

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC
REPORT OF THE DIRECTORS
AUDITED FINANCIAL STATEMENTS AND OTHER NATIONAL
DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2014

**PORT HARCOURT ELECTRICITY DISTRIBUTION PLC
REPORTS OF THE DIRECTORS, AUDITED FINANCIAL STATEMENTS AND OTHER
NATIONAL DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2014**

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**PORT HARCOURT ELECTRICITY DISTRIBUTION PLC
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2014**

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)
Mr. Benjamin Ezra Dikki

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: Ecobank 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 2014**

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 2014.

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.

RESULT FOR THE YEAR	2014	2013
	₦'000	₦'000
Revenue	27,630,725	23,510,528
	=====	=====
Loss before taxation	(7,170,756)	(13,325,422)
Income tax expense	(160,942)	(191,641)
	-----	-----
Loss after taxation	(7,331,698)	(13,517,063)
	=====	=====

ECONOMIC AND BUSINESS PERFORMANCE REVIEW

Port Harcourt Electricity Distribution Plc had the following:

	2014	2013
Total number of customers	556,073	537,281
Total energy received (thousand kilowatts)	1,799,488	1,725,044
Total cash collections (millions of naira)	16,581	13,574

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 2014**

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:

	2014 Number of shares held	2013 Number of shares held
4Power Consortium	6,000,000	6,000,000
Bureau of Public Enterprises (BPE)	3,200,000	3,200,000
Ministry of Finance Incorporated (MOFI)	800,000	800,000
	-----	-----
	10,000,000	10,000,000
	=====	=====

PROPERTY, PLANT AND EQUIPMENT

Information relating to movement in property, plant and equipment is as shown in Note 14 to the financial statements. In the opinion of the directors, the market value of the Company's property, plant and equipment is not materially different from 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:

Benjamin Ezra Dikki	Resigned 21 July 2016
King A. Turner	
Engr. Matthew Edevbie	(Managing Director)
Dr. Ransome Owan	
Dr. Abdul Wahaab Adebayo Ibraheem	
Dr. Christian Nwinia	
Mr. Jon Abbas (Pakistan)	

**PORT HARCOURT ELECTRICITY DISTRIBUTION PLC
REPORT OF THE DIRECTORS - Continued
FOR THE YEAR ENDED 31 DECEMBER 2014**

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 or 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 2014.

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 2014**

RESEARCH AND DEVELOPMENT

The Company did not engage in any research and development activities during the year (2013: Nil).

DIVIDEND

The Directors do not recommend to members the payment of dividend in respect of the year ended 31 December 2014 (2013:Nil).

CHARITABLE CONTRIBUTIONS

The Company did not make any charitable donation during the year (2013: 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

As stated in Note 31, 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 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 Akpediole

STERLING LAW ALLIANCE

Sterling Law Alliance

Company Secretary

FRC/2017/NBA/00000016008 .

28/02/2017

**PORT HARCOURT ELECTRICITY DISTRIBUTION PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2014**

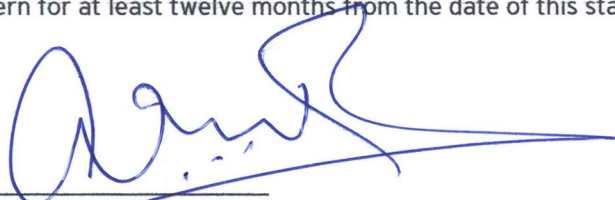
The Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities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

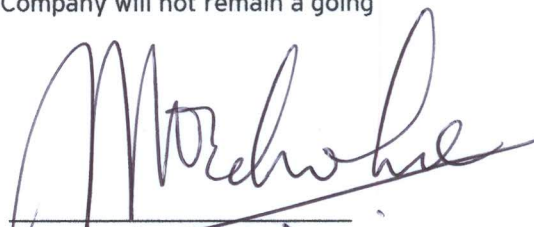
The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its loss for the year ended 31 December 2014. The directors further accept responsibility for the maintenance of accounting records that may be relied upon 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 February..... 2017



Engr. Matthew Edevbie
Director
FRC/2016/IODN/00000015241

28 February..... 2017



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UBA House
57, Marina
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Lagos.

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Email: Services@ng.ey.com
www.ey.com

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC INDEPENDENT AUDITORS' REPORT

Report on the financial statements

We have audited the accompanying financial statements of Port Harcourt Electricity Distribution Plc which comprise the statement of financial position as at 31 December 2014, 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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion.

Inventories

The Company has a total carrying value of ₦ 1, 297,817,000 as inventory in its books at 31 December 2014 (2013: ₦212, 684,000). We 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, 31 December 2013 and 31 December 2014. Since inventories enter into the determination of financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the income statement and the net cash flows from operating activities reported in the cash flow statement. Our audit opinion was also modified in this respect in the prior period.

Federal Government Funding

Other reserves amounting to ₦55,314,648,000 in the statement of financial position as at 31 December 2014 (2013: ₦55,314,648,000) includes Federal Government Funding of ₦5,997,443,000 (2013: ₦ 5,997,443,000). 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. Our audit opinion was also modified in this respect in the prior period.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC INDEPENDENT AUDITORS' REPORT-Continued

Administrative Expenses

Management were unable to provide a detailed ledger listing which agrees with the trial balance for administrative expenses in the sum of ₦845,000,000 (2013: ₦1,065,377,740) of the total sum of ₦10,569,004,000 (2013: ₦13,792,896,000) presented 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 measurement of administrative expenses included in the statement of profit or loss and other comprehensive income. Our audit opinion was also modified in this respect in the prior period.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial of Port Harcourt Electricity Distribution Plc as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with 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.

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 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 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 in agreement with the books of account.

Odutola

Yemi Odutola, FRC/2012/ICAN/00000000141
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 2014

	Notes	2014 N'000	2013 N'000
Revenue	6	27,630,725	23,510,528
Cost of sales	7	(24,182,372)	(23,043,054)
Gross profit		3,448,353	467,474
Other operating income	8	1,418	-
Administrative expenses	9	(10,569,004)	(13,792,896)
Operating loss		(7,119,233)	(13,325,422)
Finance cost	10	(51,523)	-
Loss before tax		(7,170,756)	(13,325,422)
Income tax expense	12	(160,942)	(191,641)
Loss for the year		(7,331,698)	(13,517,063)
Other comprehensive income		-	-
Total comprehensive loss for the year		(7,331,698)	(13,517,063)
Basic and diluted loss per share (N)	13	733	1,352

The accounting policies and notes on pages 15 to 52 form an integral part of these financial statements.

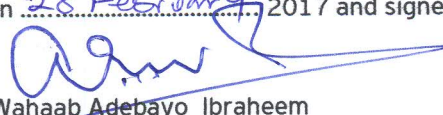
PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

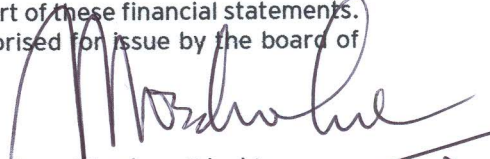
STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	2014 N'000	2013 N'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	34,248,967	32,188,657
		=====	=====
Current assets			
Inventories	15	1,297,817	212,684
Trade and other receivables	16	5,582,325	1,980,617
Cash and cash equivalents	17	1,061,065	541,753
		-----	-----
Total current assets		7,941,207	2,735,054
		-----	-----
Total assets		42,190,174	34,923,711
		=====	=====
LIABILITIES			
Non-current liabilities			
Trade and other payables	19.2	110,313	-
Deferred revenue	20	417,313	-
		-----	-----
Total Non-current liabilities		527,626	-
		-----	-----
Current liabilities			
Interest-bearing loans and borrowings	18	1,345,997	-
Trade and other payables	19.2	14,455,372	1,891,776
Income tax payable	12	741,277	580,335
		-----	-----
Total current liabilities		16,542,646	2,472,111
		-----	-----
Total liabilities		17,070,272	2,472,111
		=====	=====
Equity attributable to shareholders			
Share capital	21	5,000	5,000
Other reserves	22	55,314,648	55,314,648
Retained earnings		(30,199,746)	(22,868,048)
		-----	-----
Total equity		25,119,902	32,451,600
		-----	-----
Total equity and liabilities		42,190,174	34,923,711
		=====	=====

The accounting policies and notes on pages 15 to 52 form an integral part of these financial statements.
The financial statements on pages 11 to 55 were approved and authorised for issue by the board of directors on 28 February 2017 and signed on its behalf by;


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


Engr. Matthew Edevbie
Director
FRC/2016/ICAN/00000015241

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to equity holders of the Company			
	Issued N'000	Retained N'000	Other N'000	Total equity N'000
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 23)	-	(3,151,589)	-	(3,151,589)
Additional contribution through transfers of assets and liabilities (Note 22.2.2)	-	-	49,317,205	49,317,205
Balance as at 31 December 2013	5,000	(22,868,048)	55,314,648	32,451,600
Balance at 1 January 2014	5,000	(22,868,048)	55,314,648	32,451,600
Loss for the year	-	(7,331,698)	-	(7,331,698)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	(7,331,698)	-	(7,331,698)
Balance as at 31 December 2014	5,000	(30,199,746)	55,314,648	25,119,902

The accounting policies and notes on pages 15 to 52 form an integral part of these financial statements.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 N'000	2013 N'000
<i>Cash flows from operating activities</i>			
Net cash flow from operating activities	24	2,355,907	3,138,901
		-----	-----
Net cash flows from operating activities		2,355,907	3,138,901
		=====	=====
<i>Cash flows from investing activities</i>			
Purchase of property, plant and equipment	14	(3,131,069)	(186,729)
Finance cost	10	(51,523)	-
		-----	-----
Net cash flows used in investing activities		(3,182,592)	(186,729)
		=====	=====
<i>Cash flow from financing activities</i>			
Distribution to Federal government		-	(3,151,589)
		-----	-----
Net cash flows (used in)/from financing activities		-	(3,151,589)
		=====	=====
Net decrease in cash and cash equivalents		(826,685)	(199,417)
Cash and cash equivalents at start of year		541,753	741,170
		-----	-----
Cash and cash equivalents at 31 December	17	(284,932)	541,753
		=====	=====

The accounting policies and notes on pages 15 to 52 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 2014 were authorised for issue in accordance with a resolution of the directors on ~~28 February~~ 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 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 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

2 Significant accounting policies

2.1 Basis of preparation

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

The financial statements have been prepared on a historical cost basis except for property, plant and equipment that have been measured at fair value. The financial statements are presented in Naira and all values are rounded to the nearest thousand (N000), except when otherwise indicated.

2.2 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 or non-current classifications. 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.

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

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS

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 recognized when customers are connected to the distribution network 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 tax 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.

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:

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- 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.
- 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.

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NOTES TO THE FINANCIAL STATEMENTS

d) Foreign currency transactions

The Company's financial statements are presented in Nigerian 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 (OCI) or profit or loss are also recognised in OCI or profit or loss, respectively).

e) Property, plant and equipment

Property, plant and equipment are initially stated at cost. After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Valuations are performed with sufficient regularity to ensure that the carrying amount of a revalued asset does not differ materially from its fair value at the reporting date.

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.

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 profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

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.

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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 items. 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 the Company 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.

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 the Company incurs in connection with the borrowing of funds.

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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 profit or loss.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 16.

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 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.

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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 16

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 assess 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 have been realised or has been 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 recognised in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

❖ **Financial liabilities**

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as interest bearing loans and borrowings or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, interest bearing loans and borrowings including bank overdrafts. 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:

Interest bearing loans and borrowings

After initial recognition, interest-bearing loans and borrowings 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, refer to Note 18.

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. For more information on trade and other payables, refer to Note 19.

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 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.

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Subtransmission and distribution equipment such as meters and transformers in inventories are reclassified to property, plant and equipment when they are issued and put to use.

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. Impairment is recognised in OCI up to the amount of any previous revaluation.

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.

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

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 not 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 14
- Financial instruments (including those carried at amortised cost) Note 18

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.

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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.

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.

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.

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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 5 for further disclosures.

Recovery of deferred tax assets

Judgement is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgement 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 judgement 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. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

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.

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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 Note 14.

4. Capital management

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholders' value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio between 2% and 40%. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits.

	2014 N'000	2013 N'000
Interest-bearing loans and borrowings (Note 18)	1,345,997	-
Trade and other payables (Note 19)	14,565,685	1,891,776
Less: cash and cash equivalents (Note 17)	(1,061,065)	(541,753)
Net debt	14,850,617	1,350,023
Other reserves	55,314,648	55,314,648
Equity	(30,194,746)	(22,863,048)
Total capital	25,119,902	32,451,600
Capital and net debt	39,970,519	33,801,623
Gearing ratio	37%	4%

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest bearing loans and borrowing in the current period.

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NOTES TO THE FINANCIAL STATEMENTS

5. Fair value measurement

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

	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 14):					
Building	Dec-11	2,362,646	-	-	2,362,646
Subtransmission 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 liabilities as at 31 December 2014:					
	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
Liabilities for which fair values are disclosed:					
Financial liabilities: (Note 18):					
Borrowings	Dec-14	1,345,997	-	-	1,345,997

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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 14):					
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

6 Revenue

	2014 N'000	2013 N'000
Sales of electricity	27,563,220	23,404,416
Connection and reconnection fee	67,505	106,112
	-----	-----
	27,630,725	23,510,528
	=====	=====

7 Cost of sales

Depreciation - plant & machinery (Note 11.1)	956,735	862,793
Maintenance - distribution equipment	910,428	2,752,924
Purchased power	22,194,877	16,644,892
Salaries and wages (Note 11.2)	120,332	2,782,445
	-----	-----
	24,182,372	23,043,054
	=====	=====

8 Other Operating income

Exchange gain	1,418	-
	=====	=====

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9 Administrative expenses	2014	2013
	₦'000	₦'000
Bank charges	59,574	-
Depreciation (Note 11.1)	114,024	94,871
Directors fee	26,495	-
Impairment on trade and other receivables (Note 16.3)	5,486,409	11,136,022
ITF expense	29,934	43,716
Office maintenance	306,185	705,356
Printing and stationaries	44,543	-
Professional fee	957,008	-
Rent	131,301	28,986
Employee benefits (Note 11.2)	3,236,531	1,589,144
Training	31,783	14,432
Transport and travels	87,382	116,660
Others	57,835	63,709
	-----	-----
	10,569,004	13,792,896
	=====	=====

10 Finance cost		
Interest on overdraft	51,523	-
	=====	=====

11 Depreciation and employee benefits expense included in the income statement 31 December

11.1 Depreciation	2014	2013
	₦'000	₦'000
Included in cost of sales:		
Depreciation	956,735	862,793
Included in administrative expenses:		
Depreciation	114,024	94,871
	-----	-----
Total depreciation charged (Note 14)	1,070,759	957,664
	=====	=====

11.2 Employee benefits expense		
Included in cost of sales:		
Wages and salaries	120,332	2,147,799
Other staff benefits	-	634,646
	-----	-----
	120,332	2,782,445
	-----	-----
Included in administrative costs:		
Wages and salaries	3,175,262	1,589,144
Other staff benefits	61,269	-
	-----	-----
	3,236,531	1,589,144
	-----	-----
Total employee benefits expense	3,356,863	4,371,589
	=====	=====

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS

12 Income tax

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

	2014 N'000	2013 N'000
a. Companies income tax -		
Minimum tax	160,942	191,641
Education tax	-	-
Deferred tax: Relating to origination and reversal of temporary differences	-	-
	-----	-----
Income tax expense reported in the statement of profit or loss	160,942 =====	191,641 =====

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 2014 and 2013 is as follows:

	2014 N'000	2013 N'000
Accounting loss before income tax	(7,170,756)	(13,325,422)
	-----	-----
At Nigeria's statutory income tax rate of 30% (2013: 30%)	(2,151,227)	(3,997,627)
Impact of minimum tax rule	160,942	191,641
Impact of tax losses carried forward	2,151,227	3,997,627
	-----	-----
At the effective income tax rate of -224% (2013:-144%)	160,942 =====	191,641 =====
c Movement in current income tax liability for the year		
At the beginning of the year	580,335	388,694
Charge for the year	160,942	191,641
	-----	-----
At the end of the year	741,277 =====	580,335 =====

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.

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 ₦ 43.3 billion and ₦46.3billion as at 31 December 2014 and 2013 respectively while deferred tax asset of ₦ 13 billion and ₦ 13.9

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS

billion were not recognised for the ended 31 December 2014 and 2013 respectively as presented below;.

Unrecognised deferred tax relates to the following:

Statement of financial position

	2014 N'000	2013 N'000
Property plant and equipment	4,494,969	4,180,801
Tax loss carried forward	6,868,931	6,397,835
Impairment on trade receivables and other receivables	1,645,923	3,340,807
	-----	-----
Net deferred tax assets	13,009,823	13,919,443
	=====	=====

13 Basic and Diluted Loss per share

Basic loss per share amounts are calculated by dividing the net 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:

	2014 000	2013 000
<i>Net loss attributable to ordinary equity holders of Company for basic earnings</i>		
Loss attributable to ordinary equity holders (in N)	(7,331,698)	(13,517,063)
	-----	-----
Net loss attributable to ordinary equity holders of the company	(7,331,698)	(13,517,063)
	=====	=====
Weighted average number of ordinary shares for basic loss per share	10,000	10,000
	=====	=====
Basic loss per share (N)	733	1,352
	=====	=====

The basic and diluted earnings per share is the same as at the year ended 31 December 2014 and 2013 because there was no potential ordinary shares in issued.

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.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS

14. Property, plant and equipment

	Land and 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
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
At 1 January 2014	2,416,979	30,207,714	143,053	78,393	1,328,317	34,174,456
Additions	-	2,993,518	59,527	54,495	23,529	3,131,069
At 31 December 2014	2,416,979	33,201,232	202,580	132,888	1,351,846	37,305,525
Depreciation:						
At 1 January 2013	56,393	927,673	32,695	11,374	-	1,028,135
Charge for the year	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
At 1 January 2014	108,461	1,790,466	65,015	21,857	-	1,985,799
Charge for the year	53,064	956,735	44,078	16,882	-	1,070,759
At 31 December 2014	161,525	2,747,201	109,093	38,739	-	3,056,558
Net book value:						
At 31 December 2014	2,255,454	30,454,031	93,487	94,149	1,351,846	34,248,967
At 31 December 2013	2,308,518	28,417,248	78,038	56,536	1,328,317	32,188,657

Revaluation of 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 5.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS

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 meter 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:

	Land and building	Sub-transmission and distribution equipment	Motor vehicle	Furniture and Fittings	Construction work in progress
2014	N'000	N'000	N'000	N'000	N'000
Cost	2,556,366	54,181,043	752,647	61,905	966,980
Accumulated depreciation	(934,463)	(18,209,985)	(705,870)	(53,514)	-
Net carrying amount	1,621,903	35,971,058	46,777	8,391	966,980

	Land and 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

	2014 N'000	2013 N'000
15 Inventories		
Materials and supplies	1,290,049	210,655
Stationeries	7,768	2,029
	-----	-----
	1,297,817	212,684
	=====	=====

Materials and supplies includes transformers, insulators, meters etc. During 2014, N372.4 million (2013: nil) was recognised as an expense under cost of sales. Materials and supplies issued out amounting to N3 billion (2013: N123 million) was re-classified to property, plant and machinery.

	2014 N'000	2013 N'000
16 Trade and other receivables		
Trade receivable (Note 16.1)	5,330,457	1,980,617
Other receivables (Note 16.2)	251,868	-
	-----	-----
	5,582,325	1,980,617
	=====	=====

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

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

	2014 N'000	2013 N'000
Commercial	8,713,324	89,327
Government agencies	34,358	57,094
Industrial	69,336	2,809
Private consumers	635,203	1,020,235
Residential	3,226,915	811,152
Less:		
Impairment (Note 16.3)	(5,486,409)	-
	-----	-----
	5,330,457	1,980,617
	=====	=====

- 16.2 Other receivables consist of the following:

Staff advances	12,121	-
Receivables for collection agencies	239,747	-
Default bank balances	-	1,888,356
Less:		
Impairment (Note 16.4)	(5,486,409)	(1,888,356)
	-----	-----
	251,868	-
	-----	-----

Receivables for collection agency relates to amount received from customers for energy consumed not yet remitted to the Company.

Default bank balances amounting to N1.89 billion in 2013 and has been fully impaired.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS

16.3 Impairment of Trade Receivables

Impairment shown on trade receivables is as follows:

	2014 Individually impaired N'000	2013 Individually impaired N'000
At 1 January	-	18,346,991
Charge for the year	5,486,409	9,247,666
Recoveries	-	-
Transfer to NELMCO (Note 22.2.2)	-	(27,594,657)
	-----	-----
At 31 December	5,486,409	-
	=====	=====

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

	2014 N'000	2013 N'000
Trade receivables	5,486,409	9,247,666
Other receivables - default bank balances	-	1,888,356
	-----	-----
	5,486,409	11,136,022
	=====	=====

16.5 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
			N'000	N'000	N'000
2013	1,980,617	1,188,370	594,185	198,062	-
2014	5,330,457	3,198,274	1,599,137	533,046	-

See Note 29 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

17 Cash and cash equivalents

	2014 N'000	2013 N'000
Cash on hand	2,650	-
Cash at banks	1,058,415	541,753
	-----	-----
	1,061,065	541,753
	=====	=====

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

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS

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

	2014 N'000	2013 N'000
Cash on hand	2,650	-
Cash at banks	1,058,415	541,753
	-----	-----
Bank overdrafts (Note 18.1)	1,061,065 (1,345,997)	541,753 -
	-----	-----
Cash and cash equivalents	(284,932)	541,753
	=====	=====
18 Financial liabilities		
18.1 Interest bearing loans and borrowings		

	2014 N'000	2013 N'000
Current Interest-bearing loans and borrowings		
Borrowings	1,345,997	-
	-----	-----
Total current interest-bearing loans and borrowings	1,345,997	-
	=====	===

The Bank overdrafts are secured by a portion of the company's Non current assets as follows:

Current Interest bearing loans & borrowings			2014 N'000	2013 N'000
	Interest Rate %	Maturity		
Current Interest-bearing loans and Borrowings				
Borrowings	18	on demand	1,345,997	-
			-----	-----
Total Current Interest bearing loans & borrowings			1,345,997	-
			=====	===

Borrowings

The Borrowings represent overdrawn balances on current accounts to enable the Company augment its working capital for the payment of operating expenses. The overdrafts attract an average interest rate of 18% and are secured by promissory note by the Company and corporate guarantee by 4 Power Consortium Limited.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS

18.2 Fair values

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The management assessed that cash and cash equivalent, trade receivables, trade payables and borrowings approximate their carrying amounts largely due to the short-term maturities of these instruments.

19 Trade and other Payables	2014 N'000	2013 N'000
Trade payables	12,998,366	1,345,121
Other payables (Note 19.1)	1,567,319	546,655
	-----	-----
	14,565,685	1,891,776
	=====	=====

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 29.

19.1 A further breakdown of other payables are:

	2014 N'000	2013 N'000
Advance from customers (i)	110,313	-
Salaries and other staff deductions payable (ii)	343,360	-
VAT and WHT payable (iii)	1,039,398	196,656
PHCN payable	-	349,999
Others (iv)	74,248	-
	-----	-----
	1,567,319	546,655
	=====	=====

- i. Advance from customers relates to funds received from customers for the supply of meter. However, Nigerian Electricity Regulatory Commission (NERC) has mandated the Company to supply the meter at no cost to the customer and refund the customer through power supply. The balance therefore represent amount yet to be refunded to customers.
- ii. Salaries and other staff deductions payable relates to unpaid salaries.
- iii. 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.
- iv. Others relates to Industrial Training Fund (ITF) and National Housing Fund (NHF) payables.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS

19.2 A further breakdown of trade and other payables based on classification:

	2014 N'000	2013 N'000
Current	14,455,372	-
Non current	110,313	-
	-----	-----
	14,565,685	-
	=====	=====

20 Deferred Revenue

	2014 N'000	2013 N'000
At 1 January	-	-
Deferred during the year	417,313	-
	-----	-----
At 31 December	417,313	-
	=====	====

Deferred revenue represents Credit Advance Payment for Meter Installation (CAPMI's) optional scheme that has been designed to allow willing customers advance money to their distribution company in exchange for the installation of meters. Once meters have been installed under this scheme issued by Nigerian Electricity Regulatory Commission (NERC), customers are then refunded for the cost of the meter by way of monthly reductions on the fixed charge element of their electricity bills over time. As at 31 December 2014, the estimated liability as deferred revenue amounted to approximately ₦ 417.3 million (2013: nil) for the Company.

Management will commence monthly deductions on the fixed charge element of all concerns customer's electricity bills with effect from 2017.

Current	-	-
Non-current	417,313	-
	-----	-----
	417,313	-
	=====	====

21 Issued capital and reserves

Authorised shares

	2014	2013
	Thousands	Thousands
Ordinary shares of 50k each	10,000	10,000
	=====	=====

	2014 N'000	2013 N'000
Issued share capital	5,000	5,000
Issued and fully paid	5,000	5,000
	=====	=====

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

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

	2014 N'000	2013 N'000
Bureau of Public Enterprise	1,600	1,600
Ministry of Finance Incorporated	400	400
4Power Consortium	3,000	3,000
	-----	-----
	5,000	5,000
	=====	=====

22. Nature and purpose of reserves

22.1 Retained earnings

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

22.2 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.

22.2.1 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.

22.2.2 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.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS

The analysis of assets and liabilities transferred is as follows:

	31 October 2013 N'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

	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 19.1)	(3,651,879)

Total financial liabilities	(52,937,306)

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

22.2.3 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.

23 Funds distribution to the Federal Government

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

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS

24 Cash generated from operations

	2014 N'000	2013 N'000
Loss before taxation	(7,170,756)	(13,325,422)
Non-cash adjustment to reconcile loss before tax to net cash flows		
Depreciation of property, plant and equipment	1,070,759	957,664
Finance cost	51,523	-
Impairment on other receivables	5,486,409	11,136,022
Changes in working capital:		
(Increase) / decrease in inventories	(1,085,133)	39,708
Increase in trade and other receivables	(9,088,117)	(12,225,952)
Increase in trade and other payables	12,673,909	16,556,881
Increase in deferred revenue	417,313	-
	-----	-----
	2,355,907	3,138,901
	=====	=====

25 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 Trans-amadi 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%

26 Contingent liability

A liability may exist from an unidentified independent power plant distributor. Power is 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.

27 Related party disclosures

The Company is owned by 4Power Consortium (60%), Bureau of Public Enterprises (BPE) (32%) and Ministry of Finance Incorporated (MOFI) (8%).

There were no transactions that have been entered into with related parties and management personnel for the relevant financial year.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

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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 Director and other executive directors are remunerated by PHED. The compensation paid is shown below:

	2014 N'000	2013 N'000
Short-term employee benefits	58,860 =====	11,513 =====

28 Directors and employees

(i) Employees

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

	Number 2014	Number 2013
Management	61	106
Senior staff	783	681
Junior staff	418	767
	----- 1,262 =====	----- 1,554 =====

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:

	2014	2013
Below N1,000,000	365	321
N1,000,001 - N1,500,000	210	193
N1,500,001 - N2,000,000	121	253
N2,000,001 - N2,500,000	103	284
N2,500,001 - N3,000,000	159	190
N3,000,001 - N3,500,000	142	125
N3,500,001 - N4,000,000	45	82
N4,000,001 - N4,500,000	37	43
N4,500,001 - N5,000,000	19	21
Above N5,000,000	61	42
	----- 1,262 =====	----- 1,554 =====

NOTES TO THE FINANCIAL STATEMENTS

29 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:

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.

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

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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.

	2014 N'000	2013 N'000
i Trade and other receivables		
Residential	3,226,915	811,152
Commercial	1,364,645	89,327
Industrial	69,336	2,809
Street light	34,358	57,094
Special tariff	635,203	1,020,235
ii Cash and bank		
B	315,294	129,531
B+	743,121	412,222
	-----	-----
	6,388,872	2,522,370
	=====	=====

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.

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NOTES TO THE FINANCIAL STATEMENTS

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.

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.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	N'000	N'000	N'000	N'000	N'000
Interest-bearing loans and borrowings	1,345,997	-	-	-	1,345,997
Trade and other payables	-	14,455,372	-	110,313	14,565,685
	-----	-----	-----	-----	-----
	1,345,997	14,455,372	-	110,313	15,911,682
	=====	=====	=====	=====	=====
Year ended 31 December 2013	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	N'000	N'000	N'000	N'000	N'000
Interest-bearing loans and borrowings	-	-	-	-	-
Trade and other payables	-	1,891,776	-	-	1,891,776
	-----	-----	-----	-----	-----
	-	1,891,776	-	-	1,891,776
	=====	=====	=====	=====	=====

30. 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

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NOTES TO THE FINANCIAL STATEMENTS

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.

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

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NOTES TO THE FINANCIAL STATEMENTS

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.

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

PORT HARCOURT ELECTRICITY DISTRIBUTION PLC

NOTES TO THE FINANCIAL STATEMENTS

- Amendments to IAS 27 - Equity Method in Separate Financial Statements

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.

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NOTES TO THE FINANCIAL STATEMENTS

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.

31 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 2014

	31 December 2014		31 December 2013	
	N'000	%	N'000	%
Value added by operating and investing activities				
Revenue	27,630,725		23,510,528	
Cost of services provided	(30,322,336)		(31,506,697)	
	-----		-----	
Total value consumed	(2,691,611)	(100)	(7,996,169)	(100)
	-----		-----	
Applied as follows:				
To pay employees: salaries and other labour related benefits	3,356,863	125	4,371,589	55
To pay Government: Income tax	160,942	6	191,641	2
To be retained in the business for expansion and future wealth creation:				
Depreciation	1,070,759	39	957,664	12
Provider of capital:				
To pay interest on borrowings	51,523	2	-	-
Value retained				
Retained loss	(7,331,698)	(272)	(13,517,063)	(169)
	-----	-----	-----	-----
	(2,691,611)	(100)	(7,996,169)	(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**

31 December	→ IFRS ←		← NGAAP →		
	2014 N'000	2013 N'000	2012 N'000	2011 N'000	2010 N'000
ASSETS					
Non-current assets					
Property, plant and equipment	34,248,967	32,188,657	32,959,592	31,854,636	41,118,691
Current assets					
Inventories	1,297,817	212,684	252,392	173,323	1,307,334
Trade and other receivables	5,582,325	1,980,617	4,510,788	10,506,802	8,232,287
Cash and cash equivalents	1,061,065	541,753	741,170	2,470,522	1,988,928
Total current assets	7,941,207	2,735,054	5,504,350	13,150,647	11,528,549
Total assets	42,190,174	34,923,711	38,463,942	45,005,283	52,647,240
LIABILITIES					
Non-current liabilities					
Trade and other payables	110,313	-	-	-	-
Deferred revenue	417,313	-	-	-	-
Total non current liabilities	527,626	-	-	-	-
Current liabilities					
Interest-bearing loans and borrowings	1,345,997	-	-	-	-
Trade and other payables	14,455,372	1,891,776	38,272,201	28,584,154	20,007,994
Current tax payable	741,277	580,335	388,694	320,125	194,882
Total current liabilities	16,542,646	2,472,111	38,660,895	28,904,279	20,202,876
Total liabilities	17,070,272	2,472,111	38,660,895	28,904,279	20,202,876
Equity attributable to shareholders					
Share capital	5,000	5,000	5,000	5,000	5,000
Other reserves	55,314,648	55,314,648	5,997,443	5,325,454	-
Retained earnings	(30,199,746)	(22,868,892)	(6,199,396)	10,770,550	32,439,364
Total equity	25,119,902	32,451,600	(196,953)	16,101,004	32,444,364
Total equity and liabilities	42,190,174	34,923,711	38,463,942	45,005,283	52,647,240
Profit and loss account					
Turnover	27,630,725	23,510,528	21,368,524	12,028,819	9,613,977
Loss before taxation	(7,170,756)	(13,325,422)	(16,901,377)	(5,391,507)	2,144,058
Taxation	(160,942)	(191,641)	(68,569)	(159,790)	(35,092)
Loss after taxation transferred to accumulated deficits	(7,331,698)	(13,517,063)	(16,969,946)	(5,551,297)	2,108,966