price increases.

The directors are confident that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Hence, these financial statements have been prepared using accounting policies applicable to a going concern.

27 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by Internal Audit, which is expected to undertake both regular and adhoc reviews of risk management controls and procedures, and report to the Audit Committee.

(a) Credit risk

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

The Company's credit risk exposure on cash is minimized substantially by ensuring that cash is held with Nigerian financial institutions.

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

	31 Dec 2017	31 Dec 2016
	₦'000	₦'000
Trade and other receivables	27,301,181	16,764,749
Cash at bank	8,420,484	7,157,500
	35,721,665	23,922,249

Notes to the Financial Statements

Trade and other receivables

The Company has a large customer base within its licensed area of supply thereby reducing its concentration of credit risk. To further mitigate credit risk, the Company is continually increasing the share of prepaid customers in its portfolio. The Company's exposure to credit risk is influenced by the individual characteristics of each customer.

In monitoring credit risk, customers are grouped according to their credit characteristics, including whether they are maximum demand or non-maximum demand customers, and whether they are private individuals/companies, government institutions or military establishments. No security is provided for the electricity supplied though the Company retains the right to disconnect non paying customers to enforce collections.

Trade receivables

	Maximum Demand	Non-maximum Demand	Total
2017	₦'000	₦'000	₦'000
Private individuals/companies	14,671,392	59,038,890	73,710,282
Government institutions	4,828,766	805,446	5,634,212
Total	19,500,158	59,844,336	79,344,494

	Maximum Demand	Non-maximum Demand	Total
2016	₦'000	₦'000	₦'000
Private individuals/companies	26,439,488	21,279,948	47,719,436
Government institutions	3,046,710	1,414,066	4,460,776
Total	29,486,198	22,694,014	52,180,212

At 31 December 2017, the ageing of trade receivables is as follows:

	31 Dec 2017	31 Dec 2016
	₦'000	₦'000
Current	6,353,821	4,915,663
Past due 0-30 days	2,494,610	1,647,290
Past due 31-90 days	3,533,374	4,383,847
Past due 91-120 days	2,458,800	2,602,034
Past due 120 days and above	64,503,889	38,631,378
	79,344,494	52,180,212

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	31 Dec 2017	31 Dec 2016
	₦'000	₦'000
Balance at 1 January	42,790,540	21,453,049
Net impairment loss recognised (Note 16(a))	18,011,112	21,368,000
Write-off in the year	-	(30,509)
Balance at 31 December	60,801,652	42,790,540

Notes to the Financial Statements

Management monitors the Company's trade and other receivables for indicators of impairment. During the year, the Company did not write off any receivable as bad debt (2016: ₦30.5 million).

The directors have recorded an impairment allowance amounting to ₦18.01 billion (2016: ₦21.37 billion) with respect to the outstanding trade receivables at the year end. The impairment is required mainly to cater for the losses that arose from the difficulties in enforcing payments from certain classes of customers due to certain geographical challenges such as coverage and accessibility.

The Company believes that past due amounts not impaired are collectible as follows:

- It retains the right to disconnect the customers and based on historical patterns, collections improve after disconnections.
- Current metering plan, will convert a significant number of these customers to prepaid and outstanding balances will be recovered through the prepaid platform.
- Commitments from the Accountant General and Ministry of Power, that amounts due from government parastatals will be paid for through deductions in their allocations.

It is also important to note that the Company has strategies to minimize credit losses going forward as follows:

- Investment in prepaid meters and conversion of more post paid customers to prepaid;
- More efficient internal processes e.g. timely billings and delivery of bills, system automation of billings and collections, system of issuing letters of demand and notices to non-paying customers;
- Involvement of the Minister of Finance in enforcing collection of receivables from government agencies
- Aggressive disconnections;
- Setting Key Performance Indices ("KPI") for employees to drive debt collections

Cash at bank

The Company held cash of ₦8.42 billion as at year end (2016: ₦7.16 billion) with banks and financial institutions operating in Nigeria (including an amount of ₦4.43 billion, being hypothecation of cash collateral for bank guarantee issued in favour of Nigeria Bulk Electricity Trading Plc. ("NBET") and Operator of the Nigeria electricity Market ("ONEM")).

(b) Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or any other financial asset. Management's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damaging the Company's reputation.

In order to manage liquidity risks and ensure that it has sufficient cash to match outflows expected in the normal course of its business, the Company is doing the following:

- Intensifying efforts to collect trade receivables.
- Restructuring trade payables which are due to NBET and ONEM into a long term facility. This will reduce the cashflow demand in the short to medium term.
- Intensifying discussion with NERC to address market shortfall.

Notes to the Financial Statements

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows			
		Total	0 - 3 Months	4 - 12 Months	Above 1 year
	N'000	N'000	N'000	N'000	N'000
Non-derivative financial liabilities					
31 December 2017					
Trade and other payables	134,866,197	134,866,197	25,799,976	46,276,143	62,790,078
Loans and borrowings	25,930,855	25,930,855	-	-	25,930,855
	160,797,052	160,797,052	25,799,976	46,276,143	88,720,933
Non-derivative financial liabilities					
31 December 2016					
Trade and other payables	64,606,249	64,606,249	22,216,210	33,442,222	8,947,817
Loans and borrowings	26,977,841	26,977,841	-	-	26,977,841
	91,584,090	91,584,090	22,216,210	33,442,222	35,925,658

(c) Market risk

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

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

Currency risk

The Company has no exposure to currency risks as all of its transactions are maintained in Naira.

(d) Fair values

Fair values versus carrying amounts

The table below shows the classification of financial assets and financial liabilities of the Company not measured at fair value. These carrying amounts shown are a reasonable approximation of the fair values of the financial assets and financial liabilities.

	Loans and receivables	Other financial liabilities	Total
	N'000	N'000	N'000
31 December 2017			
Financial assets not measured at fair value			
Trade and other receivables	27,301,181	-	27,301,181
Cash and cash equivalents	8,421,036	-	8,421,036
	35,722,217	-	35,722,217

Notes to the Financial Statements

	Loans and receivables	Other financial liabilities	Total
	₦'000	₦'000	₦'000
Financial liabilities not measured at fair value			
Trade and other payables	-	134,866,197	134,866,197
Loans and borrowings	-	25,930,855	25,930,855
	-	160,797,052	160,797,052

	Loans and receivables	Other financial liabilities	Total
	₦'000	₦'000	₦'000
31 December 2016			
Financial assets not measured at fair value			
Trade and other receivables	16,764,749	-	16,764,749
Cash and cash equivalents	7,158,000	-	7,158,000
	23,922,749	-	23,922,749

	Loans and receivables	Other financial liabilities	Total
	₦'000	₦'000	₦'000
Financial liabilities not measured at fair value			
Trade and other payables	-	64,460,705	64,460,705
Loans and borrowings	-	27,123,385	27,123,385
	-	91,584,090	91,584,090

28 Operating leases

(a) Leases as lessee

The Company leases a number of buildings under operating leases. The leases typically run for a period of 1 year, with an option to renew the lease after that date. Lease payments are renegotiated when necessary to reflect market rentals.

Some leases provide for additional rent payments that are based on changes in local price indices.

(i) Future minimum lease payments

At 31 December 2017, the future minimum lease payments under non-cancellable leases were payable within 1 year and amounted to ₦31.39 million (2016: ₦48.2 million).

(ii) *Amounts recognised in profit or loss*

Lease expenses recognised in profit or loss during the year amounted to ₦76.57 million (2016: ₦72.06 million). This is included in administrative expenses as rent expense.

Notes to the Financial Statements

29 Basis of measurement

These financial statements have been prepared on the historical cost basis except for certain items as listed below:

- PPE (excluding capital work in progress) : where measurement is by revaluation method, recognition of assets granted by customers which are initially recognized at fair value and financial instruments measured based on fair value.
- Inventories : cost of inventories is based on weighted average cost principle.
- Revenue : See Note (7(a))

30 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and early application is permitted, however, the Company has not applied the new or amended standard in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

Effective for the financial year commencing 1 January 2018

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from contracts with customers*

Effective for the financial year commencing 1 January 2019

- IFRS 16 *Leases*

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

IFRS 10, IFRS 12 and IAS 28 amendment Investment entities, Sale or Contribution of Assets between an Investor and its Associate or joint Venture (Amendment to IFRS 10 and IAS 28), Equity method in Separate Financial Statements (Amendments to IAS 27), Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41), Regulatory Deferral Accounts (IFRS 14), Accounting for Acquisitions of Interest in Joint Operations (Amendment to IFRS 11), Clarification of Acceptable Methods of Depreciation and Amortisation (Amendment to IAS 16 and IAS 38) are not applicable to the business of the entity and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

IFRS 9 Financial Instruments

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

The effective date of IFRS 9 is 1 January 2018. The Company will adopt the standard in the first annual period beginning on or after the mandatory effective date (once specified). The impact of the adoption of IFRS 9 has not yet been estimated as the standard is still being revised and impairment and macro-hedge accounting guidance is still outstanding.

The Company will assess the impact once the standard has been finalised and becomes effective.

Notes to the Financial Statements

IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact on the Company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised.

The Company is yet to carry-out an assessment to determine the impact that the initial application of IFRS 15 could have on its business; however, the Company will adopt the standard for the year ending 31 December 2018.

IFRS 16 Leases

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as operating leases or finance leases as required by IAS 17 and introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and

(b) depreciation of lease assets separately from interest on lease liabilities in the profit or loss.

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company is yet to carry out an assessment to determine the impact that the initial application of IFRS 16 could have on its business; however, the Company will adopt the standard for the year ending 31 December 2019.

Other national disclosures

Other National Disclosures
Value Added Statement
For the year ended 31 December 2017

	2017 N'000	%	2016 N'000	%
Revenue	70,182,887		61,314,594	
Brought in materials and services				
- Local	(101,337,056)		(59,979,665)	
	(31,154,169)		1,334,929	
Finance income	1,987,899		333,054	
	(29,166,270)	100	1,667,983	100
To employees:				
- Wages, salaries and other staff costs	5,479,112	(19)	5,280,357	317
To providers of finance:				
- Finance cost and similar charges	19,210,435	(66)	6,338,702	380
To government as:				
- Taxes	(87,740)	-	10,872,147	652
Retained in the business:				
To maintain and replace:				
- Property, plant and equipment	4,411,084	(15)	4,155,525	249
- Intangible assets	272,702	(1)	8,624	1
- To deplete reserve	(58,451,863)	201	(24,987,372)	(1,499)
	(29,166,270)	100	1,667,983	100

Five years Financial Summary

Statement of profit or loss and other comprehensive income

	2017	2016	2015	2014	2013
	₦'000	₦'000	₦'000	₦'000	₦'000
Revenue	70,182,887	61,314,594	61,378,229	50,452,107	49,100,316
Loss before income tax	(58,364,123)	(35,859,519)	(16,119,956)	(17,799,985)	(8,257,893)
Loss for the year	(58,451,863)	(24,987,372)	(11,195,914)	(11,376,483)	(8,257,893)
Total comprehensive (loss) / income for the year	(58,451,863)	(24,987,372)	(11,195,914)	(11,376,483)	(8,257,893)

Statement of financial position

	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
	₦'000	₦'000	₦'000	₦'000	₦'000
Employment of funds					
Property, plant and equipment	108,655,258	109,399,707	109,622,689	110,139,550	112,973,785
Intangible Asset	1,109,530	655,521	74,033	-	-
Deferred tax (liabilities) / Assets	2,774,899	2,774,899	(8,097,248)	(13,021,290)	(20,329,011)
Loans and borrowings	(25,930,855)	(27,123,385)	(26,129,691)	(1,072,179)	-
Net current liabilities	(97,260,364)	(37,906,411)	(2,682,081)	(14,864,798)	(87,008)
Net assets	(10,651,532)	47,800,331	72,787,702	81,181,283	92,557,766
Funds employed					
Share capital	5,000	5,000	5,000	5,000	5,000
Retained earnings	(58,090,890)	360,973	25,348,344	33,741,925	45,118,408
Revaluation reserves	47,434,358	47,434,358	47,434,358	47,434,358	47,434,358
	(10,651,532)	47,800,331	72,787,702	81,181,283	92,557,766