

NIGERIAN ELECTRICITY REGULATORY COMMISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

2nd Floor, B Wing

Federal Mortgage Bank Building

Central Business District Abuja



Sada, Idris & Co. (Chartered Accountants)
• Audit • Tax • Consulting

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NIGERIAN ELECTRICITY REGULATORY COMMISSION

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2015**

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NIGERIAN ELECTRICITY REGULATORY COMMISSION

CORPORATE INFORMATION

FOR THE YEAR ENDED 31ST DECEMBER, 2015

The Commissioner

The Commissioners were appointed by the Federal Government of Nigeria on 23rd January, 2017.

- | | |
|----------------------|--|
| Sanusi Garba | - Vice Chairman/Comm. (Market Competition and Rates) |
| Moses Arigu | - Commissioner (Government and Consumer Affairs) |
| Dafe Akpeneye | - Commissioner (Legal, Licensing and Enforcement) |
| Nathan Rogers Shatti | - Commissioner (Finance and Management Services) |
| Frank Okafor | - Commissioner (Engineering, Standards and Safety) |
| Musiliu Oseni | - Commissioner (RR&D) |

Corporate Head Office:

- Adamawa Plaza, Plot 1099
1st Avenue, Off Shehu Shagari Way
Central Business District, Abuja, Nigeria.
Tel: +234 9672 3206, 6707464
Website: www.nercng.org

Auditors

- Sada, Idris & Co. [Chartered Accountants]
2nd Floor, B Wing, FMBN Building
Central Business District, Abuja.
E-mail: sadaidrisc@yahoo.com

Bankers:

- First Bank of Nigeria Plc
- Guaranty Trust Bank Plc
- Eco Bank Nigeria Ltd.
- Unity Bank of Nigeria Plc
- Central Bank of Nigeria
- Keystone Bank Limited
- Aso Savings and Loan Plc
- Access Bank Plc

UP till
Sept, 2015

NIGERIAN ELECTRICITY REGULATORY COMMISSION

REPORT OF THE COMMISSIONERS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

The Commission hereby submit its report together with the audited accounts of Nigerian Electricity Regulatory Commission for the year ended 31st December, 2015.

The Commission is to ensure that proper accounts and other records relating to its financial statement are kept in respect of all the Commission's activities, funds and property including such particular accounts and records as the Minister may require in line with Section 55(1), EPSR Act 2005.

Statement of Commissioners' Responsibilities

The Commission is to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Commission will continue in business.

The Commissioners confirm that they have complied with the above requirements in preparing the financial statements of the Commission.

The Commissioners are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Commission and to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Nigeria and the Electric Power Sector Reform Act 2005. They are also responsible for safeguarding the assets of the Commission and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Review of Business and Future Developments

The level of business during the year and the financial position as at 31st December, 2015 were satisfactory. The Commission expects that the present level of activity will be sustained for the foreseeable future.

Results

The statement of financial position, statement of comprehensive income and statement of cash flow for the period ended 31st December, 2015 are set out on pages 8 to 10.

Equal Employment Opportunity

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

NIGERIAN ELECTRICITY REGULATORY COMMISSION

REPORT OF THE COMMISSIONERS FOR THE YEAR ENDED 31ST DECEMBER, 2015

Employment of Physically Disabled Persons

The Commission 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 Commission continues and that the appropriate training is arranged.

Industrial/Employees Relations

The Commission 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 Commission. This is achieved through Management's open door policy and improved communication channels. These channels include, e-mail and an intranet, the revised in-house magazine, the entrenchment of regular Divisional and Executive Management Meetings and Power Consumers Assembles. The relationship between management and other stakeholders, power consumer assembles in various States and Local Governments, National Assembly, industry groups, media, etc remains very cordial. Regular dialogue takes place at informal and formal levels.

Training and Development

The Commission places great emphasis on the training and development of its staff and other stakeholders and believes that its employees 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. We will continue to invest in our human capital to ensure that our people are well motivated and positioned to compete in the industry.

Commissioners

The names of the Commissioners who were in office during the period when the financial statement were finalised are set out below. Except where noted, they served for the entire year.

Dr. Sam Amadi	- Chairman/Chief Executive
Muhammed Lawal Bello	- Vice Chairman and Commissioner (RR&D)
Dr. Abba Armiya'u Ibrahim	- Commissioner (Government and Consumer Affairs)
Mr. Eyo O. Ekpo	- Commissioner (Market, Competition and Rates)
Dr. Steven Andzenge, MON	- Commissioner (Legal, Licensing and Enforcement)
Mr. Patrick O. Umeh	- Commissioner (Finance and Management Services)
Engr. (Mrs.) Mary E. Awolokun	- Commissioner (Engineering, Standards and Safety)

NIGERIAN ELECTRICITY REGULATORY COMMISSION

REPORT OF THE COMMISSIONERS FOR THE YEAR ENDED 31ST DECEMBER, 2015

Current Commissioners

The following Commissioners were appointed on 23rd January, 2017 by the Federal Government of Nigeria and were in office when this financial statements were presented, approved and signed:

Sanusi Garba	- Vice Chairman/Comm. (Market Competition and Rates)
Moses Arigu	- Commissioner (Consumer Affairs)
Dafe Akpeneye	- Commissioner (Legal, Licensing and Compliance)
Nathan Rogers Shatti	- Commissioner (Finance and Management Services)
Frank Okafor	- Commissioner (Engineering, Performance and Monitoring)
Musiliu Oseni	- Commissioner (Planning, Research & Strategy)

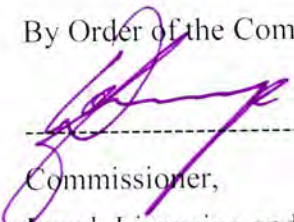
Transactions involving Commissioners

There were no contracts in relation to the business of the Commission in which the Commissioners had any interest at any time during the year ended 31st December, 2015.

External Auditors

The Auditors, Messrs Sada, Idris & Co. were appointed as auditors to the Commission in 2011 and have expressed their willingness to continue in office as Auditors to the Commission in accordance with Section 56(1) of Electric Power Sector Reform Act 2005 and the guidelines for the appointment of auditors issued by the Auditor General of the Federation.

By Order of the Commission



Commissioner,

Legal, Licencing and Compliance

FRC/2017/NBA/00000017245

25 OCTOBER 2017

Date

Report of Independent Auditors to the Members of Nigerian Electricity Regulatory Commission

We have audited the accompanying financial statements of Nigerian Electricity Regulatory Commission which comprise the statement of financial position as at 31st December 2015, the statement of comprehensive income, the statement of cash flows for the year then ended, summary of significant accounting policies and other explanatory notes.

Responsibilities of the Commissioners

The Commission is responsible for the preparation and fair presentation of these financial statements in accordance with the relevant standards issued by the Financial Reporting Council of Nigeria, the provisions of the Electric Power Sector Reform Act 2005 and for such internal control as the Commission determines necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risks assessments, the auditors consider internal controls relevant to the entity's preparation and a 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 control. 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 the audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Nigerian Electricity Regulatory Commission as at 31st December, 2015, and of the Commission's financial performance and cash flows for the period then ended in accordance with the relevant standards issued by the Financial Reporting Council of Nigeria and relevant provisions of the Electric Power Sector Reform Act 2005.

Report on other legal and regulatory requirements

In accordance with the requirement of Electric Power Sector Reform Act 2005, 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 Commission, so far as appears from our examination of these books;
- iii The Commission's balance sheet and income and expenditure account are in agreement with the books of account.

Abuja, Nigeria

Date: 24 Oct 2017




Nkem Onyekawa
RC/2013/ICAN/000000/804
For: Sada, Idris & Co.
Chartered Accountants

NIGERIAN ELECTRICITY REGULATORY COMMISSION


STATEMENT OF FINANCIAL POSITION

AS AT 31st DECEMBER, 2015

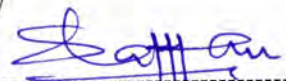
	Notes	2015 ₦	2014 ₦
Non-current Assets			
Property, Plant and Equipment	2	12,833,639,303	10,541,047,506
Intangible Assets	3	780	780
Investment Property	4	134,940,065	134,940,065
Loan and Other Receivables	5	1,908,592,825	1,643,074,082
		14,877,172,973	12,319,062,433
Current Assets			
Trade and Other Receivables	6	1,896,268,773	56,425,769
Prepayments	7	400,547,933	627,121,612
Cash and Cash Equivalents	8	2,904,392,061	4,746,757,960
		5,201,208,767	5,430,305,341
Current Liabilities			
Trade and Other Payables	9	1,363,533,296	863,518,015
		1,363,533,296	863,518,015
Net Current Assets			
		3,837,675,471	4,566,787,326
Total Assets Less Current Liabilities			
		18,714,848,444	16,885,849,759
Non-current Liabilities			
Long Term Employment Benefits	10	2,495,101,171	2,390,183,338
Rural Electrification Fund	11	201,340,646	200,653,795
Staff Housing Scheme	12	2,243,000,000	2,243,000,000
		13,775,406,626	12,052,012,626
Net Assets			
		13,775,406,627	12,052,012,626
Changes in Equity			
Federal Government & Other Funding	13	13,775,406,627	12,052,012,626


 Sanusi Garba
 Vice Chairman
 FRC/2017/COREN/
 00000017444

Nov 28, 2017


 Dafe Akpeneye
 Commissioner,
 Legal, Licensing and Compliance

25 OCTOBER 2017


 Nathan Rogers Shatti
 FRC/2017/COREN/00000017445

Nathan Rogers Shatti
 Commissioner, Finance and Management Services

24th October, 2017

NIGERIAN ELECTRICITY REGULATORY COMMISSION

STATEMENT OF COMPREHENSIVE INCOME		2015	2014
FOR THE YEAR ENDED 31ST DECEMBER 2015	Notes	₦	₦
Revenue			
Regulatory Income	14	7,753,480,096	5,352,743,592
Other Income	15	3,827,795	1,799,147
Investment Income	16	43,982,546	109,497,703
Total Income [A]		<u>7,801,290,437</u>	<u>5,464,040,442</u>
Expenditure			
Staff Cost	17	3,718,228,456	3,121,618,880
Regulatory Expenses	18	253,469,943	460,536,865
Transport and Travelling Expenses	19	223,158,993	377,185,190
Administrative Expenses	20	3,606,433,045	1,504,699,507
Total Expenditure [B]		<u>7,801,290,437</u>	<u>5,464,040,442</u>
Deficit/Surplus of Income over Expenditure [A-B]		0	0
Transfer to Rural Electrification Fund		0	0
Total Comprehensive Income		<u><u>0</u></u>	<u><u>0</u></u>

NIGERIAN ELECTRICITY REGULATORY COMMISSION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2015	2015 ₦	2014 ₦
Cash flows from operating activities		
Cash receipts	9,524,684,439	4,382,692,493
Payment to suppliers and employees	(10,631,071,093)	(4,436,746,417)
Net cash inflow provided by operating activities	(1,106,386,654)	(54,053,924)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,460,060,097)	(10,351,402,756)
Net cash provided by investing activities	(2,460,060,097)	(10,351,402,756)
Cash flows from financing activities		
Rural Electrification Fund	686,851	964,614
FGN Capital Grant	0	7,732,500,000
IGR Capitalized	1,723,394,001	2,618,902,755
FGN Fund Mop-up	0	(168,437,500)
Net cash provided by financing activities	1,724,080,852	10,183,929,869
Net increase in cash and cash equivalents	(1,842,365,899)	(221,526,811)
Cash and cash equivalents at 1st January	4,746,757,960	4,968,284,771
Cash and cash equivalents at 31st December	2,904,392,061	4,746,757,960

NIGERIAN ELECTRICITY REGULATORY COMMISSION

Notes to the Financial Statements For the Year Ended 31st December 2015 Note on Significant Accounting Policies

1. The Entity

1.1 Legal form

The Nigerian Electricity Regulatory Commission (NERC) is an Independent Regulatory Agency which was inaugurated on 31st October 2005 as provided in the Electric Power Sector Reform Act 2005. The first Commission was inaugurated in October 2005. The present Commission was inaugurated in December 2010.

1.2 Principal activities

The principal activity of the Commission is the regulation of the Nigerian electricity sector in accordance with the provisions of the Electric Power Sector Reform Act 2005 .

1.3 Employees' Retirement Benefits

The Commission operates a defined contributory pension scheme in line with the provisions of the Pension Reform Act, 2004. Funding under the scheme is 18 by the Commission based on the employees' annual basic salary as well as housing and transport allowance. Employers contribution to this scheme are charged to statement of comprehensive income in the period to which they relate. Employees' contributions are funded through their payroll.

1.4 Capital Grants and Subvention

Capital grants and subventions are recorded in the year that they are received by the Commission. Capital grants received in any year are credited to Capital Accounts (Federal Government Funding) while recurrent subventions received are credited to the income and expenditure account of the year.

1.5 Funds of the Commission (S.52 of the Act)

The funds of the Commission consist of:

- i. Fees, charges and other income accruing to the Commission from licenses and other things done by it in terms of the enabling Act, excluding any fines or penalties recovered pursuant to the Act;
- ii. Funds allocated to the Commission by the National Assembly, pursuant to a request by the Commission for additional funds to meet its reasonable expenditures; and
- iii. Such other money as may vest in or accrue to the Commission, whether in the course of its operations or otherwise.

The funds are to finance the operations of the Commission and any surplus fund at the end of the year is appropriated in line with the provisions of Section 53 in the enabling Act.

Notes to the Financial Statements

For the Year Ended 31st December 2015

Note on Significant Accounting Policies

2. Basis of preparation

2.1 Statement of compliance with IFRSs

The Commission's financial statements for the year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB. Additional information required by local regulations is included where appropriate.

The financial statements comprise of the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the accounts. The financial statements are presented in Naira, which is the entity's presentation currency.

2.2 Basis of measurement

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention, except for financial instruments measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates, it also requires management to exercise its judgment in the process of applying the Commission's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and therefore the Commission's financial statements present the financial position and results fairly.

2.3 Summary of new and amended standards and interpretations

2.3.1 New and effective standards and interpretations.

The following represent amendments to International Financial Reporting Standards and interpretations which are effective for annual periods beginning on or after 1 January 2013. These amendments and interpretations have been adopted where applicable in preparing the financial statements.

a) Amendments to IFRS 1: Government Loans

The amendment requires an entity adopting IFRS for the first time to prospectively remeasure government loans (with below-market rate of interest) obtained on or after its date of transition at fair value on initial recognition. This is in accordance with the amendments to IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance.

b) Amendments to IAS 1: Presentation of Financial Statements

Amendments clarify that only the minimum comparative periods are required for a 'complete set of financial statements'. Presenting selected additional comparative information is acceptable, provided it is not misleading.

c) Amendments to IAS 16: Servicing Equipment

Amendments to the classification of servicing equipment clarify that servicing equipment qualify as property, plant and equipment when used during more than one period, otherwise it should be classified as inventory.

d) Amendments to IAS 32: Financial Instruments - Presentation

Amendments clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 - Income Taxes.

e) Amendments to IAS 34: Interim Financial Reporting

Amendments clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 - Operating Segments.

f) IFRS 10: Consolidated Financial Statements

IFRS 10 replaces the consolidation guidance in IAS 27: Consolidation and Separate Financial Statements and, SIC 12: Consolidation - Special Purpose entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.

g) IFRS 12: Disclosures of Involvement with Other Entities

IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement.

h) Amendments to IAS 27: Separate Financial Statements

The revised IAS 27 accounts for only the requirements of separate financial statements which have remained unchanged. Other portions of IAS 27 are replaced by IFRS 10.

i) IFRS 13: Fair Value Measurement

IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The Standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement.

2.3.2 Accounting standards and interpretations issued but not yet effective

Below are new and amended International Financial Reporting Standards which have not been early adopted by the organisation and that might affect future reporting periods, on the assumption that the organisation will continue with its current activities.

2.3.2.1 Amendments effective from annual periods beginning on or after 1 January 2015

a) Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities

The amendments clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off', the application of simultaneous realisation and settlement, the offsetting of collateral amounts and the unit of account for applying the offsetting requirements.

b) Amendment to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets

The amendment reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

c) Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities

Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements to provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement.

d) IFRIC 21: Levies

Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The liability is recognised progressively if the obligating event occurs over a period of time. If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

2.3.2.2 Amendments effective from annual periods beginning on or after 1 July 2014

a) Amendments to IAS 19: Defined Benefit Plans: Employee Contributions

Additional guidance added to IAS 19 Employee Benefits on accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan.

b) Amendments to IFRS 13: Short-term receivables and payables

Amendments clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting if the effect of not discounting is immaterial.

c) Amendments to IFRS 1: Meaning of 'effective IFRSs'

Amendments to the Basis of Conclusion clarify the meaning of "effective IFRSs" that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application.

d) Amendments to IFRS 3: Accounting for contingent consideration in a business

Amendments clarify the following aspects of accounting for contingent consideration in a business combination: Classification of contingent consideration as debt or equity – only on the basis of IAS 32; Subsequent measurement of contingent consideration classified as debt – at FVTPL, unless the recognition of the resulting gain or loss is required in OCI in accordance with IFRS 9; IFRS 7 disclosures might be required; Other issues; and Transitional provisions and effective date.

e) Amendments to IFRS 13: Scope of paragraph 52 (portfolio exception)

Amendments clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9.

f) Amendments to IAS 16: Revaluation method - proportionate restatement of accumulated depreciation

Amendments clarify that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

g) Amendments to IAS 24: Key management personnel services

Amendments clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting

h) Amendments to IAS 38: Revaluation method - proportionate restatement of accumulated amortisation

Amendments clarify that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

i) Amendments to IAS 40: Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property

Amendments clarify the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

2.3.2.3 Amendments effective from annual periods beginning on or after 1 January 2016

a) Amendments to IFRS 5: Changes in methods of disposal

Amendments clarify that if an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution to owners, or vice-versa, then the change in classification is considered a continuation of the original plan of disposal.

b) Amendments to IAS 16 & 38: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to both IAS 16 and IAS 38 clarifying that when applying the principle of “the basis of depreciation and amortisation is the expected pattern of consumption of the future economic benefits of an asset”, revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets. Additionally further clarified the basis for the calculation of depreciation and amortisation.

c) Amendments to IAS 1: Disclosure Initiative

Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures.

d) Amendments to IFRS 7: Servicing contracts & Applicability of the amendments to IFRS 7 to condensed interim financial statements

Amendments clarify the meaning of “continuing involvement” in a transferred financial asset.

Amendments also clarify that previous amendments to IFRS 7 (concerning offsetting) are not specifically required for all interim periods and should be dealt with in terms of IAS34.

e) Amendments to IFRS 10 & 12 and IAS 28: Investment Entities - Applying the Consolidated Exception

Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.

f) Amendments to IAS 19: Discount rate - regional market issue

Clarification given that when looking at a deep market in terms of the standard the deep market requirement applies to the currency as a whole and not to a specific country.

g) Amendments to IAS 27: Equity Method in Separate Financial Statements

Amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

h) Amendments to IAS 34: Disclosure of information 'elsewhere in the interim financial report'

Clarified that some disclosures required may be presented by cross-reference to other statement(s) that are available to the users of the financial statements on the same terms as the interim financial statements and at the same time.

2.3.2.5 Amendments effective from annual periods beginning on or after 1 January 2017

a) IFRS 15: Revenue from Contracts with Customers

To recognize revenue, a entity would apply the following five steps: Identify the contract(s) with the customer, Identify the performance obligations in the contract, Determine the transaction price, Allocate the transaction price;

Notes to the Financial Statements
For the Year Ended 31st December 2015
Note on Significant Accounting Policies

Recognize revenue when a performance obligation is satisfied. An entity would recognize an asset for the incremental costs of obtaining a contract, if those costs are expected to be recovered. For many contracts, such as many straight forward retail transactions, IFRS 15 will have little, if any, effect on the amount and timing of revenue recognition. An entity will be able to recognize revenue over time only if the criteria specified in IFRS 15 are met. In all other cases, an entity will recognize revenue at the point in time when the customer obtains control of the promised good or service.

2.3.2.6 Amendments effective from annual periods beginning on or after 1 January 2018

a) IFRS 9: Financial instruments

IFRS 9 introduces limited amendments to the classification and measurement of financial assets but replaces in its entirety IAS 39. Such amendments introduce a new classification and measurement of debt instruments as fair value through other comprehensive income (FVTOCI) where certain conditions are met. The standard also introduces a new expected loss impairment model for financial assets. Most of the requirements related to financial liabilities in IAS 39 remain unchanged excluding the requirement that changes in the fair value of financial liabilities as a result of own credit risk should be recognised in other comprehensive income and not in the income statement. At the IASB's July 2015 meeting, the IASB decided to postpone the mandatory application of IFRS 9 to annual periods beginning on or after 1 January 2018 with early application permitted.

3. Summary of significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position at 1 January 2012 for the purpose of the transition to IFRSs, unless otherwise stated.

3.1.1 Property, plant and equipment

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

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

3.1.2 Depreciation of property, plant and equipment

Depreciation starts when an asset is ready for use and ends when derecognised or classified as held for sale. Depreciation does not cease when the asset becomes idle or retired from use unless the asset is fully depreciated. Depreciation is calculated on a straight-line basis to write-off assets over their estimated useful lives. Land and assets under construction (work in progress) are not depreciated.

Notes to the Financial Statements
 For the Year Ended 31st December 2015
 Note on Significant Accounting Policies

Depreciation on property plant and equipment assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Class of assets	%
Buildings	2
Plant and machineries	25
Furniture, fittings and equipment	20
Computer	33.33
Motor vehicles	25
Office equipment	20

The assets' residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable value. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement as operating income.

3.2 Investment property

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the income statement in the year in which they arise, including the corresponding tax effect.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset would result in either gains or losses at the retirement or disposal of investment property. Any gains or losses are recognised in the income statement in the year of retirement or disposal. Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period's financial statements.

Notes to the Financial Statements
For the Year Ended 31st December 2015
Note on Significant Accounting Policies

3.3 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software.

Subsequent to initial measurement, all intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 3.17.

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible asset unless such lives are indefinite. These charges are included in administrative expenses in profit or loss. Intangible assets with an indefinite useful life are tested for impairment annually. Amortization periods and methods are reviewed annually and adjusted if appropriate.

Class of assets

Computer

25%

Subsequent expenditures on the maintenance of computer software and other intangible asset are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in the income statement.

3.4 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories includes expenditures incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling.

3.5 Financial instruments

Financial instruments carried at statement of financial position date include the loans and receivables, cash and cash equivalents and borrowings. Financial instruments are recognised initially at fair value, plus, any directly attributable transaction costs except for financial assets at fair value through profit or loss, which are initially measured at fair value excluding transaction cost.

3.5.1 Financial assets

The Commission classifies its financial assets into the following categories:

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

Notes to the Financial Statements

For the Year Ended 31st December 2015

Note on Significant Accounting Policies

Recognition and measurement

Regular-way purchases and sales of financial assets are recognized on trade-date – the date on which the Commission commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or losses are initially recognized at fair value, and transaction costs are expensed in the income statement.

Financial assets are derecognized when the rights to receive cash flows from them have expired or where they have been transferred and the Commission has also transferred substantially all risks and rewards of ownership.

Reclassifications

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Commission may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Commission has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

3.5.2 Impairment of financial assets

Financial assets carried at amortised cost

The Commission assesses at each end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Commission about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial

Notes to the Financial Statements

For the Year Ended 31st December 2015

Note on Significant Accounting Policies

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

3.5.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability

3.5 Cash and cash equivalents

Cash and cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short-term.

3.6 Trade and other receivables

Trade and other receivables are stated at their original invoiced value, as the interest that would be recognized from discounting future cash receipts over the short credit period is not considered to be material. These receivables are reduced by appropriate allowances for estimated irrecoverable amounts. Interest on overdue trade receivables is recognized as it accrues.

3.7 Trade and other payables

Trade and other payables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

3.8 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Commission and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

3.8.1 Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through 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 the income statement.

3.8.2 Fee and commission income

Fees, charges, commissions and other income accruing to the Commission from licenses and other services rendered by the Commission in terms of the enabling act. Fees and commission earned for the provision of services over a period of time are accrued over that period.

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Notes to the Financial Statements

For the Year Ended 31st December 2015

Note on Significant Accounting Policies

3.8.3 Investment return

Investment return comprises of dividend, interest and rent receivable, movement in amortized cost on debt securities and other loan and receivables, realized gains and losses, and unrealized gains and losses on fair value assets. Revenue is recognised when the Commission's right to receive the payment is established, which is generally when the shareholders approve the dividend.

3.8.4 Government grants

A number of the Commission's programs are supported by grants received from the Government. If conditions are attached to a grant which must be satisfied before the Commission is eligible to receive the contribution, recognition of the grant as revenue is deferred until those conditions are satisfied. Where a grant is received on the condition that specified services are delivered, to the grantor, this is considered a reciprocal transaction. Revenue is recognised as services are performed and at year-end until the service is delivered.

Revenue from a non-reciprocal grant that is not subject to conditions is recognised when the Commission obtains control of the funds, economic benefits are probable and the amount can be measured reliably.

Where a grant may be required to be repaid if certain conditions are not satisfied, a liability is recognised at year end to the extent that conditions remain unsatisfied.

Where the Group receives a non-reciprocal contribution of an asset from a government or other party for no or nominal consideration, the asset is recognised at fair value and a corresponding amount of revenue is recognised.

3.8.5 Realised gains and losses

The realized gains or losses on the disposal of an investment is the difference between proceeds received net of transaction costs and its original or amortised costs as appropriate.

3.90 Taxation

3.9.1 Current income tax

The commission is not liable to Company Income Tax (CIT) because it does not engage in trading activities that yield income or profit outside its ordinary course of operation. The Commission would, however, continue to act as agent of collection of Withholding Tax and Value Added Tax and remit same to relevant tax authorities as and when due.

3.9.2 Value added tax

Non-recoverable VAT paid in respect of an item of non capital nature is written off to Income Statement. Non-recoverable VAT paid in respect of fixed assets is capitalized as part of the cost of the fixed assets. The net amount owing to or due from the tax authority is included in receivables or payables.

Notes to the Financial Statements
For the Year Ended 31st December 2015
Note on Significant Accounting Policies

3.10 Employee benefits

3.10.1 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement in the periods during which services are rendered by employees. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value. In relation to the defined contribution plan, the Commission has in place the Pension Fund Scheme.

Pension fund scheme

In accordance with the provisions of the Pension Reform Act, 2004 (Amended), the Commission has instituted a Contributory Pension Scheme for its employees, where the Commission contributes 20% of the employee gross emoluments. The contribution under the scheme is charged to the income statement.

3.10.2 Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Commission's net obligation in respect of defined benefit plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine its present value. Any recognized past service costs and fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Commission's obligation and that are denominated in the currency in which the benefit are expected to be paid. The calculation is performed annually by a qualified actuary using the projected credit unit method.

The Commission recognizes all actuarial gains or losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in the income statement. The Commission recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on settlement or curtailment comprises any resulting change in the fair value of the plan asset, any change in the present value of defined benefit obligation, any related actuarial gains or losses and past services cost that had not previously been recognised.

3.10.3 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

3.10.4 Provisions

Provisions are recognized when the Commission has a present obligation (legal or constructive) as a result of a past event, it is probable that the Commission will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

3.11 Foreign currencies transactions

3.11.1 Functional and presentation currency

Items included in the financial statements of the Commission are measured using the currency of the primary economic environment in which the commission operates ('the functional currency'). The financial statements are presented in Nigerian Naira (NGN), which is the Commission's presentation currency.

3.11.2 Transactions and balances

Foreign currency transactions that are transactions denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

3.12 Impairment of non-financial assets

The Commission assesses annually whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where it is impossible to estimate the recoverable amount of an individual asset, the Commission estimates the recoverable amount of the smallest cash-generating unit to which the asset is allocated. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount an impairment loss is recognized immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the impairment loss is recognized as revaluation decrease.

3.13 Surplus Funds of the Commission.

In accordance with S.53 of the EPSR Act 2005, any surplus fund to the budgeted annual requirements of the Commission as determined by the auditors is paid by the Commission to the Rural Electrification Fund, subject to the approval of the National Assembly.

4.0 Critical judgment in applying the Commission's accounting policies

The Commission makes estimate and assumption about the future that affects the reported amounts of assets and liabilities. Estimates and judgment are continually evaluated and based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the future, actual experience may

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Notes to the Financial Statements For the Year Ended 31st December 2015

Note on Significant Accounting Policies

The effect of a change in an accounting estimate is recognized prospectively by including it in the income statement in the period of the change if the change affects that period only or in the period of change and future period, if the change affects both the estimates and assumptions that have a significant risks of causing material adjustment to the carrying amount of asset and liabilities within the next financial are stated below:

- a. Impairment of available-for-sale equity financial assets
- b. Estimated useful lives of assets
- c. Allowances for impairment on receivables
- d. Provision for obsolete stock

5. Financial risk management

The Commission's operations expose it to a number of financial risks. Adequate risk management procedures have been established to protect the Commission against the potential adverse effects of these financial risks. There has been no significant change in these financial risks since the prior year.

5.1 Credit risk

Concentrations of credit risk with respect to Licensees are limited due to the Commission's aggressive policy on monitoring of receivables. New Licensees are assessed for credit worthiness and where appropriate the Commission ensures that transactions with such customers is on a cash basis to avoid risk of default. To further mitigate credit risk from Licensees who are market participants, such Licensees are in line with the Market Rules required to post Performance Bond/Letter of Credit covering three months of projected invoice value such that, in the event of default in settling NERC fees and those of other service providers the Bond/LC can be called off to settle the invoice.

5.1.1 Exposure to risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

	2015	2014
	₦	₦
Financial assets		
Trade receivables	1,896,268,773	56,425,769
Prepayments	400,547,933	627,121,612
Cash and cash equivalents	2,904,392,061	4,746,757,960
	<u>5,201,208,767</u>	<u>5,430,305,341</u>

The receivables' age analysis is also evaluated on a regular basis for potential doubtful debts, where this is considered necessary. The Commission establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

Notes to the Financial Statements

For the Year Ended 31st December 2015

Note on Significant Accounting Policies

The Commission allows an average receivable period of 60 days after invoice date. It is the Commission's policy to assess receivables for recoverability on an individual basis and to make provision where it is considered necessary. In assessing recoverability the Commission takes into account any indicators of impairment up until the reporting date. The application of this policy generally results in receivables between 61 and 360 days not being provided for unless individual circumstances indicate that a receivable is impaired, whilst 100% of receivables balances over 360 days are provided for.

Historically these receivables have always been collected when due, unless the balance or the quality of goods or services delivered is disputed. No receivables balances have been renegotiated during the year or in the prior year.

5.1.2 Liquidity risks

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. The Commission employs policies and procedures to mitigate its exposure to liquidity risks.

5.1.3 Market risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

5.1.4 Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Commission's principal transactions are carried out in Naira and its financial assets are primarily denominated in the Naira and its exposure to foreign exchange risk is minimal.

5.1.5 Foreign Currency Transactions

Transactions arising in foreign currencies are converted into Naira at the approximate rates of exchange ruling at the time they arise. Assets and liabilities existing in foreign currencies are translated into naira at the rates applicable at the balance sheet date. Exchange differences arising on foreign currency transactions are taken to the income and expenditure account.

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Note to the Financial Statement for the Year Ended 31st December 2015

2 Property, Plant and Equipment

Cost/valuation	Building		Computer Equipment		Office Equipment		Motor Vehicles		Furniture and Fittings	
	N	N	N	N	N	N	N	N	N	N
1st Jan 2015	10,310,220,743	123,221,578	201,745,413	507,800,627	123,660,626	11,266,648,987				
Additions	2,344,030,262	105,999,391	6,942,944	-	3,087,500	2,460,060,097				
31st Dec 2015	12,654,251,005	229,220,969	208,688,357	507,800,627	126,748,126	13,726,709,084				
Accumulated depreciation										
1st Jan 2015	0	109,849,983	148,545,250	369,421,053	97,785,195	725,601,481				
Charge for the year	0	40,333,307	19,676,876	100,002,927	7,455,190	167,468,300				
31st Dec 2015	0	150,183,290	168,222,126	469,423,980	105,240,385	893,069,781				
Carrying Amount										
31st Dec 2015	12,654,251,005	79,037,679	40,466,231	38,376,647	21,507,741	12,833,639,303				
31st Dec 2014	10,310,220,743	13,371,595	53,200,163	138,379,574	25,875,431	10,541,047,506				

NIGERIAN ELECTRICITY REGULATORY COMMISSION

Note to the Financial Statement	2015	2014
FOR THE YEAR ENDED 31ST DECEMBER 2015	₦	₦
3 Intangible Assets		
Cost/Valuation		
At Jan. 1st	16,108,520	16,108,520
Addition	0	0
	<u>16,108,520</u>	<u>16,108,520</u>
Accumulated Amortization		
At Jan. 1st	16,107,740	13,719,872
Charge for the year	0	2,387,868
	<u>16,107,740</u>	<u>16,107,740</u>
Carrying Amount	<u>780</u>	<u>780</u>
4 Investment Property: Land		
Cost/Valuation:		
At Jan. 1st	134,940,065	134,940,065
Addition	0	0
Fair value gain	0	0
At December 31st	<u>134,940,065</u>	<u>134,940,065</u>
5 Loan and Other Receivables		
Staff Mortgage Loan Account	<u>1,908,592,825</u>	<u>1,643,074,082</u>
Analysed into:		
Current Portion	0	0
Non Current Portion	<u>1,908,592,825</u>	<u>1,643,074,082</u>
	<u>1,908,592,825</u>	<u>1,643,074,082</u>
5.1 Staff Mortgage Loan		
At 1 January	1,643,074,082	1,623,586,581
Addition	282,665,651	221,917,637
Payment	(17,146,908)	(202,430,136)
At December 31st	<u>1,908,592,825</u>	<u>1,643,074,082</u>
6 Trade and Other Receivables		
Trade Receivables note 6.1	1,891,493,457	51,364,622
Staff Loan note 6.2	140,448	1,090,200
Temporary Advances	4,634,868	3,970,947
	<u>1,896,268,773</u>	<u>56,425,769</u>
6.1 Trade Receivables		
TCN Market Operator	5,036,400,557	1,081,347,949
Impairment of Financial Assets	(3,151,093,046)	(1,036,810,380)
Net TCN Market Operator	<u>1,885,307,511</u>	<u>44,537,569</u>
Sundry Debtors	6,141,446	6,770,553
Asset Disposal	44,500	56,500
	<u>1,891,493,457</u>	<u>51,364,622</u>

Restatement of TCN Market Operators outstanding remittances

NIGERIAN ELECTRICITY REGULATORY COMMISSION

Note to the Financial Statement	2015	2014
FOR THE YEAR ENDED 31ST DECEMBER 2015	₦	₦
6.2 Staff Loan		
At Jan. 1st	1,090,200	1,235,838
Addition	2,916,510	9,115,227
Payment	(3,866,262)	(9,260,865)
At December 31st	140,448	1,090,200
7 Prepayments		
Expenses (Hotel and Travel Agents)	9,216,877	5,638,567
Rent, Insurance and Internet	8,077,802	58,170,679
Other Allowances (Education and House Maintenance)	132,789,380	172,480,888
Housing Allowance	250,463,874	390,831,478
	400,547,933	627,121,612
8 Cash and Cash Equivalents		
Current Accounts Balances (note 8.1)	357,974,699	4,568,904,605
Domiciliary Account	33,693,817	17,316,471
Project Account (note 8.2)	0	160,416,884
Investment Fund	2,511,333,545	0
Cash in hand	1,390,000	120,000
	2,904,392,061	4,746,757,960
8.1 Bank Current Accounts		
CBN (Treasury Single Account)	4,839,769	0
Aso Saving & Loans PLC (Staff Mortgage)	352,288,959	12,125,829
First Bank Plc (Personnel)	0	106,197,829
Guaranty Trust Bank Plc (Operating Surplus)	0	194,823,692
Guaranty Trust Bank Plc (Overhead Account)	0	1,320,147
Guaranty Trust Bank Plc (IGR Overhead)	0	88,116,962
Guaranty Trust Bank Plc (Mortgage)	0	400,581,122
Unity Bank Plc (Operating Fees Account)	845,971	3,128,915,977
Unity Bank Plc (Revenue Account)	0	124,812,938
Unity Bank Plc (Commissioner Severance Sinking Fund)	0	512,010,109
	357,974,699	4,568,904,605
8.2 Project Account		
Guaranty Trust Bank Plc (Escrow Account)	0	160,416,654
Access Bank (Escrow Account)	0	230
	0	160,416,884
8.3 Investment Funds		
ARM Sinking Fund	991,864,772	0
IBTC Sinking Fund	770,424,031	0
Legacy Pension Sinking Fund	749,044,742	0
	2,511,333,545	0

NIGERIAN ELECTRICITY REGULATORY COMMISSION

Note to the Financial Statement	2015	2014
FOR THE YEAR ENDED 31ST DECEMBER 2015	₦	₦

8.3.1 ARM Sinking Fund

At Cost	945,885,855	0
Add net interest accrued	83,014,320	0
Less: Payment	-37,035,403	0
Market Value At 31st December	991,864,772	0

8.3.2 IBTC Sinking Fund

At Cost	709,414,391	0
Add net interest accrued	68,107,637	0
Less: Payment	-7,097,997	0
Market Value At 31st December	770,424,031	0

8.3.3 Legacy Pension Sinking Fund

At Cost	709,414,391	0
Add net interest accrued	63,210,673	0
Less: Payment	(23,580,322)	0
Market Value At 31st December	749,044,742	0

9 Trade and other Payables

Withholding Tax Payable	8,410,059	90,845,878
VAT Payable	7,537,373	91,894,263
PAYE	71,575,328	(817,233)
Refundable Excess overhead releases	373,625	373,625
Salary Payables	141,754,427	0
NERC Buildings and Inverter (Retention)	1,128,182	13,726,607
Accrued Expenses	1,011,212,587	571,420,075
Industrial Trust Fund	34,422,611	34,422,611
National Social Insurance Trust Fund (NSIF)	34,422,611	34,422,611
Accrued Audit Fees	34,450,640	27,225,320
Co-Operative Deductions	988,000	0
National Housing Fund	446,475	4,258
PFA Management Fees Payable	16,811,378	0
	<u>1,363,533,296</u>	<u>863,518,015</u>

10 Long Term Employment Benefits

At Jan. 1st	2,390,183,338	2,456,066,791
Provision during the year	0	0
Accrued Interest earned	214,332,630	0
Payments during the year	(92,603,419)	(65,883,453)
Accrued payment to PFAs Management Fees	(16,811,378)	0
At December 31st	<u>2,495,101,171</u>	<u>2,390,183,338</u>

NIGERIAN ELECTRICITY REGULATORY COMMISSION

Note to the Financial Statement	2015	2014
FOR THE YEAR ENDED 31ST DECEMBER 2015	₦	₦

10.1 Movement in the Defined Benefit Plan

Current service cost	0	0
Interest costs	0	0
Past service cost	0	0
Actuarial (gains)/loss recognised	0	0
Benefit paid	0	0
At December 31st	0	0

10.2 The amount recognised in the income statement is as follows:

Current Service Costs	0	0
Interest Costs	0	0
Expected Return on Plan Assets	0	0
Actuarial (gains)/Loss Recognised	0	0
Recognised Past Service Cost	0	0
Gain/loss on Curtailment	0	0

10.3 The Principal Actuarial Assumptions Used were:

Net return on Investment	0.12	12%
Discount Rate	0.1071	10.71%
Benefit Inflation rate	Nil	Nil
Salary Increment Rate	0.07	7%
Withdrawal Rate	0.02	2%

11 Rural Electrification Fund

At Jan. 1st	200,653,795	199,689,181
Add: Interest earned on fund for the year	686,851	964,614
Surplus of income over expenditure	0	0
At December 31st	201,340,646	200,653,795

12 Staff Housing Scheme

At Jan. 1st	2,243,000,000	2,243,000,000
Additions	0	0
Payment	0	0
At December 31st	2,243,000,000	2,243,000,000

NIGERIAN ELECTRICITY REGULATORY COMMISSION

Note to the Financial Statement

FOR THE YEAR ENDED 31ST DECEMBER 2015

2015

2014

₦

₦

13	Federal Govt and Donor Grants	Revaluation Reserve	Total Equity
	₦	₦	₦
Opening Balance as at 1st Jan 2015	12,047,937,232	4,075,394	12,052,012,626
Surplus of Income over Expenditure			
IGR Capitalized	1,723,394,001	0	1,723,394,001
As At 31st Dec 2015	13,771,331,233	4,075,394	13,775,406,627
As At 31st Dec 2014	12,047,937,232	4,075,394	12,052,012,626
14 Regulatory Income			
Operating Fees on Electricity Revenue		7,341,527,621	4,970,074,213
Licencing Fees (note 14.1)		259,553,675	115,384,932
Generator Import Fees		147,568,800	257,324,447
Meter Installation Registration/Importation		4,830,000	9,960,000
		7,753,480,096	5,352,743,592
Operating Fees on Electricity Revenue			
Assessment by TCN Market Operator		9,064,921,623	7,588,976,968
Transferred to Capital Fund		(1,723,394,002)	(2,618,902,755)
		7,341,527,621	4,970,074,213
14.1 Licencing Fees			
Processing Fee		11,420,000	5,690,000
Licence Fee		220,458,675	82,956,068
Generation Licencing Fee		20,045,000	16,455,864
Consent Fee		2,150,000	5,983,000
Distribution Licencing Fee		0	2,100,000
Generation Licence Amendment Fees		0	1,200,000
Registration Fees for Metering Services		5,480,000	1,000,000
		259,553,675	115,384,932

NIGERIAN ELECTRICITY REGULATORY COMMISSION

Note to the Financial Statement	2015	2015
FOR THE YEAR ENDED 31ST DECEMBER 2015	₦	₦

15 Other Income

Registration of Contractors/Bids	2,470,000	1,292,250
Profit on Disposal of Assets	0	182,500
Sundry and Insurance Claims	1,357,795	324,397
	<u>3,827,795</u>	<u>1,799,147</u>

16 Investment Income

Interest Income	<u>43,982,546</u>	<u>109,497,703</u>
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Supplementary Income and Expenditure information

General

Surplus Income over Expenditure for the year is stated after charging/(crediting):

Depreciation of property, plant and equipment	167,468,300	137,917,090
Amortisation of Intangible Assets	0	2,387,868
Audit fee	7,225,320	7,225,320
Information regarding Commissioners and employees		

17 Analysis of Staff Costs

Salaries and Allowances	2,829,022,003	2,291,383,490
Staff Training and Development	110,508,849	383,316,050
Medical Expenses	3,453,912	1,226,812
Staff Group Life Assurance	53,910,218	22,170,070
Staff Welfare	47,027,126	71,969,444
NSITF	0	22,913,835
Pension Contribution	597,824,040	242,783,450
National Health Insurance Scheme	25,287,894	25,287,894
Industrial Training Fund	13,866,253	22,913,835
NYSC Industrial Attachment Expenses	37,328,161	37,654,000
	<u>3,718,228,456</u>	<u>3,121,618,880</u>

Analysis of the Commission's average monthly number of employees

Management

Senior

Junior

Number

Number

0

0

Emolument of employees other than Commissioners

whose emoluments fell within the following range:

500,000	-	1,000,000
1,000,001	-	1,500,000
1,500,001	-	2,000,000
2,000,001	-	3,000,000
3,000,001	-	4,000,000
Above	-	4,000,001

NIGERIAN ELECTRICITY REGULATORY COMMISSION

Note to the Financial Statement	2015	2015
FOR THE YEAR ENDED 31ST DECEMBER 2015	₦	₦
18 Regulatory Expenses		
Legal and Other Professional Expenses	17,884,320	185,775,506
Advertisement and Publicity	51,869,900	37,038,447
Regulatory Study Tour	4,504,870	10,889,122
Workshop and Seminars	22,372,585	55,539,869
Power Consumers Assembly	33,799,029	29,085,000
Forum Office	0	14,452,305
Investigations, Monitoring and Compliance	38,552,657	44,267,358
NERC Fellowship Expenses	0	1,117,586
Research and Renewable Development	9,294,009	0
Regulation of Electric Power System Constr	12,138,400	13,443,799
Sport Activities & Health Club	34,706,500	33,699,460
Stakeholders Engagements	28,347,673	35,228,413
	<u>253,469,943</u>	<u>460,536,865</u>
19 Transport and Travelling Expenses		
Transport, Travelling, Hotel & Accommodation	207,719,476	361,948,840
Motor Running Cost	15,439,517	15,236,350
	<u>223,158,993</u>	<u>377,185,190</u>
20 Administrative Expenses		
Electricity	40,655,604	11,101,607
Insurance Premium	24,809,102	28,552,604
Financial Consultancy	0	1,800,758
Telephone and Postage	3,075,759	10,802,089
Stationary and Printing	43,558,821	49,666,687
Repairs and Maintenance	24,114,661	28,826,938
Entertainment, Public Relations and Donations	26,066,396	34,664,612
Audit Fees	7,225,320	7,225,320
Office Rent	83,726,914	88,184,134
Bank Charges	3,853,131	2,222,751
Newspapers, Periodicals and Subscription	7,943,720	23,174,748
Security, Sundry Expenses and Sanitation	20,817,272	20,284,321
Honourarium	0	17,630,000
Staff recruitment Expenses	2,025,000	3,447,600
Depreciation - Computer Equipment	40,333,307	6,684,794
- Office Equipment	19,676,876	18,288,296
- Motor Vehicle	100,002,926	106,106,041
- Furniture and Fittings	7,455,190	6,837,959
- Computer Software	0	2,387,868
Impairment of Financial Assets	3,151,093,046	1,036,810,380
	<u>3,606,433,045</u>	<u>1,504,699,507</u>

NIGERIAN ELECTRICITY REGULATORY COMMISSION

Note to the Financial Statement

2015

2015

FOR THE YEAR ENDED 31ST DECEMBER 2015

₦

₦

21 **Contingent Liability**

In accordance with S.53 of the enabling act, any surplus fund to the budgeted annual requirements of the Commission as determined by the auditors is paid by the Commission to the Rural Electrification Fund, subject to the approval of the National Assembly.

22 **Events after reporting date**

The material events after the reporting period which could have had material effect on the state of affairs of the Commission as at 31st December, 2015 and the statement of other comprehensive income for the year then ended date that have not been adequately provided for or now restated in the Financial Statements

23 **Comparative figures**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year in accordance with the International Accounting Standard (IAS 1) issued by the International Accounting Standards Board.

NIGERIAN ELECTRICITY REGULATORY COMMISSION

STATEMENT OF VALUE ADDED FOR THE YEAR ENDED 31ST DECEMBER, 2015	2015		2014	
	₦	%	₦	%
Revenue	9,524,684,439		5,464,040,442	
	-----		-----	
	9,524,684,439		5,464,040,442	
Goods and Services	(13,410,381,195)		(8,725,964,280)	
	-----		-----	
	(3,885,696,756)		(3,261,923,838)	
	=====		=====	
Percentage Applied as Follows:		%		%
To Pay Employee:				
Salaries, Wages and Allowances	3,718,228,456	96	3,121,618,880	96
To Provide for Asset Maintenance:				
Depreciation	167,468,300	4	140,304,958	4
To Provide for Expansion				
(Deficit)/Surplus for the Year	0	0	0	0
	-----		-----	
	3,885,696,756	100	3,261,923,838	100
	=====		=====	