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Airtel Networks Limited

Annual Report and Financial Statements – 31 December 2018
Together with Directors' and Auditors' Reports

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Directors' Report

The Directors present their annual report on the affairs of the Company, together with the financial statements and auditors' report for the year ended 31 December 2018.

1. Legal form

The Company is a private limited liability company, which was incorporated on 21 December 2000 as Econet Wireless Nigeria Limited. By Special Resolutions of the Company at the Annual General Meetings held on 2 April 2004 and 10 October 2006, the name of the Company was changed from Econet Wireless Nigeria Limited to Vee Networks Limited and from Vee Networks Limited to Celtel Nigeria Limited respectively. On 22 September 2010, by a Special Resolution of the Company, the name of the Company was changed from Celtel Nigeria Limited to Airtel Networks Limited.

2. Principal activity

The principal activity of the Company is the provision of telecommunication services and products using its licensed platforms.

3. Result for the year

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

Particulars	**Financial Year**		**YoY Growth**
	2018	**2017**	
	'000	**'000**	**%**
Subscriber base (net)	44,180	37,234	18.66
Gross subscriber connections during the year	23,929	17,466	37.00
Gross Churn during the year	16,983	14,348	18.36

Active subscribers are determined based on a 90-day revenue generating cycle.

Financial Highlights

Particulars	**Financial Year**		**YoY Growth**
	2018	**2017**	
	₦' million	₦' million	%
Revenue from operations	382,096	315,463	26.62
Operating profit	116,265	51,254	126.84
Finance costs (Net)*	35,558	46,734	(23.91)
Gain on sale of towers & property	-	349	(100.00)
LTE Modernization	(15,023)	(5,018)	199.41
Profit/(Loss) before taxation	65,684	(148)	44,543.13
Profit/(Loss) after taxation	113,574	(5,860)	2,038.11
Capex investment at year end	680,451	600,537	13.31

*Includes FX devaluation of N22.36 billion in 2018 (2017: N26.96 billion).

Directors' Report (continued)

4. Business review

The Company experienced steady growth in its operations during the year ended 31 December 2018 as it witnessed growth of 18.66% (2017: 9.14%) in its subscriber base from 37.2 million in 2017 to 44.18 million in 2018. Revenue generated in the year increased by 21.12% from ₦315.5 billion in 2017 to ₦382.1 billion in 2018. The growth in revenue was as a result of key initiatives deployed by the management. These initiatives include, but are not limited to sustainability of the non-voice revenue growth with the continuous launch of 4G in other parts of the country, which resulted in growth of 51% YoY. The Enterprise business of the Company with focus on corporate business and leased line business continue to yield positive result with growth of 15% YoY over 2017 financial year.

Airtel Networks continues to expand its footprint in excellent service delivery and customer experience with a total of ninety-one showrooms and express points across Nigeria.

Airtel Networks continues to expand its footprint in excellent service delivery and customer experience with a total of eighty-nine showrooms across Nigeria. Also, the Company increased brand visibility across the country with its dealer empowerment initiatives regarded as Airtel Express Shop (AES). A total of ninety-one partner shops have been upgraded to AESs in order to aid the distribution channel and promote brand visibility.

During the year, several marketing strategies were introduced in order to promote the brand and increase the revenue base. These strategies include: Airtel SmartConnect which gives 100% data bonus for 3 months to all new subscribers to the package and *Recharge Plus Offer* which is in line with our "Data is Life" thematic campaign and our commitment to bridge digital divide and empower more telecoms customers. *Recharge Plus Offer* offers instant 250mb complimentary data with no terms and conditions attached. Offer is activated as soon as a customer recharges up to a specified amount. Customers dial *479# to confirm weekly recharge status.

During the year ended 2018, the Company continued with its Radio Access Network (RAN) modernization of the Network through the upgrade of the 3G services to 4G Long Term Evolution (LTE). Under this modernization, existing RAN equipment were swapped with new LTE equipment from ZTE and Huawei. A total of 3,851 sites have been fully swapped as at 31 December 2018.

In 2018, Airtel Networks Limited was honoured with several awards and recognitions among which are: Marketing Edge Awards for Most Innovative CSR Campaign with Airtel Touching Lives, Campaign of the Year by the Advertisers Association of Nigeria (ADVAN) at the 2018 ADVAN Marketing Excellence Awards, Best Advertising Campaigns at 2018 African Cristal Awards, The Pitcher Advertiser of the Year Award and HIV & AIDS Response for CSR initiative by Lagos State AIDS Control Agency (LSACA).

Airtel Touching Lives, a philanthropic gesture of the Company which seeks to offer practical relief, assistance, hope, opportunities and credible platforms to liberate and empower the underprivileged, disadvantaged and hard to reach persons across communities in Nigeria is still in its fourth Season. Airtel empowered and supported various projects inclusive of individuals, families and communities.

In 2018, Airtel Networks Limited, through its Employee Volunteer Scheme (EVS) raised N8 million to assist the underprivileged through providing medical support for individuals and families. In addition, during Airtel "5 days of Love Campaign", currently in its 4th year, the Company partnered with UAC Restaurants owners of Mr Biggs to feed 6000 underprivileged people across 5 zones in Nigeria.

Directors' Report (continued)

5. Directors' interests

The directors and their beneficial interests in the shares of the Company as at 31 December 2018 were as follows:

			Date Appointed/ Resignation	Representing	Number of Ordinary Shares of ₦1.00 each
Hons. Justice Salihu Alfa Modibbo Belgore (Rtd) GCON	-	Chairman	Appointed 23 September 2014	-	Nil
Mr. Segun Ogunsanya	-	MD/CEO	Appointed 12 November 2012	-	Nil
Mr. Jaideep Paul (Indian)	-	Director	Appointed 29 May 2014	Bharti Airtel Nigeria B.V	Nil
Mr. Olivier Pognon (French)	-	Director	Appointed 2 December 2014	Bharti Airtel Nigeria B.V	Nil
Dr. Oluremi Oni	-	Director	Appointed 30 June 2016	FBC Assets Ltd	Nil
Mr. Paul Usoro (SAN)	-	Director	Appointed 3 December 2001 (Resigned 19 January 2018)	-	Nil
Mr. Raghunath Mandava	-	Director	Appointed 2 November 2017	Bharti Airtel Nigeria BV	Nil
Mr. Emeka Onwuka	-	Director	Appointed 5 September 2018	-	Nil

The companies represented by the directors are direct shareholders of Airtel Networks Limited.

6. Directors' interest in contracts

In accordance with Section 277 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the following directors declared the interests of companies they represent in contracts with the Company:

Dr. Oluremi Oni - First Bank of Nigeria Limited (Banking Services)

7. Property, plant and equipment

Information relating to changes in property, plant and equipment is disclosed in Note 17 to the financial statements.

8. Charitable contributions

The Company made donations through projects and gifts totalling ₦137.29 million (2017: ₦60.63 million) to the following charitable activities:

Corporate Social Responsibility Projects		
	2018	2017
Activities	**₦'000**	**₦'000**
Adopt-a-School – Textbooks and writing materials	239	149
Airtel Touching Lives	132,841	51,136
5 days of Love Campaign	4,201	2,660
Millennium Project and BridgeIT	-	6,685
	137,288	**60,630**

In compliance with Section 38(2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Company did not make any donations or gifts to any political association or for any political purpose during the year under review.

Directors' Report (continued)

9. Employment and employees

i. Employment of disabled persons
It is the policy of the Company that there should be no discrimination in considering applications for employment including those from disabled persons. All employees whether or not disabled are given equal opportunities to develop. As at 31 December 2018, there was one disabled person in the employment of the Company.

ii. Health, safety and welfare at work
The Company places a high premium on the health, safety and welfare of its employees in their place of work. To this end, the Company has various forms of insurance policies, including workmen's compensation and group life insurance, to adequately secure and protect its employees. The Company also has Safety, Health and Environment (S.H.E.) policies that employees are required to adhere to.

iii. Employees' involvement and training
The Company remains committed to engaging employees through its various online, virtual and physical communication channels through which performance on Key Business drivers are shared and recommendations received from employees.

In addition to Function-specific trainings, programmes which are targeted at enhancing Organizational Capabilities were rolled out across various employee levels. These included Project Management, Process Quality Management, and Business Analytics. Various People Management and Leadership Development interventions were also deployed, including Managerial Assessment of Proficiency (MAP), Coaching for Performance, Executive Coaching, Leadership Knowledge Series etc.

10. Business ethics and compliance code
The Company has instituted a sound Business Ethics and Compliance Code, which ensures that its business is conducted in conformity with highest ethical principles, standards and integrity. It continually creates ethical awareness amongst its directors, officers and business partners to ensure full compliance with Nigerian and applicable international laws and conventions on anti-corruption, anti-money laundering and anti-terrorism.

11. Auditors
Messrs' Deloitte & Touché has expressed their willingness to continue in office as the Company's auditors in accordance with the provision of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

BY ORDER OF THE BOARD

Plot L2,
Banana Island,
Ikoyi,
Lagos

24 June 2019
Date
FRC/2016/NBA/00000014257

Shola Adeyemi
Company Secretary

Statement of Directors' Responsibilities

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, the directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Company and of its financial performance for the year. 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 and Financial Reporting Council of Nigeria Act 2011.

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 the 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 (IFRS) issued by the International Accounting Standards Board (IASB) and in the manner required by Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and the Financial Reporting Council of Nigeria Act, 2011.

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 2018. 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.

Signed on behalf of the Board of Directors on 24 June 2019

Segun Ogunsanya MD/CEO
FRC/2013/ICAN/00000002746

Dr. Oluremi Oyindasola Oni
FRC/2018/VCN/00000018386

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Independent Auditor's report

To the Shareholders of Airtel Networks Limited

Report on the Audit of the financial statements

Opinion

We have audited the accompanying financial statements of **Airtel Networks Limited**, which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of **Airtel Networks Limited** as at 31 December 2018 and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act Cap C20 LFN 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Company in accordance with the requirements of the Institute of Chartered Accountants of Nigeria Professional Code of Conduct and Guide for Accountants (ICAN Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Capitalisation and asset lives	
As recognised in the Statement of Profit or Loss and Other Comprehensive Income and disclosed in Note 17(d) to the financial statements the Company continued with the Radio Access Network (RAN) modernization of the Network through the upgrade of the 3G services to Long Term Evolution (LTE). Under this modernization, existing RAN equipment were swapped with new LTE equipment. The first phase of the project of swapping Ericsson managed sites in 4 major cities namely Lagos, Ibadan, Ilorin and Benin with ZTE equipment has been completed while other sites are ongoing. About N15.02billion was charged and recognized as the estimated impairment of the swapped items during the financial year. Judgement is required by the Directors in assessing the carrying amount of the existing RAN equipment. Accordingly, for the purposes of our audit, we identified the impairment assessment of existing RAN equipment as key audit matter.	We obtained understanding of assets capitalisation and controls in place over the property, plant and equipment cycle, evaluated the appropriateness of capitalisation policies, performed tests of details on costs capitalised and assessed the timeliness of the transfer of assets in the course of construction and the application of the asset life. In performing these substantive procedures, we assessed the judgements and assumptions made by management including: • the nature of underlying costs capitalised as part of the cost of the network roll-out; • the appropriateness of asset lives applied in the calculation of depreciation; and • in assessing the need for accelerated depreciation given the network modernisation programme in place. Based on the work performed, we found the Directors key judgements and assumptions to be reasonable.

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Key Audit Matter	How the matter was addressed in the audit
Going concern assessment	
As disclosed in Note 38 in the financial statements, the Company incurred an accumulated loss for the year ended 31 December 2018 of N43.3billion (2017: N156.9billion). The financial statements were prepared by the Directors on a 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 12 months from the date of this report. The going concern is of significance to the audit of the financial statements due to the amount of judgement required by the Directors in preparing the budgets and forecast and including the consideration of future events in the going concern assessment. Accordingly, for the purposes of our audit, we identified the assessment of going concern as a key audit matter.	We evaluated the appropriateness of the Directors' assessment of the Company's going concern and the adequacy of the disclosures made. Our audit procedures included challenging the Directors on the suitability of the going concern conclusion and the reasonableness of the assumptions thereof. We performed the following audit procedures: We obtained the Directors' assessment of going concern including the 12 months' cash flow forecast from March 2019 to February 2020. Discussed the assessment with the Directors to determine whether the Directors have identified events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern. We reviewed the Directors' assessment of going concern and assessed the reasonableness of the 12 months' cash flow forecast where our review included performing back-testing on assumptions used in prior forecasts; re-performing the arithmetical accuracy of the forecast; challenging the key assumptions used in the cash flow forecast by comparing these assumptions with industry trends, historical performances, contractual terms of agreements and actual performance subsequent to year end; inspecting documentation relating to the rights issue disclosed in Note 38 and inspected the bank statement for receipt of amount received; and performing sensitivity analysis on the key assumptions used in order to assess the cash flow requirements. We considered the adequacy of the credit facilities for the Company to continue to operate as a going concern and we also assessed the validity of the available facilities by inspecting the loan agreements and bank overdrafts agreements. The available headroom was thereafter recalculated to determine if facilities secured would be adequate to meet the cash flow requirements. We performed sensitivity analysis of the expected revenue levels in the forecast. We assessed the adequacy of the disclosures in the financial statements relating to Going Concern. The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue to adopt the going concern basis of accounting in preparing these financial statements. Based on the work performed, we found the Directors key judgements and assumptions to be reasonable. We are satisfied that the related disclosures in Note 38 of the financial statement are appropriate.

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Key Audit Matter	How the matter was addressed in the audit
Recoverability of recognised deferred tax asset	
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. As disclosed in Note 15 to the financial statements, the Company has, accordingly, recognised additional deferred tax asset of N53.5billion during the year which makes the total of recognized deferred tax asset as at 31 December 2018 to be N99.17billion relating to net deductible temporary difference that are considered to be realisable against the Company's taxable profits, which is expected to arise in future periods. Judgement is required by the Directors to estimate the deferred tax asset amount; which comprises calculation of the timing differences in the tax treatment of specific provisions and timing differences in the treatment of property plant and equipment and in the losses carried forward to be offset against future profits. In the same vein, judgement is required by the Directors to assess the recoverability of the estimated deferred tax asset that are considered to be realisable against the Company's taxable profits, which is expected to arise in future periods. Accordingly, for the purposes of our audit, we identified the assessment of recoverability of estimated deferred tax asset as a key audit matter.	We evaluated the appropriateness of the Directors' assessment of the recoverability of the recognized deferred tax asset and the adequacy of the disclosures made. Our audit procedures included challenging the Directors on the reasonableness of the estimated tax provision including the deferred tax asset that are considered to be realisable against the Company's taxable profits, which is expected to arise in future periods and assumptions used to determine the future operating profit to offset the deferred tax asset. We performed the following audit procedures: We involved our Tax Specialist on the engagement to review and challenge the reasonableness of the tax provisions including the deferred tax asset that are considered by the Directors to be realisable against the Company's taxable profits, which is expected to arise in future periods. We obtained the Directors' assessment of future operating performance including the 5 years' operating result. Discussed the assessment with the Directors to determine whether the Directors have identified events or conditions that, individually or collectively, may prevent the entity to achieve the forecasted future operating result. We reviewed the Directors' assessment of future operating performance and assessed the reasonableness of the 5 years' operating result. We challenged the key assumptions used in the 5 years' operating result forecast by comparing these with industry trends and Company's historical performance. We assessed the adequacy of the disclosures in the financial statements relating to deferred tax asset. The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company will achieve the future operating performance to offset the deferred tax asset. Based on the work performed, we found the Directors key judgements and assumptions to be reasonable. We are satisfied that the related disclosures in Note 15 of the financial statement are appropriate.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by Companies and Allied Matters Act CAP C20 LFN 2004, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Directors for the financial statements
The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004, Financial Reporting Council Act, 2011 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the Company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee and the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee and Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee and the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the benefits derivable by the public from such communication.

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Report on Other Legal and Regulatory Requirements

In accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 LFN 2004 we expressly state that:

i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii) The Company has kept proper books of account, so far as appears from our examination of those books.

iii) The Company's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

Michael Osinloye - FRC/2013/ICAN/00000000819
For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
26 **June, 2019**

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
0984015

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2018 ₦'000	2017 ₦'000
Revenue from operations	6	382,096,006	315,462,881
Cost of sales	7	(191,421,733)	(188,373,866)
Gross profit		190,674,273	127,089,015
Other income	8	1,038,743	305,570
Selling and marketing costs	9	(8,730,073)	(6,186,821)
Administrative expenses	10	(5,118,301)	(6,625,304)
Other operating expenses	11	(61,599,407)	(63,327,984)
Results from operating activities		116,265,235	51,254,476
Finance income	12(a)	13,953	54,473
Finance costs	12(b)	(35,571,697)	(46,788,141)
Net finance costs		(35,557,744)	(46,733,668)
Gain on sale of towers and property	14	-	348,990
LTE Modernization	17(d)	(15,023,217)	(5,017,592)
Profit/(loss) before tax		65,684,274	(147,794)
Income tax expense	15(a)	47,890,221	(5,712,265)
Profit/(loss) for the year after tax		**113,574,495**	**(5,860,059)**
Other comprehensive income			
There are no items of other comprehensive income		-	-
Total comprehensive income/(loss) for the year, net of tax		**113,574,495**	**(5,860,059)**
Earnings(loss) per share			
Basic and diluted (₦)	16	564.15	(29.11)

The accompanying notes on pages 15 to 72 form an integral part of these financial statements.

Statement of Financial Position
As at 31 December 2018

Assets	Notes	2018 ₦'000	2017 ₦'000
Non-current assets			
Property, plant and equipment	17	209,370,602	182,218,380
Intangible assets	18	20,931,077	25,959,927
Other financial assets	20	54,920	56,156
Prepayments	23	615,119	1,183,186
Deferred tax assets	15(d)	99,167,707	45,668,817
Total Non-current assets		**330,139,425**	**255,086,466**
Current assets			
Inventories	21	159,817	30,074
Trade and other receivables	22	14,053,979	13,832,724
Derivative financial assets	19	-	2,691
Other financial assets	20	345,179	305,727
Prepayments	23	7,164,534	7,017,064
Income tax recoverable	24	3,210,552	4,186,050
Cash and bank balances	25	2,672,052	3,711,666
Total current assets		**27,606,113**	**29,085,996**
Total assets		**357,745,538**	**284,172,462**
Equity and liabilities			
Equity			
Share capital	26	201,318	201,318
Share premium	26	67,235,360	67,235,360
Accumulated loss		(42,541,084)	(156,898,488)
Total Equity		**24,895,594**	**(89,461,810)**
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	27	4,879,590	46,718,811
Provisions	28(a)	23,713	163,145
Deferred revenue	29	14,618	6,673
Finance lease obligation	30	105,878,727	121,700,997
Employee benefit liability	31	21,301	28,510
Total non-current liabilities		**110,817,949**	**168,618,136**
Current liabilities			
Interest bearing loans and borrowings	27	41,817,516	57,003,708
Provisions	28(b)	398,271	419,751
Trade and other payables	32	120,018,023	105,985,152
Deferred revenue	29	18,430,823	17,175,150
Derivative financial liabilities	33	-	404,614
Employee benefit liability	31	1,186,992	1,120,426
Income tax payable	15(c)	13,264,080	9,528,298
Finance lease obligation	30	26,916,290	13,379,037
Total current liabilities		**222,031,995**	**205,016,136**
Total liabilities		**332,849,944**	**373,634,272**
Total equity and liabilities		**357,745,538**	**284,172,462**

Approved by the Board of Directors on 24 June 2019 and signed on its behalf by:

Segun Ogunsanya
Chief Executive Officer
FRC/2013/ICAN/00000002746

Dr. Oluremi Oyindasola Oni
Director
FRC/2018/VCN/00000018386

S Krishna Menon
Chief Finance Officer
FRC/2014/ICAN/00000019621

The accompanying notes on pages 15 to 72 form an integral part of these financial statements.

Statement of Changes in Equity

	Share Capital ₦'000	Share Premium ₦'000	Retained Earnings ₦'000	Total Equity ₦'000
2018				
As at 1 January 2018	201,318	67,235,360	(156,898,488)	(89,461,810)
Impact of IFRS 15 adoption	-	-	782,909	782,909
As at 1 January 2018 (restated)	**201,318**	**67,235,360**	**(156,115,579)**	**(88,678,901)**
Profit for the year	-	-	113,574,495	113,574,495
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**113,574,495**	**113,574,495**
As at 31 December 2018	**201,318**	**67,235,360**	**(42,541,084)**	**24,895,594**
2017				
As at 1 January 2017	201,318	67,235,360	(151,038,429)	(83,601,751)
Loss for the year	-	-	(5,860,059)	(5,860,059)
Other comprehensive income	-	-	-	-
Total comprehensive loss	**-**	**-**	**(5,860,059)**	**(5,860,059)**
As at 31 December 2017	**201,318**	**67,235,360**	**(156,898,488)**	**(89,461,810)**

The accompanying notes on pages 15 to 72 form an integral part of these financial statements.

Statement of Cash Flows

	Note	2018 ₦'000	2017 ₦'000
Cash flows from operating activities			
Profit/(loss) for the year before tax		65,684,274	(147,794)
Non cash adjustments:			
Depreciation of property, plant and equipment	17	52,892,981	46,630,298
Amortisation of intangibles	18	5,518,279	5,761,610
Finance income	12(a)	(13,953)	(54,473)
Finance cost	12(b)	35,571,697	46,788,141
Gain on disposal of property, plant and equipment	8	(5,690)	(121,466)
Gain on sale of towers	14	-	(348,990)
Other non-cash items	17	143,229	-
Change in employee benefit liability	31	59,357	(93,034)
Change in financial liability	33	(404,614)	128,285
Change in financial asset	20	(38,216)	109,917
Change in derivative financial asset	19	2,691	(2,691)
Movements in provisions	28	(160,912)	150,474
Employee loan interest income	12	(2,281)	19,544
Inventory written down	21	(83,918)	(122,792)
Impairment on trade and other receivables	22	1,772,589	553,287
Net foreign exchange differences		(14,814,163)	(2,312,586)
Derecognition of subsidiary		-	10,000
Interest on asset retirement obligation	12(b)	39,044	(9,039)
		146,160,394	**96,938,691**
Changes in working capital:			
Inventory	21	(45,825)	370,415
Trade receivables	22	(1,993,844)	(910,284)
Prepayments	23	420,597	3,410,983
Income tax recoverable	24	975,498	3,135,262
Deferred revenue	29	2,046,527	2,434,523
Trade and other payables	32	30,798,524	(14,607,862)
Cash generated from operating activities		**178,361,870**	**90,771,728**
Income tax paid	15(c)	(366,146)	(775,084)
Withholding tax utilized	15(c)	(1,506,741)	(3,468,435)
VAT paid		(16,765,653)	(12,325,093)
Net cash from operating activities		**159,723,329**	**74,203,116**
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		293,794	847,761
Acquisition of property, plant and equipment	17	(80,476,535)	(41,984,367)
Acquisition of intangibles	18	(489,429)	(1,592,678)
Interest received		16,234	34,929
Net cash used in investing activities		**(80,655,937)**	**(42,694,355)**
Cash flows from financing activities			
External loan received	27(a)(d)	32,475,000	21,599,954
External loan repaid	27(a)(d)	(37,576,646)	(53,420,493)
Shareholders loan received	27(b)	-	15,565,989
Shareholders loan repaid	27(b)	(41,811,174)	(30,392,383)
Interest paid		(13,251,436)	(19,818,031)
Finance lease obligation		(2,285,017)	418,893
Net cash used in financing activities		**(62,449,273)**	**(66,046,071)**
Movement in cash and cash equivalents		16,618,120	(34,537,310)
Cash and cash equivalents at the beginning of year		(18,411,570)	16,125,740
Cash and cash equivalents at the end of year	25a	**(1,793,450)**	**(18,411,570)**

Value Added Tax (VAT) paid shown separately above has been adjusted for in deriving the change in trade and other payables.

The accompanying notes on pages 15 to 72 form an integral part of these financial statements.

Notes to the Financial Statements

1. Corporate Information

Airtel Networks Limited is a private limited liability company incorporated and domiciled in Nigeria. The registered office of the Company is located at Plot L2 Banana Island, Ikoyi Lagos, Nigeria. The principal activity of the Company is the provision of telecommunications services and products using its licensed platforms.

2. Basis of preparation and measurement

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

Basis of measurement
The financial statements have been prepared on a historical cost basis, except for items measured at fair value as indicated in the policies below. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

Functional and presentation currency
The financial statements have been presented in Naira which is the Company's functional and presentation currency. Company determines its own functional currency (the currency of the primary economic environment in which the entity operates) and items included in the financial statements are measured using its functional currency. All values are rounded to the nearest thousand, except when otherwise indicated.

Use of estimate and judgement
The preparation of financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosures of contingent assets and liabilities at the reporting date and the reported amount of revenue and expenses during the period.

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- 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 current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- 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.

Notes to the financial statements

2. Basis of preparation (continued)

Fair value measurement
The Company measures financial instruments such as derivatives at fair value and amortised cost at each reporting date.

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

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

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 measured or 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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to the financial statements

3 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated. The new IFRS standards that became effective did not have any impact on the financial position or performance of the Company.

3.1 Property, plant and equipment

(a) Recognition, measurement and derecognition

Items of property, plant and equipment (PPE) are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The initial cost of an item of PPE comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and the initial estimate of any decommissioning obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Costs also include cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. Capital work-in-progress is stated at cost.

The Company also enters into multiple element contracts whereby the vendor supplies plant and equipment and IT related services. These are recorded on the basis of relative fair value. Gains and losses arising from retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the statement of comprehensive income on the date of retirement and disposal. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as separate components of assets with specific useful lives and provides depreciation over their useful lives.

(b) Subsequent costs

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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

(c) Depreciation methods

Assets are depreciated to the residual values on a straight-line basis over the estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed at each financial year end or whenever there are indicators for review, and adjusted prospectively. Land and capital work-in-progress are not depreciated. The attributable cost of each item of capital work-in-progress is transferred to the relevant asset category immediately when the asset is available for use and depreciated accordingly. Estimated useful lives of the assets are as follows:

Assets	Years
GSM equipment	3-20
Information system equipment	3
Building	20
Office, furniture and equipment	1 - 5
Motor vehicles	5
Leasehold improvements	Over the period of the lease
Assets taken on finance lease	Period of lease or 10 years as may be applicable, whichever is less

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.2 Intangible assets

Intangible assets are those identifiable non-monetary assets without physical substances. They include those that are acquired separately by the Company including digital mobile licence fees, and other licence fees and software. Intangible assets are measured on initial recognition at cost and subsequently, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Licences are amortised over the useful life of the intangible assets on a straight line basis from the effective date (digital mobile licence from commercial launch date) of the licence except software. Software is amortised from the date the asset is available for use. This closely reflects the expected pattern of usage of the future economic benefits embodied in the asset. Estimated useful lives of the assets are as follows:

Items	Useful Life
900 & 1800 MHz Spectrum	5 years 9 months
3G Spectrum Licence	15 years
Universal Access Service Licence (UASL)	15 years
National Destination Code (NDC)	5 years 9 months
Software	3 years
Indefeasible Rights of Use (IRU)	Over the period of the contract

The useful life or amortisation period and the amortisation method for an intangible asset are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible assets. Intangible assets are derecognised when impaired or sold. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

3.3 Impairment

Non-financial assets

Goodwill is not subject to amortisation but tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Such circumstances include, though are not limited to, significant or sustained declines in revenues or earnings and material adverse changes in the economic environment.

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. A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. To calculate value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Fair value less costs of disposal is the best estimate of the amount obtainable from the sale of an asset in an arm's length transaction.

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.3 Impairment (continued)

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. Impairment losses, if any, are recognised in profit or loss as a component of depreciation and amortisation expense. Impairment losses are only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised. For assets 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.

3.4 Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

3.5 Inventories

Inventories are defined as assets held for sale in the ordinary course of business or in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services. The Company's inventories primarily consist of cellular telephones, accessories, and SIM packs.

Inventories are measured at the lower of cost (determined on a first in first out ('FIFO') basis) and net realisable value. Inventory costs include purchase price, freight inwards and transit insurance charges and other directly attributable costs incurred in bringing inventories to present location and condition. The cost of inventory is reduced to its net realisable value once the inventories are damaged, wholly or partly obsolete or its selling price has declined. In accordance with IAS 2.28-33, if the inventory value including the purchase price and the refurbishing costs exceeds expected net realizable value, the trade-in value is reduced to the latter.100% provision is made for SIM packs.

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.

3.6 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(a) Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in profit or loss.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.6 Leases (continued)

(a) Company as a lessee (continued)

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Consequently, when an operating lease is terminated before the lease term has expired; any payment to the lessor that is required by way of penalty is recognised as an expense in the period in which termination takes place.

Where the Company enter into a sale and leaseback arrangement resulting in a finance lease, any excess of sales proceeds over the carrying amount shall not be immediately recognised as income instead, it shall be deferred and amortised over the lease term.

(b) Company as a lessor

Assets leased to others under finance leases are recognised as receivables at an amount equal to the net investment in the leased assets. The finance income is recognised based on the periodic rate of return on the net investment of the lessor outstanding in respect of the finance lease. Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned. Lease rentals under operating leases are recognised as income on a straight-line basis over the lease term.

3.7 Financial instruments

Financial assets and financial liabilities are recognised 1n the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The Company determines the classification of its financial assets and liabilities at initial recognition. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.7.1 Financial assets

(a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVTOCI) and amortised cost as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded 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.

(b) Subsequent measurement

For purposes of subsequent measurement, all recognised financial assets are measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.:

- Financial assets at fair value through profit or loss (FVTPL)
- Financial assets at fair value through other comprehensive income (FVTOCI) – *Not applicable*
- Amortised cost

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.7.1 Financial assets (continued)

Financial assets at fair value through profit or loss (FVTPL)
Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. The Company has not designated any financial assets upon initial recognition at fair value through profit or loss.

Derivatives, including separated embedded derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss.

Fair value through other comprehensive income (FVTOCI)
Financial assets at fair value through other comprehensive income includes assets that are not held for trading but to collect contractual cash flows and through the sale of the financial assets.

The changes in fair value of equity investments at FVOCI are recognised in other comprehensive income (OCI) and accumulated in the investments revaluation reserve. Gain or loss is not reclassified to profit or loss on disposal of the equity investments but transferred to retained earnings. Dividends on the equity investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

For debt instruments, any interest income (calculated using effective interest method), foreign exchange gains/losses and impairments are recognised immediately in profit or loss. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated in investments revaluation reserve. Upon de-recognition of the debt instrument, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. Fair value changes that have been recognised in OCI are recycled to profit or loss upon disposal of the debt instrument.

The Company has not designated any financial assets upon initial recognition at fair value through other comprehensive income.

Amortised cost and effective interest method
The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance. The effective interest method is a method of calculating the amortised cost of an instrument and of allocating interest income over the relevant period. 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 in finance income in the statement of profit or loss.

For financial assets (other than assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the instrument, or, where appropriate, a shorter period, to the gross carrying amount of the instrument on initial recognition. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the instrument on initial recognition.

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.7.1 Financial assets (continued)

The Company has financial assets such as loans (staff loans) and receivables with fixed or determinable payments that are not quoted in an active market. After initial measurement, these receivables are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method, less impairment.

Trade receivable

Trade receivables are recognised initially at fair value as the invoice amount and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivable is impaired. The Company deploys age analysis tools to track the payment pattern of customers. Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Large number of minor receivables is grouped into homogeneous groups and assessed for impairment collectively; the amount of provision is recognised in profit or loss within 'other operating expenses'. The carrying amount of trade receivable are reduced through the use of an allowance account. When trade receivables are uncollectible, it is written off as 'other operating expenses' in profit or loss. Subsequent recoveries of amounts previously written off are included in other operating income.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, call deposits and other short term highly liquid investments with an original maturity of three months or less, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are measured at amortised cost.

(c) Financial assets – Derecognition

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expires 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

i. the Company has transferred substantially all the risks and rewards of the asset, or
ii. 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, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that 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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.7.1 Financial assets (continued)

(d) Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred '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. The Company recognises a loss allowance for expected credit losses at each reporting date to reflect changes in credit risk. The expected credit losses on these financial assets are estimated using a provision matrix based on the historical credit loss experience. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

Allowance for impairment of trade receivable:

The expected credit loss (ECL) is mainly based on the ageing of the receivable balances and historical experience. The receivables are assessed on an individual basis or grouped into homogeneous groups and assessed for impairment collectively, depending on their significance. Moreover, trade receivables are written off on a case to-case basis if deemed not to be collectible on the assessment of the underlying facts and circumstances.

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.7.2 Financial liabilities

(a) Nature and subsequent measurement

The Company's financial liabilities include trade payables and interest bearing loans and borrowings. All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The subsequent measurement of financial assets depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. The Company has not designated any financial liabilities upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in other operating expenses in profit or loss.

Financial liabilities measured at amortised cost

Interest bearing loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in profit or loss.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(b) Financial liabilities -Derecognition

A financial liability is de-recognised 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3.7.3 Offsetting financial instruments

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

3.8 Derivative financial instruments

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The resulting gain or loss is recognised in profit or loss immediately.

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.9 Employee benefits

Short term benefits
Liability is recognised for benefits accruing to employees in respect of wages and salaries and annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Defined contributions: Pension
In line with the new provisions of the Pension Reform Act 2014 of Nigeria, the Company operates a contributory pension scheme (which is a defined contribution plan) for all its employees. Under the scheme, every employee contributes 8% and the Company contributes 10% of employee's annual insurable earnings (basic pay, transport and housing) to the pension fund which manages the funds for the benefit of the employee. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is charged to profit or loss as employee cost. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits under the scheme.

Long service award:
The valuation has been carried out using the Project Unit Credit Method as per IAS19 to determine the Present Value of Defined Benefit Obligations and the related Current Service Cost and, where applicable, Past Service Cost. In determining the present value of its defined benefit obligations, the benefit has been attributed, on a straight line basis, between the date of joining and the date of actual/projected pay out.

3.10 Foreign currency transactions
Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange ruling at the reporting date with resulting exchange difference recognised in profit or loss.

3.11 Revenue recognition
Revenue is measured based on the consideration expected to be received in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer. In an agency relationship, the Company assesses its revenue arrangements against specific criteria, i.e. whether it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services, in order to determine if it is acting as a principal or as an agent.

3.11.1 Sales of goods
Revenue from sale of handsets is recognised when control of the goods has been transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.11 Revenue recognition (continued)

3.11.2 Service revenues

Service revenues include amounts invoiced for usage charges, fixed monthly subscription charges and internet usage charges, roaming charges, activation fees, processing fees and fees for value added services ('VAS'). Service revenues also include revenues associated with access and interconnection for usage of the telephone network by other operators for local, domestic long distance and international calls. Service revenues are recognised as the services are rendered and are stated net of waivers and taxes. Revenues from pre-paid cards are recognised based on actual usage.

SIM Connection revenue and related SIM connection costs, are recognised when it is earned, upon activation.

Revenue relating to interconnect is recognised based on traffic rates stipulated by Nigeria Communication Commission for traffic termination on the Company's network from other operator's subscribers.

Revenues from national and international long distance operations comprise revenue from provision of voice services which are recognised on provision of services while revenue from provision of bandwidth services is recognised over the period of arrangement.

Deferred revenue includes amounts received in advance on pre-paid cards. The related services are expected to be performed within the next operating cycle.

Roaming revenue is recognised for both the originating and terminating traffic when services are rendered to the customer.

Customer loyalty programme

The Company has a customer loyalty programme through which credits (points) are awarded to customers on recharges. These credits (points) entitle customers to data, sms and voice services upon redemption which creates a material right and is therefore considered as a separate performance obligation. Revenue on customer loyalty is recognised on the basis of the fair value of the consideration received or receivable in respect of the initial sale allocated for award credits (points) and the consideration allocated to the award points is measured by reference to their respective fair value. If the Company supplies the awards, it recognises the consideration allocated to award points as revenue when award points are redeemed and the obligation to supply the awards is fulfilled. A contract liability is recognised for revenue relating to the loyalty points at the time of the initial sales transaction. If a third party supplies the awards, the Company assesses whether it is acting in the capacity of a principal or agent in the transaction, in which case, it measures revenue as the net amount of the difference between the consideration allocated to the award points and the amount payable to the third party for supplying the awards. Where the award is supplied by the Company, it measures revenue as the gross consideration allocated to the award points and recognises the revenue when the obligation is fulfilled.

Subscriber acquisition costs are expensed as incurred to cost of sales.

3.11.3 Multiple obligation arrangements

The Company has entered into certain multiple-element revenue arrangements. These arrangements involve the delivery or performance of multiple products and services. The Company evaluates all deliverables in an arrangement to determine whether they represent separately identifiable components at the inception of the arrangement. The evaluation is done based on the criteria as to whether the deliverables in the arrangement have value to the customer on a standalone basis. Total consideration related to the multiple element arrangements is allocated among the different obligations based on their relative fair values (i.e. ratio of the fair value of each element to the aggregated fair value of the bundled deliverables). In case the relative fair value of different components cannot be determined on a reasonable basis, the total consideration is allocated to the different components based on price of similar product or service sold by the company or the competitor adjusted for significant difference between the products or services.

Notes to the financial statements

3.11 Revenue recognition (continued)

3.11.4 Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets, classified as financial assets at fair value through profit or loss, interest income is recognised using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in 'finance income' in the statement of comprehensive income.

3.11.5 Unbilled revenue

Unbilled receivables represent revenues recognised from the last invoice raised to customer to the period end. These are billed in subsequent periods based on the terms of agreement with the customers. The Company collects value added tax on behalf of the Federal government of Nigeria and therefore, it is not an economic benefit flowing to the Company. Hence it is excluded from revenue.

3.12 Taxation

3.12.1 Current income tax

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

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

3.12.2 Deferred tax

Deferred tax liability is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, 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 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 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.

Notes to the financial statements

3.12 Taxation (continued)

3.12.3 Value added tax

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 tax authority, 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.

3.13 Borrowing costs

Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. 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 respective assets. The Company capitalises borrowing costs on qualifying assets that takes more than one year to get ready for use. All other borrowing costs are expensed in the year they are incurred.

3.14 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. Where 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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingencies

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Company, or present obligations where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote. Where the Company makes contributions into a separately administered fund for restoration, environmental or other obligations, which it does not control, and the Company's right to the assets in the fund is restricted, the obligation to contribute to the fund is recognised as a liability where it is probable that such additional contributions will be made.

Asset retirement obligation

Asset retirement obligations (ARO) are provided for those operating lease arrangements where the Company has a binding obligation at the end of the lease period to restore the leased premises in a condition similar to inception of lease. ARO are provided at the present value of expected costs to settle the obligation using discounted cash flows and are recognised as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Notes to the financial statements

3.15 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with (Base Transceiver Stations constructed at qualifying location). The grant is granted by the Federal Government of Nigeria under the Universal Service Provision Fund (USPF) Projects for;

- BTS Expansion Project for the construction of BTS in rural and unserved areas where there are currently no service providers
- Community Communications Centre (CCC) project for the establishment of CCCs in 109 rural communities nationwide to provide internet access, voice, ICT training, emergency calls and other services; and
- The School Access Programme for the provision of internet enabled personal computers and internet access to participating schools.

  When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred revenue and released to income in equal amounts over the expected useful life of the related asset.

3.16 Dividends

Dividends payable are recognised in the year in which the related dividends are approved by the shareholders or Board of Directors, as appropriate.

3.17 Earnings per share

The Company's Earnings per Share ('EPS') is determined based on the net income attributable to the shareholders. Basic earnings per share are computed using the weighted average number of shares outstanding during the year.

4. Significant accounting judgments, estimates and assumptions

4.1 Judgements

Under IFRS, the directors have adopted those accounting policies most appropriate to the Company's circumstances for the purpose of presenting a true and fair view of the Company's financial position, financial performance and cash flows. In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Company should it later be determined that a different choice would be more appropriate.

4.1.1 Finance lease commitments – Company as lessee

The Company has entered into a sale and leaseback transactions for the passive infrastructural element. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term constituting a major part of the economic life of the arrangement and the present value of the minimum lease payments amount to substantially all of the fair value of the leased property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as finance leases.

4.1.2 Operating lease commitments

The Company applies International Financial Reporting Interpretation Committee (IFRIC 4), "Determining Whether an Arrangement Contains a Lease", to contracts entered with telecom operators to share passive infrastructure services. IFRIC 4 deals with the method of identifying and recognising service, purchase and sale contracts that do not take the legal form of a lease but convey a right to use an asset in return for a payment or series of payments.

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

The Company has determined, based on an evaluation of the terms and conditions of the arrangements that such contracts are in the nature of operating leases. Where substantially all the risks and rewards incidental to ownership of the asset involved are resident with the lessor, title will not eventually be passed to the lessee at the end of the arrangement period and these leases attracts annual/quarterly rental payments which are normally prepaid by the Company, such arrangements are classified as operating leases otherwise finance leases.

Notes to the financial statements

4. Significant accounting judgments, estimates and assumptions (continued)

4.1 Judgements (continued)

4.1.3 Principal Vs Agent Analysis

In determining whether the company is acting as a principal or agent in any relationship, it considers the fact and circumstances and applies judgement. It is acting, in substance, as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. It considers that it is a principal in a relationship when: (a) it has the primary responsibility for providing the goods or services desired by the customer or for fulfilling the order. (b) It has inventory risk before or after the customer order, during shipping or on return (c) It has discretion in establishing prices directly or indirectly, such as by providing additional goods or services. (d) It bears the credit risk in the transaction with customers. If otherwise, then the entity is acting as agent in the relationship.

4.2 Estimates and assumptions

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.

The preparation of the Company's financial statements requires 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.

4.2.1 Deferred tax

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management 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 any future tax planning strategies. Refer to Note 15 for the disclosure of deferred tax assets recognition.

4.2.2 Revenue recognition and presentation

The Company assesses its revenue arrangements in line with the requirements of IFRS 15 - *Revenue from Contracts with Customers* which requires the identification of performance obligation, allocation of transaction price amongst performance obligation, and recognising revenue upon satisfaction of each performance obligation agreed with the customer. The Company also assess whether it has exposure to sale of goods or the rendering of services, in order to determine if it is acting as a principal or as an agent. When deciding the most appropriate basis for presenting revenue or costs of revenue, both the legal form and substance of the agreement between the Company and its business partners are reviewed to determine each party's respective role in the transaction. Where the Company's role in a transaction is that of principal, revenue derived from these transactions are reported gross while the commission is expensed through profit or loss. Therefore, judgement is used in determining amount of cost or revenue to be recognised and presented.

Customer loyalty programme

The Company estimates the fair value of points awarded under the loyalty management programme by applying statistical techniques. Inputs to the model include making assumptions about expected redemption rates, the mix of products that will be available for redemption in the future and customer preferences. As at 31 December 2018, the estimated liability for unredeemed points was approximately ₦191.9 million (2017: ₦878.1 million) disclosed as part of deferred revenue liability.

Notes to the financial statements

4. Significant accounting judgments, estimates and assumptions (continued)

4.2 Estimates and assumptions (continued)

4.2.2 Revenue recognition and presentation (continued)

Multiple obligation with customers
The Company has entered into certain multiple performance obligation revenue arrangements. These arrangements involve the delivery or performance of multiple products, services or rights to use assets. The Company evaluates all deliverables in an arrangement to determine whether they represent separately identifiable components at the inception of the arrangement. The evaluation is done based on the criteria as to whether the deliverables in the arrangement have value to the customer on a standalone basis. Total consideration related to the multiple element arrangements is allocated among the different components based on their relative fair values (i.e., ratio of the fair value of each element to the aggregated fair value of the bundled deliverables).

4.2.3 Property, plant and equipment (PPE)
The Company carries its property, plant and equipment at cost in the statement of financial position. Estimates and assumptions made to determine their carrying value and related depreciation are critical to the Company's financial position and performance. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of the assets are determined by management at the time the asset is acquired and reviewed periodically. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

Multiple element contracts with vendors
The Company has entered into multiple element contracts with vendors for supply of goods and rendering of services. The consideration paid may be determined independent of the value of supplies received and services availed. Accordingly, the supplies and services are accounted for based on their relative fair values to the overall consideration. The supplies with finite life under the contracts (as defined in the significant accounting policies) have been accounted under Property, Plant and Equipment and/or as Intangible assets, since the Company has economic ownership in these assets. The Company believes that the current treatment represents the substance of the arrangement.

4.2.4 Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Allowance for uncollectible accounts receivable and advances
Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. A large number of minor receivables is grouped into homogeneous groups and assessed for impairment collectively. The Company writes off individual trade receivables when management considers them as uncollectible. The assessment of the age analysis of receivable balances couple with the use of past experience in the calculation of impairments, involve high degree of estimation.

Notes to the financial statements

4. Significant accounting judgments, estimates and assumptions (continued)

4.2 Estimates and assumptions (continued)

4.2.5 Measurement of loans and borrowings

The Company obtained all its loans at market rates, though tied to Nigeria Interbank Offer Rate (NIBOR) and London Interbank Offer Rate (LIBOR) for local and foreign loans respectively. The re-measurement of those loans are based on a floating interest rates using weighted average of 90 and 180 days of previous NIBOR and LIBOR for repayments of interest while principal is on a straight line basis over the terms of the instruments. Market rate assumes re-measurement using the Effective Interest Rates (EIR) as against floating rates used by management. The judgement is that management has used floating interest rates which approximates to EIR, the impact which is not significantly different from the fair value of those loans. The Company's financial assets such as staff loans are recognised at their fair value amount using applicable market rates and subsequently carried at amortised cost.

4.2.6 Asset Retirement Obligations (ARO)

In determining the present value of the ARO provision the Company uses technical estimates to determine the expected cost of dismantlement and removal of the infrastructure equipment from the site and the expected timing of these costs. The timing and amount of future expenditures are reviewed annually together with the discount rates used in discounting the cash flows. The discount rate used to calculate the obligation at the end of 2018 was 6% (2017: 6%). The discount rate represents the real rate determined using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the liability.

4.2.7 Inventory Obsolescence

The Company provides for obsolete and slow-moving inventory based on management estimates of the usability of inventory.

4.2.8 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 relating to these factors could affect the reported fair value of financial instruments.

5. Adoption of new and revised standards

5.1 Standards that became effective on 1 January 2018

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The nature and the impact of each new standard and amendment are described below:

5.1.1 IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which covers all phases of the financial instruments and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduced new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 became effective beginning on or after 1 January 2018. The Company did not early adopt the previous versions of IFRS 9 (2009, 2010 and 2013).

The expected credit loss (ECL) is mainly based on the ageing of the receivable balances and historical experience. The receivables are assessed on an individual basis or grouped into homogeneous groups and assessed for impairment collectively, depending on their significance. Moreover, trade receivables are written off on a case to-case basis if deemed not to be collectible on the assessment of the underlying facts and circumstances.

Notes to the financial statements

5. Adoption of new and revised standards (continued)

5.1 Standards that became effective on 1 January 2018 (continued)

5.1.2 IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15, 'Revenue from Contracts with Customers' applying the cumulative effect method applied retrospectively to the contracts that are not completed as of January 1, 2018 (being the date of initial application). Accordingly, the comparative information has not been restated.

Revenue is recognised upon transfer of control of promised products or services to the customer at the consideration which the Company has received or expects to receive in exchange of those products or services, net of any taxes / duties, discounts and process waivers. In order to determine if it is acting as a principal or as an agent, the Company assesses whether it is primarily responsible for fulfilling the performance obligation.

The cumulative effect of initially applying IFRS 15 is recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018. Below are the amounts by which each financial statement line item is affected as at and for the year ended 31 December 2018 as a result of IFRS 15 adoption.

The adjustment to deferred revenue relates to the reclassification of a balance that was previously recognised as an expense in statement of profit or loss.

Impact on assets, liabilities and equity as at 31 December 2018

	As per previous reporting N'000	IFRS 15 Adoption N'000	As per IFRS 15 reporting N'000
Total assets	**357,745,538**	**-**	**357,745,538**
Equity			
Retained earnings	(43,323,993)	782,909	(42,541,084)
Other equity	67,436,678	-	67,436,678
	24,112,685	**782,909**	**24,895,594**
Liabilities			
Total non-current liabilities	110,817,949	-	110,817,949
Current liabilities			
Deferred revenue	19,213,732	(782,909)	18,430,823
Other current liabilities	203,601,172	-	203,601,172
Total current liabilities	**222,814,904**	**(782,909)**	**222,031,995**
Total liabilities	**333,632,853**	**(782,909)**	**332,849,944**
Total equity and liabilities	**357,745,538**	**-**	**357,745,538**

Notes to the financial statements

5. Adoption of new and revised standards (continued)

5.1 Standards that became effective on 1 January 2018 (continued)

5.1.3 Other amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB)

Below amendments are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
  - the original liability is derecognised;
  - the equity-settled share-based payment is recognised at the modification
  - date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
  - any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

IAS 40 (amendments) Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

Annual Improvements to IFRS Standards 2014 – 2016 Cycle: Amendments to IAS 28 Investments in Associates and Joint Ventures

The amendments clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition.

In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue). The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

Notes to the financial statements

5. Adoption of new and revised standards (continued)

5.1 Standards that became effective on 1 January 2018 (continued)

5.2 Standards issued but not yet effective up to the date of issuance of the Company's financial statements

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.

5.2.1 IFRS 16 Leases

General impact of application of IFRS 16 Leases

"IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Company will be 1 January 2019.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17". The Company has chosen the modified retrospective application of IFRS 16 in accordance with IFRS 16:C5(b). Consequently, the Company will not reinstate the comparative information.

Impact on Lessee Accounting - Operating leases

IFRS 16 will change how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. On initial application of IFRS 16, for all leases (except as noted below), the Company will:

(a) Recognise right of use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
(b) Recognise depreciation of right of use assets and interest on lease liabilities in the statement of profit or loss;
(c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the cash flow statement.

Lease incentives (e.g. rent free period) will be recognised as part of the measurement of the right of use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right of use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short term leases (lease term of 12 months or less) and leases of low value assets (such as personal computers and office furniture), the Company will opt to recognise a lease expense on a straight line basis as permitted by IFRS 16.

Impact on Lessee Accounting - Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial application the Company will present equipment previously included in property, plant and equipment within the line item for right of use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Notes to the financial statements

5. Adoption of new and revised standards (continued)

5.2 Standards issued but not yet effective up to the date of issuance of the Company's financial statements (continued)

5.2.1 IFRS 16 Leases (continued)

Impact on Lessor Accounting

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

5.2.2 Annual Improvements to IFRS Standards 2015–2017 Cycle: Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

Below amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted. The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

IAS 12 Income Taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRS 3 Business Combinations

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

IFRS 11 Joint Arrangements

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

Notes to the financial statements

5. Adoption of new and revised standards (continued)

5.2 Standards issued but not yet effective up to the date of issuance of the Company's financial statements (continued)

5.2.3 Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied. The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

5.2.4 IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

Notes to the financial statements

6. Revenue from operations

	2018 ₦'000	2017 ₦'000
Airtime revenue (Note 6(a))	298,948,008	243,256,883
Interconnect revenue	69,018,484	58,368,341
SIM connection	3,881,138	2,611,316
Roaming	2,345,877	3,305,271
Lease rental income (Note 6(b))	7,490,924	6,509,784
Handset sales	411,575	1,411,286
	382,096,006	**315,462,881**

The Company derives its revenue from contracts with customers for the transfer of goods and services in the following major product lines.

(a) Airtime revenue include revenue from voice, usage of data and value added services earned by the Company.

(b) Lease rental income relates to income generated from bandwidth and information technology capacity sold to corporate customers. The rentals are paid on quarterly basis and recognised over the period cover. These rentals have no escalation clauses and they are cancellable at the option of the customer. There are no future commitments or restrictions placed upon the customer by entering into contract. This is not an operating lease as it did not meet definition of a non-cancellable operating lease. Hence, these are infrastructure sharing income assessed as a service income rather than a lease income since it is not a lease income.

7. Cost of sales

	2018 ₦'000	2017 ₦'000
Transmission cost	102,289,320	91,684,322
Interconnect cost	65,350,848	59,698,675
Handsets	402,039	1,386,109
SIM cards	1,309,616	1,087,346
Recharge cards	15,455	87,802
NCC annual levy	8,089,099	6,198,275
Roaming	473,953	879,135
Bandwidth cost	1,447,143	1,284,996
VAS content provider cost	7,427,151	5,643,683
Dealer discounts	4,617,109	20,423,523
	191,421,733	**188,373,866**

8. Other income

	2018 ₦'000	2017 ₦'000
Sale of scrap and miscellaneous income	1,017,292	162,973
Fixed asset disposal gain	5,690	121,466
Government grants income (Note 29)	15,761	21,131
	1,038,743	**305,570**

Sale of scrap items relate to network scrap item sold to third parties.

Government grants income relates to amount amortized during the year on deferred government grant.

Notes to the financial statements

9. Selling and marketing costs

	2018 ₦'000	2017 ₦'000
Airtel relationship Centre expenses	303,597	271,231
Advertising media	2,715,017	2,422,039
Sales force training	162,537	452,989
Dealer merchandising (POS)	839,990	525,701
Knowing Your Customer	1,938,149	1,069,432
Field marketing	1,037,337	352,162
Promotional expenses	133,947	293,520
Printing	1,018,878	537,316
Selling and marketing campaigns	580,621	262,431
	8,730,073	**6,186,821**

10. Administrative expenses

	2018 ₦'000	2017 ₦'000
Customer service delivery	1,561,595	1,993,575
Rent	758,824	819,288
Bank and forex charges	543,854	404,204
Legal fees	358,499	1,603,124
Audit fees	54,003	47,054
Conveyance	427,727	396,656
Office maintenance and utilities	485,902	422,967
Insurance	426,160	414,970
Internal audit fees	77,111	51,793
Warehouse stock handling (Note 10(a)	20,139	21,402
Directors' fees	42,566	42,566
Subscriptions	29,158	25,824
Staff Welfare	145,500	90,878
Consumables	18,245	38,956
Other administrative expenses	169,018	252,047
	5,118,301	**6,625,304**

(a) Warehousing stock handling relates to capital spares handled by a third party logistic company.

Notes to the financial statements

11. Other operating expenses

	2018 ₦'000	2017 ₦'000
Depreciation(excluding impact of LTE modernization) - Note 17	37,869,764	41,612,706
Amortisation (Note 18)	5,518,279	5,761,610
Employee costs (Note 11(c))	13,346,299	13,449,578
Travel costs	172,773	155,024
Other regulatory cost (Note 11(a))	2,312,052	2,361,160
Other expenses (Note 11(b))	2,380,240	(12,094)
	61,599,407	**63,327,984**

(a) Other regulatory cost relates to spectrum fees and annual numbering plan fees payable to Nigerian Communications Commission.

(b) Other expenses include stock write-off of ₦339.5 million and provision for doubtful debt of ₦2.04 billion.

(c) **Employee cost**

	2018 ₦'000	2017 ₦'000
Basic salaries	8,110,732	7,272,993
Allowances	2,556,132	3,793,178
Contributory pension	484,610	484,531
Bonus and incentives	2,169,800	1,861,036
Other employee cost	25,025	37,840
	13,346,299	**13,449,578**

12. Finance income and expense

(a) Finance income

	2018 ₦'000	2017 ₦'000
Interest received - banks	12,168	24,058
Interest income (employee loans)	(2,281)	19,544
Interest received – fixed deposit	4,066	10,871
	13,953	**54,473**

(b) Finance costs

	2018 ₦'000	2017 ₦'000
Interest on debts and borrowings	1,507,202	8,540,517
Lease finance	11,744,234	11,277,514
Other finance charges	(39,044)	9,039
Net foreign exchange losses	22,359,305	26,961,071
	35,571,697	**46,788,141**

Other finance charges relate to unwinding of discount for the asset retirement obligation.

Notes to the financial statements

13. Profit before tax is after charging/(crediting):

	2018 ₦'000	2017 ₦'000
Depreciation (Including impact of LTE modernization) – (Note 17)	52,892,981	46,630,298
Amortisation (Note 18)	5,518,279	5,761,610
Finance costs (Note 12b)	35,572	46,788
Audit fee (Note 10)	54,003	47,054
Gain on disposal of property, plant and equipment	5,690	121,466
Directors' fees	42,566	42,566
Gain on the sale of Towers	-	348,990

14. Gain on sale of tower assets and property

	2018 ₦'000	2017 ₦'000
Gain on the sale of towers	-	348,990

Sale of towers:
During the year ended 2018, there was no sale and lease back of towers (2017: 17 towers).

15. Taxation

(a) Income tax expense
The income tax charge for the year has been computed after adjusting for certain items of expenditure and income, which are not deductible or chargeable for tax purposes, and comprises:

	2018 ₦'000	2017 ₦'000
Income tax	8,918,248	4,762,477
Education tax	1,783,650	949,788
National Information Technology Development tax (Note 15(d)(i))	656,843	-
Prior year over provision (Note 15(d)(ii))	(5,750,072)	-
	5,608,669	5,712,265
Deferred tax (Note 15(e))	(53,498,890)	-
	(47,890,221)	**5,712,265**

Notes to the financial statements

15. Taxation (continued)

(b) Reconciliation of effective tax rate for the financial statements:

	2018		2017	
	₦'000	%	₦'000	%
Profit/(loss) before income tax	65,684,274		(147,794)	
Income tax using statutory tax rate	19,705,282	30.00	(44,338)	30.00
Impact of tertiary education tax	1,783,650	0.03	949,788	(6.43)
Impact of NITDA tax	656,843	0.01	-	-
Effect of tax incentives	(1,399,336)	(0.02)	(880,884)	5.96
Non-deductible expenses	192,972	0.00	2,501,037	(16.92)
Prior year over provision	(5,750,072)	(0.09)	-	0.00
Tax effect of previously unrecognised tax losses	(53,498,890)	(0.81)	-	-
Impact of utilized/un-utilized tax credit	(9,580,670)	(0.15)	3,186,612	(21.56)
	47,890,221	**28.97**	**5,712,265**	**8.95**

(c) Movement in current tax liability

	2018	2017
	₦'000	₦'000
Balance as at 1 January	9,528,298	8,059,552
Charge for the year:		
Income tax	8,918,248	4,762,477
Education tax	1,783,650	949,788
NITDA (Note 15(d)(i))	656,843	-
Prior year over provision (Note 15(d)(ii))	(5,750,072)	-
	5,608,669	5,712,265
Payments during the year	(366,146)	(775,084)
Withholding tax credit notes utilised	(1,506,741)	(3,468,435)
Balance as 31 December	**13,264,080**	**9,528,298**

(i) National Information Technology Development Agency (NITDA) Act (NITDA)

National Information technology tax is imposed on companies engaging in information communication technology. Section 12(2) of the National Information Technology Development Agency (NITDA) Act provides that certain companies are under obligation to pay information technology tax and such companies include telecommunications companies. The tax is payable by specified companies with turnover of N100 million and above. Tax is 1% of profit before tax for the year. The tax when paid is tax deductible for company income tax purposes. NITDA has therefore been included in the tax note.

(ii) Prior years over provision

The Company provides for current tax in the books on a monthly basis. However, final tax payment is based on the audited financial position for the year. The excess provision relates to years 2012 - 2015. In addition, the company reversed the tax impact of foreign exchange difference which was previously unrealized but now realized at point of filing for tax.

Notes to the financial statements

15. Taxation (continued)

(d) The movement on the deferred taxation asset account was as follows:

	2018 ₦'000	2017 ₦'000
Balance at 1 January	45,668,817	45,668,817
Movement during the year	53,498,890	-
Balance at 31 December	**99,167,707**	**45,668,817**
Deferred tax assets are attributable to the following:		
Property, plant and equipment		
Foreign exchange	50,798,987	45,811,629
Employee benefits	22,742,206	446,761
Provisions	395,894	210,334
Asset retirement obligation and lease equalisation reserve	2,569,133	212,353
	22,661,487	(1,012,260)
Net tax assets	**99,167,707**	**45,668,817**

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, accordingly, recognised a deferred tax asset of ₦99.17 billion (2017: ₦45.67 billion) relating to net deductible temporary difference that are considered to be realisable against the Company's taxable profits, which is expected to arise in future periods. The unrecognised portion of deferred tax asset as at 31 December 2018 is Nil (2017: ₦42.14 billion).

Management is of the view that the deferred tax assets can be recovered in future in light of the return to profitability by the Company. Management's forecast is based on assessment of the current profitable position which reflects the improved business performance largely due to significant investment made in the areas of data networks, upgraded IT platforms. The opportunities in the telecommunication market in Nigeria, as well as ongoing investments committed to by the Company reinforce management's confidence in delivering on future performance and consequently taxable profits. Where possible, inputs in the above assessment have been corroborated by industry assessments. Management are of the belief that this process contains sufficient convincing evidence that would support the probable realisation of this asset.

Notes to the financial statements

16. Earnings/(loss) per share

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

The following reflects the income and share data used in the basic earnings per share computation:

	2018 ₦'000	2017 ₦'000
Net profit/(loss) attributable to ordinary equity holders	113,574,495	(5,860,059)
	Number	**Number**
Weighted average number of ordinary shares in issue of N1 each	201,318,163	201,318,163
Earnings/(loss) per share (₦)	564.15	(29.11)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements. There was no dilutive instrument during the year.

There was no change in basic and diluted earnings per share as a result of changes in accounting policy on adoption of IFRS 15.

Notes to the financial statements

17. Property, plant and equipment

Cost	GSM Equipment ₦ '000	Capital work in- progress ₦ '000	Information System Equipment ₦ '000	Land ₦ '000	Building ₦ '000	Office Furniture & Equipment ₦ '000	Motor Vehicles ₦ '000	Total ₦ '000
Balance 1 Jan. 2017	474,049,499	9,671,413	61,214,872	1,232,746	7,146,339	7,146,712	276,399	560,737,980
Additions	31,867,371	8,828,000	373,717	9,013	(1,411)	907,677	-	41,984,367
Disposals	(3,729,584)	(10,474)	(2,695)	-	-	(6,896)	(28,365)	(3,778,014)
Reclassification (Note 17(e))	(5,586,453)	-	-	-	-	-	-	(5,586,453)
Balance 31 Dec. 2017	496,600,833	18,488,939	61,585,894	1,241,759	7,144,928	8,047,493	248,034	593,357,880
Additions	54,091,227	24,895,900	326,504	-	-	1,162,904	-	80,476,535
Disposals	(452,867)	-	(14,557)	(5,513)	-	(578,576)	-	(1,051,513)
Balance at 31 Dec 2018	**550,239,193**	**43,384,839**	**61,897,841**	**1,236,246**	**7,144,928**	**8,631,821**	**248,034**	**672,782,902**
Accumulated Depreciation								
Balance 1 Jan. 2017	(302,166,203)	-	(56,176,013)	-	(3,678,207)	(6,672,223)	(197,236)	(368,889,882)
Depreciation	(41,946,715)	-	(3,589,915)	-	(448,197)	(607,576)	(37,895)	(46,630,298)
Disposals	3,367,367	-	2,339	-	-	4,141	26,863	3,400,710
Reclassification (Note 17(e))	979,970	-	-	-	-	-	-	979,970
Balance 31 Dec. 2017	(339,765,581)	-	(59,763,589)	-	(4,126,404)	(7,275,658)	(208,268)	(411,139,500)
Depreciation	(50,185,265)	-	(1,611,758)	-	(349,883)	(727,365)	(18,710)	(52,892,981)
Disposals	186,881	-	11,448	-	-	565,081	-	763,410
Adjustment (Note 17(f))	(46,614)	-	(97,168)	-	-	553	-	(143,229)
Balance at 31 Dec 2018	**(389,810,579)**	**-**	**(61,461,067)**	**-**	**(4,476,287)**	**(7,437,389)**	**(226,978)**	**(463,412,300)**
Net Book Value								
As at 31 Dec 2018	**160,428,614**	**43,384,839**	**436,774**	**1,236,246**	**2,668,641**	**1,194,432**	**21,056**	**209,370,602**
As at 31 Dec 2017	156,835,252	18,488,939	1,822,305	1,241,759	3,018,524	771,835	39,766	182,218,380

Notes to the financial statements

17. Property, plant and equipment (continued)

(a) Capital work in progress
The carrying value of the Capital Work in Progress amounts to ₦43.38 billion (2017: ₦18.49 billion).

(b) Finance leases
The carrying value of plant and equipment held under finance leases at 31 December 2018 was ₦21.09 billion (2017: ₦24.52 billion). The analysis of assets under finance lease is as follows:

	GSM equipment 2018 ₦'000	2017 ₦'000
Cost	32,244,885	32,513,650
Accumulated depreciation	(11,150,332)	(7,993,146)
Net book value	**21,094,553**	**24,520,504**

In arriving at the carrying value of property plant and equipment held under finance lease, the company has treated a deferred gain on the leased back portions of assets sold under a sales and leaseback arrangement amounting to ₦62.58 billion (2017: ₦59.32 billion) as a deduction from fair value of the leased back asset on initial recognition. This is to ensure that the asset is carried in the books at its initial carrying amount before the sales.

(c) Additions and disposals
The major additions for the year 2018 are the Base Transceiver Stations. The Company realised profit on disposal of PPE amounting to ₦5.69 million (2017: ₦470.46 million) in respect of GSM equipment. This is shown in Note (8) and (14).

(d) LTE Modernization
During the year ended 2018, the Company continued with its Radio Access Network (RAN) modernization of the Network through the upgrade of the 3G services to 4G Long Term Evolution (LTE). Under this modernization, existing RAN equipment were swapped with new LTE equipment from ZTE and Huawei. A total of 3,851 sites have been fully swapped as at 31 December 2018.

The total impact of LTE modernisation of ₦15.02 billion (2017: ₦5.02billion) was recognised in the statement of profit or loss and disclosed as an exceptional item for the Ericsson swapped items.

(e) Reclassification as intangible assets
For better presentation, there was a reclassification of the indefeasible right of use from property, plant and equipment (PPE) to Intangible assets. There was no impact on the profit or loss statement for prior periods as a result of this reclassification.

(f) Adjustment
This relates to depreciation adjustment relating to vendor reconciliation during the year.

18. Intangible assets
As at 31 December 2018, the Company held five licenses for the provision of telecommunication services in Nigeria namely the Digital Mobile Licence (DML) which was issued on February 2001 for a tenor of 15 years. This has now been discontinued by Nigerian Communications Commission (NCC). However, the Spectrum associated with the DML (900 and 1800 MHz) has been subsumed under the Universal Access Service Licence (UASL) which has been renewed till November 2021. Other licenses include the Universal Access Service Licence (UASL) issued on 1 December 2006 for a tenor of 15 years; National Destination Code (NDC) issued as an additional number blocks to accommodate growing customer base; 3G Spectrum Licence issued on 1 May 2007 also for a tenor of 15 years and Infrastructure Sharing and Collocation Services Licence issued 1st March 2012 for a tenure of 10years. These are capitalised as intangible assets and amortised over the period of the licences as stated in Note 3.2. The intangible assets also include software(s) that are separately identifiable and their costs are measurable. Software are amortised over their useful life.

Notes to the financial statements

18. Intangible assets (continued)

The movement on this account during the year was as follows:

	900 & 1800 MHz Spectrum ₦'000	3G Spectrum Licence ₦'000	UASL ₦'000	National Destination Code ₦'000	Indefeasible right of use ₦'000	Total ₦'000
Cost						
Balance 1 Jan. 2017	21,300,040	19,020,000	478,764	577,500	-	41,376,304
Additions	-	-	-	-	1,592,678	1,592,678
Reclassification (Note 17(e))	-	-	-	-	5,586,453	5,586,453
Balance as at 31 Dec. 2017	21,300,040	19,020,000	478,764	577,500	7,179,131	48,555,435
Additions	-	-	-	-	489,429	489,429
Balance 31 Dec. 2018	**21,300,040**	**19,020,000**	**478,764**	**577,500**	**7,668,560**	**49,044,864**
Accumulated Amortisation						
Balance 1 Jan. 2017	(3,204,654)	(12,218,492)	(372,195)	(58,587)	-	(15,853,928)
Amortisation charge for the year	(3,712,373)	(1,259,535)	(106,569)	(105,487)	(577,646)	(5,761,610)
Reclassification (Note 17(e))	-	-	-	-	(979,970)	(979,970)
Balance 31 Dec. 2017	(6,917,027)	(13,478,027)	(478,764)	(164,074)	(1,557,616)	(22,595,508)
Amortisation charge for the year	(3,707,419)	(1,259,535)	-	(105,487)	(445,838)	(5,518,279)
Balance as at 31 Dec. 2018	**(10,624,446)**	**(14,737,562)**	**(478,764)**	**(269,561)**	**(2,003,454)**	**(28,113,787)**
Net Book Value						
As at 31 Dec 2018	**10,675,594**	**4,282,438**	**-**	**307,939**	**5,665,106**	**20,931,077**
As at 31 Dec 2017	14,383,013	5,541,973	-	413,426	5,621,515	25,959,927

Notes to the financial statements

19. Derivative financial assets

	2018 ₦'000	2017 ₦'000
Financial instruments at fair value through profit or loss		
Derivatives not designated as hedges		
- Forward contract	-	2,691
Total financial assets	**-**	**2,691**
Non- Current	-	-
Current	-	2,691
	-	**2,691**

This relates to forward contract entered into in December 2017 with maturity date of January 2018 for foreign exchange purchase from Central Bank of Nigeria (CBN).

20. Other financial assets

	2018 ₦'000	2017 ₦'000
Non- Current	54,920	56,156
Current	345,179	305,727
	400,099	**361,883**
Security deposit	311,288	262,110
Staff car loan	88,811	99,773
	400,099	**361,883**

Security deposit represents amount held by Intelsat a leased line vendor as deposit for leased line connectivity and recoverable in cash after the termination of the contract.

The staff car loans are given by the Company as upfront payment under a scheme to support car acquisition to qualifying staff. The loan attracts no interest and the initial transaction price has been re-measured in line with IAS 39 at amortised cost. The tenors of the loans range from 24 months to 48 months based on the underlying agreement.

IAS 39 requires that loans and receivables should be measured at amortised cost using the Effective Interest Rate (EIR). The loans given by the Company to the employees are measured using the Effective Interest Rate method under IFRS. The resulting difference from the re-measurement at effective interest rate and the nominal rate of the loan has been recognised as part employee costs and deferred for amortisation over the life of the loans.

21. Inventories

	2018 ₦'000	2017 ₦'000
Handsets	8,212	9,999
Accessories	151,605	20,075
	159,817	**30,074**

Inventories are stated at lower of cost and net realisable value.

During the year, ₦360.5 million (2017: ₦515.1 million) was recognised as an expense (2017: benefit) for inventories carried at net realisable value. This is recognised as part of other operating expenses.

Notes to the financial statements

22. Trade and other receivables

	2018 ₦'000	2017 ₦'000
Interconnect (Note 22(a))	6,194,461	4,158,196
Subscribers	1,694,311	1,506,809
Dealers	218,267	922,352
E1 Leased line	2,026,645	1,849,958
Roaming	49,857	374,044
	10,183,541	8,811,359
Allowance for impairment for receivables (Note 22(b))	(3,749,307)	(1,976,719)
	6,434,234	6,834,640
Due from related companies (Note 22(c))	2,892,737	5,992,955
Site sharing receivables	32,652	32,652
Other receivables	4,694,356	972,477
	14,053,979	**13,832,724**

Trade receivables consisting of interconnect, roaming, leased lines and subscribers are non-interest bearing and are generally on 30 days' term. For terms and conditions relating to related party payables, refer to Note 34.

The Company uses a provision matrix to measure the expected credit loss of trade receivables. Based on the industry practices and the business environment in which the entity operates, management considers that the trade receivables are credit impaired if the payments are more than 90 days past due except for interconnect of 270 days past due.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Company writes off a trade receivable to the extent that there is no realistic prospect of recovery e.g. when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount due. the Company however continues to engage in enforcement activity to attempt to recover the receivable due. There was no write off of trade receivables in 2018 (2017: Nil).

Other receivables
Other receivables consist of advance payment made to vendors of the Company for which the services rendered are either ongoing or goods are yet to be delivered. This also includes one network recharges for non-related parties.

(a) Statement of the interconnect receivables and payables for the year:

	2018 ₦'000	2017 ₦'000
Receivables		
Balance as at 1 January	4,158,196	4,019,257
Revenue for the year	69,018,484	58,368,341
Impairment during the year	(1,437,361)	(73,245)
Balance as at 31 December (Note 22)	(6,194,461)	(4,158,196)
Payment received in the year	**65,544,858**	**58,156,157**
Payables		
Balance as at 1 January	4,999,659	4,160,713
Cost for the year	65,350,848	59,698,675
Balance as at 31 December (Note 32)	(1,499,582)	(4,999,659)
Payment made in the year	**68,850,925**	**58,859,729**
Net receipt/payment made for the year	**(3,306,067)**	**(703,572)**

Notes to the financial statements

22. Trade and other receivables (continued)

(b) Allowance for impairment of receivables

Movement in allowance for impairment of receivables is as follows:

	2018 ₦'000	2017 ₦'000
Allowances Account:		
Individually impaired	3,749,307	1,976,719
	3,749,307	**1,976,719**

	₦'000	₦'000
Balance as at 1 January	1,976,719	1,423,432
Additions during the year	1,772,588	553,287
Balance as at 31 December	**3,749,307**	**1,976,719**

(c) Due from related companies

	2018 ₦'000	2017 ₦'000
Airtel Kenya	2,988	3,627
Airtel Madagascar	9,375	7,870
Airtel Niger	944,623	993,855
Airtel DRC	122,013	40,374
Airtel Zambia	33,434	27,427
Airtel Congo Brazzaville	183,252	78,876
Airtel Malawi	45,518	61,768
Airtel Chad	202,589	139,448
Airtel Gabon	140	413
Airtel Tanzania	69,652	64,177
Airtel Uganda	19,801	23,546
Airtel Rwanda	50,422	21,399
Airtel Seychelles	6,568	5,746
Bharti Airtel Limited	132,878	4,049,504
Bharti Airtel (UK) Limited	1,002,006	443,523
Bharti International (Singapore) Pte Ltd	61,915	31,220
Bharti Airtel Lanka (Pvt Ltd)	40	182
Bharti Airtel France (SAS)	5,523	-
	2,892,737	**5,992,955**

For terms and conditions relating to related party payables, refer to Note 34.

Notes to the financial statements

23. Prepayments

	2018 ₦'000	2017 ₦'000
Non-current	615,119	1,183,186
Current	7,164,534	7,017,064
	7,779,653	**8,200,250**
Prepaid expenses	7,743,497	7,909,179
Site lease/rent	36,156	291,071
	7,779,653	**8,200,250**

Prepaid expenses include prepaid annual maintenance charges, prepaid insurance and prepaid office rent.

Site lease represents lease arising from contracts mainly pertaining to arrangements for telecommunication infrastructure. These leases are cancellable operating leases at the option of the Company with escalation clauses. Advance payments are made to strategic vendors for normal business operations and are backed up by Advance Payment Guarantee from the Vendors bankers.

24. Income tax recoverable

	2018 ₦'000	2017 ₦'000
Unutilised WHT credit notes	3,210,552	4,186,050

This represent unutilised withholding tax credit notes received from Federal Inland Revenue service (FIRS).

24.1 Movement in income tax recoverable

	2018 ₦'000	2017 ₦'000
Balance as at 1 January	4,186,050	7,321,312
Additions during the year	531,243	333,173
Utilized during the year	(1,506,741)	(3,468,435)
Un-utilised WHT credit notes	**3,210,552**	**4,186,050**

25. Cash and cash equivalents

	2018 ₦'000	2017 ₦'000
Cash in hand	2,528	3,374
Bank Balances	2,573,024	3,671,061
Restricted cash	96,500	37,231
Cash and bank balances	**2,672,052**	**3,711,666**
Bank overdraft (Note 27 (c))	(4,465,502)	(22,123,236)
Cash and cash equivalent	**(1,793,450)**	**(18,411,570)**

Included in the cash and cash equivalent is restricted cash payable on demand relating to post-employment benefit contributions (2018 - Nil; 2017 - ₦36.62 million) inclusive of interest earned belonging to employees that had worked for the Company prior to the enactment of Pension Reform Act of 2004 but are yet to submit their Retirement Saving Account; GSM Association contributions (2018: ₦0.61million; 2017: ₦0.61 million) made by GSM operators in Nigeria for which Airtel Nigeria serves as a Treasurer; Performance bond of ₦56.7 million and amount of ₦39.7 million set aside for pending legal cases as per order of the court.

Notes to the financial statements

26. Share capital and Share premium

	2018 ₦'000	2017 ₦'000
Authorised:		
500,000,000 ordinary shares of ₦ 1 each	500,000	500,000
Issued, called up and fully paid:		
201,318,163 ordinary shares of ₦ 1 each	201,318	201,318
Share premium:		
Balance as at 31 December	67,235,360	67,235,360

27. Interest bearing loans and borrowings

	2018 N'000	2017 N'000
Non-current		
Term loans and borrowings (Note 27 (a))	4,272,862	7,433,261
Shareholder loan (Note 27 (b))	606,728	39,285,550
	4,879,590	**46,718,811**
Current		
Bank overdraft (Note 27 (c))	4,465,502	22,123,236
Short term loans (Note 27 (d))	37,352,014	34,880,472
	41,817,516	**57,003,708**

(a) Term loans and borrowings

	2018 N'000	2017 N'000
Balance at 1 January	7,433,261	40,100,552
Additions in the year	-	-
Reclassification in the year to short term loans (Note 27(d))	9,982,505	(6,616,627)
	17,415,766	33,483,925
Repayment	(14,535,186)	(27,367,829)
Exchange difference	1,392,282	1,317,165
Balance at 31 December	**4,272,862**	**7,433,261**

The Company's current facilities are Bilateral Term Loans having the same structure - 5 year terms, 24 months' moratorium on principal repayment and a staggered principal repayment of 20%, 30% and 50% for years 3, 4 and 5 respectively and are priced at NIBOR plus Margin ranged from 0.25% to 1% for Naira facility and LIBOR plus margin ranged from 1.30% to 3.50% for the foreign denominated facility. Term loans are secured on all-assets debenture of the Company, except for Standard Chartered Bank credit facility and Deutsche Bank which are secured on the corporate guarantee of Bharti Airtel International, Netherlands B.V.

Notes to the financial statements

27. Interest bearing loans and borrowings (continued)

(b) Shareholder loan

	2018 ₦'000	2017 ₦'000
Balance at 1 January	39,285,550	47,557,426
Additions in the year	-	15,565,989
Exchange difference	3,132,352	6,554,518
	42,417,902	69,677,933
Repayment in the year	(41,811,174)	(30,392,383)
Balance at 31 December	**606,728**	**39,285,550**

This loan facility was obtained from Bharti Airtel International, Netherlands B.V. It is a USD 300mn facility with 6-year term, which is inclusive of a two-year moratorium on interest and principal repayment. It is priced at LIBOR plus a margin of 4.5%. These loans are stated at amortised cost using floating interest rates which approximates the effective interest rate. The carrying value of the loans approximates the fair value of the loans as at 31 December 2018. These loans are unsecured.

(c) Bank overdraft

	Commitment ₦'000	Drawn-down ₦'000	Available ₦'000	Outstanding ₦'000
2018	49,000,000	4,465,502	44,534,498	4,465,502
2017	38,000,000	22,123,236	15,876,764	22,123,236

The Company's overdraft facilities are revolving having a structure of 12 months' term with a fixed rate of interest ranging between 18% and 24% (2017: 18% and 24%) per annum. These facilities are secured on all-assets debenture of the Company.

(d) Short term loans

	2018 ₦'000	2017 ₦'000
Balance at 1 January	34,880,472	28,450,995
Additions in the year	32,475,000	21,599,954
Reclassification in the year from long term loans (Note 27a)	(9,982,505)	6,616,627
	57,372,967	56,667,577
Repayment in the year	(23,041,461)	(26,052,664)
Exchange difference	3,020,508	(4,265,559)
Balance as 31 December	**37,352,014**	**34,880,472**

Included in short term loan, is ₦888,889 outstanding balance on the loan facility obtained from Lead bank. The bank was liquidated in 2007. This balance is due and payable on demand.

Notes to the financial statements

28. Provisions

	2018 ₦'000	2017 ₦'000
Non-current		
Asset retirement obligation (Note 28 (a))	23,713	163,145
Current		
Provision for litigations (Note 28 (b))	398,271	419,751

(a) Asset retirement obligation movement

	2018	2017
Balance at 1 January:		
ARO liability	102,877	101,630
Finance cost	60,268	51,229
	163,145	152,859
Additions during the year:		
ARO liability	-	6,235
Finance cost	14,132	9,039
	14,132	15,274
Utilization during the year:		
ARO liability	(100,388)	(4,988)
Finance cost	(53,176)	-
	153,564	4,988
Balance at 31 December:		
ARO liability	2,489	102,877
Finance cost	21,224	60,268
	23,713	**163,145**

The Asset retirement obligation is recognised for Base Transceiver Stations (BTS) constructed by the Company which will be decommissioned when the leased site becomes un-renewable.

Provision during the period for asset retirement obligation is after considering the impact of unwinding of the discount over time. The discount rate used to calculate the obligation at the end of 2018 was 6% (2017: 6%). The discount rate represents the real rate determined using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the liability.

(b) Provision for litigations

	2018 ₦'000	2017 ₦'000
Balance at 1 January	419,751	279,564
Addition during the year	554,009	207,603
Revision during the year	(575,489)	(67,416)
Balance at 31 December	**398,271**	**419,751**

These provisions relate to legal claims in respect of court cases for which there is possible likelihood of the claims crystallising based on the available evidence. The claims are subject to legal arbitration and as at the reporting date, the provisions were reassessed and the impact reflected accordingly. There are no reimbursements expected regarding these cases. These claims by nature relate to disputes over tower/mast installations and general litigations.

Notes to the financial statements

29. Deferred revenue

	2018 ₦'000	2017 ₦'000
Customer advances	18,230,504	16,282,173
Grants (Note 29(a))	23,018	21,501
Customer loyalty claims (Note 29(b))	191,919	878,149
	18,445,441	**17,181,823**
Non-current	14,618	6,673
Current	18,430,823	17,175,150
	18,445,441	**17,181,823**

(a) Grants

	2018 ₦'000	2017 ₦'000
Balance at 1 January	21,501	42,632
Addition during the year	17,278	-
Amortised for the year (Note 8)	(15,761)	(21,131)
Balance at 31 December	**23,018**	**21,501**
Non-current	14,618	6,673
Current	8,400	21,501
	23,018	**21,501**

Grants was received for the construction of certain Base Transceiver Stations in remote regions and the grant recognised as deferred revenue. There are no unfulfilled conditions or contingencies in relation to these grants. This grant is amortised on a straight line basis over the useful life of the related asset. The amortised portion of the deferred grant has been included in other income as stated in Note 8.

(b) Customer loyalty

The Company operates a customer loyalty programme, which allows customers to accumulate points when they recharge airtime. The points can be redeemed for free airtime, subject to a minimum number of points being obtained. Consideration received is allocated between the airtime revenue and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined by applying a statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

Notes to the financial statements

30. Finance lease obligation

	2018 ₦'000	2017 ₦'000
Non-current	105,878,727	121,700,997
Current	26,916,290	13,379,037

The Company has finance lease contracts for network passive infrastructure and technical capacities of the dedicated part of the towers on which Company's equipment are located. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the Company. Refer to Note 17 for the finance lease assets included in the property, plant and equipment.

Future minimum lease payments under finance leases with the present value of the net minimum lease payments are as follows:

	2018		2017	
	Minimum Payments ₦'000	Present value of payments ₦'000	Minimum Payments ₦'000	Present value of payments ₦'000
Within one year	26,916,290	16,037,815	24,460,666	13,379,037
After one year but not more than five years	106,541,527	78,660,851	97,842,663	66,557,640
More than five years	40,796,653	38,096,351	61,535,362	55,143,357
Total minimum lease	174,254,470	132,795,017	183,838,691	135,080,034
Less amount representing finance charges	(41,459,453)	-	(48,758,657)	-
Present value of minimum lease payments	**132,795,017**	**132,795,017**	**135,080,034**	**135,080,034**

31. Employee benefit liability

	2018 ₦'000	2017 ₦'000
Pension fund	207	2,173
Leave encashment	18,979	82,461
Staff bonus	1,125,707	1,010,386
Other employee benefit	36,116	19,498
Long service award	27,284	34,418
	1,208,293	**1,148,936**
Non-current	21,301	28,510
Current	1,186,992	1,120,426
	1,208,293	**1,148,936**

Pension fund represents the unremitted part of statutory pension deductions to the relevant Pension Fund Administrators while staff bonus represents the accrued bonus for the employee based on performance as at 31 December 2018 and 2017 respectively.

Notes to the financial statements

31. Employee benefit liability (continued)

(a) Long service award

The long service award for the Company is presented based on the actuarial valuation carried out by Mercer Consulting (India) Private Limited for the year ended 31 December 2018. There are no plan assets as this is an unfunded scheme.

Actuarial assumptions

The assumptions as at the reporting date are used to determine the present value of the long service award at that date and the defined benefit cost for the following year.

Financial & Demographic assumptions	For the year ended 31 December 2018
Discount rate*	16% per annum
Salary increase rate	7% per annum
Rate of return on plan assets	Not applicable
Mortality Table	Assumed to be implicit in withdrawal rate assumption
Withdrawal (rate of employee turnover)	8.7% per annum
Retirement Age	60 years
Plaque cost	NGN 15,660

*Discount rate for evaluation has been selected on yield of latest issue of bonds of local government.

	2018 ₦'000	2017 ₦'000
Defined benefit obligation	27,284	34,418
Fair value of plan assets	-	-
	27,284	**34,418**
Non-current	21,301	28,510
Current	5,984	5,908

32. Trade and other payables

	2018 ₦'000	2017 ₦'000
Interconnect creditors (Note 22 (a))	1,499,582	4,999,659
Roaming creditors	658,007	1,317,169
Trade creditors	58,704,763	43,294,008
Sundry creditors	25,825,074	17,051,578
Due to related companies (Note 32 (a))	21,709,109	20,697,765
Interest accrued	300,524	296,723
Accruals	11,320,964	18,328,250
	120,018,023	**105,985,152**

Trade payables are non-interest bearing and are normally settled between 30-60 day terms. Other payables are non-interest bearing and have an average term of six months to one year. For terms and conditions relating to related party payables, refer to Note 34.

Sundry creditors include license and spectrum fees payable to regulator and value added tax (VAT) and withholding tax (WHT) to be paid to government.

Accruals relates to amount due to service vendors in respect of operational expenditure at year end.

Notes to the financial statements

32. Trade and other payables (continued)

(a) Due to related companies

	2018 ₦'000	2017 ₦'000
Bharti Airtel Nigeria B.V.	9,634,825	4,980,265
Airtel Kenya	1,146,140	921,307
Airtel Madagascar	22,172	12,992
Airtel Niger	8,117,184	8,827,576
Airtel DRC	1,028,693	907,466
Airtel Zambia	124,778	22,439
Airtel Congo Brazzaville	95,801	3,600
Airtel Malawi	170,686	175,839
Airtel Chad	199	173
Airtel Gabon	95,866	71,267
Airtel Tanzania	245,596	211,234
Airtel Uganda	218,068	123,731
Airtel Rwanda	11,713	14,183
Airtel Seychelles	1	13
Bharti Airtel Limited	37,129	2,744,643
Bharti Airtel (UK) Limited	572,019	168,361
Bharti International (Singapore) Pte Ltd	13,663	316,706
Bharti Airtel Lanka (Pvt Ltd)	78	83
Nxtra Data Limited	48,176	47,008
Network i2i Limited	53,371	1,095,552
Africa Towers Services Limited	23,458	19,737
Bharti Airtel Services Limited	27,530	30,749
Bharti Airtel (France) SAS	21,963	2,841
	21,709,109	**20,697,765**

33. Derivative financial liabilities

	2018 ₦'000	2017 ₦'000
Financial instruments at fair value through profit or loss		
Derivatives not designated as hedging instruments		
- Foreign exchange forward contracts	-	-
- Embedded derivatives	-	404,614
Total instruments at fair value through profit or loss	-	404,614
Financial instruments at fair value through OCI		
Cash flow hedges	-	-
Total financial assets	**-**	**404,614**
Non- Current	-	-
Current	-	404,614
	-	**404,614**

Notes to the financial statements

34. Related Party

(a) Related party transactions:

The Company entered into the following transactions with the under listed related parties during the year:

Name	Nature of transaction	Relationship	Transaction value 2018	Transaction value 2017	Balance receivable 2018	Balance (payable) 2018	Balance receivable 2017	Balance (payable) 2017
			₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Bharti Airtel Nigeria, B.V.	Support Service Fees and Credit Facility	Shareholder's Interest	34,024,263	8,161,759		(10,241,552)	-	(44,265,815)
Airtel Kenya	Interconnect & Roaming Services	Fellow Subsidiary	(225,472)	(190,241)	2,988	(1,146,140)	3,627	(921,307)
Airtel Madagascar	Interconnect & Roaming Services	Fellow Subsidiary	(7,674)	1,094	9,375	(22,172)	7,870	(12,992)
Airtel Niger	Interconnect & Roaming Services	Fellow Subsidiary	661,161	(1,657,919)	944,623	(8,117,184)	993,855	(8,827,576)
Airtel DRC	Interconnect & Roaming Services	Fellow Subsidiary	(39,588)	(210,129)	122,013	(1,028,693)	40,374	(907,466)
Airtel Zambia	Interconnect & Roaming Services	Fellow Subsidiary	(96,331)	(16,682)	33,434	(124,778)	27,427	(22,439)
Airtel Congo Brazzaville	Interconnect & Roaming Services	Fellow Subsidiary	12,176	36,712	183,252	(95,801)	78,876	(3,600)
Airtel Malawi	Interconnect & Roaming Services	Fellow Subsidiary	(11,098)	88,999	45,518	(170,686)	61,768	(175,839)
Airtel Chad	Interconnect & Roaming Services	Fellow Subsidiary	63,116	(79,931)	202,589	(199)	139,448	(173)
Airtel Gabon	Interconnect & Roaming Services	Fellow Subsidiary	(24,871)	(304,808)	140	(95,866)	413	(71,267)
Airtel Tanzania	Interconnect & Roaming Services	Fellow Subsidiary	(28,888)	50,361	69,652	(245,596)	64,177	(211,234)
Airtel Uganda	Interconnect & Roaming Services	Fellow Subsidiary	(98,082)	205,022	19,801	(218,068)	23,546	(123,731)
Airtel Rwanda	Interconnect & Roaming Services	Fellow Subsidiary	31,493	(3,408)	50,422	(11,713)	21,399	(14,183)
Airtel Seychelles	Interconnect & Roaming Services	Fellow Subsidiary	834	255	6,568	(1)	5,746	(13)
Bharti Airtel Limited	Interconnect, Roaming, Signaling & Leaseline/Bandwidth	Common Parent Company	(1,209,112)	1,119,567	132,878	(37,129)	4,049,504	(2,744,643)
Bharti Airtel (UK) Limited	Interconnect, Roaming & Leaseline/Bandwidth	Common Parent Company	154,825	353,959	1,002,006	(572,019)	443,523	(168,361)
Bharti International (Singapore) Pte Ltd	Interconnect, Roaming & Leaseline/Bandwidth	Common Parent Company	333,738	(159,664)	61,915	(13,663)	31,220	(316,706)
Bharti Airtel Lanka (Pvt Ltd)	Roaming Services	Common Parent Company	(137)	4	40	(78)	182	(83)
Nxtra Data Limited	Network Data Maintenance	Common Parent Company	(1,168)	(11,152)	-	(48,176)	-	(47,008)
Network i2i Limited	Leaseline/Bandwidth	Common Director	1,042,181	(500,889)	-	(53,371)	-	(1,095,552)
Africa Towers Services Limited	Investment	Common Parent Company	(3,721)	-	-	(23,458)	-	(19,737)
Bharti Airtel Services Limited	Manpower Services	Common Parent Company	3,219	22,766	-	(27,530)	-	(30,749)
Bharti Airtel (France) SAS	Leaseline/Bandwidth	Common Parent Company	(13,599)	(2,841)	5,523	(21,963)	-	(2,841)

The amounts receivable and payable balance are classified as trade receivables and trade payables.

Notes to the financial statements

34. Related Party (continued)

Terms and conditions of transactions with related parties:
The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free with the exception of credit facilities from Bharti Airtel International Netherlands, BV which is priced at LIBOR plus a margin of 4.5%. There have been no guarantees provided or received for any related party receivables or payables except for Bharti Airtel International, Netherlands which has guaranteed some of the foreign loan of the Company. The receivables and payables due to and from related parties are disclosed in Note 22 and Note 32 respectively.

Liquidation of subsidiary:
On 30 January 2017, Tower Support Nigeria Limited (TSNL) was liquidated. Hence, Airtel Networks Limited no longer holds any shareholding as at 31 December 2017. Hence, there was no consolidation of TSNL in these financial statements.

Airtel Ghana:
Airtel Ghana ceased to be a related party to the Company in the year 2017.

(b) Key management personnel
Key management personnel are those who have authority and responsibility for planning, directing and controlling the activities of Company. The Company's key management personnel are considered to be the members of the Board.

Compensation to key management staff

	2018	2017
Short term compensation	**₦'000**	**₦'000**
Fees	38,520	38,520
Sitting allowance	4,046	4,046
	42,566	**42,566**
Chairman emoluments (excluding pension contribution)	16,672	16,672
The fees and emoluments of the highest paid Director	16,672	16,672

There are no long term benefits, post-employment benefits and terminal benefits given to the Directors of the Company.

	2018	2017
Directors' mix	**Number**	**Number**
Executive Director	1	1
Non-executive Directors	6	6
	7	**7**

The non-executive directors that received compensation as at 31 December 2018 were three (3) (2017: 3) in numbers. The other non-executive directors are representative of the parent company and are not entitled to receive compensation.

Notes to the financial statements

34. Related part (continued)

(b) Key management personnel (continued)

The number of Directors who received emoluments (excluding pensions and pension contributions) are in the following range:

Range (₦)	2018 Number	2017 Number
0 - 9,999,999	-	-
10,000,000 - 10,999,999	-	-
11,000,000 - 11,999,999	-	-
12,000,000 - 12,999,999	2	2
13,000,000 - 13,999,999	-	-
14,000,000 - 14,999,999	-	-
15,000,000 - 15,999,999	-	-
16,000,000 - 16,999,999	1	1
	3	**3**

35. Litigation - Shareholders' litigation

There is presently no pending shareholder's litigation.

All other matters in the Company's litigation portfolio are operational matters whose subject matter relate to the day to day running of the Company.

36. Guarantee and financial commitments

(a) Bank guarantee

The Company obtained a bank guarantee amounting to N550 million from United bank of Africa for perfection of a Security Trust Deed in respect of loan facilities it obtained from a consortium of Nigerian banks, financial institutions and certain offshore lenders. The maximum exposure to credit risk is N550million and has a tenor of 12 months which is renewable on yearly basis.

(b) Purchase order (PO)

The Company had authorised and contracted purchase orders amounting to ₦40.3 billion (2017: ₦20.2 billion) as at the reporting date.

(c) Letters of credit (LC)

The Company has unfunded Letters of Credit amounting to ₦1.16 billion (2017: ₦5.07 billion) with various banking institutions in respect of imports.

37. Financial risk management

The Company's principal financial liabilities comprise loans and borrowings, derivative financial liability, finance lease obligations, 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 has derivative asset, trade and other receivables and cash and short-term deposits that arrive directly from its operations. The Company is exposed to market risk, 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 risk management committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The risk management committee provides assurance to the Company's senior management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company's policies and Company's risk appetite. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Notes to the financial statements

37. Financial risk management (continued)

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of interest rate risk and foreign currency risk. Financial instruments affected by market risk include loans and borrowings; and deposits. The sensitivity analyses in the following sections relate to the position as at 31 December in 2018 and 2017.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant. The analyses exclude the impact of movements in market variables on the carrying value of provisions and on the non-financial assets and liabilities. The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

Interest rate sensitivity

The following demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. Holding other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings as follows:

	2018 ₦ '000	2017 ₦ '000
Interest bearing loans and borrowings		
Non-current portion of loans	4,879,590	46,718,811
Current portion of loans	37,352,014	34,880,472
Overdraft	4,465,502	22,123,236
	46,697,106	**103,722,519**
Effective Interest Rate	**5.67%**	**7.76%**

Basis point		**Strengthening**	**Weakening**
2018		**N'000**	**N'000**
	+1	4,670	(4,670)
	+5	23,349	(23,349)
2017		**N'000**	**N'000**
	+1	10,372	(10,372)
	+5	51,861	(51,861)

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility NIBOR in the current year.

Notes to the financial statements

37. Financial risk management (continued)

(a) Market risk (continued)

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency) and financing activities. The Company manages its foreign currency risk through derivative financial instruments such as interest rate swaps, cash flow hedges and embedded derivatives exchange rate adjustments in recognising gains or losses arising from foreign currency.

Foreign currency sensitivity
The following demonstrates the sensitivity to a reasonably possible change in the US dollar and Euro exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives). The Company's exposure to foreign currency changes for all other currencies is not material.

Exposure to currency risk
The Company's transactional exposure to US dollar and Euro was based on the closing amount as follows:

	31 December 2018		31 December 2017	
	USD '000	**EUR '000**	**USD '000**	**EUR '000**
Financial asset				
Derivative financial assets	-	-	9	-
Trade receivables (Net)	8,966	109	27,861	2,115
Financial liability				
Borrowings	(143,409)	-	(263,588)	-
Derivative financial liability	-	-	(1,222)	-
Trade and other payables	(859,622)	(55)	(636,066)	(26,569)
Net statement of financial position exposure	**(994,065)**	**54**	**(873,006)**	**(24,454)**

The Company's profit before tax is affected through the impact of currency rates as follows:

		Effect on profit before tax ₦'000
31 December 2018	USD (5 per cent strengthening)	18,111,928
	Euro (5 per cent strengthening)	1,121
31 December 2017	USD (5 per cent strengthening)	14,455,226
	Euro (5 per cent strengthening)	485,594
31 December 2018	USD (5 per cent weakening)	(18,111,928)
	Euro (5 per cent weakening)	(1,121)
31 December 2017	USD (5 per cent weakening)	(14,455,226)
	Euro (5 per cent weakening)	(485,594)

The following significant exchange rates were applied during the year:

	Average rate		Reporting date closing rate	
	2018	**2017**	**2018**	**2017**
	₦	**₦**	**₦**	**₦**
US Dollar	353.25	330.75	364.40	331.16
Euro	416.97	391.45	417.00	397.15

Notes to the financial statements

37. Financial risk management (continued)

(b) Credit risk

Credit risk is the risk that 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), other financial asset and from financing activities on the part of the Company including cash and cash equivalents with banks and financial institutions and other financial instruments. At the level of operations, the outstanding debts are continuously monitored in each area and taken into account through individual and collective allowances.

Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and credit sales to major channel partners are covered by bank guarantees while significant post-paid customers are covered by cash deposit. At 31 December 2018, the Company had 4 classes of customers (2017: 4 customers) and the amount of receivables by class represent Post-paid customers 5.7% (2017: 7.7%), Roaming 1.5% (2017: 1.6%), interconnect & E1 lines 27.4% (2017: 82.9%) and Dealers 65.4% (2017: 7.8%) of the total amount of receivable.

The Company performs on-going credit evaluations of its customers' financial condition and monitors the credit-worthiness of its customers to which it grants credit in its ordinary course of business. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount due. Where the financial asset has been written-off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit and loss.

At the end of each respective year, the aging of the net trade receivables are as follows:

		Past due but not impaired				
	Neither past due nor impaired ₦'000	**Less than 90days ₦'000**	**90-180days ₦'000**	**181-360 days ₦'000**	**Above 360 days ₦'000**	**Total ₦'000**
At 31 December 2018						
Subscribers	341,736	424,575	-	-	-	766,311
Roaming	153,911	143,020	-	-	-	296,931
Interconnect & leased lines	5,250,034	1,306,056	-	-	-	6,556,090
Dealers	187,305	-	-	-	-	187,305
Net receivables	**5,932,986**	**1,873,651**	**-**	**-**	**-**	**7,806,637**
At 31 December 2017						
Subscribers	324,185	553,674	-	-	-	877,859
Roaming	46,616	136,995	-	-	-	183,611
Interconnect & leased lines	3,580,357	1,306,056	-	-	-	4,886,413
Dealers	886,757	-	-	-	-	886,757
Net receivables	**4,837,915**	**1,996,725**	**-**	**-**	**-**	**6,834,640**

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with designated collection banks and within credit limits assigned to each banks. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential failure to make payments.

Notes to the financial statements

37. Financial risk management (continued)

(c) Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity plan. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, shareholder loans, foreign loans, finance leases and operating leases. 100% of the Company's debt will mature in less than one year at 31 December 2018 (2017: 29.5%) based on the carrying value of borrowings reflected in the financial statements.

The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders. The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Financial instruments by measurement bases

The table below show financial instruments by their measurement bases.

	Total ₦'000	On demand ₦'000	Less than 3 months ₦'000	3 to 12 months ₦'000	1 to 3 years ₦'000	4 to 5 years ₦'000
31 December 2018						
Interest bearing loans and borrowings	44,879,061	889	662	44,877,510	-	-
Trade and other payables	27,982,825	-	-	27,982,825	-	-
Bank overdraft	4,465,502	4,465,502	-	-	-	-
Total	**77,327,388**	**4,466,391**	**662**	**72,860,355**	**-**	**-**
31 December 2017						
Interest bearing loans and borrowings	89,629,804	889	2,007,630	33,125,662	15,210,073	39,285,550
Trade and other payables	49,610,836	-	-	49,610,836	-	-
Bank overdraft	22,123,236	22,123,236	-	-	-	-
Total	**161,363,876**	**22,124,125**	**2,007,630**	**82,736,498**	**15,210,073**	**39,285,550**

Notes to the financial statements

37. Financial risk management (continued)

Financial Instrument by measurement category

The table below show financial instruments by their measurement categories.

	Amortised cost ₦'000	FV through profit or loss ₦'000	Carrying value ₦'000
31 December 2018			
Trade and other receivables	14,053,979	-	14,053,979
Other financial asset	400,099	-	400,099
Cash and cash equivalents	2,672,052	-	2,672,052
Total financial assets	**17,126,130**	**-**	**17,126,130**
Trade and other payables	60,862,353	-	60,862,353
Interest bearing loans and borrowings	49,344,563	-	49,344,563
Total financial liabilities	**110,206,916**	**-**	**110,206,916**
31 December 2017			
Trade and other receivables	13,832,724	-	13,832,724
Other financial asset	361,883	-	361,883
Cash and cash equivalents	3,711,666	-	3,711,666
Derivative financial assets	-	2,691	2,691
Total financial assets	**17,906,273**	**2,691**	**17,908,964**
Trade and other payables	49,610,836	-	49,610,836
Derivative financial liabilities	-	404,614	404,614
Interest bearing loans and borrowings	111,753,040	-	103,722,520
Total financial liabilities	**161,363,876**	**404,614**	**153,737,970**

Fair Value

Below, by class, set out the carrying amounts and fair value of the Company's financial instruments.

	Carrying amount		Fair value	
	2018 ₦'000	2017 ₦'000	2018 ₦'000	2017 ₦'000
Financial assets				
Derivative financial assets	-	2,691	-	2,691
Other financial asset:				
Staff car loan	88,811	99,773	88,811	99,773
Security deposit	311,288	262,110	311,288	262,110
Total	**400,099**	**364,574**	**400,099**	**364,574**
Financial liabilities				
Interest loan and borrowings	46,697,106	103,722,520	46,697,106	103,722,520
Derivative financial liabilities	-	404,614	-	404,614
Total	**46,697,106**	**104,127,134**	**46,697,106**	**104,127,134**

Notes to the financial statements

37. Financial risk management (continued)

Fair Value (continued)
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:

- Cash and cash equivalent, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate borrowings and/or receivable are evaluated by the Company based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2018, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.
- Derivatives are valued using valuation techniques with market observable input and it is mainly foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and forward rate curves of the underlying instrument.

As at 31 December 2018, the marked to market value of derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the financial instruments recognised at fair value.

Fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Fair Value
The Company have measured the below assets at fair value on the statement of financial position.

	Total ₦'000	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000
At 31 December 2018				
Financial assets at fair value through profit or loss:				
Derivative financial assets	-	-	-	-
Other financial asset	400,099	-	-	400,099
At 31 December 2017				
Financial assets at fair value through profit or loss:				
Derivative financial assets	2,691	2,691	-	-
Other financial asset	361,833	-	-	361,833

During the reporting period ending 31 December 2018, there were no transfers between Level 1 and Level 2 (2017: Nil). The fair value of the financial assets and liabilities is 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.

Notes to the financial statements

37. Financial risk management (continued)

Fair value methods and assumptions
The following methods and assumptions were used to estimate the fair values:

Long-term fixed-rate and variable-rate borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, and the risk characteristics of the financed project.

The Company enters into derivative financial instruments with various counterparties. Interest rate swaps and foreign exchange forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty risk and the Company's own non-performance risk. As at 31 December 2018, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

Embedded foreign currency and commodity derivatives are measured similarly to the foreign currency forward contracts and commodity derivatives. The embedded derivatives are commodity and foreign currency forward contracts which are separated from long-term sales contracts where the transaction currency differs from the functional currencies of the involved parties. However, as these contracts are not collateralized, the Company also takes into account the counterparties' credit risks (for the embedded derivative assets) or the Company's own non-performance risk (for the embedded derivative liabilities) and includes a credit valuation adjustment or debit value adjustment, as appropriate, by assessing the maximum credit exposure and taking into account market-based inputs concerning probabilities of default and loss given default.

Description of significant unobservable inputs to valuation:
The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2018 and 2017 are as shown below:

Particulars	Valuation techniques	Inputs Used	Quantitative information about significant unobservable inputs	Sensitivity of the input to fair value
Loans to staff	DCF method	Monthly future expected cash flows Monthly market interest rate Tenor of loan repayment	 0.65% (2017: 0.65%) 36 / 48 months	1% (2017: 1%) increase (decrease) would result in an increase (decrease) in fair value by ₦1.02 million (2017: ₦3.9 million)
Derivative financial assets	DCF method	Expected future payouts to vendor, Forward foreign currency exchange rates, Interest rates to discount future cash flow		The fair value of embedded derivative would increase/ decrease in same proportion to increase or decrease in the expected future payouts to vendor

Notes to the financial statements

37. Financial risk management (continued)

Reconciliation of fair value measurement of derivative assets and liabilities

	Derivative financial assets			Derivative financial liabilities
	Embedded derivatives ₦'000	**Interest rate swap ₦'000**	**Forward contract ₦'000**	**₦'000**
As at 1 January 2017	-	-	2,691	404,614
Recognised in statement of profit or loss during the year	-			
Purchases	-	-	-	-
Sales	-	-	-	-
As at 31 December 2017	**-**	**-**	**2,691**	**404,614**
Recognised in statement of profit or loss during the year	-	-	(2,691)	(404,614)
Purchases	-	-	-	-
Sales	-	-	-	-
As at 31 December 2018	**-**	**-**	**-**	**-**

Capital management

Capital is the equity attributable to the equity holders of the Company. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The company manages its capital structure and makes adjustments to it in light of changes in economic conditions.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings, loans from parent company, trade and other payables, less cash and cash equivalents. The Company is not subject to any minimum capital requirement.

	2018 ₦'000	**2017 ₦'000**
Gearing Ratio		
Interest-bearing loans and borrowings	42,231,603	81,599,283
Bank Overdraft	4,465,502	22,123,236
Trade and other payables	120,018,023	105,985,152
Less: cash and cash equivalent	(2,672,052)	(3,711,666)
Net debt	**164,043,077**	**205,996,005**
Equity	24,895,594	(89,461,810)
Total capital	**24,895,594**	**(89,461,810)**
Capital and net debt	188,938,670	116,534,195
Gearing ratio	**86.8%**	**176.8%**

Collateral

The Company has deposited cash as security in respect of lease of transmission lines. At 31 December 2018 the fair value of the cash deposit was ₦311.3 million (2017: ₦262.1 million) as shown in Note 20. The counterparties have an obligation to return the securities to the Company after the expiration of the contracts. There are no other significant terms and conditions associated with the use of collateral. Collateral held in respect of post-paid amounted to ₦349.5 million as at 31 December 2018 (2017: ₦333.2 million).

Notes to the financial statements

38. Going concern

The Company incurred a net profit for the year ended 31 December 2018 of N113.57 billion (2017: net loss of N5.86 billion) and as at that date, the current liabilities exceeded its current assets by N194.42 billion (2017: N175.15 billion) while total assets exceeded total liabilities by N24.9 billion (2017: N89.5 billion net liabilities). There was additional forex loss for the year which is mainly associated to the devaluation of Naira from N331.16/$ in December 2017 to December 2018 rate of N364.40/$. A total forex loss booked for the year ended 31 December 2018 is N22.36 billion (2017: N26.96 billion).

Management had developed key initiatives which include sustainability of the non-voice revenue growth through the investment in the 4G technology, fortifying the revenue base and sustaining the growth in revenue through a separate business unit formed to focus on the enterprise businesses and manage the lease line rental and corporate post-paid businesses of the Company and cost saving optimization strategies initiated by the Company which is still paying off with consistent growth in EBITDA. The Company hopes to continue to leverage on these advantages, as well as explore additional initiatives to further drive down cost and increase profitability.

As at 31 December 2018, the Company has N59 billion credit line with local banks which it could access and all the loans of the Company have been guaranteed either by the Company's All Assets Debenture or the holding company (BAIN). The Company also had $113 million shareholder loan from Bharti that is yet to be drawn down as at this reporting date. By February 2019, the Company increased the authorized share capital from N500million ordinary shares of N1/share to N13.287billion ordinary shares of N1/share with a Right Issues of N13.087billion. 30kobo of this right issue value have been called-up and the balance to be called up as the Board of Directors deems fit. N3.936billion was realized from the right issue in the month of February 2019. This reflects the Company's ability to raise fresh debt in the market and additional capital from its existing shareholders to meets its obligation.

The financial statements are prepared on the basis of accounting policies applicable to a going concern. The company will continue to receive the support of its holding company and the realization of assets and settlement of liabilities will occur in the ordinary course of business. The cash flow assessment for the next 12 months indicates that the Company will be able to generate sufficient cash to maintain the operations and service current debt obligations.

Notes to the financial statements

39. Information relating to employees

(a) The average number of persons employed by the Company during the financial year was as follows:

	2018 Number	2017 Number
CEO's office and corporate affairs	35	37
Engineering /operation	111	116
Sales and marketing	331	345
Customer experience	25	20
Information systems	6	11
Human resources	14	14
Finance	54	60
	576	**603**

(b) 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:

Range (₦)	2018 Number	2017 Number
Less than - N5,000,0000	90	78
N5,000,001- N10,000,000	184	229
N10,000,001- N15,000,000	156	156
N15,000,001- N20,000,000	63	62
N20,000,001 and above	83	78
	576	**603**

40. Contingent liabilities

As at 31 December 2018, the Company had a total amount of N1.22 billion relating to various cases. No provision has been made in these financial statements as management does not consider that there is a probable loss.

41. Nigerian Communications Act of 2003

In compliance with the directive of the Nigerian Communication Commission (NCC) pursuant to the provisions of Section 53(1) of the Nigerian Communication Act 2003, we hereby confirm the below as regards sanctions during the year January - December 2018.

Registration of Telephone Subscribers Regulations, 2011
The Nigerian Communications Commission (NCC) imposed a fine of N20,000,000 (Twenty Million Naira only) on Airtel for non-compliance with its Directive on Controlled Environment dated 30 November 2016 mandating that subscriber registration must be done in a fixed location. Similar sanctions were imposed on other Telcos in Nigeria.

Notes to the financial statements

42. Subscriber base

	2018 Numbers '000	2017 Numbers '000
Opening subscriber base	37,234	34,116
Net subscriber connection during the year	6,946	3,118
Closing subscriber base	**44,180**	**37,234**

Active subscribers are determined based on a 90 day revenue generating cycle

43. Segment reporting

The Company carries out its operations entirely in Nigeria which is considered one geographical segment. Based on the scope of IFRS 8, the Company does not have publicly traded instruments. Accordingly, no operating segment information is presented.

44. Reclassification of prior year balances

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations in prior period.

45. Events after the reporting period

At the Extraordinary General Meeting held on 31 January 2019, a resolution was passed and approved by the Board to commence a rights issue of 13,085,680,595 ordinary shares of N1.00 each and allotted to the eligible shareholders per their respective pro-rata entitlement.

Value Added Statement
For the year ended 31 December

	2018 ₦'000	%	2017 ₦'000	%
Revenue	382,096,006		315,462,881	
Bought-in-materials and services				
- Local	(220,456,626)		(222,979,549)	
- Imported	(12,037,851)		(12,340,205)	
Value added by operating activities	149,601,529		80,143,127	
Other income	1,038,743		305,570	
Finance income	13,953		54,473	
Value Added	**150,654,225**	**100**	**80,503,170**	**100**
Applied as follows:				
To pay employees' salaries, wages and fringe benefits	13,346,299	9	13,449,578	17
To pay providers of capital - interest	13,212,392	9	19,827,070	25
Current taxation	5,608,669	4	5,712,265	7
Deferred Tax	(53,498,890)	(36)	-	-
To provide for depreciation of fixed assets	52,892,981	35	41,612,706	51
To provide for amortisation of licence	5,518,279	4	5,761,610	7
Absorbed by the Company's operations	113,574,495	75	(5,860,059)	(7)
Value Added	**150,654,225**	**100**	**80,503,170**	**100**

The value added statement represents the wealth created through the efforts of the Company and its employees, and the distribution of created wealth amongst various interest groups.

Five-Year Financial Summary

	2018 ₦'million	2017 ₦'million	2016 ₦'million	2015 ₦'million	2014 ₦'million
Statement of Comprehensive Income					
Revenue from operations	382,096	315,463	280,822	249,120	239,128
Gross profit	190,674	127,089	113,979	114,022	108,916
EBITDA	159,653	98,629	(28,896)	56,927	49,752
Gain on sale of Towers and property	-	349	599	69,776	-
LTE Modernization	(15,023)	(5018)	-	-	-
(Loss) before taxation	65,684	(148)	(92,827)	66,351	(25,147)
Taxation	47,890	(5,712)	(4,450)	(42,354)	(7,969)
(Loss)/Profit for the year	**113,574**	**(5,860)**	**(97,277)**	**23,997**	**(33,116)**
Statement of financial position					
Property, plant and equipment	209,371	182,218	191,848	194,247	190,826
Intangible assets	20,931	25,960	25,522	29,649	12,432
Deferred tax assets	99,168	45,669	45,669	45,669	78,943
Investment in subsidiary	-	-	10	10	10
Other Non-current assets	670	1,239	1,472	765	1,790
Net current liabilities	(194,426)	(175,930)	(136,876)	(119,691)	(148,495)
Interest bearing loans and borrowings (non-current)	(4,880)	(46,719)	(87,658)	(56,629)	(138,437)
Employee benefits liability (non-current)	(21)	(28)	-	-	-
Deferred revenue - (non-current)	(15)	(7)	(21)	(43)	(71)
Provisions (non-current)	(24)	(163)	(153)	(153)	-
Finance leases obligation (non-current)	(105,879)	(121,701)	(123,415)	(80,149)	(497)
Net assets	**24,895**	**(89,462)**	**(83,602)**	**13,675**	**(3,499)**
Equity					
Share capital	201	201	201	201	201
Share premium	67,235	67,235	67,235	67,235	67,235
Accumulated loss	(42,541)	(156,898)	(151,038)	(53,761)	(70,935)
Equity attributable to owners of the Company	**24,895**	**(89,462)**	**(83,602)**	**13,675**	**(3,499)**
Earnings/(loss) per share:					
- Basic	₦564.15	₦(29.11)	₦(483.20)	₦119.20	₦(164.50)
- Diluted	₦564.15	₦(29.11)	₦(483.20)	₦119.20	₦(164.50)