

PORT HARCOURT ELECTRICITY DISTRIBUTION Plc
REPORT OF THE DIRECTORS
AUDITED FINANCIAL STATEMENTS AND OTHER NATIONAL
DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2013

**PORT HARCOURT ELECTRICITY DISTRIBUTION PLC
REPORTS OF THE DIRECTORS, AUDITED FINANCIAL STATEMENTS AND OTHER
NATIONAL DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**PORT HARCOURT ELECTRICITY DISTRIBUTION PLC
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2013**

Directors: HRM King A. Turner
Engr. Matthew Edevbie (Managing Director)
Dr. Ransome Owan
Dr. Abdul Wahaab Adebayo Ibraheem
Dr. Christian Nwinia
Mr. Jon Abbas (Pakistan)

Secretary: Sterling Law Alliance
11 Iriebe Street
D/ Line
Port Harcourt
Rivers State

Registered office: 1 Moscow Road
Port Harcourt
Rivers State

Registration number: RC 638702

Principal bankers: Access Bank Plc
Ecobank Plc
First City Monument Bank Plc
Guaranty Trust Bank Plc
Skye Bank (formerly Mainstreet Bank Ltd)
United Bank for Africa Plc
Zenith Bank Plc

Auditors: Ernst & Young
10th & 13th Floors, UBA House
57, Marina, Lagos, Nigeria

**PORT HARCOURT ELECTRICITY DISTRIBUTION PLC
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2013**

The directors have pleasure in submitting to the members of the Company their report together with the audited financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Company is the distribution and marketing of electricity to Rivers, Cross River, Akwa-Ibom and Bayelsa states in Nigeria.

STATE OF AFFAIRS

In the opinion of the Directors, the state of the Company's affairs is satisfactory and there has been no material change since the reporting date, which would affect the financial statements as presented.

RESULTS FOR THE YEAR	2013	2012
	₦'000	₦'000
Revenue	23,510,528	21,368,524
	=====	=====
Loss before taxation	(13,325,422)	(16,901,377)
Income tax expense	(191,641)	(68,569)
	-----	-----
Loss after taxation	(13,517,063)	(16,969,946)
	=====	=====

ECONOMIC AND BUSINESS PERFORMANCE REVIEW

Port Harcourt Electricity Distribution Plc had the following:

	2013	2012
Total number of customers	537,281	428,073
Total energy received (thousand kilowatts)	1,725,044	1,737,272
Total cash collections (millions of naira)	13,574	11,652

REPORTING FRAMEWORK

The annual financial statements have been prepared in accordance with the International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria (LFN) 2004.

BUSINESS TRANSITION

In 1999, the Federal Government of Nigeria set up the Electric Power Sector Implementation Committee (EPIC) to undertake a comprehensive study of the electricity power industry. The EPIC created Power Holding Company of Nigeria (PHCN), a company registered under the Companies and Allied matters Act, to assume the assets, liabilities and employees of the former Federal Government parastatal- National Electric Power Authority ("NEPA") that was in charge of electricity generation, transmission and distribution in Nigeria. PHCN was set up to achieve greater operational autonomy. The shares of PHCN were fully owned by the Federal Government of Nigeria.

**PORT HARCOURT ELECTRICITY DISTRIBUTION PLC
REPORT OF THE DIRECTORS - Continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

In 2005, PHCN was unbundled to form 6 electricity generation, 1 electricity transmission and 11 electricity distribution companies with the intent of sale of shares in these companies to private investors. PHED is one of the electricity distribution companies. The Federal Government also set up a special purpose agency, Nigeria Electricity Liability Management Company Limited (NELMCO), to take over some assets and liabilities of these companies in order to sell the shares of the companies to intending investors.

On 1 November 2013, 4power Consortium bought over 60% of the shares in PHED from the Federal Government. PHED is responsible for the distribution and marketing of electricity to Rivers, Cross River, Akwa-Ibom and Bayelsa states in Nigeria.

All electricity companies are regulated by Nigerian Electricity Regulatory Commission (NERC), a Federal Government parastatal that ensures efficiency, stability and reliability in the supply of electricity in Nigeria.

SHAREHOLDING

The issued and fully paid shares of the Company were held as follows:

	2013	2012
	Number of	Number of
4Power Consortium	6,000,000	-
Bureau of Public Enterprises (BPE)	3,200,000	8,000,000
Ministry of Finance Incorporated (MOFI)	800,000	2,000,000
	-----	-----
	10,000,000	10,000,000
	=====	=====

PROPERTY, PLANT AND EQUIPMENT

Information relating to movement in property, plant and equipment is as shown in Note 12 to the financial statements. In the opinion of the directors, the market value of the Company's property, plant and equipment is not less than the carrying value shown in the financial statements.

DIRECTORS

The names of the Directors at the date of this report and of those who held office during the year are as follows:

Mohammed Kyari Dikwa	Resigned 31 October 2013
Benjamin Ezra Dikki	Resigned 21 July 2016
King A. Turner	Appointed 1 November 2013
Engr. Matthew Edevbie (Managing Director)	Appointed 1 November 2013
Dr. Ransome Owan	Appointed 1 November 2013
Dr. Abdul Wahaab Adebayo Ibraheem	Appointed 1 November 2013
Dr. Christian Nwinia	Appointed 1 November 2013
Mr. Jon Abbas (Pakistan)	Appointed 1 November 2013

**PORT HARCOURT ELECTRICITY DISTRIBUTION PLC
REPORT OF THE DIRECTORS - Continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

DIRECTORS' INTEREST IN SHARES

Pursuant to Section 275 and 276 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, none of the directors has any direct and indirect interest in the shares of the Company as notified by them and recorded in the Register.

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors has notified the Company for the purpose of section 277 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 of any disclosable interest in contracts with which the Company is involved as at 31 December 2013.

EQUAL EMPLOYMENT OPPORTUNITY

The Company pursues an equal employment opportunity policy. It does not discriminate against any person on the ground of race, religion, colour, or physical disability.

EMPLOYMENT OF PHYSICALLY DISABLED PERSONS

The Company maintains a policy of giving fair consideration to applications from physically disabled persons, bearing in mind their respective aptitudes and abilities. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that the appropriate training is arranged. The Company does not have any disabled person during the year.

INDUSTRIAL AND EMPLOYEE RELATIONS

The Company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and the various factors affecting the performance of the Company. This is achieved through management's open door policy and improved communication channels. These channels include the e-mail and an intranet and the entrenchment of regular departmental meetings.

TRAINING AND DEVELOPMENT

The Company places great emphasis on the training and development of its staff and believes that its people are its greatest assets. Training courses are geared towards the developmental needs of staff and the improvement in their skill sets to face the increasing challenges in the industry. The Company continues to invest in human capital to ensure that people are well motivated and positioned to compete in the industry.

EMPLOYEE HEALTH, SAFETY AND WELFARE

The Company enforces strict health and safety rules and practices within work environment, which are reviewed and tested regularly. Fire prevention and fire-fighting equipment are installed in strategic locations within the Company's premises. The Company operates a defined contributory pension plan managed by various pension fund managers.

**PORT HARCOURT ELECTRICITY DISTRIBUTION PLC
REPORT OF THE DIRECTORS - Continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

RESEARCH AND DEVELOPMENT

The Company did not engage in any research and development activities during the year (2012: Nil).

DIVIDEND

The Directors do not recommend to members the payment of dividend in respect of the year ended 31 December 2013 (2012:Nil).

CHARITABLE CONTRIBUTIONS

The Company did not make any charitable donation during the year (2012: Nil).

FORMAT OF FINANCIAL STATEMENTS

The financial statements are presented in accordance with the reporting and presentation requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and International Financial Reporting Standards. The directors consider that the format adopted is the most suitable for the Company.

EVENTS AFTER THE REPORTING DATE

In January 2015, Federal Government of Nigeria through the Central Bank of Nigeria provided distribution Companies in Nigeria with an intervention fund. A sum of circa N21 billion was provided to the Company as a loan. As at date, the total sum disbursed of this loan facility to the Company is circa N14billion. This loan is repayable at an annual interest rate of 10%. Transitional Electricity Market (TEM) was officially declared open by the regulators in February 2015. The commencement of TEM significantly affects the operation of Nigeria electricity market because it activates the industry agreement after the Interim Rule Period (IRP).

Auditors

Ernst & Young was appointed on 17 December 2013 and have expressed their willingness to continue in office as the Company's auditors in accordance with Section 357 (2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

A resolution will be proposed at the Annual General Meeting empowering the directors to fix their remuneration.

BY ORDER OF THE BOARD


Eni Akpodiete

STERLING LAW ALLIANCE
Sterling Law Alliance

Company Secretary

FRC/2017/NBA/00000016008

28/02/2017

**PORT HARCOURT ELECTRICITY DISTRIBUTION PLC
INDEPENDENT AUDITORS' REPORT**

The Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss for the year ended 31 December 2013. The responsibilities include ensuring that the Company:

- a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004;
- b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The Directors accept responsibility for this annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards issued by International Accounting Standards Board (IASB) and the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its loss for the year ended 31 December 2013. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Dr. Abdul Wahab Adebayo Ibraheem
Director
FRC/2013/ICAN/00000004731

28/02/2017

Name of Director
Director
FRC/2013/ICAN/00000015241

28/02/2017



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www.ey.com

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC INDEPENDENT AUDITORS' REPORT

Report on the financial statements

We were engaged to audit the accompanying financial statements of Port Harcourt Electricity Distribution Plc which comprise the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and for such internal controls as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion.

Inventories

We were appointed auditors on 17 December 2013 but were not engaged for the audit of the financial statements of the Company until 20 May 2015 and thus did not observe the counting of physical inventories at 31 December 2012 and 31 December 2013. We were unable to satisfy ourselves by alternative means about the existence and completeness of the inventory held at 31 December 2013 which is stated in the statement of financial position at N212.6million and the opening balances at 01 January 2013. Since inventories enter into the determination of the financial performance and cash flows, we were also unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the statement of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the cash flow statement.

Cash and Cash Equivalents

The Company's cash and cash equivalents is carried at N541.7million on the statement of financial position as at 31 December 2013. We were unable to obtain sufficient appropriate audit evidence about the completeness, existence and valuation of the carrying amount of the cash and cash equivalents as at 31 December 2013 because we were not provided with a reconciled listing of accounts which agreed to the balance nor access to bank statements for all accounts. We were also therefore unable to circularise the banks for bank confirmation letters as we did not have the details for the all accounts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary at year end. Since cash and bank accounts form the basis of the cut-off of the payment and receipts cycles we were also unable to obtain the necessary audit evidence in respect of cut-off for all other amounts which are stated in the statement of financial position and consequently the performance shown in the statement of profit or loss and other comprehensive income. The previous auditors report was also modified in this regard in the previous year.



PORT HARCOURT ELECTRICITY DISTRIBUTION PLC INDEPENDENT AUDITORS' REPORT - Continued

Federal Government Funding

Other reserves amounting to N55.3 Billion in the statement of financial position as at 31 December 2013 includes Federal Government Funding of N5.9 Billion. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Federal Government Funding because Management could not provide detailed financial information and we were unable to confirm or verify by alternative means. Consequently, we were unable to determine whether any adjustments to these amounts were necessary and also whether the movements in the current period should be adjusted for in the statement of comprehensive income.

The predecessor auditors' opinion on the financial statements for the year ended 31 December 2012 was also modified in respect of the cash and cash equivalents and the Federal Government Funding.

Administrative Expenses

Management were unable to provide a detailed ledger listing which agrees with the trial balance for administrative expenses stated as N13.7 billion on the statement of profit or loss and other comprehensive income. The nature of the accounting records did not permit the application of suitable alternative auditing procedures. We were therefore unable to confirm or verify by alternative means the existence, completeness or valuation of administrative expenses included in the statement of profit or loss and other comprehensive income at a total amount of N13.7 billion for the year ended 31 December 2013.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. Accordingly, we do not express an opinion on the financial statements.

Report on Other Legal and Regulatory Requirements

In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, we confirm that:

- i) we have not obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) in our opinion, proper books of account have not been kept by the Company, so far as appears from our examination of those books; and
- iii) the Company's Statement of financial position and the statement of profit or loss and other comprehensive income are not in agreement with the books of account.

Yemi Odutola

Yemi Odutola, FRC/2012/ICAN/0000000141
For: Ernst & Young
Chartered Accountants
Lagos, Nigeria

28 February 2017



PORT HARCOURT ELECTRICITY DISTRIBUTION PLC
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 ₦'000	2012 ₦'000
Revenue	5	23,510,528	21,368,524
Cost of sales	6	(23,043,054)	(21,120,932)
		-----	-----
Gross profit		467,474	247,592
Administrative expenses	7	(13,792,896)	(17,150,051)
		-----	-----
Operating loss		(13,325,422)	(16,902,459)
Finance income	8	-	1,082
		-----	-----
Loss before tax		(13,325,422)	(16,901,377)
Income tax expense	10	(191,641)	(68,569)
		-----	-----
Loss for the year		(13,517,063)	(16,969,946)
		-----	-----
Other comprehensive income		-	-
		-----	-----
Total comprehensive loss for the year		(13,517,063)	(16,969,946)
		=====	=====
Basic and diluted loss per share (₦)	11	(1,352)	(1,697)
		=====	=====

The accounting policies and notes on pages 15 to 57 form an integral part of these financial statements.

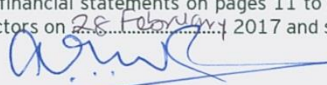
PORT HARCOURT ELECTRICITY DISTRIBUTION PLC


STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Notes	2013 N'000	2012 N'000	1 January 2012 N'000
ASSETS				
Non-current assets				
Property, plant and equipment	12	32,188,657	32,959,592	31,854,636
		=====	=====	=====
Current assets				
Inventories	13	212,684	252,392	173,323
Trade and other receivables	14	1,980,617	4,510,788	10,506,802
Cash and cash equivalents	15	541,753	741,170	2,470,522
		-----	-----	-----
Total current assets		2,735,054	5,504,350	13,150,647
		-----	-----	-----
Total assets		34,923,711	38,463,942	45,005,283
		=====	=====	=====
LIABILITIES				
Current liabilities				
Trade and other payables	16	1,891,776	38,272,201	28,584,154
Income tax payable	10	580,335	388,694	320,125
		-----	-----	-----
Total current liabilities		2,472,111	38,660,895	28,904,279
		=====	=====	=====
Equity attributable to shareholders				
Share capital	17	5,000	5,000	5,000
Other reserves	18	55,314,648	5,997,443	5,325,454
Retained earnings		(22,868,048)	(6,199,396)	10,770,550
		-----	-----	-----
Total equity		32,451,600	(196,953)	16,101,004
		-----	-----	-----
Total equity and liabilities		34,923,711	38,463,942	45,005,283
		=====	=====	=====

The accounting policies and notes on pages 15 to 57 form an integral part of these financial statements. The financial statements on pages 11 to 60 were approved and authorised for issue by the board of directors on 28 February 2017 and signed on its behalf by;


 Dr. Abdul Wahab Adebayo Ibraheem
 Director
 FRC/2013/ICAN/00000004731


 Director
 FRCN XXXXXX
 FRC/2016/100N/000000157

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to equity holders of the Company			
	Issued Capital ₦'000	Retained earnings ₦'000	Other reserves ₦'000	Total equity ₦'000
Balance at 1 January 2012	5,000	10,770,550	5,325,454	16,101,004
Loss for the year	-	(16,969,946)		(16,969,946)
Other comprehensive income	-	-		-
Total comprehensive loss for the year	-	(16,969,946)	-	(16,969,946)
Transactions with owners:				
Contribution from the Federal Government (Note 18)	-	-	671,989	671,989
Balance as at 31 December 2012	5,000	(6,199,396)	5,997,443	(196,953)
Balance at 1 January 2013	5,000	(6,199,396)	5,997,443	(196,953)
Loss for the year	-	(13,517,063)	-	(13,517,063)
Other comprehensive income	-	-		-
Total comprehensive income for the year	-	(13,517,063)	-	(13,517,063)
Transactions with owners:				
Funds distribution to the Federal Government (Note 19)	-	(3,151,589)	-	(3,151,589)
Additional contribution through transfers of assets and liabilities (Note 18)	-	-	49,317,205	49,317,205
Balance as at 31 December 2013	5,000	(22,868,048)	55,314,648	32,451,600

The accounting policies and notes on pages 15 to 57 form an integral part of these financial statements.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 ₦'000	2012 ₦'000
<i>Cash flows from operating activities</i>			
Net cash flow from operating activities	20	3,138,901	(342,259)
		-----	-----
Net cash flows from operating activities		3,138,901	(342,259)
		=====	=====
<i>Cash flows from investing activities</i>			
Purchase of property, plant and equipment	12	(186,729)	(2,060,164)
Interest received		-	1,082
		-----	-----
Net cash flows used in investing activities		(186,729)	(2,059,082)
		=====	=====
<i>Cash flow from financing activities</i>			
Federal government funds received		-	671,989
Distribution to Federal government		(3,151,589)	-
		-----	-----
Net cash flows (used in)/from financing activities		(3,151,589)	671,989
		=====	=====
Net decrease in cash and cash equivalents		(199,417)	(1,729,352)
Cash and cash equivalents at start of year		741,170	2,470,522
		-----	-----
Cash and cash equivalents at 31 December	15	541,753	741,170
		=====	=====

The accounting policies and notes on pages 15 to 57 form an integral part of these financial statements.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

The financial statements of Port Harcourt Electricity Distribution Plc. for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on ~~28 February~~ 2017. Port Harcourt Electricity Distribution Plc. is a public limited company incorporated and domiciled in Nigeria. The registered office is located at 1 Moscow road, Port Harcourt, Rivers State.

The Company is principally engaged in the distribution and marketing of electricity to Rivers, Cross River, Akwa-Ibom and Bayelsa states in Nigeria.

Business transition

In 1999, the Federal Government of Nigeria set up the Electric Power Sector Implementation Committee (EPIC) to undertake a comprehensive study of the electricity power industry. The EPIC created Power Holding Company of Nigeria (PHCN), a company registered under the Companies and Allied matters Act, to assume the assets, liabilities and employees of the former Federal Government parastatal- National Electric Power Authority ("NEPA") that was in charge of electricity generation, transmission and distribution in Nigeria. PHCN was set up to achieve greater operational autonomy. The shares of PHCN were wholly owned by the Federal Government of Nigeria.

In 2005, PHCN was unbundled to form six electricity generation, 1 electricity transmission and 11 electricity distribution companies with the intent of sale of shares in these companies to private investors. PHED is one of the electricity distribution companies. The Federal Government also set up a special purpose agency, Nigeria Electricity Liability Management Company Ltd (NELMCO), to take over some assets and liabilities of these companies in order to sell the shares of the companies.

On 1 November 2013, 4power Consortium bought 60% of the shares in PHED from the Federal Government.

All electricity companies are regulated by the Nigerian Electricity Regulatory Commission (NERC), a Federal Government parastatal that ensures efficiency, stability and reliability in the supply of electricity in Nigeria. On 1 November 2013, NERC set up interim rules to regulate the electricity sector. These rules were a bridge to the Transitional Electricity Market ("TEM").

TEM establishes a framework to govern trading arrangements during the Interim period when Power Purchase Agreements (PPAs) between the privatised Power Holding Company of Nigeria (PHCN) successor generation companies and Nigerian Bulk Electricity Trading Plc (NBET) and Vesting Contracts between Nigerian Bulk Electricity Trading "NBET" and the privatised PHCN successor distribution companies will not be effective.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

2 Significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

For all periods up to and including the year ended 31 December 2012, the Company prepared its financial statements in accordance with Nigeria Generally Accepted Accounting Principles (NGAAP). These financial statements for the year ended 31 December 2013 are the first the Company has prepared in accordance with IFRS. Refer to Note 2.4 for information on how the Company adopted IFRS.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Naira and all values are rounded to the nearest thousand (N000), except when otherwise indicated.

2.3 Summary of significant accounting policies

a) Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of rendering of service
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of rendering of service
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

b) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements. The Company is the primary obligor in all the revenue arrangements has pricing latitude and is also exposed to inventory and credit risks.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of Electricity

Revenues are recognised upon supply of power to the customers. The Nigerian Electricity Regulatory Commission (NERC) under Section 32 (d) of the Electric Power Sector Reform (EPSR) Act, 2005 Act established a methodology for regulating electricity prices called the Multi-Year Tariff Order (MYTO). The MYTO provides a 15 year tariff path for the Nigerian electricity industry with limited minor reviews each year in the light of changes in a limited number of parameters (such as inflation and gas prices) and major reviews every 5 years, when all of the inputs are reviewed with stakeholders. On 1 July 2012 the NERC issued the Multi-Year Tariff Order (MYTO) for the determination of charges and tariffs for electricity generation, transmission and retail tariffs which consist of monthly fixed charge and monthly energy charge for the different customer classification.

Connection fee

These relate to sums received from customers to connect them to the distribution network and other revenue from the electricity system, these services are recognised at their invoice values.

Interest income

For all financial instruments measured at amortised cost, interest income is recognised using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in profit or loss.

c) Taxation

The Company's taxes cover current income tax and deferred tax.

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in Nigeria.

Current income tax relating to items recognised directly in equity is recognised in equity through other comprehensive income and not in profit or loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income (OCI) or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax (VAT)

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

- When receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Foreign currency transactions

The Company's financial statements are presented in Nigeria Naira, which is also the Company's functional currency.

Transactions in foreign currencies are translated to the functional currency spot exchange rates at the dates the transaction first qualifies for recognition.

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

e) Property, plant and equipment

Property, plant and equipment are initially stated at cost and subsequently carried at revalued amount, net of accumulated depreciation and accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Property, plant and equipment are measured at fair value less accumulated depreciation and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value at the reporting date.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Asset Type	Estimated Useful Lives
Sub-transmission and distribution	30-40 years, depending on the life of the significant parts
Buildings and improvements	40 years
Office furniture and fixtures	5-10 years
Motor vehicle	5-7 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Transfer of assets from customers

When electricity distribution items such as transformers, are purchased by or transferred from customers, the Company assesses whether such assets are being transferred to the Company and if the items meets the definition of an asset, that is, if the Company has control, if the cost can be reliably measured and if it is probable that economic benefit will flow to the Company from the use of the item. If this is met, such items would be recognised at fair value on initial recognition in property, plant and equipment with an increase in other income in the period when the assets are purchased or transferred from customers.

Construction Work in Progress

Construction in progress is stated at cost, which includes cost of construction, plant and equipment and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are substantially completed and available for their intended use.

Major spare parts and stand-by equipment qualify as property, plant and equipment when an entity expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment under construction work in progress.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

f) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

g) Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

❖ Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or as Available for Sale (AFS) financial assets. All financial assets are recognised initially at fair value plus, in the case of financial assets not measured at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in other administrative expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 14.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Company's continuing involvement in it. In such case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 3
- Trade receivables Note 14

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the receivables or a group of receivables is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

❖ Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as payables. All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Trade and other payables

After initial recognition, trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

For more information on trade and other payables, refer to Note 16

Derecognition

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

❖ *Offsetting of financial instruments*

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

h) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on the First in First Out (FIFO) principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

i) Impairment of Non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 3

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses on inventories are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For Property, plant and equipment, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is treated as a revaluation increase.

j) Cash and cash equivalent

Cash and cash equivalent in the statement of financial position and statement of cash flows comprise cash at banks and on hand, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents comprises of cash on hand cash at bank and overdraft.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

k) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

l) Pension and other post-employment benefits

Pension plan

The Company operates a defined contribution plan for its staff in accordance with the provisions of the Pension Reform Act 2004. This plan is in proportion to the services rendered to the Company by the employees with no further obligation on the part of the Company.

The Company and its employees contribute 7.5% each of employees' current salaries and designated allowances to the scheme. Staff contributions to the plan are funded through payroll deductions while the Company's contribution is recorded as employee benefit expense in profit or loss.

The Company does not have any legal or constructive obligation to pay further amounts if the plan asset is not sufficient to fund the obligation.

m) Fair value measurement

The Company measures financial instruments measured at amortised cost and non-financial assets such as property, plant and equipment at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Property, plant and equipment under revaluation model Note 4

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

External valuers are involved for valuation of significant assets, such as property, plant and equipment. Involvement of external valuers is decided upon every five years or when there is a significant change in market value of the property, plant and equipment after discussion with and approval by the Company's Board of directors. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Board of directors decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use.

The Board of director, in conjunction with the Company's external valuers, also compares the change in the fair value of the asset with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.4. First-time adoption of IFRS

These financial statements, for the year ended 31 December 2013, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2012, the Company prepared its financial statements in accordance with Nigerian generally accepted accounting principle (Nigerian GAAP).

The Company has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2013, together with the comparative period data as at and for the year ended 31 December 2012, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 January 2012, the Company's date of transition to IFRS.

This note explains the principal adjustments made by the Company in restating its Nigerian GAAP financial statements, including the statement of financial position as at 1 January 2012 and the financial statements as at and for the year ended 31 December 2012.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Company has applied the following exemption under IFRS 1:

The Company measured its property, plant and equipment at fair value at the date of transition to IFRSs and used that fair value as the item's deemed cost at that date.

IFRS mandatory exceptions

The Company applied the following mandatory exceptions as available under IFRS 1.

ESTIMATES

The estimates at 1 January 2012 and at 31 December 2012 are consistent with those made for the same dates in accordance with Nigerian GAAP (after adjustments to reflect any differences in accounting policies).

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Reconciliation of equity and comprehensive income as previously reported under Nigerian GAAP to IFRS

The table below is a summarised reconciliation of equity and comprehensive income for 31 December 2012 and 1 January 2012 (transition date).

Notes	31 December 2012				1 January 2012				IFRS N'000
	N-GAAP	Re- classification	Adjustments Re- measurement	IFRS	N-GAAP	Adjustments Re- classification	Re- measurement	IFRS	
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	
Assets									
Non-current Assets									
Fixed assets	A	39,815,024	(39,815,024)	-	-	39,785,144	(39,785,144)	-	-
Property, plant and equipment	B	-	41,128,341	(8,168,749)	32,959,592	-	41,022,122	(9,167,486)	31,854,636
		39,815,024	1,313,317	(8,168,749)	32,959,592	39,785,144	1,236,978	(9,167,486)	31,854,636
Current assets									
Inventory	C	1,565,709	(1,313,317)	-	252,392	1,410,301	(1,236,978)	-	173,323
Trade and other receivables	D	4,510,788	-	-	4,510,788	10,253,075	-	253,727	10,506,802
Cash and cash equivalents		741,170	-	-	741,170	2,470,522	-	-	2,470,522
		6,817,667	(1,313,317)	-	5,504,350	14,133,898	(1,236,978)	253,727	13,150,647
Total assets		46,632,691	-	(8,168,749)	38,463,942	53,919,042	-	(8,913,759)	45,005,283
Liabilities									
Current liabilities									
Trade and other payables	E	34,904,968	3,017,233	350,000	38,272,201	26,417,078	2,167,076	-	28,584,154
Income tax liabilities		388,694	-	-	388,694	320,125	-	-	320,125
		35,293,662	3,017,233	350,000	38,660,895	26,737,203	2,167,076	-	28,904,279
Non-current liability									
Employee retirement obligation	F	3,017,233	(3,017,233)	-	-	2,167,076	(2,167,076)	-	-
Total liabilities		38,310,895	-	350,000	38,660,895	28,904,279	-	-	28,904,279

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

	Notes	31 December 2012				1 January 2012			
		N-GAAP	Adjustments		IFRS	N-GAAP	Adjustments		IFRS
		₦'000	Re- classification ₦'000	Re- measurement ₦'000	₦'000	₦'000	Re- classification ₦'000	Re- measurement ₦'000	₦'000
Equity									
Share capital		5,000	-	-	5,000	5,000	-	-	5,000
General reserves	G	44,984,654	(44,984,654)	-	-	44,984,654	(44,984,654)	-	-
Federal government funding	H	5,997,443	(5,997,443)	-	-	5,325,454	(5,325,454)	-	-
Other reserves	I	-	5,997,443	-	5,997,443	5,325,454	-	-	5,325,454
Retained earnings	J	(42,665,301)	44,984,654	(8,518,749)	(6,199,396)	(25,300,345)	44,984,654	(8,913,759)	10,770,550
Total equity		8,321,796	-	(8,518,749)	(196,953)	25,014,763	-	(8,913,759)	16,101,004
Total equity and liabilities		46,632,691	-	(8,168,749)	38,463,942	53,919,042	-	(8,913,759)	45,005,283

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Reconciliation of comprehensive income as previously reported under Nigerian GAAP to IFRS for the year ended 31 December 2012.

	Notes	12 months ending 31 December 2012			
		N-GAAP	Re-measurement	Re-classification	IFRS
Reconciliation of profit for the period		N'000	N'000		N'000
Revenue	L	21,294,052	-	74,472	21,368,524
Cost of sales		(21,550,236)	429,304		(21,120,932)
		-----	-----	-----	-----
Gross profit	M	(256,184)	429,304	74,472	247,592
Other income	N	74,472	-	(74,472)	-
Administrative expenses	O	(17,115,757)	(34,294)		(17,150,051)
		-----	-----	-----	-----
Operating profit		(17,297,469)	395,010		(16,902,459)
Finance income		1,082	-		1,082
		-----	-----	-----	-----
Loss before tax		(17,296,387)	395,010		(16,901,377)
Income tax expense		(68,569)	-		(68,569)
		-----	-----	-----	-----
Loss for the year		(17,364,956)	395,010		(16,969,946)
		=====	=====	=====	=====
Other comprehensive income		-	-		-
Total comprehensive loss		(17,364,956)	395,010		(16,969,946)
		=====	=====	=====	=====

The transition to IFRS did not have any impact on the cash flow statements presented by the Company under Nigerian GAAP.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

EXPLANATORY NOTES TO RECONCILIATION OF EQUITY AND TOTAL COMPREHENSIVE INCOME

Notes to the reconciliation of equity as at 1 January 2012 and 31 December 2012 and total comprehensive income for the year ended 31 December 2012.

A Fixed assets

Some items were reclassified in line with IFRS presentation formats.

	2012 N'000	1 January 2012 N'000
Balance per NGAAP	39,815,024	39,785,144
Reclassified to property, plant and equipment	(39,815,024)	(39,785,144)
	-----	-----
Balance per IFRS	-	-
	=====	=====

B Property, plant and equipment

On transition to IFRS, the Company elect to measure property, plant and equipment at fair value at the date of transition to IFRSs.

Under Nigerian GAAP, engineering spares and equipment that have a useful life of over one year are recognised as part of inventory. On transition to IFRS, engineering spares and equipment that have a useful life of over one year are reclassified to property, plant and equipment in line with IAS 16. Depreciation on these assets would commence when they are available for use.

The following adjustments reflect the re-measurement impact from the use a previous GAAP revaluation of an item of property, plant and equipment at the date of transition to IFRSs as deemed cost at the date of the revaluation.

	2012 N'000	1 January 2012 N'000
Balance per NGAAP	-	-
Reclassified from fixed assets	39,815,024	39,785,144
Reclassified from inventory	1,313,317	1,236,978
Re-measurement impact from the use of fair value as deemed cost	(8,168,749)	(9,167,486)
	-----	-----
	32,959,592	31,854,636
	=====	=====

C Inventory

Some items were reclassified in line with IAS 16 under IFRS

	2012 N'000	1 January 2012 N'000
Balance per NGAAP	1,565,709	1,410,301
Reclassified to property, plant and equipment	(1,313,317)	(1,236,978)
	-----	-----
	252,392	173,323
	=====	=====

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

D Trade and other receivables

Under NGAAP, asset transferred to related parties was omitted and not recognised. On transition to IFRS, the asset met recognition criteria according to IAS 39 and has been recognised.

	2012 N'000	1 January 2012 N'000
Balance per NGAAP	4,510,788	10,253,075
Effect of asset recognition	-	253,727
	-----	-----
	4,510,788	10,506,802
	=====	=====

E Trade and other payables

Under NGAAP, asset received from related parties was omitted and not recognised. On transition to IFRS, the asset met recognition criteria according to IAS 39 and has been recognised. Some items were reclassified in line with IFRS presentation formats.

	2012 N'000	1 January 2012 N'000
Balance per NGAAP	34,904,968	26,417,078
Effect of asset recognition	350,000	-
Reclassified from employee retirement obligation (see not F)	3,017,233	2,167,076
	-----	-----
	38,272,201	28,584,154
	=====	=====

F Employee retirement obligation

Under NGAAP, staff benefits that fall due within one year was recognised as employee retirement obligation under long term liabilities. This has been reclassified to other payable under current liability in line with IAS 1.

	2012 N'000	1 January 2012 N'000
Balance per NGAAP	3,017,233	2,167,076
Reclassified to trade and other payables	(3,017,233)	(2,167,076)
	-----	-----
	-	-
	=====	=====

G General reserves

Under the Nigerian GAAP, sub transmission and distribution equipment, transferred from customers to PHED were recognised in PPE with corresponding entries recognised in general reserves in equity. This adjustment is to reclassify the amount warehoused in general reserves to retained earnings on the date of transition in line with IFRIC18.

	2012 N'000	1 January 2012 N'000
Balance per NGAAP	44,984,654	44,984,654
Reclassified to retained earnings	(44,984,654)	(44,984,654)
	-----	-----
	-	-
	=====	=====

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

H	Federal Government funding Funds received from the Federal Government in the capacity as the sole shareholder to support operational activities of the Company have been reclassified to other reserves under equity in line with IFRS presentation formats	2012 N'000	1 January 2012 N'000
	Balance per NGAAP	5,997,443	5,325,454
	Reclassified to other reserves	(5,997,443)	(5,325,454)
		-----	-----
		-	-
		=====	=====
I	Other reserves Funds received from the Federal Government to support operational activities of the Company have been reclassified from federal government funding to other reserves in line with IFRS presentation formats	2012 N'000	1 January, 2012 N'000
	Balance per NGAAP	-	-
	Reclassified from federal government funding	5,997,443	5,325,454
		-----	-----
		5,997,443	5,325,454
		=====	=====
J	Retained earnings All restatements from Nigerian GAAP upon adoption of IFRS have been reflected in retained earnings. Those having impact on profit or loss with respect to comparative periods have also been reflected as part of the reconciliations presented.	2012 N'000	1 January, 2012 N'000
	Retained earnings under local GAAP	(42,665,301)	(25,300,345)
	IFRS transition adjustments:		
	Effect of re-measurement impact from the use a previous GAAP revaluation of an item of PPE (see note B)	(8,168,749)	(9,167,486)
	Reclassified from general reserves (see note G)	44,984,654	44,984,654
		-----	-----
		(5,849,396)	10,516,823
	Error in prior gap application (see note K)	(350,000)	253,727
		-----	-----
		(6,199,396)	10,770,550
		=====	=====
K	Error in prior gap application Effect of asset recognition (see note D) Effect of asset recognition (see note E)	- (350,000)	253,727 -
		-----	-----
		(6,199,396)	10,770,550
		=====	=====

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

L	Revenue		
	Income relating to re-connection fee has been reclassified from other income line with IFRS presentation formats		
			2012 N'000
	Balance per NGAAP	21,294,052	
	Reclassified from other income	74,472	

		21,368,524	
		=====	
M	Costs of sales		
	Some items were reclassified in line with IFRS presentation formats		
			2012 N'000
	Balance per NGAAP	21,550,236	
	Effect of re-measurement impact on depreciation from the use a previous GAAP revaluation of an item of PPE on depreciation charged (see note B)	(429,304)	

		21,120,932	
		=====	
N	Other income		
	Income relating to re-connection fee has been reclassified to revenue line with IFRS presentation formats		
	Balance per NGAAP	74,472	
	Reclassified to revenue	(74,472)	

		-	
		=====	
O	Administrative expenses		
	Balance per NGAAP	17,115,757	
	Re-measurement impact from the use of fair value as deemed cost (see note B)	34,294	

		17,150,051	
		=====	
P	Statement of cash flows		
	The transition from Nigerian GAAP to IFRS did not have any impact on the statement of cash flows for the relevant periods.		

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

3. Significant accounting judgments, estimates and assumptions

The preparation of the financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In particular, the Company has identified the following areas where significant judgments, estimates and assumptions are required, and where if actual results were to differ, may materially affect the financial position or financial results reported in future periods. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the financial statements.

Judgements

Going Concern

The financial statements have been prepared on the going concern basis as nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 4 for further disclosures.

Recovery of deferred tax assets

Judgment is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgment is also required in determining whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that The Company will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations and judgment about the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of The Company to realise the net deferred tax assets recorded at the reporting date could be impacted. Also, future changes in tax laws could limit the ability of The Company to obtain tax deductions in future periods. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Revaluation of property, plant and equipment

The Company engaged an independent valuation specialist to assess fair value as at 31 December 2011 for revalued property, plant and equipment. It measures property, plant and equipment at revalued amounts with changes in fair value being recognised in retain earnings on the date of transition. Property, plant and equipment were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Notes 12

4. Fair value measurement

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

Fair value measurement hierarchy for assets as at 31 December 2013:

	Date of valuation	Fair Value Measurement using			
		Total N'000	Quoted prices in active markets (Level 1) N'000	Significant observable inputs (Level 2) N'000	Significant unobservable inputs (Level 3) N'000
Assets measured at fair value:					
Revalued property, plant and equipment (Note 12):					
Building	Dec-11	2,362,646	-	-	2,362,646
Sub-transmission and distribution equipment	Dec-11	28,158,029	-	-	28,158,029
Motor vehicle	Dec-11	80,789	-	-	80,789
Furniture and Fittings	Dec-11	74,121	-	-	74,121
Construction work in progress	Dec-11	1,251,978	-	-	1,251,978

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Fair value measurement hierarchy for assets as at 31 December 2012:

	Date of valuation	Fair Value Measurement using			
		Total N'000	Quoted prices in active markets (Level 1) N'000	Significant observable inputs (Level 2) N'000	Significant unobservable inputs (Level 3) N'000
Assets measured at fair value:					
Revalued property, plant and equipment (Note 12):					
Building	Dec-11	2,362,646	-	-	2,362,646
Sub-transmission and distribution equipment	Dec-11	28,158,029	-	-	28,158,029
Motor vehicle	Dec-11	80,789	-	-	80,789
Furniture and Fittings	Dec-11	74,121	-	-	74,121
Construction work in progress	Dec-11	1,251,978	-	-	1,251,978

Fair value measurement hierarchy for assets as at 1 January 2012:

	Date of valuation	Fair Value Measurement using			
		Total N'000	Quoted prices in active markets (Level 1) N'000	Significant observable inputs (Level 2) N'000	Significant unobservable inputs (Level 3) N'000
Assets measured at fair					
Revalued property, plant and equipment (Note 12):					
Building	Dec-11	2,362,646	-	-	2,362,646
Sub-transmission and distribution equipment	Dec-11	28,158,029	-	-	28,158,029
Motor vehicle	Dec-11	80,789	-	-	80,789
Furniture and Fittings	Dec-11	74,121	-	-	74,121
Construction work in progress	Dec-11	1,251,978	-	-	1,251,978

5	Revenue	2013 N'000	2012 N'000
	Sales of electricity	23,404,416	21,261,188
	Others	106,112	107,336
		-----	-----
		23,510,528	21,368,524
		=====	=====

Others relate to connection fee and reconnection fee.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

6	Cost of sales	2013	2012
		N'000	N'000
	Depreciation - plant & machinery (Note 9)	862,793	861,523
	Inventory consumed	78,332	664,691
	Maintenance - distribution equipment	2,752,924	2,386,225
	Purchased power	16,566,560	14,638,046
	Salaries and wages	2,782,445	2,570,447
		-----	-----
		23,043,054	21,120,932
		=====	=====
7	Administrative expenses		
	Depreciation (Note 9)	94,871	93,685
	Impairment on trade and other receivables (Note 14)	11,136,022	13,947,921
	ITF expense	43,716	41,751
	Office maintenance	705,356	885,272
	Rent	28,986	431,772
	Salaries and wages	1,589,144	1,604,632
	Training	14,432	13,240
	Transport and travels	116,660	78,862
	Others	63,709	52,916
		-----	-----
		13,792,896	17,150,051
		=====	=====
8	Finance income		
	Interest income on bank deposits	-	1,082
		=====	=====
9	Depreciation and employee benefits expense included in the income statement 31 December 31 December		
9.1	Depreciation		
		2013	2012
		N'000	N'000
	Included in cost of sales:		
	Depreciation	862,793	861,523
	Included in administrative expenses:		
	Depreciation	94,871	93,685
		-----	-----
	Total depreciation charged (note 12)	957,664	955,208
		=====	=====

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

9.2 Employee benefits expense	2013 ₦'000	2012 ₦'000
Included in cost of sales:		
Wages and salaries	2,147,799	1,720,290
Other staff benefits	634,646	850,157
	-----	-----
	2,782,445	2,570,447
Included in administrative costs:		
Wages and salaries	1,589,144	1,604,632
Other staff benefits	-	-
	-----	-----
	1,589,144	1,604,632
	-----	-----
Total employee benefits expense	4,371,589	4,175,079
	=====	=====

10 Income tax

The major components of income tax expense for the years ended 31 December 2013 and 2012 are:

	2013 ₦'000	2012 ₦'000
a. Companies income tax -		
Minimum tax	191,641	68,569
Education tax	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	-	-
	-----	-----
Income tax expense reported in the statement of profit or loss	191,641	68,569
	=====	=====

b A reconciliation between tax expense and the product of accounting profit multiplied by Nigeria's domestic tax rate for the years ended 31 December 2013 and 2012 is as follows:

	2013 ₦'000	2012 ₦'000
Accounting loss before income tax	(13,325,422)	(16,901,377)
	-----	-----
At Nigeria's statutory income tax rate of 30% (2012: 30%)	(3,997,627)	(5,070,413)
Impact of minimum tax rule	191,641	68,569
Impact of tax losses carried forward	3,997,627	5,070,413
	-----	-----
At the effective income tax rate of -144% (2012:-41%)	191,641	68,569
	=====	=====
c Movement in current income tax liability for the year		
At the beginning of the year	388,694	320,125
Charge for the year	191,641	68,569
	-----	-----
At the end of the year	580,335	388,694
	=====	=====

The company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

d. Deferred tax

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. The Company has not recognised deferred tax assets in respect of deductible temporary differences as it is not probable that taxable profits will be available in future for utilisation. The tax rate applicable to this deductible temporary differences is 30% based on the relevant tax laws. Accordingly, deductible temporary difference and unutilised tax losses for which deferred taxes were not recognised totaled N46.3 billion and 47billion as at 31 December 2013 and 2012 respectively while deferred tax asset of N13.9 billion and N14.1 billion were not recognised for the ended 31 December 2013 and 2012 respectively as presented below;

Statement of financial position

	2013	2012	1 January
	N'000	N'000	2012
			N'000
Property plant and equipment	4,180,801	3,889,806	-
Tax loss carried forward	6,397,835	6,028,314	-
Impairment on trade receivables and other receivables	3,340,807	4,184,376	-
	-----	-----	-----
Net deferred tax assets	13,919,443	14,102,496	-
	=====	=====	=====

11 Basic and Diluted Loss per share

Basic loss per share amounts are calculated by dividing the net profit /(loss) for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

The following reflects the loss and share data used in the basic loss per share computations:

	2013	2012
	000	000
Net loss attributable to ordinary equity holders		
Company for basic earnings		
Loss attributable to ordinary equity holders (in N)	(13,517,907)	(16,969,946)
	-----	-----
Net loss attributable to ordinary equity holders of the company	(13,517,907)	(16,969,946)
	=====	=====
Weighted average number of ordinary shares for basic loss per share	10,000	10,000
	=====	=====
Basic loss per share (N)	1,352	1,697
	=====	=====

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

The basic and diluted earnings per share is the same as at the year ended 31 December 2013 and 2012 because there was no potential ordinary shares in issue

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

12. Property, plant and equipment

	Building	Sub-transmission and distribution equipment	Motor vehicle	Furniture and Fittings	Construction work in progress	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Cost:						
At 1 January 2012	2,362,646	28,158,029	80,789	74,121	1,251,978	31,927,563
Additions	-	1,926,497	55,566	1,762	76,339	2,060,164
	-----	-----	-----	-----	-----	-----
At 31 December 2012	2,362,646	30,084,526	136,355	75,883	1,328,317	33,987,727
	-----	-----	-----	-----	-----	-----
At 1 January 2013	2,362,646	30,084,526	136,355	75,883	1,328,317	33,987,727
Additions	54,333	123,188	6,698	2,510	-	186,729
	-----	-----	-----	-----	-----	-----
At 31 December 2013	2,416,979	30,207,714	143,053	78,393	1,328,317	34,174,456
	=====	=====	=====	=====	=====	=====
Depreciation:						
At 1 January 2012	4,272	66,150	1,643	862	-	72,927
Depreciation charge	52,121	861,523	31,052	10,512	-	955,208
	-----	-----	-----	-----	-----	-----
At 31 December 2012	56,393	927,673	32,695	11,374	-	1,028,135
	-----	-----	-----	-----	-----	-----
At 1 January 2013	56,393	927,673	32,695	11,374	-	1,028,135
Depreciation charge	52,068	862,793	32,320	10,483	-	957,664
	-----	-----	-----	-----	-----	-----
At 31 December 2013	108,461	1,790,466	65,015	21,857	-	1,985,799
	=====	=====	=====	=====	=====	=====
Net book value:						
At 1 January 2012	2,358,374	28,091,879	79,146	73,259	1,251,978	31,854,636
	=====	=====	=====	=====	=====	=====
At 31 December 2012	2,306,253	29,156,853	103,660	64,509	1,328,317	32,959,592
	=====	=====	=====	=====	=====	=====
At 31 December 2013	2,308,518	28,417,248	78,038	56,536	1,328,317	32,188,657
	=====	=====	=====	=====	=====	=====

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Revaluation of buildings, Sub-transmission and distribution equipment, motor vehicle, furniture and fittings and construction work in progress.

The Company uses the revaluation model of measurement for Land and buildings, Sub-transmission and distribution equipment, motor vehicle, furniture and fittings and construction work in progress. The Company engaged Messrs Ekere & Associates and Ubosi Eleh & Co., an accredited independent valuer, to determine the fair value of its Land and buildings, Sub-transmission and distribution equipment, motor vehicle, furniture and fittings and construction work in progress. The date of the most recent revaluation was 31 December 2011.

Fair value measurement disclosures for revalued property, plant and equipment are provided in Note 4

Significant unobservable valuation input:

Land & building:

Estimated price per square meters adjusted for the nature, location and condition of the land & building.
Range: N32,830 - N50,000

Significant increase or decrease in the estimated price per square metre in isolation would result in a significantly higher or lower fair value. The basis of the valuation is the Open Market Value of the assets in its existing use type with benefit of vacant possession. Depreciation replacement cost method and discounted method of valuation was adopted in its appraisal.

Sub-transmission and distribution equipment, motor vehicle, and furniture and fittings.

The basis of the valuation is the Depreciated Replacement Cost (DRC). This method equates the open market value of an asset to the estimated total cost of the item as new at the date of valuation less an allowance for depreciation to account for age, wear and tear and obsolescence.

If land and buildings, plant & machinery, computer equipment, furniture and fittings and motor vehicle were measured using the cost model, the carrying amounts would be as follows:

	Building	Sub-transmission and distribution equipment	Motor vehicle	Furniture and Fittings	Construction work in progress
2013	N'000	N'000	N'000	N'000	N'000
Cost	2,502,033	54,057,855	745,949	59,395	966,980
Accumulated depreciation	(884,422)	(16,867,289)	(689,325)	(49,379)	-
Net carrying amount	1,617,611	37,190,566	56,624	10,016	966,980

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

	Building	Sub-transmission and distribution equipment	Motor vehicle	Furniture and Fittings	Construction work in progress
2012	₦'000	₦'000	₦'000	₦'000	₦'000
Cost	2,447,700	53,934,667	739,251	5,685	1,313,317
Accumulated depreciation	(834,381)	(15,524,593)	(672,780)	(45,244)	-
Net carrying amount	1,613,319	38,410,074	66,471	(39,559)	1,313,317

	Building	Sub-transmission and distribution equipment	Motor vehicle	Furniture and Fittings	Construction work in progress
1 January, 2012	₦'000	₦'000	₦'000	₦'000	₦'000
Cost	2,447,700	52,008,170	683,685	55,123	1,236,978
Accumulated depreciation	(785,427)	(14,182,237)	(666,418)	(41,169)	-
Net carrying amount	1,662,273	37,825,933	17,267	13,954	1,236,978

	2013	2012	1 January 2012
	₦'000	₦'000	₦'000
13 Inventories			
Materials and supplies	210,655	241,602	165,499
Stationeries	2,029	10,790	7,824
	212,684	252,392	173,323

Materials and supplies includes transformers, insulators, meters etc. All inventories are carried at cost. During 2013, N424.7 million (2012: N664.7 million) was recognised as an expense under cost of sales. There was no write-down of Inventory during the period.

	2013	2012	1 January 2012
	₦'000	₦'000	₦'000
14 Trade and other receivables			
Trade receivable	1,980,617	4,510,788	3,761,474
Receivables from related parties (Note 24)	-	-	6,745,328
	1,980,617	4,510,788	10,506,802

Trade receivables are non-interest bearing and are generally stated at cost less impairment.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Trade receivables relates to billed receivables from sales of electricity which consist of the following based on customer classification:

	2013	2012	1 January 2012
	₦'000	₦'000	₦'000
Commercial	89,327	1,150,227	996,470
Government agencies	57,094	336,196	826,229
Industrial	2,809	251,036	344,755
Private consumers	1,020,235	672,313	653,950
Residential	811,152	2,101,016	940,070
	-----	-----	-----
	1,980,617	4,510,788	3,761,474
	=====	=====	=====

Impairment of Trade Receivables

Impairment is shown on trade receivables is as follows:

	2013	2012
	Individually impaired ₦'000	Individually impaired ₦'000
At 1 January	18,346,991	4,399,070
Charge for the year	9,247,666	13,947,921
Recoveries	-	-
Transfer to NELMCO (Note 18.2.1)	(27,594,657)	-
	-----	-----
At 31 December	-	18,346,991
	=====	=====

As at 31 December, the ageing analysis of receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			< 30 days	30-60 days	> 90 days
			₦'000	₦'000	₦'000
1 January 2012	3,761,474	2,256,884	1,128,442	376,148	-
2012	4,510,788	2,706,473	1,353,236	451,079	-
2013	1,980,617	1,188,370	594,185	198,062	-

See Note 26 on credit risk of trade receivables to understand how the company manages and measures credit quality of trade receivables that are neither past due nor impaired

Other receivables amounting to N1.89 billion relates to default bank balances in 2013 and has been fully impaired.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Details of impairment disclosed in statement of profit or loss is as follows:

	2013 N'000	2012 N'000
Trade receivables	9,247,666	13,947,921
Other receivables - default bank balances	1,888,356	-
	-----	-----
	<u>11,136,022</u>	<u>13,947,921</u>

15 Cash and cash equivalents	2013 N'000	2012 N'000	1 January 2012 N'000
Cash on hand	-	413	21,743
Cash at banks	541,753	740,757	2,448,779
	-----	-----	-----
	<u>541,753</u>	<u>741,170</u>	<u>2,470,522</u>
	=====	=====	=====

Cash at banks earns interest at floating rates based on daily bank deposit rates.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2013 N'000	2012 N'000	1 January 2012 N'000
Cash on hand	-	413	21,743
Cash at banks	541,753	740,757	2,448,779
	-----	-----	-----
Bank overdrafts	-	-	-
	-----	-----	-----
Cash and cash equivalents	<u>541,753</u>	<u>741,170</u>	<u>2,470,522</u>
	=====	=====	=====

16 Trade and other Payables	2013 N'000	2012 N'000	1 January 2012 N'000
Trade payables	1,345,121	33,672,583	23,088,318
Other payables (Note 16.1)	546,655	3,439,438	5,495,836
Payables to related parties (Note 23)	-	1,160,180	-
	-----	-----	-----
	<u>1,891,776</u>	<u>38,272,201</u>	<u>28,584,154</u>
	=====	=====	=====

Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are normally settled on 60-day terms

Other payables are non-interest bearing and have an average term of six months

For explanations on the Company's credit risk management processes, refer to Note 26.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

16.1 A further breakdown of other payables are:

	2013	2012	1 January 2012
	N'000	N'000	N'000
Salaries and other staff deductions payable	-	3,341,977	2,316,602
VAT and WHT payable	196,656	12,852	2,788,018
PHCN payable	349,999	-	-
Others	-	84,609	391,216
	-----	-----	-----
	546,655	3,439,438	5,495,836
	=====	=====	=====

Salaries and other staff deductions payable relates to unpaid salaries of PHCN staff which was transferred to NELMCO on 31 October 2013.

Withholding Tax Payables are advance tax deducted at source from suppliers payable to Federal and State tax authorities.

Value added tax are amount collected on behalf of the Federal Government as tax on sale of goods and services.

17 Issued capital and reserves

Authorised shares

	2013	2012	1 January 2012
	Thousands	Thousands	Thousands
Ordinary shares of 50k each	10,000	10,000	10,000
	=====	=====	=====

Issued and fully paid

	2013	2012	1 January 2012
	N'000	N'000	N'000
Issued and fully paid	5,000	5,000	5,000
	=====	=====	=====

A further breakdown of Issued and fully paid up capital are:

	2013	2012	1 January 2012
	N'000	N'000	N'000
Bureau of Public Enterprise	1,600	4,000	4,000
Ministry of Finance Incorporated	400	1,000	1,000
4Power Consortium	3,000	-	-
	-----	-----	-----
	5,000	5,000	5,000
	=====	=====	=====

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

18. Nature and purpose of reserves

18.1 Retained earnings

Retained earnings are the carried-forward recognised income net of expenses plus current period profit attributable to Shareholders.

18.2 Other reserves

Other reserves represent Federal Government funding received by the Company to support operational activities and additional contribution from shareholders by taking over the Companies' liabilities and assets.

18.2.1 Contribution from federal government

The Company received funding from Federal Government in the capacity as a shareholder to support operational activities prior to transfer of shares to private individuals.

18.2.1.1 Transfer of assets and liability to NELMCO

Prior to the sale of its shares to private investors in the privatisation process, the Federal Government [FG] as the sole shareholder, set up a special purpose agency, Nigeria Electricity Liability Management Company Ltd (NELMCO), to take over some assets and liabilities of all the electricity distribution companies. The purpose of the above arrangement is to absolve the distribution companies of excessive liabilities immediately after the privatisation of 1 November 2013. At 31 October 2013, PHED transferred some of its financial assets and liabilities as at that date to NELMCO. The net liability assumed by the FG as presented below, is accounted for as though they were additional funding brought in by the FG (now minority shareholder) and recognised in other reserves in equity in line with IAS 32.

The analysis of assets and liabilities transferred is as follows:

	31 October 2013 ₦'000
Trade debtors:	
Residential	22,857,226
Commercial	7,980,332
Industrial	351,057
Street light	21,146
Provision on trade receivables	(27,594,657)
Cash in hand	4,997

Total financial assets	3,620,101

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

	31 October 2013 N'000
Trade payables- Market operator	(43,052,449)
Trade payables- Rivers state government IPP	(1,906)
Accruals	(37,303)
Due to related parties	(6,193,769)
Employee benefit obligation (Note 16.1)	(3,651,879)

Total financial liabilities	(52,937,306)

Net liabilities transferred	(49,317,205)
	=====

18.2.2 Employee benefit obligation

For all years up to 31 October 2013, the Company operated defined contribution plan scheme for its qualifying employees. As part of the privatisation, the liability from the scheme was transferred to Federal Government via NELMCO.

19 Funds distribution to the Federal Government

Funds distribution to the Federal Government represent the total amount distributed to its shareholder before privatisation.

20 Cash generated from operations

	2013 N'000	2012 N'000
Loss before taxation	(13,325,422)	(16,901,377)
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation of property, plant and equipment	957,664	955,208
Finance income	-	(1,082)
Impairment on other receivables	11,136,022	13,947,921
Changes in working capital:		
Decrease/ (increase) in inventories	39,708	(79,069)
Increase in trade and other receivables	(12,225,952)	(7,951,907)
Increase in trade and other payables	16,556,881	9,688,047
	-----	-----
	3,138,901	(342,259)
	=====	=====

21 Sale of electricity from River State Government IPP

In 2005, PHED entered into an agreement to purchase and distribute electricity generated from the Independent Power Plant (IPP) built by the Rivers State Government. The electricity is supplied through two major gas turbines at Transamadi and Omoku and distributed solely within River State.

Currently, PHED takes up 100% of the electricity generated by the IPP. Proceeds from the distribution of electricity to consumers is shared between the Rivers state IPP and PHED in the following ratios:

	Trans-amadi gas turbine	Omoku gas turbine
Rivers state IPP	70%	60%
PHED	30%	40%

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

22 Contingent liability

A liability may exist from an unidentified independent power plant distributor. Power has is being supplied directly into the electricity distribution grid of the Company. There has been no identified contract to support this supply and liability cannot be estimated.

23 Related party disclosures

The Company is owned by 4Power Consortium (60%) and the Federal Government of Nigeria (40%)-Bureau of Public Enterprises (BPE) and Ministry of Finance Incorporated (MOFI).

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

		Sales to related parties ₦'000	Purchases from related parties ₦'000	Amounts owed by related parties ₦'000	Amounts owed to related parties ₦'000
Entity with significant influence over the Company:					
PHCN	2013	-	-	-	-
	2012	-	-	-	1,160,180
	1 January 2012	-	-	6,428,759	-
PHCN related entities	2013	-	-	-	-
	2012	-	-	-	-
	1 January 2012	-	-	316,569	-

Related party payables and receivables relate to transfers of equipment to or from PHCN and related entities. No margin is made on such transfers and are reimbursed at cost. There were no transactions with management personnel.

24 Key management compensation

Key management includes managing director and other executive directors. At 31 December 2012, the managing director was remunerated by the Company while other directors were remunerated by the Federal Government (PHCN).

From 1 November 2013, the managing directors and other executive directors are remunerated by PHED. The compensation paid is shown below:

	2013 ₦'000	2012 ₦'000
Short-term employee benefits	11,513 =====	13,815 =====

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

25 Directors and employees

(i) Employees

The average number of persons employed by the Company during the period was as follows:

	Number 2013	Number 2012
Management	106	396
Senior staff	681	1288
Junior staff	767	401
	-----	-----
	1,554	2,085
	=====	=====

Higher-paid employees of the company, other than directors, whose duties were wholly or mainly discharged in Nigeria received remuneration (excluding pension contributions) in the following ranges:

	2013	2012
Below N1,000,000	321	835
N1,000,001 - N1,500,000	193	333
N1,500,001 - N2,000,000	253	133
N2,000,001 - N2,500,000	284	168
N2,500,001 - N3,000,000	190	221
N3,000,001 - N3,500,000	125	102
N3,500,001 - N4,000,000	82	90
N4,000,001 - N4,500,000	43	75
N4,500,001 - N5,000,000	21	30
Above N5,000,000	42	98
	-----	-----
	1,554	2,085
	=====	=====

26 Financial instruments risk management objectives and policies

The Company's principal financial liabilities comprise of trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include trade and other receivables, and cash and cash equivalent that arrive directly from its operations.

The Company is exposed to credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The financial risk committee provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks.

Trade receivables

Customer credit risk is managed by the finance department, based on the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on credit rating scorecard and individual credit limits are defined in accordance with this assessment.

The Company assesses the credit quality of the customers, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored to ensure debts are easily collected and within the control of the Company.

An impairment analysis is performed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively.

The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 14. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Cash deposits

Credit risk from balances with banks is managed by the Company's treasury department in accordance with the Company's policy.

Credit quality of financial assets that are neither past due nor impaired

The credit quality of the portfolio of trade receivables that are neither past due nor impaired are disclosed below. Related party receivables are not rated and cash and bank are considered neither past due nor impaired.

	2013 N'000	2012 N'000	1 January N'000
i Trade and other receivables			
Residential	811,152	-	-
Commercial	89,327	-	-
Industrial	2,809	-	-
Street light	57,094	-	-
Special tariff	1,020,235	-	-
ii Cash and bank			
B-	-	35,926	
B	129,531	99,343	316,016
B+	412,222	599,319	2,067,432

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Description of the ratings for trade and other receivables used above are:

Residential	These are customers supplied in residential buildings. Collectability of amounts is 42% within 3 months, 4% within 4 months and 54% is deemed uncollectible.
Commercial	Collectability of commercial invoice is 64% within the 30 days, 6% within 3 months and 30% uncollectable.
Industrial	Collectability of Industrial invoice is 96% within 30days, and 4% within 3 months.
Street Light	Street light invoice collectability is 31% within 30days, 39% within 3 months and 30 % uncollectable.
Special tariff	Collectability of special tariff invoice is 72% and 5% within 30 days and 60 days respectively. The balance of 23% is uncollectable.

<i>BB-</i>	-	6,169	65,331
<i>Not rated- cash on hand</i>		413	21,743
	-----	-----	-----
	2,522,370	741,170	2,470,522
	=====	=====	=====

Cash and bank ratings by Fitch

<i>BB-</i>	Financial institutions with 'BB-' ratings indicate that there is less risk of default. However, there are ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet financial commitments.
<i>B+</i>	Financial institutions with 'B+' ratings indicate that material risk of default is low. Hence, there is capacity to meet current financial commitments. However adverse business, financial or economic conditions will likely impair capacity or willingness to meet its financial commitments.
<i>B</i>	Financial institutions with B' ratings indicate that material default risk is present but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.
<i>B-</i>	Financial institutions with B' ratings indicate that material default risk is high. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Liquidity risk

The Company monitors its risk of a shortage of funds using a liquidity planning tool.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Company has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio to dilute potential concentration of risks. The Company also ensures that concentrations of credit risks are identified early enough, controlled and managed accordingly.

27. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date. The Company expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

IFRS 14 is effective for annual periods beginning on or after 1 January 2016. However, since the Company has adopted IFRS on 1 January 2012, this standard would not apply.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a so-called full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method

Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after 1 January 2016. This amendment is not expected to have any impact on the Company.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The amendments are effective for annual periods beginning on or after 1 January 2016. These amendments are not expected to have any impact on the Company.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. This amendment is not expected to have any impact on the Company.

Amendments to IAS 1 - Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify

- ▶ The materiality requirements in IAS 1
- ▶ That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- ▶ That entities have flexibility as to the order in which they present the notes to financial statements
- ▶ That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments are not expected to have a significant impact on the Company.

Other standards issued but not yet effective and are not expected to have a significant impact on the Company are listed below:

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 27 - Equity Method in Separate Financial Statements

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Annual Improvements 2012-2014 cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments are not expected to have any impact on the Company.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as the Company does not have any bearer plants.

28 Events after the reporting period

In January 2015, Federal Government of Nigeria through the Central Bank of Nigeria provided distribution Companies in Nigeria with an intervention fund. A sum of circa N21 billion was provided to the Company as a loan. As at date, the total sum disbursed of this loan facility to the Company is circa N14billion. This loan is repayable at an annual interest rate of 10%.

Transitional Electricity Market (TEM) was officially declared open by the regulators in February 2015. The commencement of TEM significantly affects the operation of Nigeria electricity market because it activates the industry agreement after the Interim Rule Period (IRP).

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC
OTHER NATIONAL DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2013

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

STATEMENT OF VALUE ADDED

FOR THE YEAR ENDED 31 DECEMBER 2013

	31 December 2013 N'000	%	31 December 2012 N'000	%
Value added by operating and investing activities				
Revenue	23,510,528		21,368,524	
Cost of services provided	(31,506,697)		(33,140,696)	
Other income and finance income	-		1,082	
	-----		-----	
Total value consumed	(7,996,169)	100	(11,771,090)	100
	-----		-----	
Applied as follows:				
To pay employees: salaries and other labour related benefits	4,371,589	(55)	4,175,079	(35)
To pay Government: Income tax	191,641	(2)	68,569	(1)
To be retained in the business for expansion and future wealth creation:				
Depreciation	957,664	(12)	955,208	(8)
Value retained				
Retained loss	(13,517,063)	169	(16,969,946)	144
	-----	-----	-----	-----
	(7,996,169)	100	(11,771,090)	100
	=====	=====	=====	=====

Value consumed represents the wealth consumed by the Company. This statement shows the allocation of loss to employees, providers of finance, shareholders, government, and that retained for the future utilisation.

**PORT HARCOURT ELECTRICITY DISTRIBUTION PLC
FIVE YEAR FINANCIAL SUMMARY**

FOR THE YEAR ENDED 31 DECEMBER 2013

31 December	IFRS			NGAAP	
	2013 N'000	2012 N'000	2011 N'000	2010 N'000	2009 N'000
ASSETS					
Non-current assets					
Property, plant and equipment	32,188,657	32,959,592	31,854,636	41,118,691	42,610,459
Current assets					
Inventories	212,684	252,392	173,323	1,307,334	1,741,111
Trade and other receivables	1,980,617	4,510,788	10,506,802	8,232,287	4,798,644
Cash and cash equivalents	541,753	741,170	2,470,522	1,988,928	956,066
Total current assets	2,735,054	5,504,350	13,150,647	11,528,549	7,495,821
Total assets	34,923,711	38,463,942	45,005,283	52,647,240	50,106,280
LIABILITIES					
Current liabilities					
Trade and other payables	1,891,776	38,272,201	28,584,154	20,007,994	11,826,148
Current tax payable	580,335	388,694	320,125	194,882	35,092
Total current liabilities	2,472,111	38,660,895	28,904,279	20,202,876	11,861,240
Equity attributable to shareholders					
Share capital	5,000	5,000	5,000	5,000	5,000
Other reserves	55,314,648	5,997,443	5,325,454		
Retained earnings	(22,868,892)	(6,199,396)	10,770,550	32,439,364	38,240,040
Total equity	32,451,600	(196,953)	16,101,004	32,444,364	38,245,040
Total equity and liabilities	34,923,711	38,463,942	45,005,283	52,647,240	50,106,280
Profit and loss account					
Turnover	23,510,528	21,368,524	12,028,819	9,613,977	6,108,814
Loss before taxation	(13,325,422)	(16,901,377)	(5,391,507)	2,144,058	(5,671,685)
Taxation	(191,641)	(68,569)	(159,790)	(35,092)	-
Loss after taxation transferred to accumulated deficits	(13,517,063)	(16,969,946)	(5,551,297)	2,108,966	(5,671,685)

The main adjustments that would make the NGAAP historical information comply with IFRS may include the same IFRS adjustments that were recognised at the opening balance sheet date of 1 January 2012 as disclosed in Note 2.4.