Ibadan Electricity Distribution Company Plc

Annual Report

December 31, 2016

Contents	**Page**

Corporate Information

Registration Number RC. 638633

Directors:	Dr. Olatunde Ayeni, CON. F.IoD Captain (Dr.) Wells Idahosa Okunbo Mr. Olatunde Ikuerowo 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:	Skye Bank Plc United Bank for Africa Plc First City Monument Bank Limited Keystone Bank Limited Diamond Bank Plc Heritage Bank Limited

Financial Highlights

	31 Dec 2016	31 Dec 2015
	₦'000	**₦'000**
		***Restated**
Major statement of profit or loss items		
For the year ended:		
Revenue	61,314,594	61,378,229
Loss before taxation	(35,859,519)	(16,119,956)
Taxation	10,872,147	4,924,042
Loss for the year	(24,987,372)	(11,195,914)
Major statement of financial position items		
As at:		
Total assets	139,826,806	129,514,305
Equity	47,800,331	72,787,702
Net Assets per share (kobo)	4,780	7,279
Loss per share	(2,499)	(1,120)

*Certain amounts shown here do not correspond to the 2015 financial statements and have reflected adjustments as described in Note 24.

Directors' Report

For the year ended December 31, 2016

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, 2016.

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 earned revenue of ₦61.31billion for the year ended December 31, 2016 (2015: ₦61.38billion). The Company reported a loss before taxation of ₦35.86 billion for the year ended December 31, 2016 (2015: ₦16.12 billion).

State of affairs

In the opinion of the Directors, the account of the Company has 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.

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 account for the year ended December 31, 2016.

Operating results

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

	2016	**2015**
	₦'000	**₦'000**
Revenue	61,314,594	61,378,229
Results from operating activities	(29,853,871)	(12,698,207)
Loss before taxation	(35,859,519)	(16,119,956)
Taxation	10,872,147	4,924,042
Loss for the year	(24,987,372)	(11,195,914)

Dividend

No dividend has been recommended by the directors in respect of the year ended December 31, 2016 (2015: 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. Olatunde Ikuerowo	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	**2016**	**2015**
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 ₦3.98 million during the year (2015: ₦2.93 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 (2015: 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, 2016 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

BY ORDER OF THE BOARD

Oluseye Alayande
FRC/2014/NBA/00000007513

Lagos, Nigeria
December 18, 2017

Corporate Governance Report

For the year ended December 31, 2016

INTRODUCTION

Corporate governance is concerned with the entrenchment of practices and procedures, which are aimed at ensuring that a Company is well governed. Corporate governance in public Companies and regulated entities are guided by the various codes issued by their regulators.

Following the acquisition of sixty (60) percent equity of Ibadan Electricity Distribution Company ("IBEDC") Plc, on November 01, 2013, the new Board of Directors having identified weak governance as one of the key factors that led to the sale of the Company's majority shares by the Federal Government of Nigeria, took concrete efforts to improve corporate governance standards and practices in it.

In view of these efforts, IBEDC strived to operate within the framework of appropriate rules and regulations under which it was incorporated, as well as global best practices, corporate governance codes and guidelines released by relevant regulatory authorities such as the Securities and Exchange Commission ("SEC"), Nigerian Electricity Regulatory Commission ("NERC") etc.

These best practices have indeed become an integral part of how we now conduct our business affirming our belief that good corporate governance is a means of retaining and expanding our customer base, sustaining the viability of the business in the long term and maintaining the confidence of investors.

The Company has put in place systems of internal control and risk management to safeguard the interest of all stakeholders. As indicated in the statement of responsibility of Directors and notes to the Financial Statements, IBEDC adopts standard accounting practices to engender transparency in the disclosure of information and to give assurance to the reliability of the financial statements.

CORPORATE STRUCTURE

SHAREHOLDERS' MEETING

The Company in the actualization of its corporate governance objectives recognizes its shareholders as the highest decision making body in line with the provisions of its Memorandum and Articles of Association. The Annual General Meeting ("AGM") of the Company by statutory requirement is to be held once in a year. Attendance at any of these meetings is open to shareholders and/or their proxies and sufficient notice is given to ensure maximum attendance of the shareholders. IBEDC held its Extra-Ordinary General Meeting on 17th February, 2016 and decisions affecting the strategic development of the Company were taken.

THE BOARD OF DIRECTORS ("THE BOARD")

During the period under review, the Board met several times in order to set policies for the operations of the Company and ensured that it maintained a professional relationship with the Company's Auditors to promote transparency in financial and non-financial reporting.

The Board Members are:

Dr. Olatunde Ayeni, CON. F.IoD	-	Chairman
Captain (Dr.) Wells Idahosa Okunbo	-	Vice chairman
Mr. Olatunde Ikuerowo	-	Non-Executive Director (BPE)
Mr. Garth Dooley	-	Non-Executive Director
Dr. Olusola Ayandele	-	Non-Executive Director
Mr. Dan D. Kunle	-	Non-Executive Director
Mr. John Donnachie	-	Managing Director
Barr. Olusola Adeyegbe / Mrs. Oluseye Alayande	-	Secretary

ROLE OF THE BOARD – includes but not limited to:

- Establish corporate strategies, set performance indices, monitor implementation and performances;
- Review alignment of goals, major plans of action and annual budget;
- Ensure the integrity of the Company's accounting and financial reporting systems (including the independent audit of same) and that appropriate systems are in place to monitor risks, financial control and compliance with the law;
- Formulate risk management strategies and make decisions on business acquisitions, expansions and investments into foreign markets;
- Ensure that the interests of the stakeholders are balanced; and
- Ensure that the Company's operations are in accordance with high business and ethical standards.

The Board meets regularly to review financial performance and reports on the contribution of the various business units to its overall performance as well as consider other matters. Adequate advance notice of meetings, the agenda for same and the reports to be considered at the said meetings are circulated to members. Emergency meetings are convened as and when the need arises.

BOARD COMMITTEES

During the year the Board carried out its oversight functions with the assistance of four (4) Board Committees: The Finance and Investment Committee; The Board Audit, Risk and Governance Committee; The Board Human Capital, Remuneration and Safety Committee and The Board Strategy and Business Development Committee.
The Board Committees have the mandate and the responsibility of:

- Identifying, assessing the risk profile and making recommendations on all financial and related matters; and approve them within set limits;
- Review and make recommendations on business expansion; implement safeguarded measures as recommended from time to time; and to ensure an adequate platform by which the company will adequately protect its finances.
- Other functions of the Committees include but is not limited to, determining the policies, strategies and financial objectives of the company, overseeing and monitoring their implementation, with a view to maximizing its overall economic value; and developing, reviewing and recommending policies on human capital, remuneration and safety issues.

The members of the Committees, which should meet at least once every quarter, are as follows:

BOARD AUDIT, RISK AND GOVERNANCE COMMITTEE

- Mr. Dan D. Kunle - Chairman
- Captain (Dr.) Wells Idahosa Okunbo - Member
- Mr. John Donnachie - Member
- Mr. John Ayodele - Member

BOARD HUMAN CAPITAL, REMUNERATION AND SAFETY COMMITTEE

- Mr. Garth Dooley - Chairman
- Mr. John Donnachie - Member
- Mr. John Ayodele - Member

BOARD FINANCE AND INVESTMENT COMMITTEE

- Captain (Dr.) Wells Idahosa Okunbo - Chairman
- Mr. Olatunde Ikuerowo - Member
- Mr. John Donnachie - Member
- Mr. John Ayodele - Member

BOARD STRATEGY AND BUSINESS DEVELOPMENT COMMITTEE

- Dr. Olusola Ayandele - Chairman
- Mr. Garth Dooley - Member
- Mr. John Donnachie - Member
- Mr. John Ayodele - Member

NOTE: The Company Secretary serves as the Secretary to the Board and its committees.

THE MANAGEMENT TEAM

The Management team consists of Executive and Senior Management Staff led by the Managing Director. It formulates programs and assigns responsibilities and resources for the achievement of set goals. Also, the Management team is charged with the responsibility of identifying and assessing the risk profile within which the Company is operating, with a view to eliminating or minimizing the impact of such risks to the achievement of set Company objectives.

Other functions of the Management team include but is not limited to: determining the long term strategic direction of the company and developing annual business plan and budget that drives the long term strategy, ensuring that the company complies with all relevant laws and corporate governance principles, ensuring proper staffing and establishment of appropriate organizational structure that support effective succession plan for the company, putting the right structure in place to ensure that accounts and financial affairs are carried out in a reliable manner. Also, the Management takes steps to ensuring successful implementation of the company policies as well as creating effective ethical environment within the company. The leadership team meets regularly to review the performance of the Company and assess progress against the achievement of laid down objectives.

CORPORATE SOCIAL RESPONSIBILITY

Today's corporate existence goes beyond profitability, service delivery and returns on investment. Corporate Social Responsibility ("CSR") has become a topical issue in corporate policy framework the world over. This is why IBEDC has remained focused on championing community- friendly projects that have impacted on life and society. In the year under review, IBEDC held the "DISCO for Women" forum- Discussing Issues Surrounding Career Opportunities (Disco) for women initiative as well as IBEDC Career fair day/ Energy Club activation in conjunction with United States Agency for International Development ("USAID") for public and private

HEALTH SAFETYAND ENVIRONMENT ("HSE") AT WORK FOR EMPLOYEES

The Company ensured that the robust HSE plan, process and procedure that had been previously put in place was reviewed for improvements and maintained for the safety of its workforce. This has reduced work related discomfort, accidents and injury, litigation and non-compliance issues. Consequently, the employees have become more confident as regards their health and wellbeing in the workplace. Also, IBEDC has recorded reduced incidents of HSE related overtime and health related expenses owing from work place injuries.

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, 2016 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 reinforces 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.

November 17, 2017

Chairman, Audit Committee

Members of the Committee:

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

The Financial Reporting Council of Nigeria ("FRCN") on October 9th, 2017 granted a waiver to the Chairman of the Board Audit Committee; Mr. Dan D. Kunle to sign on 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 December 31, 2016

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	Signature
Dr. Olatunde Ayeni, CON. F.IoD	John Donnachie
Chairman, Board of Directors	Managing Director / CEO
FRC/2013/IODN/00000001738	*FRC/2016/NIM/00000014551*
December 18, 2017	December 18, 2017

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, 2016; 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 ended along with a summary of significant accounting policies and other explanatory information.

In our opinion, except for the unavailability of specific plans to address persistent losses as in note 27, the financial statements give a true and fair view of the financial position of IBEDC as at December 31, 2016 and of its financial performance and cash flows for the year ended 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, CAP C20 LFN 2004 ("CAMA") and relevant Nigeria Electricity Regulatory Commission ("NERC") Circulars.

Basis of opinion

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

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

Uncertainty relating to going concern

We draw your attention to note 27, which indicated that the Company recorded a loss before tax of ₦ 35.86 billion for the year ended December 31, 2016 (2015: ₦16.12 billion) and as at that date, the Company's total current liabilities exceeded its total current assets by ₦38.05 billion (2015: ₦2.68 billion). This may be an indication of the existence of uncertainties that may cast doubt on the company's ability to continue as a going concern.

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view of the state of affairs of the Company in accordance with IFRS and in the manner required by the CAMA; the Financial Reporting Council of Nigeria ("FRCN") Act, 2011, EPSRA, NERC Circulars and for such internal control as determined necessary by the directors, to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 these 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 those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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

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- 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.

Report on Other Legal Regulatory Requirements

Compliance with the requirements of schedule 6 of Companies and Allied Matters Act, 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 18, 2017.
Lagos, Nigeria.

Statement of Financial Position
As at December 31, 2016

	Notes	2016	2015
		₦'000	**₦'000**
			***Restated**
ASSETS			
Property, plant and equipment	*13*	109,399,710	109,622,689
Intangible assets	*14*	655,521	74,033
Deferred tax asset	*12(e)*	2,774,899	-
Non-current assets		**112,830,130**	**109,696,722**
Inventories	*15*	1,514,394	1,278,192
Trade and other receivables	*16*	16,764,750	12,640,252
Prepayments	*17*	1,559,532	728,466
Cash and cash equivalents	*18*	7,158,000	5,170,673
Current assets		**26,996,676**	**19,817,583**
Total assets		**139,826,806**	**129,514,305**
EQUITY			
Share capital	*19(a)*	5,000	5,000
Retained earnings		360,973	25,348,344
Revaluation reserve	*19(b)*	47,434,358	47,434,358
Total Equity		**47,800,331**	**72,787,702**
LIABILITIES			
Loans and borrowings	*22*	26,977,841	26,129,691
Deferred tax liability	*12(e)*	-	8,097,248
Non-current liabilities		**26,977,841**	**34,226,939**
Current Liabilities			
Deferred income	*21*	442,385	373,849
Trade and other payables	*20*	64,606,249	22,125,815
Current tax liabilities	*12(d)*	-	-
Current liabilities		**65,048,634**	**22,499,664**
Total liabilities		**92,026,475**	**56,726,603**
Total Equity and Liabilities		**139,826,806**	**129,514,305**

These financial statements were approved by the Board of Directors on December 18, 2017 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*

*Certain amounts shown here do not correspond to the 2015 financial statements and have reflected adjustments as described in Note 24.

The notes on pages 18 to 49 are an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2016

	Notes	2016	2015
		₦'000	**₦'000**
			***Restated**
Revenue	*7*	61,314,594	61,378,229
Direct costs	*9(a)*	(56,562,365)	(44,662,437)
Gross profit		**4,752,229**	**16,715,792**
Other income	*8*	986,064	4,646,870
Distribution expenses	*9(b)*	(6,646,272)	(6,588,486)
Billing and collection expenses	*9(c)*	(22,932,609)	(21,441,500)
Customer service expenses	*9(d)*	(1,991,243)	(1,945,017)
Administrative expenses	*9(e)*	(4,022,040)	(4,085,866)
Loss from operating activities		**(29,853,871)**	**(12,698,207)**
Finance income	*10*	333,054	194,242
Finance costs	*10*	(6,338,702)	(3,615,991)
Net finance costs	*10*	(6,005,648)	(3,421,749)
Loss before taxation	*11*	**(35,859,519)**	**(16,119,956)**
Taxation	*12(d)&(e)*	10,872,147	4,924,042
Loss after taxation		**(24,987,372)**	**(11,195,914)**
Other comprehensive income:			
Other comprehensive income, net of tax		-	-
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		**(24,987,372)**	**(11,195,914)**

*Certain amounts shown here do not correspond to the 2015 financial statements and have reflected adjustments as described in Note 24.

The notes on pages 18 to 49 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, 2015	5,000	47,434,358	33,741,925	81,181,283
Total comprehensive income				
Loss for the year	-	-	(11,195,914)	(11,195,914)
De-recognition of prior year tax provision	-	-	884,219	884,219
Reversal of value added tax on bad debts	-	-	1,918,115	1,918,115
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**(8,393,580)**	**(8,393,580)**
Transaction with owners	-	-	-	-
Balance at December 31, 2015	**5,000**	**47,434,358**	**25,348,345**	**72,787,703**
Balance as 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**

The notes on pages 18 to 49 are an integral part of these financial statements.

Statement of Cash Flows
For the year ended December 31, 2016

	Note	**31 Dec 2016**	**31 Dec 2015**
		₦'000	**₦'000**
			***Restated**
Cash flows from operating activities:			
Loss before tax		(35,859,519)	(16,119,956)
Adjustment:			
- depreciation	*13*	4,155,525	3,937,502
- loss on disposal of asset	*9(e)*	89	-
- reclassified to inventory	*13*	2,883	-
- amortisation	*14*	8,624	-
- bad debts written off		30,509	18,827,385
- impairment allowance on receivables	*16(a)*	21,368,000	1,675,932
- obsolescence allowance on inventories	*15*	200,385	-
		(10,093,504)	**8,320,863**
Changes in:			
(Increase)/Decrease in inventories	*15*	(436,587)	106,998
Increase in trade & other receivables	*16*	(25,523,007)	(30,655,297)
Increase in prepayment	*17*	(831,066)	(576,384)
Decrease in trade and other payables	*20*	42,480,434	1,662,763
Decrease in deferred income	*21*	68,536	116,380
Cash generated / (used in) from operating activities		**5,664,806**	**(21,024,677)**
Reversal of output value added tax on bad debts		-	1,918,115
Net cash generated / (used in) from operating activities		**5,664,806**	**(19,106,562)**
Cash flows from investing activities:			
Acquisition of property, plant and equipment	*13*	(3,949,359)	(3,420,643)
Acquisition of Intangible Asset	*14*	(590,112)	(74,033)
Proceeds from asset disposal		13,842	-
Net cash used in investing activities		**(4,525,629)**	**(3,494,676)**
Cash flows from financing activities:			
Loans and borrowings	*22*	848,150	25,057,511
Net cash generated from financing activities		**848,150**	**25,057,511**
Net increase in cash and cash equivalents		1,987,327	2,456,273
Cash and cash equivalents at 1 January		5,170,673	2,714,400
Cash and cash equivalents at 31 December	*18*	**7,158,000**	**5,170,673**

*Certain amounts shown here do not correspond to the 2015 financial statements and have reflected adjustments as described in Note 24.

The notes on pages 18 to 49 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,

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 18, 2017.

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 27 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.

Notes to the Financial Statements

(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

(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, 2016, 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 25 – Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources
Note 28(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 delivery of goods to customers or upon completion 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.

Notes to the Financial Statements

(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.

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.

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

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.

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.

Notes to the Financial Statements

(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.

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.

Notes to the Financial Statements

(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").

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.

Notes to the Financial Statements

(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.

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.

Notes to the Financial Statements

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

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

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.

Notes to the Financial Statements

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 2016 collections from pre-paid customers (Note 21).

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

	2016	2015
	₦'000	₦'000
Residential	29,035,698	32,117,532
Commercial	10,827,623	10,545,390
Industrial (Note 7(a))	21,425,104	18,670,218
Street lighting	26,169	45,089
	61,314,594	61,378,229

(a) Included in the Industrial revenue is the revenue derived from indirect electricity sale via a company who internally generates its electricity with whom they had an agreement with during the year to distribute electicity to two (2) other companies within the same environ.

8 Other income

	2016	2015
	₦'000	₦'000
Reconnection fee	109,929	315,122
Others	7,888	83,957
Fair Value Gain (Note 8(a))	868,247	4,247,791
	986,064	4,646,870

(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 costs. During the year, the company received a total of ₦3.83 billion and accrued a surplus of ₦868.25 million (2015: received a sum of ₦17.49 billion with a surplus of ₦4.25 billion.)

9 Expenses by nature

(a) ***Cost of sales***

	2016	2015
	₦'000	₦'000
Cost of energy (Note 9(a(i)))	56,373,131	44,662,437
Recovered Gas Debt (Note 9(a(ii)))	189,234	-
Total cost of sales	56,562,365	44,662,437

Notes to the Financial Statements

(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. IBEDC, during the year, 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.

	2016	**2015**
	₦'000	**₦'000**
Salaries and wages	1,977,267	2,075,494
Repairs and maintenance	444,636	682,455
Reserve for obsolescence	200,385	14,073
Depreciation- plant & machinery	3,884,248	3,718,643
Other distribution expenses	139,736	97,821
Total distribution expenses	6,646,272	6,588,486

(c) ***Billing and collection expenses***

	2016	**2015**
	₦'000	**₦'000**
Meter reading	51,706	48,989
Collection fees	1,390,808	772,217
Impairment allowance on receivables **(Note 16(a))	21,368,000	1,675,932
Bad debts	-	18,827,385
Repairs and maintenance	61,203	28,436
Other collection expense	60,892	88,541
Total billing and collection expenses	22,932,609	21,441,500

****** 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***

	2016	**2015**
	₦'000	**₦'000**
Salaries and wages	1,836,619	1,838,675
Advert and publicity	7,825	16,119
Repairs and maintenance	97,895	69,935
Transport and travelling	46,746	17,649
Miscellaneous expenses	2,158	2,639
Total customer service expenses	1,991,243	1,945,017

Notes to the Financial Statements

(e) ***Administrative expenses***

	2016	2015
	₦'000	₦'000
Staff cost	1,466,471	1,094,638
Directors' cost	65,000	64,166
Entertainment	17,702	24,599
Transport and accommodation	229,573	121,442
Motor vehicle running and repairs	76,350	56,318
Advertisement and publicity	11,072	27,830
Printing and stationeries	40,911	53,370
Repairs and maintenance	141,540	157,731
Subscription and fees	53,386	84,473
Bank charges	19,363	35,892
Rent and rates	72,061	44,558
Security expenses	373,173	327,561
Loss on Disposal	89	-
Training expenses	16,081	19,416
Employee welfare	5,492	12,976
Technical service fees	632,059	1,093,192
Consulting and other professional fees	172,496	194,894
Medical expenses	54,062	48,794
ITF contribution	41,638	41,219
Insurance	99,403	88,370
Audit fee and expenses	23,000	18,850
Depreciation	271,277	218,859
Amortisation expense	8,624	-
Electricity and Other utilities	74,056	49,697
Donation	3,981	2,925
Business development	47,389	41,243
Other miscellaneous expenses	5,791	5,702
Pre-privatization cost (NELMCO)	-	157,151
Total administrative expenses	4,022,040	4,085,866
Total expenses	92,154,529	78,723,306

10 Net finance cost

	2016	2015
	₦'000	₦'000
Finance income		
Interest income	333,054	194,242
	333,054	194,242
Finance cost		
Interest expense (Note 10(a))	(6,338,702)	(3,615,991)
	(6,338,702)	(3,615,991)
Net finance cost	(6,005,648)	(3,421,749)

Notes to the Financial Statements

(a) Finance cost comprises:

	2016	2015
	₦'000	₦'000
Interest paid on CBN-NEMSF (Note 10(a(i)))	1,878,748	1,376,525
Effective interest rate on CBN-NEMSF	623,069	466,186
Interest on NBET bills	3,338,261	1,202,383
Other bank interest	329,726	362,175
Facility fee on Bank guarantee	116,553	116,553
Interest on NELMCO pre-privatization balance	-	23,072
Interest on CAPMI (Note 10(a(ii)))	52,345	69,097
	6,338,702	3,615,991

(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 the meters.

11 Loss before taxation

(a) Loss before taxation is stated after charging:

	2016	2015
	₦'000	₦'000
Depreciation (Note 13)	4,155,525	3,937,503
Amortisation (Note 14)	8,624	-
Staff costs	5,280,357	5,008,807
Impairment of trade receivables	21,368,000	1,675,932
Directors' remuneration	65,000	64,166
Auditor's remuneration	23,000	18,850

(b) Staff costs

(i) Staff costs include:

	2016	2015
	₦'000	₦'000
Salaries and wages	5,011,389	4,747,298
Employer's pension contribution	268,968	261,509
	5,280,357	5,008,807

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 following ranges:

	2016	2015
	Number	**Number**
₦ 200,001 - ₦ 800,000	513	500
₦ 800,001 - ₦ 1,400,000	523	510
₦ 1,400,000 - ₦ 2,000,000	549	535
₦ 2,000,000 - ₦ 3,000,000	685	668
₦ 3,000,000 - ₦ 4,000,000	149	145
₦ 4,000,000 - ₦ 5,000,000	47	46
₦5,000,000 and above	73	71
	2,539	2,475

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

	2016	2015
	Number	**Number**
Operations	2,131	2,029
Administration	408	446
	2,539	2,475

(c) Directors' remuneration

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

	2016	2015
	₦'000	**₦'000**
Fees as directors	50,000	50,000
Other emoluments	15,000	14,166
	65,000	64,166

The directors' remuneration shown above includes:

	2016	2015
	₦'000	**₦'000**
Chairman	25,150	17,875
Highest paid director	25,150	17,875

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:

	2016	2015
	Number	**Number**
₦10,000,000 - ₦40,000,000	4	1

Notes to the Financial Statements

12 Taxation

(a) The Company will not be assessed based on the minimum tax legislation as the company is within its first four years of operation.The company tax assessment for the year ended December 31, 2016 is Nil (2015: 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, 2016 (2015: 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:

		2016		**2015**
	%	**₦'000**	%	**₦'000**
Loss before minimum tax and income tax		(35,859,519)		(16,119,956)
Income tax using the statutory tax rate	30	(10,757,856)	30	(4,835,987)
Effect of:				
Movement in unrecognized deferred tax assets	-	-	-	-
Non-deductible expenses	(30)	10,757,856	(30)	4,835,987
Total income tax expense		-		-

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

	31 Dec 2016	**31 Dec 2015**
	₦'000	**₦'000**
Balance at January, 1	-	884,219
Reversal of prior year provision	-	(884,219)
Balance at December, 31	-	-

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

	31 Dec 2016	**31 Dec 2015**
	₦'000	**₦'000**
Balance at January, 1	8,097,248	13,021,290
Credit for the year	(10,872,147)	(4,924,042)
Balance at December, 31	(2,774,899)	8,097,248

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 2016	3,676,057	1,866,438	110,087,278	491,194	984,356	233,187	117,338,510
Additions	-	-	3,733,396	81,706	127,759	6,498	3,949,359
Transfers	-	-	23,207	-	-	(23,207)	-
Disposal	-	-	-	-	(16,223)	-	(16,223)
Reclassified to inventory	-	-	-	-	-	(2,883)	(2,883)
Balance at 31 December 2016	3,676,057	1,866,438	113,843,881	572,900	1,095,892	213,595	121,268,763
Depreciation							
Balance at 1 January 2016	-	74,658	7,344,346	44,809	252,006	-	7,715,819
Charge for the year	-	37,329	3,884,248	35,430	198,518	-	4,155,525
Disposal	-	-	-	-	(2,291)	-	(2,291)
Balance at 31 December 2016	-	111,987	11,228,594	80,239	448,233	-	11,869,053
Carrying amounts							
At 31 December 2015	3,676,057	1,791,780	102,742,931	446,384	732,350	233,187	109,622,689
At 31 December 2016	3,676,057	1,754,451	102,615,287	492,661	647,659	213,595	109,399,710

(b) Capital commitments

The Company did not have any capital expenditure commitments during the year (2015: 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 2016	**31 Dec 2015**
	₦'000	**₦'000**
Cost (Note 14(a))		
Balance at 1 January	74,033	-
Additions	590,112	74,033
Balance at 31 December	664,145	74,033
Accumulated amortisation		
Balance at 1 January	-	-
Charge for the year	8,624	-
Balance at 31 December	8,624	-
Carrying amount		
At 31 December	655,521	74,033

(a) Description	**Acquisition date**	**Purchase price**	**Amortisation**
		₦'000	**₦'000**
Sage X3 ERP	9-Jun-15	68,411	-
Website Cost	27-Dec-15	4,200	4,200
Internet Antivirus Software	27-Dec-15	1,422	1,422
Microsoft office licences	19-Feb-16	2,791	2,326
Eset Anti Virus Licences	25-May-16	1,160	676
Ems Billing System	13-Aug-16	586,161	-
		664,145	8,624

(i) No amortisation were recognised for Sage X3 ERP and EMS Billing systems as implementaion were yet to be completed as at December 31, 2016.

Accelerated amortisation were applied to Internet Antivirus Software and website cost incurred in year 2015 which were not amortised in that year. Microsoft Office licences and ESET Anti Virus License acquired in 2016 were accurately amortised in line with industry standard and the policy of the company.

The total amortisation amount of ₦8.6 million relates to website cost, users internet antivirus software, microsoft office licences and ESET antivirus licence as explained in Note 14(a).

Notes to the Financial Statements

15 Inventories

Inventories comprise:

	31 Dec 2016	31 Dec 2015
	₦'000	₦'000
Distribution materials - Tripping units, circuit breakers, poles etc.	925,953	491,849
Cables and conductors	67,622	61,869
Capital items - 15MVA, 50 - 500KVA etc. transformers	169,664	150,669
General stores - Feeder pillar units, insulators etc.	525,679	563,218
Lubricants - Oil, Fuel etc.	1,192	677
Stationeries	11,937	16,068
Tools - Safety equipments and materials.	34,669	13,749
Meters	91,734	93,764
Provision for obsolescence	(314,056)	(113,671)
	1,514,394	1,278,192

16 Trade and other receivables

	31 Dec 2016	31 Dec 2015
	₦'000	₦'000
Trade receivables *	52,180,212	27,823,959
Less :Allowance for impairment (Note 16(a))	(42,790,539)	(21,453,049)
Trade receivables, net **	9,389,673	6,370,910
Due from related parties (Note 23(b))	5,700,000	4,400,000
Other receivables (Note 16(b))	1,675,077	1,869,342
	16,764,750	12,640,252

* Included in trade receivables is ₦4.86 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 28.

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

	31 Dec 2016	31 Dec 2015
	₦'000	₦'000
Opening balance	(21,453,049)	(19,777,117)
Addition	(21,368,000)	(1,675,932)
Write-off in the year	30,509	-
	(42,790,540)	(21,453,049)

** Included in trade receivables, net, is a write-off of bad debts from Ministries, Departments and Agencies (MDAs) of government and private consumers amounting to ₦30.51 million (2015: ₦18.83 billion).

(b) Other receivables comprise:

	31 Dec 2016	31 Dec 2015
	₦'000	₦'000
Recoverable legacy debts (Note 16(b(i)))	1,668,701	1,857,936
Employee receivables	3,519	11,406
Input VAT	2,857	-
	1,675,077	1,869,342

Notes to the Financial Statements

(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 the current year.

17 Prepayments

	31 Dec 2016	31 Dec 2015
	₦'000	₦'000
Rent	48,222	48,822
Insurance	69,733	48,822
Vendors	542,868	595,157
CAPMI	796,818	-
ICAP (Note 22(b))	95,434	-
Others	6,457	35,665
	1,559,532	728,466

18 Cash and cash equivalents

	31 Dec 2016	31 Dec 2015
	₦'000	₦'000
Bank balances	7,157,500	5,170,209
Cash on hand	500	464
	7,158,000	5,170,673

19 Share capital and reserves

(a) Share capital

	31 Dec 2016	31 Dec 2015
	₦'000	₦'000
Authorised:		
10,000,000 ordinary shares of ₦0.50 each	5,000	5,000
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 2016	31 Dec 2015
	₦'000	₦'000
Asset recapitalisation- plant & machinery	47,434,358	47,434,358

Notes to the Financial Statements

20 Trade and other payables

	31 Dec 2016	31 Dec 2015
	₦'000	₦'000
Trade payables (Note 20(a))	58,721,928	17,744,531
Accruals (Note 20(b))	1,728,858	1,819,452
Other payables	445,250	172,789
	60,896,036	19,736,772
Statutory deductions	3,710,213	2,389,043
	64,606,249	22,125,815

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 ₦115.25 million fees and allowance due to the directors as at December 31, 2016 (2015 : ₦42.97 million)

21 Deferred income

	31 Dec 2016	31 Dec 2015
	₦'000	₦'000
Collections from prepaid customers (Note 7)	442,385	373,849

22 Loans and borrowings

	31 Dec 2016	31 Dec 2015
	₦'000	₦'000
CAPMI payables (Note 22(a))	5,416,160	3,280,296
ICAP payables (Note 22(b))	251,432	-
Power intervention fund (Note 22(c))	21,310,249	22,849,395
	26,977,841	26,129,691

(a) During the year, the Minister of Power, works and housing pronounced that the Credited Advance Payment for Metering Implementation (CAPMI) scheme should be reviewed and eventually wound down from the 1st of November 2016 due to the inability of the Electricity distribution Companies (Discos) to deploy meters after collecting funds from customers.

The management of IBEDC on receipt of the directive ceased operation of the scheme and through its website made this known to the public. Also IBEDC issued an assurance to the customers who have paid and were yet to get the meters of its intention to fulfil its commitment to the affected customers. IBEDC recognised the balance of those customers who are yet to be metered.

(b) Also, on customers request, IBEDC designed a new scheme IBEDC Credited Advance Payment ("ICAP") to replace the ceased CAPMI for customers who are willing to finance their meter and would be refunded within a period of three (3) years.

Notes to the Financial Statements

(c) The Power Intervention Fund ("PIF") represents interest bearing commercial loan facility provided by Central Bank of Nigeria ("CBN") and NERC to enable the Company cushion interim period revenue shortfall and repay certain identified legacy gas debts owed by Nigerian Electricity Supply Industry ("NESI") players which accrued up to the 1 November 2013 handover date. This loan facility with a ten (10) year tenor is expected to be recovered from customers over the same period through the electricity retail tarrif. The terms of the loan agreement provide for a moratorium period of 12 months on principal/loan disbursed during which interest shall accrue and be paid on a monthly basis.

On expiration of the moratorium period, IBEDC, during the year began the repayment of this loan to CBN as stated in the agreement.

	31 Dec 2016	31 Dec 2015
	₦'000	₦'000
Drawdowns	21,318,831	17,489,808
	21,318,831	17,489,808

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 2016	31 Dec 2015
	₦'000	₦'000
Opening balance	4,400,000	-
Disbursement	1,600,000	4,400,000
Repayment	(300,000)	-
	5,700,000	4,400,000

During the year, the Company disbursed a total of ₦1.60 billion out of its operating cash flows in addition to an initial amount of ₦4.40 billion obtained as loan out of Central Bank of Nigeria (CBN)-Nigeria Electricity Market Stabilisation Facility (NEMSF) to its parent company, IEDM Limited amounting to a total of ₦6 billion.

IEDM has executed an agreement to pay the entire loan stated in Note 16 to IBEDC on demand. During the year IEDM paid ₦0.3 billion, leaving a balance of ₦5.7 billion.

(c) Transactions with key management personnel

Key management personnel compensation comprised:

	31 Dec 2016	31 Dec 2015
	₦'000	₦'000
Salaries	38,150	20,625
Other short-term benefits	77,470	21,749
	115,620	42,374

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.

Notes to the Financial Statements

24 Correction of prior year errors

In prior year, the company erroneously prepared its financial statements for the period ended 31st December 2015 without fair valuing the CBN-NEMSF intervention fund obtained during the year. The company evaluated the carrying amount of this liability and fair valued it, 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 costs. Management's assessment of the facility using the fair value principle indicated that its carrying value of the facility needs to be revised in prior year. As a consequence, the comparative have been restated to correct this error. The impact of the restatement is as follows:

(i) **Statement of financial position (extract)**

	Impact of correction of errors		
	As previously stated	Adjustments	As restated
ASSETS			
Property, plant and equipment	109,622,689	-	109,622,689
Intangible assets	74,033	-	74,033
Non-current assets	**109,696,722**	**-**	**109,696,722**
Inventories	1,278,192	-	1,278,192
Trade and other receivables	12,944,415	(304,163)	12,640,252
Prepayments	728,466	-	728,466
Cash and cash equivalents	5,170,673	-	5,170,673
Current assets	**20,121,746**	304,163	**19,817,583**
Total assets	**129,818,468**	304,163	**129,514,305**
EQUITY			
Share capital	5,000	-	5,000
Retained earnings	22,606,806	(2,741,538)	25,348,344
Revaluation reserve	47,434,358	-	47,434,358
Total Equity	**70,046,164**	(2,741,538)	**72,787,702**
LIABILITIES			
Loans and borrowings	30,443,915	4,314,224	26,129,691
Deferred tax liability	6,897,822	(1,199,426)	8,097,248
Non-current liabilities	**37,341,737**	**3,114,798**	**34,226,939**
Current Liabilities			
Deferred income	373,849	-	373,849
Trade and other payables	22,056,718	(69,097)	22,125,815
Current tax liabilities	-	-	-
Current liabilities	**22,430,567**	**(69,097)**	**22,499,664**
Total liabilities	**59,772,304**	**3,045,701**	**56,726,603**
Total Equity and Liabilities	**129,818,468**	304,163	**129,514,305**

Notes to the Financial Statements

(ii) **Statement of Profit or Loss and Other Comprehensive Income (extract)**

	As previously stated	Adjustments	As restated
Revenue	61,378,229	-	61,378,229
Direct costs	(44,662,437)	-	(44,662,437)
Gross profit	**16,715,792**	-	**16,715,792**
Other income	399,079	(4,247,791)	4,646,870
Distribution expenses	(6,588,486)	-	(6,588,486)
Billing and collection expenses	(21,441,500)	-	(21,441,500)
Customer service expenses	(1,945,017)	-	(1,945,017)
Administrative expenses	(4,085,866)	-	(4,085,866)
Loss from operating activities	**(16,945,998)**	**(4,247,791)**	**(12,698,207)**
Finance income	498,405	304,163	194,242
Finance costs	(3,613,328)	2,663	(3,615,991)
Net finance costs	(3,114,923)	306,826	(3,421,749)
Loss before taxation	**(20,060,921)**	**(3,940,965)**	**(16,119,956)**
Taxation	6,123,468	1,199,426	4,924,042
Loss after taxation	**(13,937,453)**	**(2,741,539)**	**(11,195,914)**
Other comprehensive income:			
Other comprehensive income, net of tax	-	-	-
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	**(13,937,453)**	**(2,741,539)**	**(11,195,914)**

(iii) **Statement of Cash Flows (extract)**

	As previously stated	Adjustments	As restated
Cash flows from operating activities:			
Loss before tax	(20,060,921)	(3,940,965)	(16,119,956)
Adjustment:			
- depreciation	3,937,502	-	3,937,502
- bad debts	18,827,385	-	18,827,385
- impairment allowance on receivables	1,675,932	-	1,675,932
	4,379,898	**(3,940,965)**	**8,320,863**
Changes in:			
(Increase)/Decrease in inventories	106,998	-	106,998
Increase in trade & other receivables	(30,959,460)	(304,163)	(30,655,297)
Increase in prepayment	(576,384)	-	(576,384)
Decrease in trade and other payables	1,593,665	(69,098)	1,662,763
Decrease in deferred income	116,380	-	116,380
Cash (used in) / generated from operating activities	**(25,338,903)**	**(4,314,226)** -	**(21,024,677)**
Reversal of output value added tax on bad debts	1,918,115	- -	1,918,115
Net cash (used in) / generated from operating activities	**(23,420,788)**	**(4,314,226)**	**(19,106,562)**

Notes to the Financial Statements

Cash flows from investing activities:		-	
Acquisition of property, plant and equipment	(3,420,643)	-	(3,420,643)
Acquisition of Intangible Asset	(74,033)	-	(74,033)
Net cash used in investing activities	**(3,494,676)**	-	**(3,494,676)**
Cash flows from financing activities:			
Loans and borrowings	29,371,737	4,314,226	25,057,511
Net cash generated from financing activities	**29,371,737**	**4,314,226**	**25,057,511**
Net increase in cash and cash equivalents	2,456,273	-	2,456,273
Cash and cash equivalents at 1 January	2,714,400	-	2,714,400
Cash and cash equivalents at 31 December	**5,170,673**	-	**5,170,673**

25 Contingent liabilities

(a) 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"). 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.

(b) 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 ₦136.40 million (2015: ₦10.32 billion). 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.

26 Events after the reporting period

(a) Contravention of Sections 5(2.3) and 9(9) of NESIS

Subsequent to year end, NERC found IBEDC in violation of the installation guidelines, health and safety regulationsand contravention of Sections 5(2.3); 9(9) of the Nigerian Electricity Supply and Installation Standards (NESIS) Regulation, 2015 and Part 2 (13.3.C) of the Nigerian Health and Safety Code.

(b) NERC fines IBEDC ₦50 million

Subsequent to the year end, IBEDC was fined ₦50 million by NERC following the outcome of an open book review conducted on the company's financial records in which the commission observed an outstanding loan of ₦5.7 billion due from IEDM, its parent company. The company has since paid the fine.

Notes to the Financial Statements

27 Going concern

The Company reported a loss before tax of ₦35.86 billion for the year ended 31 December 2016 (2015: ₦16.12 billion) and as of that date, the Company's current liabilities exceeded its current assets by ₦38.05 billion (2015: ₦2.68 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.

28 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 2016	31 Dec 2015
	₦'000	₦'000
Trade and other receivables	16,764,750	12,640,252
Cash at bank	7,157,500	5,170,209
	23,922,250	17,810,461

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
2016	**₦'000**	**₦'000**	**₦'000**
Private individuals/companies	26,439,488	21,279,948	47,719,436
Government institutions	1,414,066	3,046,710	4,460,776
Total	27,853,554	24,326,658	52,180,212

	Maximum Demand	Non-maximum Demand	Total
2015	**₦'000**	**₦'000**	**₦'000**
Private individuals/companies	14,199,786	10,861,858	25,061,644
Government institutions	974,470	1,787,845	2,762,315
Total	15,174,256	12,649,703	27,823,959

At 31 December 2016, the ageing of trade receivables is as follows:

	31 Dec 2016	31 Dec 2015
	₦'000	**₦'000**
Current	4,915,663	5,843,031
Past due 0-30 days	1,647,290	1,669,438
Past due 31-90 days	4,383,847	3,617,115
Past due 91-120 days	2,602,034	1,112,958
Past due 120 days and above	38,631,378	15,581,417
	52,180,212	27,823,959

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

	31 Dec 2016	31 Dec 2015
	₦'000	**₦'000**
Balance at 1 January	21,453,049	19,777,117
Net impairment loss recognised (Note 16(a))	21,368,000	1,675,932
Write-off in the year	(30,509)	-
Balance at 31 December	42,790,540	21,453,049

Notes to the Financial Statements

Management monitors the Company's trade and other receivables for indicators of impairment. During the year, the Company wrote off bad debts amounting to ₦30.5 million (2015: ₦18.83 billion).

The directors have recorded an impairment allowance amounting to ₦21.37 billion (2015: ₦21.45 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 ₦7.16billion (2015: ₦5.17billion) with banks and financial institutions operating in Nigeria.

(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
	₦'000	₦'000	₦'000	₦'000	₦'000
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
Non-derivative financial liabilities					
31 December 2015					
Trade and other payables	22,125,815	22,125,815	15,758,420	6,367,395	-
Loans and borrowings	26,129,691	26,129,691	-	-	26,129,691
	48,255,506	48,255,506	15,758,420	6,367,395	26,129,691

(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
	₦'000	₦'000	₦'000
31 December 2016			
Financial assets not measured at fair value			
Trade and other receivables	16,764,750	-	16,764,750
Cash and cash equivalents	7,158,000	-	7,158,000
	23,922,750	-	23,922,750

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	-	64,606,249	64,606,249
Loans and borrowings	-	26,977,841	26,977,841
	-	91,584,090	91,584,090

	Loans and receivables	Other financial liabilities	Total
	₦'000	₦'000	₦'000
31 December 2015			
Financial assets not measured at fair value			
Trade and other receivables	12,640,252	-	12,640,252
Cash and cash equivalents	5,170,673	-	5,170,673
	17,810,925	-	17,810,925

	Loans and receivables	Other financial liabilities	Total
	₦'000	₦'000	₦'000
Financial liabilities not measured at fair value			
Trade and other payables	-	22,125,815	22,125,815
Loans and borrowings	-	26,129,691	26,129,691
	-	48,255,506	48,255,506

29 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 2016, the future minimum lease payments under non-cancellable leases were payable within 1 year and amounted to ₦48.2 million (2015: ₦48.8 million).

(ii) *Amounts recognised in profit or loss*

Lease expenses recognised in profit or loss during the year amounted to ₦72 million (2015: ₦44.5 million). This is included in administrative expenses as rent expense.

Notes to the Financial Statements

30 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 (5(a))

31 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 2017 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 2016

	2016	%	2015	%
	₦'000		₦'000 *Restated	
Revenue	61,314,594		61,378,229	
Brought in materials and services				
- Local	(59,979,665)		(55,282,042)	
	1,334,929		6,096,187	
Finance income	333,054		194,242	
	1,667,983	100	6,290,429	100
To employees:				
- Wages, salaries and other staff costs	5,280,357	317	5,008,807	80
To providers of finance:				
- Finance cost and similar charges	6,338,702	380	3,615,991	57
To government as:				
- Taxes	10,872,147	652	4,924,042	78
Retained in the business:				
To maintain and replace:				
- Property, plant and equipment	4,155,525	249	3,937,503	63
- Intangible assets	8,624	1	-	-
- To deplete reserve	(24,987,372)	(1,499)	(11,195,914)	(178)
	1,667,983	100	6,290,429	100

*Certain amounts shown here do not correspond to the 2015 financial statements and have reflected adjustments as described in Note 24.

Financial Summary

Statement of profit or loss and other comprehensive income

	2016	2015	2014	2013
	₦'000	₦'000	₦'000	₦'000
		*Restated		
Revenue	61,314,594	61,378,229	50,452,107	49,100,316
Loss before income tax	(35,859,519)	(16,119,956)	(17,799,985)	(8,257,893)
Loss for the year	(24,987,372)	(11,195,914)	(11,376,483)	(8,257,893)
Total comprehensive (loss) / income for the year	(24,987,372)	(11,195,914)	(11,376,483)	39,176,465

Statement of financial position

	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
	₦'000	₦'000	₦'000	₦'000
		*Restated		
Employment of funds				
Property, plant and equipment	109,399,710	109,622,689	110,139,550	112,973,785
Intangible Asset	655,521	74,033	-	-
Deferred tax (liabilities) / Assets	2,774,899	(8,097,248)	(13,021,290)	(20,329,011)
Loans and borrowings	(26,977,841)	(26,129,691)	(1,072,179)	-
Net current liabilities	(38,051,958)	(2,682,081)	(14,864,798)	(87,008)
Net assets	47,800,331	72,787,702	81,181,283	92,557,766
Funds employed				
Share capital	5,000	5,000	5,000	5,000
Retained earnings	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
	47,800,331	72,787,702	81,181,283	92,557,766

*Certain amounts shown here do not correspond to the 2015 financial statements and have reflected adjustments as described in Note 24.