

Deloitte.

Airtel Networks Limited

Financial Statements
For the year ended 31 December 2020
Together with Directors' and Auditor's Reports

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Directors' Report

The Directors present their annual report on the affairs of the Airtel Networks Limited, together with the financial statements and auditor's report for the year ended 31 December 2020.

1. Legal form

Airtel Networks Limited 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 Board, the name of the Company was changed from Celtel Nigeria Limited to Airtel Networks Limited. Airtel Networks Limited is an indirect subsidiary of Bharti Airtel International (Netherlands) B.V. and has Airtel Africa as its step-up parent.

2. Principal activity

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

3. Result for the year

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

Gross Subscriber Base			
Particulars	Financial Year		YoY Growth
	2020	2019	
	'000	'000	%
Closing subscriber base	55,642	50,187	10.87
Gross subscriber connections added during the year	34,025	28,893	17.76
Churn during the year	28,570	22,886	24.83

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

Financial Highlights			
Particulars	Financial Year		YoY Growth
	2020	2019	
	N' million	N' million	%
Revenue from operations	575,910	468,961	22.81
Operating profit	225,854	187,896	20.20
Finance costs (Net)*	(40,740)	(22,332)	82.43
Gain on sale of equipment	-	2,367	-
Long-Term Evolution (LTE) Modernization	-	(1,842)	-
Profit before taxation	185,114	167,999	10.19
Profit after taxation	131,372	128,448	2.28
Capex investment at year end (Gross Property, Plant and equipment)	844,788	725,687	16.41

*Includes foreign exchange loss of N16.38 billion in 2020(2019: gain of N1.77 billion).

Directors' Report (continued)

4. Business review

The Company experienced a steady growth in its operations during the year ended 31 December 2020 as it witnessed growth of 10.9% (2019: 13.6%) in its subscriber base from 50.19 million in 2019 to 55.64 million in 2020. Revenue generated in the year increased by 22.8% from ₦468.96 billion in 2019 to ₦575.91 billion in 2020. Key drivers of growth continues to be rollout of 4G Long Term Evolution (LTE) sites and Radio Access Network (RAN) modernization on the Company's network across Nigeria which has increased its non-voice revenue by 36% over 2019.

The Company continued in its drive to deepen broadband connectivity across Nigeria through its Home Broadband ("HBB") business segment. The HBB rides on the modernized 4G network and provides access to high speed connectivity to customers through fixed routers and mobile routers (also known as "Mifis"). During the year, Airtel introduced Airtel Smartbox ODU, an outdoor antenna for boosted networks which is currently only available in Lagos. Airtel ODU offers 240GB complimentary data valid for 60 days with 10GB bonus for the first six (6) months on subscriptions of ₦10,000 and above. In addition, Airtel introduced the Airtel Unlimited Ultra data plans with the tagline "Never run out of data" with four (4) variants: weekly, standard, diamond and platinum. The plan is available to routers and Outdoor Unit (ODU) customers only.

Airtel Networks continues its other strategic initiatives to improve brand visibility and expand retail footprint with focus on excellent service delivery and customer experience. The business currently boasts of a total of eighty-four showrooms across Nigeria in addition to its dealer empowerment initiatives regarded as Airtel Express Shops (AES) spread over various locations across the country. The Company also acquired the "0912" number series to expand its customer base.

The Company continued with its Radio Access Network (RAN) modernization through the upgrade of the 3G services to 4G Long Term Evolution (LTE). Under the modernization, existing RAN equipment were swapped with new LTE equipment from Nokia post completion of ZTE and Huawei projects. A total of 5,741 (2019: 4,834) sites have been fully swapped as at 31 December 2020. The 4G service was also rolled out in more cities and towns across Nigeria.

Following a directive issued by the Nigerian Communications Commission on 15 December 2020 to all Nigerian telecom operators, Airtel Nigeria is working with the government to ensure that all its subscribers provide their valid National Identification Numbers (NINs) to update SIM registration records. New customer acquisitions are currently barred until significant progress is made on linking the current active base with verified NINs. The deadline for customers to link their NIN with SIM has moved from a provisional date of 30 December 2020 in the initial directive in order to accommodate the logistical challenges involved. Airtel has made significant progress on capturing existing NINs and building the database in collaboration with National Identity Management Commission (NIMC). To complete the registration process, there is still a need to verify the NIN information received from subscribers with the NIMC. This requires improved connectivity with the NIMC database which is currently being developed for all the Nigerian mobile operators. Airtel has also opened enrolment centres in collaboration with the NIMC to facilitate customers obtaining NINs for roughly half of the population that do not currently have a NIN. The Company will continue to work closely with the government to ensure full compliance. The current barring on new customer activation is expected to affect customer growth in Nigeria as long as the barring persists. However, the potential overall impact remains uncertain.

In 2020, Airtel Networks Limited won several awards among which are: Telecoms Company of the Year, Best Data Service Provider of the Year, Best Customer Service Operator 2020 conferred the Association of Telecommunications Companies of Nigeria (ATCON), Best Corporate Communications Team 2020 award in honour of the Airtel PR & CSR team by the prestigious Sustainability, Entrepreneurship and Responsibility Awards (SERAs), Best Storytelling award 2020 conferred by the Lagos Chapter of the Nigeria Institute of Public Relations (NIPR), 9 Awards at the Pitcher Advertising Awards and Innovative CSR Leadership Awards – Airtel Touching Lives, our flagship CSR initiative, was named by Marketing Edge Magazine as CSR Leadership award of the Year. Airtel also won a total of 20 awards at the 2020 edition of the Lagos Advertising and Ideas Festival Awards (LAIF). Airtel won the Grand Prix with its 'Data is Life' advertising campaign, its 444 campaign earned it three Gold awards in the Bank, Investment and Other Financial Communication award's category and also three Gold in the Telecom Product/Services award category. Airtel's 'Data is Life' (DIL) campaign was also adjudged a Gold. See table below for breakdown of the 20 awards won at the LAIF event. The Company's CEO was also honoured with the following awards: Telecoms Industry Personality of the Year 2020 by the Association of Telecommunications Companies of Nigeria and Africa Industry Personality of the Year 2020 by the Africa Leadership Magazine.

Directors' Report (continued)

4. Business review (continued)

Airtel Touching Lives, a flagship corporate philanthropy initiative aimed at providing succour to the underprivileged, hard to reach, vulnerable and disadvantaged in the society concluded its fifth season. The various projects carried out are: (1) refurbishing and equipping the Health Center in Gubio IDP Camp Maiduguri in an effort to make life better for Nigerians in the Internally Displaced Persons (IDP) camp; (2) donation of ₦7.5 million to purchase and install a high-tension power infrastructure with 15 poles to connect the Isokan Island community to power. Prior to our intervention, the community had been without power for 15 years; (3) donation and installation of a 500KVA electricity transformer to the Temidayo 1 community, Agbeleke Town, Alimosho Local Government Area in Lagos State to help reawaken the local economy as well as empower entrepreneurs in the area to become more productive.

In addition, through the Season 5 of the Airtel Touching Lives program, Airtel rehabilitated and equipped the Library for blind students in the University of Nigeria, Nsukka and provided scholarships to 10 visually impaired students. For individuals, seven families were supported in various capacities such as providing educational scholarships, small scale business setup, medical surgeries donations, house refurbishment, rental supports, HIV treatments supports and food items donations. The Company's "Adopt a School" project is still being maintained as Methodist Primary School Uyo was provided with ultra-modern toilet facilities for the students and teachers and a water borehole facility. Airtel built a 4 classroom block with a library included on a land given by the state government in Obiagu. The Obiagu project included provision of toilet facilities, furniture, white boards, fans, writing and teaching materials.

Airtel Networks Limited, through its Employee Volunteer Scheme (EVS), an employee' Special Purpose Vehicle created to assist the underprivileged in the society as well as address inequality in communities, distributed raw food packs to 5,000 vulnerable families in IDP camps across the country through the Airtel 5 days of Love Campaign. The donations were made to the camp officials in Kaduna, Yobe, Benue, Edo & Plateau States in line with Covid-19 protocols of social distancing.

In support of the COVID-19 fight, Airtel did not only ensure connectivity across the country during the difficult period, but also rolled out a swift and comprehensive Covid-19 response, providing palliatives for the vulnerable and partnering with government at various levels, institutions and communities in a sustained fight to curb the spread of the virus. A total sum of ₦300 million was committed to support the fight against COVID-19 - ₦200 million was invested in refurbishing and equipping a 4-storey admission facility for the use of Specialist Units (Infectious Diseases Centre) in the Department of Medicine at the Lagos University Teaching Hospital (LUTH); ₦50 million was donated to Lagos State Government to procure Personal Protective Equipment (PPEs) for Lagos State Health Workers and ₦50 million was also donated to the Ogun State government for the procurement of a Molecular Laboratory provided by 54 Gene, a genomics research, services and development company, with the capacity for 300 Covid-19 tests per day.

Airtel collaborated with the government at different levels to offer support in the fight against the dreaded COVID-19 Pandemic by providing phones, sim cards, Mifis and toll free lines to various organisations such as: Port Health Authority staff - to support verification of passenger information at the five international airports across the nation during the Coronavirus Screening process; National Center for Disease Control (NCDC) offices in the 370 LGAs across the nation - to enhance the NCDC's efforts in increasing access to phone calls and keeping Nigerians well-informed on the pandemic and as internet support to aid monitoring of information locally and globally; 36 State Government offices across the nation plus FCT - to further strengthen the Government's efforts in providing information to the general public on COVID-19 related issues and Free SMS to Network Users - to strengthen communication at the beginning of the pandemic, all customers on the Airtel network were offered Free SMS to enable connection with friends and families across any network.

Directors' Report (continued)

5. Directors' interests

The directors and their beneficial interests in the shares of the Company as at 31 December 2020 were as follows:

<u>Names</u>	<u>Designation</u>	<u>Date Appointed/ Resignation</u>	<u>Representing</u>	<u>Number of Ordinary Shares of ₦1.00 each</u>
Hons. Justice Salihu Alfa Modibbo Belgore (Rtd) GCON (Nigerian)	- Chairman	Appointed 23 September 2014	-	Nil
Mr. Segun Ogunsanya (Nigerian)	- 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 (Beninoise)	- Director	Appointed 2 December 2014	Bharti Airtel Nigeria B.V	Nil
Dr. Oluremi Oni (Nigerian)	- Director	Appointed 30 June 2016	FBC Assets Ltd	Nil
Mr. Raghunath Mandava (Indian)	- Director	Appointed 2 November 2017	Bharti Airtel Nigeria B.V	Nil
Mr. Emeka Onwuka (Nigerian)	- Director	Appointed 5 September 2018	-	Nil
Mr. Rama Krishna Lella (Indian)	- Director	Appointed 6 February 2019	Bharti Airtel Nigeria B.V	Nil
Ms. Rogany Ramiah (South African)	- Director	Appointed 12 June 2019	Bharti Airtel Nigeria B.V	Nil

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

6. Directors' interest in contracts

In accordance with Companies and Allied Matters Act 2020, 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)
Mr. Emeka Onwuka	-	Ecobank Nigeria Limited (Banking Services)
Mr. Emeka Onwuka	-	Andersen Tax (Data Protection Audit Firm)
Mr. Segun Ogunsanya	-	TCF Microfinance Bank 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. Investment in Subsidiary

Airtel Networks Limited acquired 99.99% of the shares of Airtel Mobile Commerce Nigeria Limited, a company incorporated on 31 August 2017. The principal activity of the Company is to act as a provider of electronic commerce (e-commerce) service, facilitate the acceptability of mobile money, act as an agent of financial institutions carrying out the business of agency banking as well as act as aggregator and manager of agents networks for the same purpose.

Airtel Mobile Commerce Nigeria Limited is yet to commence business as at 31 December 2020. Details of investment in the subsidiary is provided in Note 35(c).

Directors' Report (continued)

9. Charitable contributions

The Company made donations through projects and gifts totalling ₦194.69 million (2019: ₦136.97 million) to the following charitable activities:

Corporate Social Responsibility Projects		
	2020	2019
Activities	₦'000	₦'000
Adopt-a-School – Textbooks and writing materials	9,308	4,712
Airtel Touching Lives	57,090	126,910
5 days of Love Campaign	1,451	5,347
COVID-19	126,836	-
	194,686	136,969

In compliance with the Companies and Allied Matters Act 2020, the Company did not make any donations or gifts to any political association or for any political purpose during the year under review.

10. Employment and employees

(a) 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 2020, there was one disabled person in the employment of the Company.

(b) 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.

(c) 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 and Leadership Knowledge Series.

Directors' Report (continued)

11. Business ethics and compliance code

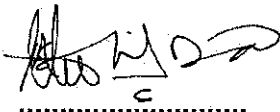
The Company has instituted a sound Business Ethics and Compliance Code, which ensures that its business is conducted in conformity with highest ethical principles, standards and integrity. It continually creates ethical awareness amongst its directors, officers and business partners to ensure full compliance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

12. Auditors

Messrs' Deloitte & Touche 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 2020.

BY ORDER OF THE BOARD

**Plot L2,
Banana Island,
Ikoyi,
Lagos**



.....
Shola Adeyemi
Company Secretary

Date: 29/04/2021

FRC/2016/NBA/00000014257

Statement of Directors' Responsibilities

The Directors of Airtel Networks Limited accept responsibility for the preparation of the financial statements that give a true and fair view of the financial position of the Company as at 31 December 2020, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act, 2020 of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

In preparing the financial statements, the Directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance.

Going Concern:

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

Certification of financial statements

In accordance with section 405 of the Companies and Allied Act of Nigeria, the Chief Executive Officer and the Chief Financial Officer certify that the financial statements have been reviewed and based on our knowledge, the

- (i) audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made, and
- (ii) audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the company as of and for, the periods covered by the audited financial statements;

We state that management and directors:

- (i) are responsible for establishing and maintaining internal controls and has designed such internal controls to ensure that material information relating to the Company [and its subsidiaries] is made known to the officer by other officers of the Company, particularly during the period in which the audited financial statement report is being prepared,
- (ii) has evaluated the effectiveness of the Company's internal controls within 90 days prior to the date of its audited financial statements, and
- (iii) certifies that Company's internal controls are effective as of that date;

We have disclosed:

- (i) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data, and has identified for the Company's auditors any material weaknesses in internal controls, and
- (ii) whether or not, there is any fraud that involves management or other employees who have a significant role in the Company's internal control; and
- (iii) as indicated in the report, whether or not, there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The financial statements of the Company for the year ended 31 December 2020 were approved by the directors on, 2021.

Statement of Directors' Responsibilities (continued)

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, 2020 and the Financial Reporting Council of Nigeria Act, 2011.

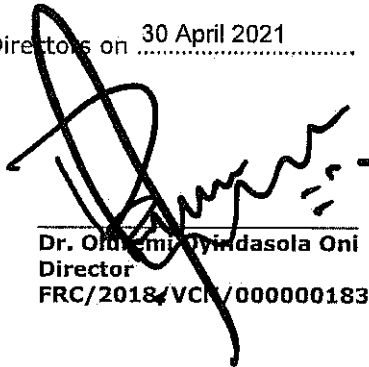
The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit for the year ended 31 December 2020. The Directors further accept responsibility for the maintenance of accounting records that may be relied 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.

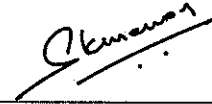
Signed on behalf of the Board of Directors on 30 April 2021



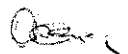
Segun Ogunsanya
Chief Executive Officer
FRC/2013/ICAN/0000002746



Dr. Oluwemi Oyindasola Oni
Director
FRC/2018/VCM/0000018386



S Krishna Menon
Chief Finance Officer
FRC/2014/ICAN/0000019621



Independent auditor's report

To the Shareholders of Airtel Networks Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Airtel Networks Limited** set out on pages 13 to 85, which comprise the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the 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 financial position of **Airtel Networks Limited** as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act 2020 and Financial Reporting Council 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 International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA 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 IESBA Code and other ethical requirements that are relevant to our audit of Financial Statements in Nigeria.

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, is of most significance in our audit of the financial statements of the current year. The matter was 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 the matter.

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 in future.

As disclosed in Note 15(d) to the financial statements, the Company recognised deferred tax asset of N63.17 billion as at 31 December 2020, which is considered recoverable against the Company's future taxable profits.

Judgement is required by the Directors to assess the recoverability of the estimated deferred tax asset.

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 recognised deferred tax asset and the adequacy of the disclosures made.

Our audit procedures included challenging the Directors on the reasonableness of assumptions used for estimate (forecast) in assessing deferred tax asset that are considered to be recoverable against the Company's taxable profits, which is expected to be made in future periods.

We performed the following audit procedures:

We involved our Tax Specialists on the review of the tax computations, including the deferred tax asset, which the Directors considered to be recoverable against the Company's future taxable profits.

We obtained and reviewed 5-years forecast of the Company's future operating performance. We discussed the assessment with the Directors to determine whether the Directors have identified events or conditions that, individually or collectively, may prevent the Company from achieving the estimated future results.

Also, we challenged the key assumptions used in the 5 years' forecast by comparing them with industry trends and Company's historical performance.

We assessed the adequacy of the disclosures in the financial statements relating to deferred tax asset.

Based on our audit review on the deferred tax assets recognised in the financial statements, the Directors key judgements and assumptions appear reasonable. We are also satisfied that the related disclosures in Note 15(d) of the financial statement are appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report and the Statement of directors' responsibilities, which we obtained prior to the date of this 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 and will not express an audit opinion or 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. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act 2020, the 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 the 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 judgement 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 related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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 those charged with governance 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period 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 public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies and Allied Matters Act 2020 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 have 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.



Stella Mba - FRC/2013/ICAN/00000001348

**For: Deloitte & Touche
Chartered Accountants**

**Lagos, Nigeria
5 May, 2021**



Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2020


	Notes	2020 N'000	2019 N'000
Revenue from operations	6	575,909,834	468,960,719
Cost of sales	7	<u>(228,062,581)</u>	<u>(184,841,547)</u>
Gross profit		347,847,253	284,119,172
Other income	8	575,363	265,937
Selling and marketing costs	9	(14,619,217)	(11,607,611)
Administrative expenses	10	(5,759,712)	(5,479,347)
Other operating expenses	11	<u>(102,190,147)</u>	<u>(79,402,303)</u>
Results from operating activities		<u>225,853,540</u>	<u>187,895,848</u>
Finance income	12(a)	766,838	48,938
Finance costs	12(b)	<u>(41,506,843)</u>	<u>(22,380,990)</u>
Net finance costs		<u>(40,740,005)</u>	<u>(22,332,052)</u>
Gain on sale of equipment	13	-	2,366,994
Customer acquisition cost	23(c)	-	1,910,674
LTE Modernization	17(a)	-	<u>(1,842,326)</u>
Profit before tax	14	185,113,535	167,999,138
Tax expense	15(a)	<u>(53,741,560)</u>	<u>(39,550,678)</u>
Profit for the year after tax		<u>131,371,975</u>	<u>128,448,460</u>
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		<u>131,371,975</u>	<u>128,448,460</u>
Earnings per share			
Basic and diluted (₦)	16	<u>9.89</u>	<u>9.67</u>

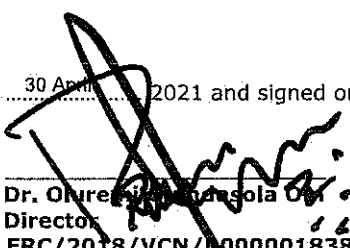
The accompanying notes on pages 17 to 85 form an integral part of these financial statements.

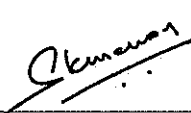
**Statement of Financial Position
As at 31 December 2020**

Assets	Notes	2020 N'000	2019 N'000
Non-current assets			
Property, plant and equipment	17	322,168,314	240,783,766
Intangible assets	18	46,758,094	22,130,203
Right of use assets	19	114,759,566	88,385,972
Other financial assets	20	136,181	188,115
Other assets	23	6,859,156	6,826,466
Deferred tax assets	15(d)	63,170,850	88,173,124
Investment in subsidiary	35(c)	50,000	50,000
Total Non-current assets		<u>553,902,161</u>	<u>446,537,646</u>
Current assets			
Inventories	21	1,093,175	468,500
Trade and other receivables	22	14,503,462	14,302,161
Derivative financial assets	34	27,591	-
Other financial assets	20	113,903	113,055
Other assets	23	8,816,445	5,453,580
Income tax recoverable	24	239,804	419,611
Cash and bank balances	25	127,670,939	25,852,553
Total current assets		<u>152,465,319</u>	<u>46,609,460</u>
Total assets		<u>706,367,480</u>	<u>493,147,106</u>
Equity and liabilities			
Equity			
Share capital	26.1	4,127,023	4,127,023
Share premium	26.2	67,235,360	67,235,360
Retained earnings	27	176,373,579	50,887,564
Total Equity		<u>247,735,962</u>	<u>122,249,947</u>
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	28	27,139,779	-
Provisions	29	36,628	25,344
Deferred revenue	30	149,324	97,959
Lease liabilities	31	184,238,937	166,429,891
Employee benefit liability	32	40,594	29,487
Total non-current liabilities		<u>211,605,262</u>	<u>166,582,681</u>
Current liabilities			
Interest bearing loans and borrowings	28	13,729,154	889
Provisions	29	274,540	188,147
Trade and other payables	33	125,356,667	117,265,763
Deferred revenue	30	28,985,710	22,456,866
Derivative financial liabilities	34	111,768	-
Employee benefit liability	32	1,442,877	1,349,855
Income tax payable	15(c)	31,496,339	25,723,150
Lease liabilities	31	45,629,201	37,329,808
Total current liabilities		<u>247,026,256</u>	<u>204,314,478</u>
Total liabilities		<u>458,631,518</u>	<u>370,897,159</u>
Total equity and liabilities		<u>706,367,480</u>	<u>493,147,106</u>

Approved by the Board of Directors on 30 April 2021 and signed on its behalf by:


Segun Ogunsanya
Chief Executive Officer
FRC/2013/ICAN/0000002746


Dr. Oluwafemi Olaniran
Director
FRC/2018/VCN/0000018386


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

The accompanying notes on pages 17 to 85 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2020

	Share Capital N'000	Share Premium N'000	Retained Earnings N'000	Total Equity N'000
2020				
As at 1 January 2020	<u>4,127,023</u>	<u>67,235,360</u>	<u>50,887,564</u>	<u>122,249,947</u>
Profit for the year	-	-	131,371,975	131,371,975
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>-</u>	<u>-</u>	<u>131,371,975</u>	<u>131,371,975</u>
<i>Transactions with owners of the Company</i>				
Dividend (Note 27.1)	-	-	(5,885,960)	(5,885,960)
As at 31 December 2020	<u>4,127,023</u>	<u>67,235,360</u>	<u>176,373,579</u>	<u>247,735,962</u>
2019				
As at 31 December 2018	201,318	67,235,360	(42,541,084)	24,895,594
Impact of IFRS 16 adoption	-	-	(12,471,594)	(12,471,594)
As at 1 January 2019 (restated)	<u>201,318</u>	<u>67,235,360</u>	<u>(55,012,678)</u>	<u>12,424,000</u>
Profit for the year	-	-	128,448,460	128,448,460
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>-</u>	<u>-</u>	<u>128,448,460</u>	<u>128,448,460</u>
<i>Transactions with owners of the Company</i>				
Shares issued during the year (Note 26.1)	3,925,705	-	-	3,925,705
Interim Dividend (Note 27.1)	-	-	(22,548,218)	(22,548,218)
As at 31 December 2019	<u>4,127,023</u>	<u>67,235,360</u>	<u>50,887,564</u>	<u>122,249,947</u>

The accompanying notes on pages 17 to 85 form an integral part of these financial statements.

**Statement of Cash Flows
As at 31 December 2020**

	Note	2020 N'000	2019 N'000
Cash flows from operating activities			
Profit for the year before tax		185,113,535	167,999,138
Non cash adjustments:			
Depreciation of property, plant and equipment	17(c)	41,468,337	37,735,013
Depreciation of right of use	19	32,932,045	22,919,797
Amortization of intangible assets	18	11,072,820	5,811,248
Finance income	12(a)	(766,838)	(48,938)
Finance cost	12(b)	41,506,843	22,380,990
Gain on disposal of property, plant and equipment	17(b)	(158,472)	(1,722,916)
Inventory written down	21	1,067,496	(136,282)
Impairment on trade and other receivables	22	172,463	145,332
Net foreign exchange differences		(12,365,355)	1,767,261
Other non-cash items		241,693	(379,681)
		300,284,567	256,470,963
Changes in working capital:			
Inventory	21	(1,692,171)	(172,401)
Trade receivables	22	(373,764)	(1,436,900)
Other assets	23	(3,395,556)	(3,457,008)
Income tax recoverable	24	179,806	2,790,942
Deferred revenue	30	6,580,208	4,109,384
Provisions	29	97,677	(208,493)
Trade and other payables	33	28,291,897	(25,288,913)
Employee benefit liability	32	104,129	171,049
Derivative financial liability	34	111,768	-
Other financial asset	20	51,086	98,929
Derivative financial asset	34	(27,591)	-
Cash generated from operating activities		330,212,056	233,077,554
Income tax paid	15(c)	(22,436,415)	(7,531,015)
Withholding tax utilized	15(c)	(423,760)	(3,216,086)
Net cash generated from operating activities		307,351,881	222,330,453
Cash flows from investing activities			
Investment in subsidiary	34(b)	-	(50,000)
Proceeds on disposal of property, plant and equipment	17(b)	371,427	2,400,751
Acquisition of property, plant and equipment	17	(123,065,840)	(90,921,152)
Acquisition of intangible asset	18	(35,696,613)	(13,069,828)
Interest received	12(a)	761,417	48,938
Net cash used in investing activities		(157,629,609)	(101,591,291)
Cash flows from financing activities			
Proceeds from right issue	26.1	-	3,925,705
External loan received	28(a)	44,869,900	-
External loan repaid	28(a)	(12,278,273)	(41,623,987)
Shareholders loan received	28(b)	7,111,479	-
Shareholders loan repaid	28(b)	-	(606,728)
Interest paid	12(b)	(25,114,345)	(24,138,769)
Dividend paid	33(b)	(26,188,279)	-
Repayment of principal portion of lease liabilities	31.1	(36,304,368)	(30,649,380)
Net cash used in financing activities		(47,903,886)	(93,093,159)
Movement in cash and cash equivalents		101,818,386	27,646,003
Cash and cash equivalents at the beginning of year	25(a)	25,852,553	(1,793,450)
Cash and cash equivalents at the end of year	25(a)	127,670,939	25,852,553

The accompanying notes on pages 17 to 85 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. Airtel Networks Limited is an indirect subsidiary of Bharti Airtel International (Netherlands) B.V. and has Airtel Africa Plc as its step-up parent.

2. Basis of preparation and measurement

(a) 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).

(b) 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.

(c) Functional and presentation currency

The financial statements have been presented in Naira which is the Company's functional and presentation currency. The 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.

(d) 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.

(e) 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:

- i) Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- ii) Held primarily for the purpose of trading;
- iii) Expected to be realised within twelve months after the reporting period; or
- iv) 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:

- i) It is expected to be settled in the normal operating cycle;
- ii) It is held primarily for the purpose of trading;
- iii) It is due to be settled within twelve months after the reporting period; or
- iv) 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)

(f) Fair value measurement

The Company measures financial instruments at fair value and amortised cost as may be applicable 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:

- i) in the principal market for the asset or liability, or
- ii) 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.

(g) Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the Company continues to adopt the going concern basis of accounting in preparing the financial statements.

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.

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 other services. These are recorded on the basis of relative fair value. 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 any adjustment is done prospectively. Freehold 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	Useful life
GSM equipment	3 - 25 years
Information system equipment	3 - 5 years
Freehold Land	-
Building	20 years
Office furniture and equipment	2 - 5 years
Motor vehicles	3 - 5 years

(d) De-recognition

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.

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
2600 MHz Spectrum (4G LTE)	10 years
10 MHz Spectrum	10 years
National Destination Code (NDC)	2 years
Software Licence	4 years

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 profit or loss and other comprehensive income in the other operating expense category.

De-recognition of intangible assets

Intangible assets are derecognised on disposal, or when no future economic benefits are expected from its use. Gains or losses arising from de-recognition 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 and other comprehensive income when the asset is derecognised.

3.3 Impairment of property, plant and equipment and intangible assets

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.

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. An assessment is made at each reporting date and whenever any indicator for impairment exists, 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.

Notes to the financial statements

3. Summary of significant accounting policies (continued)

3.4 Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interest issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

In accordance with the exemption requirements of IFRS 10, Airtel Networks Limited has elected not to provide a consolidation of Airtel Mobile Commerce Nigeria Limited due to the following reasons:

- (a) Airtel Networks Limited is an indirect subsidiary of Bharti Airtel International (Netherlands) B.V. which in turn is a subsidiary of Airtel Africa Plc and there is no objection from the owners;
- (b) Airtel Networks Limited does not have any debt or equity instruments traded in a public market - either local or foreign as it is a private limited company;
- (c) Airtel Networks Limited has not filed nor in the process of filing its financials with a securities commission or regulatory for purpose of issuing instruments; and
- (d) Airtel Networks Limited has Airtel Africa Plc as its step-up parent. Airtel Africa Plc is a listed entity on both the London Stock Exchange and Nigerian Stock Exchange (NSE), and prepares consolidated financial statements for public use in its listed markets in accordance with International Financial Reporting Standards (IFRSs).

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. SIM inventories are expensed as incurred.

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.

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.6 Leases

At inception of a contract, the Company assesses a contract as, or containing, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the contract involves the use of an identified asset, the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Company has the right to direct the use of the asset. The Company applied IFRS 16 using the modified retrospective approach from 1 January 2019.

(a) Company as a lessee

The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The lease liability is presented as a separate line in the statement of financial position.

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. Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Leased assets (Right of use 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. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position. Estimated useful lives of the leased assets are as follows:

Assets	Useful life
GSM equipment	3 - 25 years
Information system equipment	3 - 5 years
Freehold Land	-
Building	20 years
Office furniture and equipment	2 - 5 years
Motor vehicles	3 - 5 years

Consequently, when a 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.

Notes to the financial statements

3. Summary of significant accounting policies (continued)

3.7 Financial instruments

Financial assets and liabilities are recognised in 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

(i) 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.

(ii) 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

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.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss 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 through profit or loss.

Notes to the financial statements

3. Summary of significant accounting policies (continued)

3.7 Financial instruments (continued)

3.7.1 Financial assets (continued)

(ii) Subsequent measurement (continued)

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.

Trade receivable

Trade receivables are recognised initially at fair value at 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.

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.7 Financial instruments (continued)

3.7.1 Financial assets (continued)

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.

(iii) **Foreign exchange gains and losses**

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Exchange differences are recognised in profit or loss in the 'finance cost' line item (Note 12(b)) except for equity instruments measured at FVTOCI, which exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

(iv) **Impairment of financial assets - Expected credit losses**

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 applies the simplified approach which uses a provision matrix to measure the expected credit loss of trade receivables.

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.

Allowance for impairment of trade receivable

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. If credit risk has not increased significantly, twelve month expected credit loss ('ECL') is used to provide for impairment loss, otherwise lifetime ECL is used. However, only in case of trade receivables, the Company applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Write off

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Any write-off/recoveries made are recognised in profit or loss.

Notes to the financial statements

3. Summary of significant accounting policies (continued)

3.7 Financial instruments (continued)

3.7.1 Financial assets (continued)

(v) 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

- the Company has transferred substantially all the risks and rewards of the asset, or
- 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.

3.7.2 Financial liabilities and equity – classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(a) Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(b) Financial liabilities

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 liabilities is at amortised cost using effective interest method or at Fair value through profit or loss (FVTPL).

(i) 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.

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.7 Financial instruments (continued)

3.7.2 Financial liabilities and equity – classification as debt or equity (continued)

(b) Financial liabilities (continued)

(ii) Financial liabilities measured at amortised cost

All other financial liabilities of the Company including trade payables and interest bearing loans and borrowings are measured at amortised cost subsequently using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (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) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

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.

(iii) Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. The Company has no such contract liabilities.

(iv) Foreign exchange gains and losses on financial liabilities

Financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'finance cost' line item in profit or loss (Note 12). For financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity. The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

(v) Financial liabilities de-recognition

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 de-recognition 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.

Notes to the financial statements

3 Summary of significant accounting policies (continued)

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 at each reporting date.

3.9 Employee benefits

(a) 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.

(b) Defined contributions: Pension

In line with the 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.

(c) Defined benefit obligation (Long service award/Leave absence):

The valuation has been carried out using the Project Unit Credit Method as per IAS19 *Employee Benefits* 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.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting).

Notes to the financial statements

3 Summary of significant accounting policies (continued)

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. 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.

(a) **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.

(b) **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. Deferred revenue includes amounts received in advance on pre-paid cards. The related services are expected to be performed within the next operating cycle. 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 (NCC) and rates agreed with international partners 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. Roaming revenue is recognised for both the originating and terminating traffic when services are rendered to the customer.

(c) **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.

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.11 Revenue recognition (continued)

(d) 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.

(e) 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.

(f) 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.

(g) Equipment sales

Equipment sales mainly pertain to sale of telecommunication equipment and related accessories for which revenue is recognised when the control of equipment is transferred to the customer i.e. transferred at a point in time.

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.12 Taxation

(a) **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.

(b) **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.

(c) **Current tax and deferred tax for the year**

Current and deferred tax are recognised in statement of profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(d) **Value added tax**

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

- i) 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
- ii) 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.

Notes to the financial statements

3 Summary of significant accounting policies (continued)

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 and contingencies

(a) 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.

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.

(b) 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.

Notes to the financial statements

3 Summary of significant accounting policies (continued)

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;

- (a) BTS Expansion Project for the construction of BTS in rural and unserved areas where there are currently no service providers
- (b) 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
- (c) 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 income 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.

3.18 Customer acquisition cost

The Company recognises the cost it incurs to obtain a contract with a customer as an asset in the period these costs are incurred. The amount is amortised over the average anticipated customer life in the profit or loss. The unamortised amount is presented in the statement of financial position as "Other assets". The churn rate is used to estimate the average customer life.

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.

(a) 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.

Notes to the financial statements

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

4.1 Judgements (continued)

(b) 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.

(c) 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 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.

(a) 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. Otherwise, the net revenue is reported.

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 2020, the estimated liability for unredeemed points was approximately ₦1.01 billion (2019: ₦324.24 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)

(b) 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).

(b) Customer acquisition cost

IFRS 15 requires to recognize an asset for customer acquisition cost if the customer life is more than 12 months and then amortise that asset over the customer life. Customer Acquisition costs are cost which would not have been incurred if no new customer would have been acquired. Management has assessed these costs to be the following: Gross acquisition commission costs, KYC costs and SIM and related packing costs.

In prior years, based on the available information, the Company had considered the average life of customers across its network as less than 12 months and had taken the practical expedient available under IFRS 15 not to defer customer acquisition costs on recognition and amortize over the average anticipated customer life, but to expense customer acquisition costs as incurred. With increased and more reliable data, the Company has now estimated that the historic average customer life is longer than 12 months and that the churn rate provides the best indicator of anticipated average customer life. Hence, the policy has been updated on cost deferral recognition in these financial statements.

(c) 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.

Notes to the financial statements

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

4.2 Estimates and assumptions (continued)

(d) Impairment of non-financial assets

Non-financial assets include majorly property, plant and equipment, right of use and intangible 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.

(e) 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.

(f) 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 2020 was 21% (2019: 21%). 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.

(g) Inventory Obsolescence

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

(h) 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.

(i) Taxation provisions

The Company's current tax provision relates to management's assessment of the amount of tax payable as at the reporting date based on the Company's performance during the financial year.

Notes to the financial statements

5. Adoption of new and revised standards

5.1 Standards that became effective on 1 January 2020

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The nature and the impact of each new standard and amendment are described below:

5.1.1 Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7.

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments are not relevant to the Company given that it does not apply hedge accounting to its interest rate exposures.

5.1.2 Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Company has not applied the amendment to IFRS 16 (as issued by the IASB in May 2020) as there was no rent concession as a result of COVID-19.

Notes to the financial statements

5. Adoption of new and revised standards (continued)

5.1 Standards that became effective on 1 January 2020 (continued)

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

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- **Amendments to IAS 1 and IAS 8 Definition of material**
The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.
- **Amendments to References to the Conceptual Framework in IFRS Standards**
Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.
- **Amendments to IFRS 3 Definition of a business**
The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Notes to the financial statements

5. Adoption of new and revised standards (continued)

5.2 Standards issued but not yet effective

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

5.2.1 Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

5.2.2 IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.

5.2.3 Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Notes to the financial statements

5. Adoption of new and revised standards (continued)

5.2 Standards issued but not yet effective (continued)

5.2.4 Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

5.2.5 Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

5.2.6 Annual Improvements to IFRS Standards 2018–2020

- **IFRS 9 Financial Instruments**

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

- **IFRS 16 Leases**

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

Notes to the financial statements

6. Revenue from operations

	2020	2019
	N'000	N'000
Airtime revenue (Note 6(a))	464,361,327	366,128,525
Interconnect revenue	95,907,748	85,253,354
SIM connection	4,915,061	6,021,793
Roaming	1,676,743	2,527,376
Lease rental income (Note 6(b))	8,036,200	8,255,473
Handset sales	1,012,755	774,198
	<u>575,909,834</u>	<u>468,960,719</u>

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

- (a) Airtime revenue includes revenue from voice, data and value added services earned by the Company. Airtime revenue is stated net of upfront commissions paid to channel partners of N24.34 billion (2019: N21.09 billion).
- (b) Lease rental income relates to income generated from bandwidth and information technology capacity sold to corporate customers. The rentals are paid on monthly or quarterly basis as per the contract terms and recognised over the periods of connectivity. 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 assessed as a service income rather than a lease income.

7. Cost of sales

	2020	2019
	N'000	N'000
Transmission cost	104,292,897	83,102,846
Interconnect cost	91,989,663	78,737,474
Handsets cost	2,407,697	882,407
Recharge cards	14,868	12,936
Regulatory fees (Note 7(b))	15,803,020	12,848,457
Roaming cost	315,452	547,924
Bandwidth cost	1,545,395	1,561,726
VAS content provider cost	5,935,662	3,464,900
Other dealer commissions (Note 7(a))	5,757,927	3,682,877
	<u>228,062,581</u>	<u>184,841,547</u>

- (a) Other dealer commissions such as tailing commission are other commissions given to dealers other than one-off commissions accounted as customer acquisition costs and upfront commissions netted off from revenue in Note 6 (a).

Notes to the financial statements

7. Cost of sales (continued)

- (b) **Regulatory fees** – This includes annual operating levy, spectrum fees and annual numbering plan fees paid to Nigerian Communications Commission (NCC).

	2020	2019
	N'000	N'000
NCC annual levy	12,512,620	10,176,279
Spectrum costs	2,450,501	1,889,928
Annual numbering fees	839,899	782,250
	15,803,020	12,848,457

8. Other income

	2020	2019
	N'000	N'000
Sale of scrap and miscellaneous income (Note 8(a))	403,801	255,493
Gain on disposal of property, plant & equipment (Note 17(b))	158,472	-
Government grants income (Note 8(b) & Note 30)	13,090	10,444
	575,363	265,937

- (a) Sale of scrap items relate to network scrap items sold to third parties.
- (b) **Government grants** income relates to amount amortized during the year on deferred grants. Unamortised portion of the grant is shown in Note 30(a).

9. Selling and marketing costs

	2020	2019
	N'000	N'000
Customer acquisition expenses (Note 9(a) & 23(c))	7,393,655	4,401,902
Advertising media	4,288,798	3,281,424
Dealer merchandising (POS)	1,061,935	1,100,090
Field marketing	612,855	468,269
Selling and marketing campaigns	531,722	533,140
Airtel relationship centre expenses	220,513	277,591
Repairs and maintenance	151,876	-
Sales force training	143,187	202,249
Promotional expenses	135,394	96,454
Printing	79,282	1,246,492
	14,619,217	11,607,611

- (a) **Customer acquisition expenses:** These relates to amortisation of one-off costs such as sim card, customer verification/know your customer (KYC) and other SIM related costs which are directly identifiable and incurred solely on acquisition of new subscribers. The Company expects to recover these costs by means of earning the revenue from those customers over the customer life of 18 months. The deferred portion is detailed in Other assets - Note 23(c).

Notes to the financial statements

10. Administrative expenses

	2020	2019
	N'000	N'000
Customer service delivery	1,591,249	1,557,275
Rent	666,116	636,083
Bank charges	686,236	662,386
Legal fees	510,607	540,082
Statutory audit fees	80,807	59,403
Conveyance	371,222	430,291
Office maintenance and utilities	482,801	507,521
Insurance	596,996	535,655
Internal audit fees	10,709	89,786
Warehouse stock handling (Note 10(a))	26,829	29,856
Directors' fees	43,012	42,512
Subscriptions	10,350	32,451
Staff Welfare	242,688	177,451
Consumables	38,027	15,732
Other administrative expenses	402,063	162,863
	<u>5,759,712</u>	<u>5,479,347</u>

- (a) Warehousing stock handling relates to capital spares handled by a third party logistic company on behalf of the Company.

11. Other operating expenses

	2020	2019
	N'000	N'000
Depreciation of property, plant and equipment (excl. impact of LTE modernization) - Note 17	41,468,337	35,892,687
Depreciation of right of use assets (Note 19)	32,932,045	22,919,797
Amortisation of intangible assets (Note 18)	11,072,820	5,811,248
Employee costs (Note 11(b))	15,443,935	13,731,117
Travel costs	144,753	311,887
Other regulatory cost (Note 41)	3,250	80,500
Loss on disposal of property, plant and equipment (Note 17(b))	-	644,079
Other expenses (Note 11(a))	1,125,007	10,988
	<u>102,190,147</u>	<u>79,402,303</u>

- (a) Other expenses include a write down to net realizable value for inventories of N1.07 billion (2019: reversal of N136.28 million), allowance for doubtful receivables of N68.30 million (2019: N143.55 million) and reversal of allowance for advances of N10.78 million (2019: allowance of N3.72 million)

(b) **Employee cost**

	2020	2019
	N'000	N'000
Basic salaries	8,860,905	7,717,063
Allowances	2,771,377	2,647,836
Contributory pension	575,860	514,755
Bonus and incentives	3,208,073	2,851,463
Other employee cost	27,720	-
	<u>15,443,935</u>	<u>13,731,117</u>

Information relating to employees is detailed in Note 39.

Notes to the financial statements

12. Finance income and expense

(a) Finance income

	2020	2019
	N'000	N'000
Interest received - banks	134,998	23,098
Interest income (Employee loans)	5,421	-
Interest received – fixed deposit	626,419	25,840
	<u>766,838</u>	<u>48,938</u>

(b) Finance costs

Interest on debts and borrowings	902,031	2,845,758
Lease finance (Note 31.4)	24,212,314	21,293,012
Other finance charges	6,650	1,846
Interest on long service award and leave encashment	2,668	-
Interest expense (Employee loans)	-	7,635
Net foreign exchange difference	16,383,180	(1,767,261)
	<u>41,506,843</u>	<u>22,380,990</u>

Other finance charges relate to unwinding of discount for the asset retirement obligation (Note 29.1).

13. Gain on sale of equipment

	2020	2019
	N'000	N'000
Gain on the sale of equipment (Note 17(b))	-	<u>2,366,994</u>

In 2019, there was a sale of network equipment to a related party - Celtel Niger.

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

	2020	2019
	N'000	N'000
Depreciation of Property, Plant & Equipment (Note 17(c))	41,468,337	37,735,013
Depreciation of right of use asset (Note 19)	32,932,045	22,919,797
Amortisation of intangible assets (Note 18)	11,072,820	5,811,248
Finance costs (Note 12(b))	41,506,843	22,380,990
Statutory audit fee (Note 10)	80,807	59,403
Directors' fees (Note 10)	43,012	42,512
(Gain)/Loss on disposal of property, plant & equipment (Note 8 and 11)	(158,472)	644,079
Gain on the sale of equipment (Note 13)	-	<u>(2,366,994)</u>

Notes to the financial statements

15. Taxation

(a) 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:

	2020 N'000	2019 N'000
Income tax	23,123,370	18,038,624
Education tax	4,621,102	3,486,054
National Information Technology Development tax (Note 15(c)(i))	1,832,807	1,677,018
Nigeria Police Trust Fund Levy	9,256	4,475
Prior year over provision (Note 15(c)(ii))	<u>(847,250)</u>	<u>-</u>
	28,739,285	23,206,171
Deferred tax expense/(benefit) (Note 15(d))	<u>25,002,275</u>	<u>16,344,507</u>
	<u>53,741,560</u>	<u>39,550,678</u>

(b) Reconciliation of effective tax rate

	2020 N'000		2019 N'000	
Profit before tax	<u>185,113,534</u>	%	<u>167,999,138</u>	%
Income tax using statutory tax rate	55,534,060	30.00	50,399,741	30.00
Impact of tertiary education tax	4,621,102	0.02	3,486,054	0.02
Impact of NITDA Tax	1,832,807	0.01	1,677,018	0.01
Impact of Nigeria Police Trust Fund Levy	9,256	0.00	4,475	0.00
Effect of tax incentives	(3,363,108)	(0.02)	(2,097,652)	(0.01)
Non-deductible expenses	(521,215)	(0.00)	85,733	0.00
Prior year over provision	(2,793,333)	(0.02)	-	(0.00)
Effect of IFRS 16 lease and other items	(1,318,438)	(0.01)	(14,004,691)	(0.08)
Effect of 2% on Non-PPE	(259,571)	(0.00)	-	0.00
	<u>53,741,560</u>	<u>29.99</u>	<u>39,550,678</u>	<u>29.94</u>

Notes to the financial statements

15. Taxation (continued)

(c) Movement in Income tax payable

	2020	2019
	N'000	N'000
Balance as at 1 January	<u>25,723,150</u>	<u>13,264,080</u>
Charge for the year:		
Income tax	23,123,370	18,038,624
Education tax	4,621,102	3,486,054
NITDA (Note 15(c)(i))	1,832,807	1,677,018
Nigeria Police Trust Fund Levy	9,256	4,475
Prior year (over) provision	<u>(953,171)</u>	<u>-</u>
	28,633,364	23,206,171
Payments during the year	(22,436,415)	(7,531,015)
Withholding tax credit notes utilised	<u>(423,760)</u>	<u>(3,216,086)</u>
Balance as 31 December	<u>31,496,339</u>	<u>25,723,150</u>

(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 year over provision

The Company provides for current tax in the books on a monthly basis. However, final tax returns is based on the audited financial position for the year. The excess provision relates to year 2019 as a result of tax actualisation and re-assessment of tax impact for prior year in the current year.

Notes to the financial statements

15. Taxation (continued)

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

	2020	2019
	N'000	N'000
Balance at 1 January	88,173,125	99,167,707
IFRS 16 adoption impact (Note 5.1.1(b)(i))	-	5,349,925
As at 1 January (restated)	88,173,125	104,517,632
Movement during the year:		
Deferred tax expenses:		
Property, plant and equipment	(30,437,095)	5,761,819
Foreign exchange	1,519,113	(3,746,291)
Employee benefits	30,938	196,249
Provisions	274,502	(265,112)
IFRS 16 adoption - lease and deferred gain	1,666,236	(18,291,172)
	(26,946,306)	(16,344,507)
Prior year under provision:		
Property, plant and equipment	377,956	-
Provisions	3,552	-
IFRS 16 adoption - lease and deferred gain	1,562,523	-
	1,944,031	-
Balance at 31 December	63,170,850	88,173,125
Deferred tax assets are attributable to the following:		
Property, plant and equipment	26,501,667	56,560,806
Foreign exchange	20,515,028	18,995,915
Employee benefits	623,081	592,143
Provisions	2,582,075	2,304,021
IFRS 16 adoption - lease and deferred gain	12,948,999	9,720,240
Net deferred tax assets	63,170,850	88,173,125

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 ₦63.17 billion (2019: ₦88.17 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 2020 is Nil (2019: Nil).

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 and 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 per share

Basic earnings per share amounts are calculated by dividing net profit 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:

	2020	2019
	N'000	N'000
Net profit attributable to ordinary equity holders	<u>131,371,975</u>	<u>128,448,460</u>
	Number of shares '000	Number of shares '000
Weighted average number of:		
Ordinary shares in issue of N1 each	201,318	201,318
Ordinary shares in issue of N1 each (30 kobo called up (Note 26.1))	<u>13,085,681</u>	<u>13,085,681</u>
	<u>13,286,999</u>	<u>13,286,999</u>
 Earnings per share (N)	 <u>9.89</u>	 <u>9.67</u>

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.

Notes to the financial statements

17. Property, plant and equipment

Cost	GSM Equipment N '000	Capital work in- progress N '000	Information System Equipment N '000	Land N '000	Building N '000	Office Furniture & Equipment N '000	Motor Vehicles N '000	Total N '000
As at 1 Jan 2019	517,976,169	43,384,839	61,965,627	1,236,246	7,170,407	8,631,820	248,034	640,613,143
Additions	80,538,997	5,314,934	3,158,317	-	-	1,875,304	33,600	90,921,152
Disposals	(5,072,427)	(664,762)	(4,631)	-	-	(105,723)	-	(5,847,544)
Balance at 31 Dec 2019	593,442,739	48,035,011	65,119,313	1,236,246	7,170,407	10,401,401	281,634	725,686,751
Additions	123,524,249	(6,038,052)	3,618,544	-	-	1,961,099	-	123,065,840
Disposals	(3,589,868)	(115,803)	(57,416)	-	-	(192,725)	(9,224)	(3,965,036)
Balance at 31 Dec 2020	713,377,120	41,881,156	68,680,441	1,236,246	7,170,407	12,169,775	272,410	844,787,555
Accumulated Depreciation								
As at 1 Jan 2019	(378,631,187)	-	(61,555,535)	-	(4,483,965)	(7,440,013)	(226,980)	(452,337,680)
Depreciation	(34,784,297)	-	(1,448,906)	-	(319,299)	(1,165,659)	(16,852)	(37,735,013)
Disposals	5,069,656	-	4,631	-	-	95,421	-	5,169,708
Balance at 31 Dec 2019	(408,345,828)	-	(62,999,810)	-	(4,803,264)	(8,510,251)	(243,832)	(484,902,985)
Depreciation	(38,213,479)	-	(1,769,160)	-	(259,581)	(1,213,374)	(12,743)	(41,468,337)
Disposals	3,523,320	-	56,335	-	-	163,202	9,224	3,752,081
Balance at 31 Dec 2020	(443,035,987)	-	(64,712,635)	-	(5,062,845)	(9,560,423)	(247,351)	(522,619,241)
Net Book Value								
As at 31 Dec 2020	270,341,133	41,881,156	3,967,806	1,236,246	2,107,562	2,609,353	25,059	322,168,314
As at 31 Dec 2019	185,096,911	48,035,011	2,119,503	1,236,246	2,367,143	1,891,151	37,802	240,783,766

Notes to the financial statements

17. Property, plant and equipment (continued)

(a) LTE Roll-Out (Modernization)

During the year ended 2020, the Company continued with its Radio Access Network (RAN) modernization of Networks 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 Nokia, ZTE and Huawei. A total of 5,741 sites (2019: 4,834 sites) have been fully swapped as at 31 December 2020.

The total impact of modernisation of Nil (2019: ₦1.84 billion) was recognised in the statement of profit or loss and disclosed as a separate line for the swapped items.

(b) Disposal of property, plant and equipment

	2020	2019
	N'000	N'000
Cost of assets disposed	3,965,036	5,847,544
Accumulated depreciation of assets disposed	<u>(3,752,081)</u>	<u>(5,169,708)</u>
Net book value of assets disposed	<u>212,955</u>	<u>677,836</u>
(Loss)/gain on sale of property, plant & equipment (Note 8 and 11)	158,472	(644,079)
Gain on the sale of equipment (Note 13)	-	2,366,994
Gain on disposal of property, plant and equipment	<u>158,472</u>	<u>1,722,915</u>
Sales proceeds on disposal	<u>371,427</u>	<u>2,400,751</u>

(c) Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is shown in the statement of profit or loss as follows:

	2020	2019
	N'000	N'000
Operating expenses (Note 11)	41,468,337	35,892,687
LTE modernization (Exceptional line in statement of profit or loss)	-	1,842,326
Total depreciation as per property, plant and equipment	<u>41,468,337</u>	<u>37,735,013</u>

(d) Capital Work in progress:

The carrying value of the capital work in progress amounts to ₦41.88 billion (2019: ₦48.04 billion). Payment of ₦10 million made to Nigeria Broadcasting Commission (NBC) for the acquisition of the IPTV licence for Airtel TV formed part of capital work in progress in December 2019.

18. Intangible assets

As at 31 December 2020, 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) and renewed till November 2021. Other licenses include the 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 on 1st March 2012 for a tenure of 10years. The Company also acquired 2600 MHz 4G spectrum licence in 2019 with a tenor of 10 years and a 10 MHz spectrum in the 900 MHz band from Intercellular. These are all capitalised as intangible assets and amortised over the period of the licences as stated in Note 3.2. The intangible assets also include software that is separately identifiable and costs is measurable. Software is amortised over its useful life.

Notes to the financial statements

18. Intangible assets (continued)

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

	900 & 1800 MHz Spectrum N'000	2600 MHz Spectrum N'000	3G Licence N'000	Indefeasible right of use N'000	Software licence N'000	10 MHz Spectrum N'000	National Destination Code N'000	Total N'000
Cost								
As at 1 Jan. 2019	21,300,040	-	19,020,000	7,668,560	-	-	577,500	40,897,540
Additions	-	12,672,000	-	395,931	1,897	-	-	13,069,828
Retirement	-	-	-	(8,064,491)	-	-	-	(8,064,491)
As at 31 Dec. 2019	21,300,040	12,672,000	19,020,000	-	1,897	-	577,500	53,571,437
Additions	-	-	-	-	27,634	35,668,979	-	35,696,613
As at 31 Dec. 2020	21,300,040	12,672,000	19,020,000	-	29,531	35,668,979	577,500	89,268,050
Accumulated Amortisation								
As at 1 Jan. 2019	(10,624,446)	-	(14,737,562)	(2,003,454)	-	-	(269,562)	(27,635,024)
Amortisation	(3,707,419)	(732,546)	(1,259,535)	(5,682)	(579)	-	(105,487)	(5,811,248)
Retirement	(68,013)	-	63,915	2,009,136	-	-	-	2,005,038
As at 31 Dec. 2019	(14,399,878)	(732,546)	(15,933,182)	-	(579)	-	(375,049)	(31,441,234)
Amortisation	(3,625,031)	(1,267,200)	(1,244,959)	-	(21,053)	(4,712,126)	(202,451)	(11,072,820)
Adjustment (Note 18(a))	4,098	-	-	-	-	-	-	4,098
As at 31 Dec. 2020	(18,020,811)	(1,999,746)	(17,178,141)	-	(21,632)	(4,712,126)	(577,500)	(42,509,956)
Carrying amount								
As at 31 Dec 2020	3,279,229	10,672,254	1,841,859	-	7,899	30,956,853	-	46,758,094
As at 31 Dec 2019	6,900,162	11,939,454	3,086,818	-	1,318	-	202,451	22,130,203

(a) **Adjustment**

This relates to de-recognition of bandwidth dark fibre during the year.

Notes to the financial statements

19. Right of use assets

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

Cost	GSM Equipment N'000	Building N'000	Motor Vehicles N'000	Total N'000
As at 1 Jan. 2019	87,702,505	669,607	300,824	88,672,936
Addition	33,819,533	44,262	-	33,863,795
Retirement (Note 19.2)	(134,383)	-	-	(134,383)
Balance 31 Dec. 2019	121,387,655	713,869	300,824	122,402,348
Additions	59,325,368	262,113	-	59,587,481
Retirement (Note 19.2)	(364,897)	-	-	(364,897)
Balance 31 Dec. 2020	180,348,126	975,982	300,824	181,624,932

Accumulated Amortisation

As at 1 Jan. 2019	(11,150,332)	-	-	(11,150,332)
Depreciation charge	(22,201,365)	(493,260)	(225,172)	(22,919,797)
Retirement ((Note 19.2)	53,753	-	-	53,753
Balance 31 Dec. 2019	(33,297,944)	(493,260)	(225,172)	(34,016,376)
Depreciation charge	(32,614,942)	(241,451)	(75,652)	(32,932,045)
Retirement ((Note 19.2)	83,055	-	-	83,055
Balance 31 Dec. 2020	(65,829,831)	(734,711)	(300,824)	(66,865,366)

Net Book Value

As at 31 Dec 2020	114,518,295	241,271	-	114,759,566
As at 31 Dec 2019	88,089,711	220,609	75,652	88,385,972

The Company leases several assets including buildings, GSM equipment and motor vehicles. The average lease term is detailed in Note 3.6 of the accounting policies. The Company's obligations are secured by the lessors' title to the leased assets for such leases. The maturity analysis of lease liabilities is presented in Note 31 – Lease liabilities.

19.1 Amount recognised in profit and loss

	2020 N'000	2019 N'000
Depreciation of right of use assets (Note 11 – Other operating expenses)	<u>32,932,045</u>	<u>22,919,797</u>

19.2 Retirement of Right of use assets – GSM Equipment

In 2020, the Company exited some leased sites as per terms of the agreement with the Lessor. The carrying amount of the exited sites derecognised is N281.84 million (2019: N80.63 million)

Notes to the financial statements

19. Right of use (continued)

19.3 Sale and lease back transactions

As at 31 December 2020, included in the right of use assets – GSM equipment is the carrying value of assets held under a sale and lease back transaction of ₦44.14 billion (2019: ₦54.02 billion) and deferred gain on sale of towers of ₦29.60 billion (2019: ₦36.21 billion). The deferred gain is a deduction from the fair value of the leased back asset on initial recognition which is being amortised over the leased term. On adoption of IFRS 16, the carrying amount was reclassified from property, plant and equipment to right of use assets.

20. Other financial assets

	2020	2019
	₦'000	₦'000
Non- Current	136,181	188,115
Current	<u>113,903</u>	<u>113,055</u>
	<u>250,084</u>	<u>301,170</u>
Security deposit	1,250	1,250
Staff car loan	<u>248,834</u>	<u>299,920</u>
	<u>250,084</u>	<u>301,170</u>

Security deposit represents amount held by a vendor as deposit for use of its facility. This is 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 for qualifying staff. The loan attracts no interest and the initial transaction price has been re-measured in line with IFRS 9 at amortised cost. The tenors of the loans range from 24 months to 48 months based on the underlying agreement. IFRS 9 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 net resulting difference from the re-measurement at effective interest rate and the nominal rate of the loan has been recognised as finance income and costs (Note 12(b)) and deferred for amortisation over the life of the loans.

Notes to the financial statements

21. Inventories

	2020	2019
	N'000	N'000
Handsets	-	48,507
Accessories	<u>1,093,175</u>	<u>419,993</u>
	<u>1,093,175</u>	<u>468,500</u>

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

During the year, ₦1.07 billion was recognised as write-down for inventories carried at net realisable value (2019: ₦136.28 million – net reversal). This is recognised as part of other operating expenses in Note 11.

22. Trade and other receivables

	2020	2019
	N'000	N'000
Interconnect (Note 22(a))	3,199,819	5,101,357
Subscribers	1,779,389	1,708,350
Dealers	3,667,750	2,430,627
E1 Leased line	2,051,010	1,859,589
Roaming	<u>119,004</u>	<u>131,613</u>
Trade receivables	10,816,972	11,231,536
Allowance for impairment for receivables (Note 22(b))	<u>(4,037,698)</u>	<u>(3,862,294)</u>
Net trade receivables	6,779,274	7,369,242
Due from related companies (Note 22(c))	7,215,954	6,728,377
Other receivables	688,435	387,684
Less: Allowance for other receivables (Note 22(d))	<u>(180,201)</u>	<u>(183,142)</u>
	<u>14,503,462</u>	<u>14,302,161</u>

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 35.

Notes to the financial statements

22. Trade and other receivables (continued)

The Company applies the simplified approach which uses a provision matrix to measure the expected credit loss (ECL) 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 in assessing the loss allowance for the amounts due from customers.

	Trade receivables (days past due)				
	0-90 days	91-180 days	181-270 days	>270 days	
Expected credit loss rate					
Interconnect	0%	0%	0%	100%	
Non-interconnect	0%	100%	100%	100%	
	0-90 days	91-180 days	181-270 days	>270 days	Total
	N'000	N'000	N'000	N'000	N'000
At December 2020					
Interconnect	1,618,845	229,896	183,623	1,167,455	3,199,819
Non-Interconnect	4,746,910	601,802	561,219	1,707,221	7,617,153
Total	6,365,755	831,698	744,842	2,874,677	10,816,972
Expected credit loss	-	601,802	561,219	2,874,677	4,037,698
	0-90 days	91-180 days	181-270 days	>270 days	Total
	N'000	N'000	N'000	N'000	N'000
At December 2019					
Interconnect	2,011,133	947,310	338,344	1,804,570	5,101,357
Non-Interconnect	4,072,455	545,969	311,964	1,199,791	6,130,179
Total	6,083,588	1,493,279	650,308	3,004,361	11,231,536
Expected credit loss	-	545,969	311,964	3,004,361	3,862,294

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 2020 (2019: Nil).

Notes to the financial statements

22. Trade and other receivables (continued)

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

	2020	2019
	N'000	N'000
Receivables		
Balance as at 1 January	5,101,357	6,194,461
Revenue for the year (Note 6)	95,907,748	85,253,354
Impairment during the year	(637,115)	(289,278)
Balance as at 31 December (Note 22)	<u>(3,199,819)</u>	<u>(5,101,357)</u>
Payment received in the year	<u>97,172,171</u>	<u>86,635,736</u>
Payables		
Balance as at 1 January	2,928,439	1,499,582
Cost for the year (Note 7)	91,989,663	78,737,474
Balance as at 31 December (Note 33)	<u>(2,259,467)</u>	<u>(2,928,439)</u>
Payment made in the year	<u>92,658,635</u>	<u>77,308,617</u>
Net receipt/payment made for the year	<u>4,513,536</u>	<u>9,327,119</u>

(b) Allowance for impairment of trade receivables

Movement in allowance for impairment of trade receivables is as follows:

	2020	2019
	N'000	N'000
Individually impaired	<u>4,037,698</u>	<u>3,862,294</u>
	N'000	N'000
Balance as at 1 January	3,862,294	3,715,746
Movement during the year	175,404	146,548
Balance as at 31 December	<u>4,037,698</u>	<u>3,862,294</u>

Notes to the financial statements

22. Trade and other receivables (continued)

(c) Due from related companies

	2020	2019
	N'000	N'000
Airtel Kenya	11,140	749
Airtel Madagascar	10,074	9,278
Airtel Niger	3,963,781	4,143,727
Airtel DRC	418,771	139,717
Airtel Zambia	109,935	32,364
Airtel Congo Brazzaville	249,367	209,184
Airtel Malawi	53,136	43,964
Airtel Chad	234,483	217,451
Airtel Gabon	89,792	181
Airtel Tanzania	34,446	68,777
Airtel Uganda	21,158	22,934
Airtel Rwanda	31,221	46,730
Airtel Seychelles	7,070	6,557
Bharti Airtel Limited	139,259	122,720
Bharti Airtel (UK) Limited	1,800,608	1,639,488
Bharti International (Singapore) Pte Ltd	27,903	24,552
Bharti Airtel Lanka (Pvt Ltd)	-	1
Bharti Airtel France (SAS)	7,061	-
Jersey Airtel Limited	-	4
Bharti Airtel International Netherland Limited		
Kenya	6,733	-
Bharti Hexacom Limited	16	-
	<u>7,215,954</u>	<u>6,728,377</u>

For terms and conditions relating to related party transactions, refer to Note 35.

Notes to the financial statements

22. Trade and other receivables (continued)

(d) **Allowance for impairment of other receivables**

Movement in allowance for impairment of other receivables is as follows:

	2020	2019
	N'000	N'000
Individually impaired	<u>180,201</u>	<u>183,142</u>
	N'000	N'000
Balance as at 1 January	183,142	181,926
Movement during the year	<u>(2,941)</u>	<u>1,216</u>
Balance as at 31 December	<u>180,201</u>	<u>183,142</u>

23. Other assets

	2020	2019
	N'000	N'000
Non-current	6,859,156	6,826,466
Current	<u>8,816,445</u>	<u>5,453,580</u>
	<u>15,675,601</u>	<u>12,280,046</u>
Prepaid expenses (Note 23(a))	6,736,695	2,858,415
Prepaid site lease/rent (Note 23(b))	2,030,447	4,425,064
Customer Acquisition cost (Note 23(c))	6,054,690	4,354,827
Advance payment to suppliers (Note 23(d))	<u>853,769</u>	<u>641,740</u>
	<u>15,675,601</u>	<u>12,280,046</u>

- (a) Prepaid expenses include prepaid annual maintenance charges, prepaid insurance and advance office rent.
- (b) Prepaid site lease represents prepaid amount to vendors from contracts mainly pertaining to lease arrangements for telecommunication infrastructure.
- (c) **Customer acquisition cost** – In 2019, the Company re-assessed the customer life for the period by deferring the various costs such as sim card, customer verification/know your customer (KYC) and other SIM related costs incurred in acquiring new customers.

A one-off benefit of N1.9 billion relating to prior year was recognised in the statement of profit or loss as an exceptional item for customer acquisition cost in 2019. Management opted not to restate its retained earnings due to the materiality of the amount.

	2020	2019
	N'000	N'000
Included in exceptional item line	<u>-</u>	<u>1,910,674</u>

- (d) Advance payments are made to strategic vendors for normal business operations and are backed up by Advance Payment Guarantee from the Vendors bankers.

Notes to the financial statements

24. Income tax recoverable

	2020	2019
	N'000	N'000
Unutilised WHT credit notes	<u>239,804</u>	<u>419,611</u>

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

24.1 Movement in income tax recoverable

	2020	2019
	N'000	N'000
Balance as at 1 January	419,611	3,210,552
Additions during the year	243,953	425,145
Utilized during the year	<u>(423,760)</u>	<u>(3,216,086)</u>
Un-utilized WHT credit notes	<u>239,804</u>	<u>419,611</u>

25. Cash and cash equivalents

	2020	2019
	N'000	N'000
Cash in hand	7	1,271
Bank balances	61,912,154	15,811,605
Restricted cash (Note 25.1)	858,778	39,677
Fixed deposit	<u>64,900,000</u>	<u>10,000,000</u>
Cash and bank balances	<u>127,670,939</u>	<u>25,852,553</u>
Bank overdraft (Note 28 (c))	<u>-</u>	<u>-</u>
Cash and cash equivalent	<u>127,670,939</u>	<u>25,852,553</u>

25.1 Restricted cash

This represents cash set aside as per court order and is therefore not available for use by the Company.

Notes to the financial statements

26. Share capital and Share premium

26.1 Share capital

	2020	2019
	₦'000	₦'000
Authorised:		
13,500,000,000 ordinary shares of ₦1 each	<u>13,500,000</u>	<u>13,500,000</u>
Issued, called up and fully and partly paid:		
201,318,163 ordinary shares of ₦1 each	201,318	201,318
13,085,680,595 ordinary shares of ₦1 each (30 kobo called up)	<u>3,925,705</u>	<u>3,925,705</u>
Total share capital	<u>4,127,023</u>	<u>4,127,023</u>

The Company increased the authorized share capital from 500 million ordinary shares of ₦1/share to 13.5 billion ordinary shares of ₦1/share in 2019.

At the Extraordinary General Meeting held on 31 January 2019, a resolution was passed and approved by the Board for shareholders to subscribe to a rights issue of 13,085,680,595 ordinary shares of ₦1.00 each and allotted to the eligible shareholders per their respective pro-rata entitlement. As at 31 December 2020, only 30 kobo of this right issue value have been called-up and paid for by all shareholders. The balance is to be called up as the Board of Directors deems fit. A total sum of ₦3.9 billion was realized from the paid up portion of the right issues in 2019. The outstanding portion of the right issue is available to the company to call if required to meet its maturing obligations.

26.2 Share premium

	2020	2019
	₦'000	₦'000
Balance as at 31 December	<u>67,235,360</u>	<u>67,235,360</u>

27. Retained earnings

	2020	2019
	₦'000	₦'000
As at 1 January	50,887,564	(42,541,084)
Effect of IFRS 16 adoption	-	(12,471,594)
As at 1 January (restated)	<u>50,887,564</u>	<u>(55,012,678)</u>
Profit for the period	131,371,975	128,448,460
Dividend (Note 27.1)	<u>(5,885,960)</u>	<u>(22,548,218)</u>
As at 31 December	<u>176,373,579</u>	<u>50,887,564</u>

27.1 Dividend - On 21 May 2020, the Board of Directors declared a second interim dividend of ₦5,885,959,527 (2019: ₦22,548,217,816) which is equivalent of 44 kobo (2019: ₦1.70) per share to each shareholder in the register of members as the date of declaration.

Notes to the financial statements

28 Interest bearing loans and borrowings

	2020 N'000	2019 N'000
Non-current		
Term loans and borrowings (Note 28 (a))	19,507,605	-
Shareholder loan (Note 28 (b))	7,632,174	-
	27,139,779	-
Current		
Bank overdraft (Note 28 (c))	-	-
Term loans and borrowings (Note 28 (a))	13,729,154	889
	13,729,153	889

(a) Term loans and borrowings

	2020 N'000	2019 N'000
Balance at 1 January	889	41,624,876
Additions in the year	44,869,900	-
	44,870,789	41,624,876
Repayment	(12,278,273)	(41,623,987)
Write off during the year	(889)	-
Exchange difference	645,132	-
Balance at 31 December	33,236,759	889
Current	13,729,154	889
Non-current	19,507,605	-
	33,236,759	889

The balance of the short term loan of ₦0.89 million in 2019 which relates to the outstanding balance on the loan facility obtained from Lead bank was written off during the year. The bank was liquidated in 2007.

(b) Shareholder loan

	2020 N'000	2019 N'000
Balance at 1 January	-	606,728
Additions in the year	7,111,479	-
Exchange difference	520,695	-
	7,632,174	606,728
Repayment in the year	-	(606,728)
Balance at 31 December	7,632,174	-

This loan facility was obtained from Bharti Airtel Nigeria 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 2020. These loans are unsecured.

Notes to the financial statements

28. Interest bearing loans and borrowings (continued)

(c) Bank overdraft

	Commitment N'000	Drawn- down N'000	Available N'000	Outstanding N'000
2020	<u>57,000,000</u>	<u>-</u>	<u>57,000,000</u>	<u>-</u>
2019	<u>81,000,000</u>	<u>-</u>	<u>81,000,000</u>	<u>-</u>

The Company's overdraft facilities are revolving having a structure of 12 months' term with a fixed rate of interest ranging between 10% and 14% (2019: 13% and 17%) per annum. These facilities are secured on all-assets debenture and corporate guarantee.

29 Provisions

	2020 N'000	2019 N'000
Non-current		
Asset retirement obligation (Note 29.1)	<u>36,628</u>	<u>25,344</u>
Current		
Provision for litigations (Note 29.2)	<u>274,540</u>	<u>188,147</u>

29.1 Asset Retirement obligation

	2020 N'000	2019 N'000
Balance at 1 January:		
ARO liability	2,274	2,489
Finance cost	<u>23,070</u>	<u>21,224</u>
	25,344	23,713
Additions during the year:		
ARO liability	4,634	-
Finance cost	<u>6,650</u>	<u>3,833</u>
	11,284	3,833
Utilization during the year:		
ARO liability	-	(215)
Finance cost	<u>-</u>	<u>(1,987)</u>
	-	(2,201)
Balance at 31 December:		
ARO liability	6,908	2,274
Finance cost	<u>29,720</u>	<u>23,070</u>
	<u>36,628</u>	<u>25,344</u>

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 2020 was 21% (2019: 21%). 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. Finance cost portion of the asset retirement obligation is shown in Note 12(b).

Notes to the financial statements

29 Provisions (continued)

29.2 Provision for litigations

	2020	2019
	N'000	N'000
Balance at 1 January	188,147	398,271
Addition during the year	102,073	119,996
Utilisation during the year	<u>(15,680)</u>	<u>(330,120)</u>
Balance at 31 December	<u>274,540</u>	<u>188,147</u>

These provisions relate to 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. These claims by nature relate to disputes over tower/mast installations and general litigations.

30 Deferred revenue

	2020	2019
	N'000	N'000
Customer advances	27,865,195	22,126,764
Grants (Note 30(a))	167,892	103,818
Customer loyalty claims (Note 30(b))	<u>1,101,947</u>	<u>324,243</u>
	<u>29,135,034</u>	<u>22,554,825</u>
Non-current	149,324	97,959
Current	<u>28,985,710</u>	<u>22,456,866</u>
	<u>29,135,034</u>	<u>22,554,825</u>

(a) Grants

Balance at 1 January	103,818	23,018
Addition during the year	77,164	91,244
Amortised for the year (Note 8)	<u>(13,090)</u>	<u>(10,444)</u>
Balance at 31 December	<u>167,892</u>	<u>103,818</u>
Non-current	149,324	97,959
Current	<u>18,568</u>	<u>5,859</u>
	<u>167,892</u>	<u>103,818</u>

Grants was received for the construction of Base Transceiver Stations in remote regions. 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. As at 31 December 2020, the estimated liability for unredeemed points was approximately N1.10 billion (2019: N324.2 million) disclosed as part of deferred revenue liability.

Notes to the financial statements

31 Lease liabilities

	2020 N'000	2019 N'000
Non-current	184,238,937	166,429,891
Current	<u>45,629,201</u>	<u>37,329,808</u>
	<u>229,868,138</u>	<u>203,759,699</u>

The Company has lease contracts for network passive infrastructure and technical capacities of the dedicated part of the towers on which the Company's equipment is located. These leases have terms of renewal but no purchase options and have escalation clauses. Renewals are at the option of the Company. Refer to Note 19 for the leased assets included in the right of use.

31.1 Movement in lease liabilities

	2020 N'000	2019 N'000
As at 1 January	203,759,699	132,795,017
IFRS 16 adoption	-	74,260,549
As at 1 January 2019 (restated)	<u>203,759,699</u>	<u>207,055,566</u>
Additions during the year	59,318,492	33,200,128
Interest accrued	24,212,314	10,528,777
Interest repayment	(23,719,420)	(8,667,427)
Principal Repayment	(36,304,368)	(30,649,380)
Lease retirement	(250,577)	-
Exchange difference	2,851,998	(7,707,965)
Lease liabilities included in the statement of financial position	<u>229,868,138</u>	<u>203,759,699</u>

31.2 Maturity analysis: Lease liabilities

	2020 N'000	2019 N'000
Less than one year	45,629,201	37,329,808
Later than one year but not later than 5 years	167,675,258	147,212,094
Later than 5 years	<u>16,563,679</u>	<u>19,217,797</u>
Lease liabilities included in the statement of financial position	<u>229,868,138</u>	<u>203,759,699</u>

31.3 Maturity analysis: Undiscounted lease liabilities

	2020 N'000	2019 N'000
Less than one year	72,829,518	48,017,023
Later than one year but not later than two years	83,544,078	28,687,503
Later than two years but not later than five years	170,159,400	138,072,690
Later than five years but not later than nine years	24,396,955	18,761,989
Later than nine years	<u>3,693,327</u>	<u>455,808</u>
Total undiscounted lease liabilities	<u>354,623,278</u>	<u>233,995,013</u>

Notes to the financial statements

31 Lease liabilities (continued)

31.4 Amount recognised in statement of profit or loss

	2020	2019
	N'000	N'000
Lease finance charge (Note 12(b))	<u>24,212,314</u>	<u>21,293,012</u>

32 Employee benefit liability

	2020	2019
	N'000	N'000
Pension fund	-	235
Leave encashment (Note 32.1)	18,894	9,381
Staff bonus	1,411,999	1,319,382
Other employee benefit	25,224	27,705
Long service award (Note 32.2)	<u>27,354</u>	<u>22,639</u>
	<u>1,483,471</u>	<u>1,379,342</u>
Non-current	40,594	29,487
Current	<u>1,442,877</u>	<u>1,349,855</u>
	<u>1,483,471</u>	<u>1,379,842</u>

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 2020 and 2019 respectively.

The leave encashment (compensated leave absences) and long service award for the Company are presented based on the actuarial valuation carried out by Mercer Consulting (India) Private Limited for the year ended 31 December 2020. There are no plan assets as this is an unfunded scheme.

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

Notes to the financial statements

32 Employee benefit liability (continued)

32.1 Leave encashment

Key assumptions:	31 December 2020	31 December 2019
Discount rate*	5.25% p.a	12.75% p.a
Salary increase rate	10% p.a	8% p.a
Rate of return on plan assets	Not applicable	Not applicable
Mortality Table	Assumed to be implicit in	withdrawal rate assumption
Withdrawal (rate of employee turnover)	14.53% p.a	14.07% p.a
Retirement Age	60 years	60 years
Leave availment rate	25% p.a from available accrued leave balance of employee	
Weighted average duration	1 year	1 year

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

Amount shown in statement of financial position

	2020	2019
	N'000	N'000
Opening obligation	9,381	18,979
Current service cost	36,867	3,392
Interest expense	952	-
Benefits paid	(28,306)	(12,990)
Total leave encashment	<u>18,894</u>	<u>9,381</u>
Current net liability	14,862	6,401
Non-current net liability	4,032	2,980
	<u>18,894</u>	<u>9,381</u>

Notes to the financial statements

32 Employee benefit liability (continued)

32.2 Long service award

Key assumptions:	31 December 2020	31 December 2019
Discount rate*	5.25% p.a	12.75% p.a
Salary increase rate	Not applicable	Not applicable
Rate of return on plan assets	Not applicable	Not applicable
Mortality Table	Assumed to be implicit in	withdrawal rate assumption
Withdrawal (rate of employee turnover)	14.53% p.a	14.07% p.a
Retirement Age	60 years	60 years
Weighted average duration	1 year	1 year

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

Amount shown in statement of financial position

	2020	2019
	N'000	N'000
Opening obligation	22,639	27,284
Current service cost	10,239	10,056
Interest expense	1,716	-
Benefits paid	<u>(7,240)</u>	<u>(14,701)</u>
Total leave encashment	<u>27,354</u>	<u>22,639</u>
Current net liability	6,357	10,002
Non-current net liability	<u>20,997</u>	<u>12,637</u>
	<u>27,354</u>	<u>22,639</u>

33 Trade and other payables

	2020	2019
	N'000	N'000
Interconnect creditors (Note 22 (a))	2,259,467	2,928,439
Roaming creditors	276,113	410,169
Trade creditors	73,512,585	41,443,576
Sundry creditors	28,896,919	24,434,251
Due to related companies (Note 33 (a))	13,109,858	12,720,042
Interest accrued	28,326	-
Accruals	7,218,777	14,518,744
Dividend payable (Note 33 (b))	<u>54,622</u>	<u>20,810,542</u>
	<u>125,356,667</u>	<u>117,265,763</u>

Trade payables are non-interest bearing and are normally settled between 30-60 day terms. For terms and conditions relating to related party transactions, refer to Note 35.

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

Notes to the financial statements

33. Trade and other payables (continued)

(a) Due to related companies

	2020	2019
	N'000	N'000
Bharti Airtel Nigeria B.V.	9,091,907	8,401,732
Airtel Kenya	998,235	886,196
Airtel Madagascar	14,449	11,653
Airtel Niger	1,140,179	1,128,392
Airtel DRC	604,326	956,680
Airtel Zambia	63,335	38,582
Airtel Congo Brazzaville	102,912	95,440
Airtel Malawi	22,787	21,139
Airtel Chad	214	188
Airtel Gabon	159,088	122,634
Airtel Tanzania	4,927	240,589
Airtel Uganda	90,960	30,701
Airtel Rwanda	26,599	17,942
Airtel Seychelles	-	9
Bharti Airtel Limited	49,730	41,505
Bharti Airtel (UK) Limited	608,131	634,141
Bharti International (Singapore) Pte Ltd	8,322	13,163
Bharti Airtel Lanka (Pvt Ltd)	-	1
Nxtra Data Limited	42,887	32,985
Network i2i Limited	27,688	11,953
Africa Towers Services Limited	25,252	23,422
Bharti Airtel Services Limited	-	2,961
Bharti Airtel (France) SAS	24,697	8,034
Bharti Airtel International Netherland Limited Kenya	3,192	-
Bharti Hexacom Limited	41	-
	<u>13,109,858</u>	<u>12,720,042</u>

(b) Dividend payable (net of tax)

	2020	2019
	N'000	N'000
Opening balance	20,810,542	-
Dividend declared during the year	5,432,359	20,810,542
Dividend paid	(26,188,279)	-
	<u>54,622</u>	<u>20,810,542</u>

Notes to the financial statements

34 Derivative financial instruments

	2020	2019
	N'000	N'000
<i>Derivative financial assets</i>		
Derivatives that are not designated as hedging instruments carried at fair value through profit or loss:		
Foreign currency forward contracts	<u>27,591</u>	<u>-</u>
<i>Derivative financial liabilities</i>		
Derivatives that are not designated as hedging instruments carried at fair value through profit or loss:		
Foreign currency forward contracts	<u>111,768</u>	<u>-</u>

The Company has entered into master netting agreements which involves a foreign currency forward contract of Naira and Dollars with the Standard Chartered Bank (SCB) UK. Derivatives subject to offsetting, master netting agreements and any collateral pledged or received are presented below.

	2020	2019
	N'000	N'000
Derivative financial assets	27,591	-
Derivative financial liabilities	(111,768)	-
Net amount of derivatives assets / (liabilities)	<u>(84,177)</u>	<u>-</u>
Cash collateral (received)/paid	<u>-</u>	<u>-</u>
Net amount	<u>(84,177)</u>	<u>-</u>

The Company did not enter into any other enforceable netting arrangements other than disclosed above.

Notes to the financial statements

35 Related Party

(a) Related party transactions:

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

Name	Nature of transaction	Relationship	Transaction value		Balance receivable		Balance (payable)	
			2020	2019	2020	2019	2020	2019
			N'000	N'000	N'000	N'000	N'000	N'000
Bharti Airtel Nigeria, B.V.	Support Service Fees and Credit Facility/Other services	Shareholder's Interest	(8,322,348)	1,839,820	-	(16,724,081)	(8,401,732)	
Airtel Kenya	Interconnect & Roaming	Fellow Subsidiary	(101,647)	237,704	11,140	(998,235)	(886,196)	
Airtel Madagascar	Interconnect & Roaming	Fellow Subsidiary	(1,999)	10,422	10,074	(14,449)	(11,653)	
Airtel Niger	Interconnect & Roaming	Fellow Subsidiary	(191,733)	10,187,895	3,963,781	(1,140,179)	(1,128,392)	
Airtel DRC	Interconnect & Roaming	Fellow Subsidiary	631,408	89,717	418,771	(604,326)	(956,680)	
Airtel Zambia	Interconnect & Roaming	Fellow Subsidiary	32,817	85,126	109,935	(63,335)	(38,582)	
Airtel Congo Brazzaville	Interconnect & Roaming	Fellow Subsidiary	52,711	26,293	249,367	(102,912)	(95,440)	
Airtel Malawi	Interconnect & Roaming	Fellow Subsidiary	7,525	147,993	53,136	(22,787)	(21,139)	
Airtel Chad	Interconnect & Roaming	Fellow Subsidiary	17,006	14,873	234,483	(214)	(188)	
Airtel Gabon	Interconnect & Roaming	Fellow Subsidiary	53,157	(26,728)	89,792	(159,088)	(122,634)	
Airtel Tanzania	Interconnect & Roaming	Fellow Subsidiary	201,331	4,133	34,446	(4,927)	(240,589)	
Airtel Uganda	Interconnect & Roaming	Fellow Subsidiary	(62,035)	190,500	21,158	(90,960)	(30,701)	
Airtel Rwanda	Interconnect & Roaming	Fellow Subsidiary	(24,165)	(9,922)	31,221	(26,599)	(17,942)	
Airtel Seychelles	Interconnect, Roaming, Signalling, Lease line/Bandwidth	Fellow Subsidiary	522	(19)	7,070	-	(9)	
Bharti Airtel Limited	Interconnect, Roaming & Lease line/Bandwidth	Common Parent	8,314	(14,534)	139,259	(49,730)	(41,505)	
Bharti Airtel (UK) Limited	Interconnect, Roaming & Lease line/Bandwidth	Common Parent	187,130	575,360	1,800,608	(608,131)	(634,141)	
Bharti International (Singapore) Pte Ltd	Interconnect, Roaming & Lease line/Bandwidth	Common Parent	8,192	(36,863)	27,903	(8,322)	(13,163)	
Bharti Airtel Lanka (Pvt Ltd)	Roaming Services	Common Parent	1	37	-	-	(1)	
Nxtra Data Limited	Network Data Maintenance	Common Parent	(9,902)	15,190	-	(42,887)	(32,985)	
Network I2i Limited	Lease line/Bandwidth	Common Parent	(15,735)	41,418	-	(27,688)	(11,933)	
Africa Towers Services Ltd	Payment for investment	Common Parent	(1,830)	36	-	(25,252)	(23,422)	
Bharti Airtel Services Limited	Manpower Services	Common Parent	2,961	24,569	-	-	(2,961)	
Bharti Airtel (France) SAS	Lease line/Bandwidth	Common Parent	(9,602)	8,407	7,061	(24,697)	(8,034)	
Jersey Airtel Limited	Roaming Services	Common Parent	(4)	4	-	(41)	-	
Bharti Hexacom Limited	Roaming	Common Parent	(24)	-	16	-	-	
Bharti Airtel International Netherland Limited Kenya	Roaming	Common Parent	3,541	-	6,733	(3,192)	-	
			(7,534,411)	13,431,431	7,215,954	(20,742,032)	(12,720,042)	

The receivable and payable balances are classified as trade receivables and trade payables respectively except for the support service fee and credit facility which also includes shareholders' loan classified as part of borrowing.

Notes to the financial statements

35. Related Party (continued)

(b) 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 Nigeria, B.V 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 B.V 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 33 respectively.

(c) Investment in Subsidiary

In the year 2019, Airtel Networks Limited invested in 99.9% of the shares of Airtel Mobile Commerce Nigeria Limited, a limited liability company registered under the laws of Nigeria. As at 31 December 2020, the company is yet to commence operations. The Company has paid for the acquisition of the licence from the Central Bank of Nigeria. The IFRS 10 exemption on preparation of a consolidated financial statements have been followed as per the Company' policy in Note 3.4.

The value of the Company's investment in the subsidiary is shown below:

	2020	2019
	N'000	N'000
Investment in subsidiary:		
Airtel Mobile Commerce Nigeria Limited	<u>50,000</u>	<u>50,000</u>

Notes to the financial statements

35. Related party (continued)

(d) **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

	2020	2019
	N'000	N'000
Short term compensation		
Fees	39,026	38,766
Sitting allowance	3,986	3,746
	<u>43,012</u>	<u>42,512</u>
Chairman emoluments (excluding pension contribution)	<u>16,672</u>	<u>16,672</u>
The fees and emoluments of the highest paid Director	<u>16,672</u>	<u>16,672</u>

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

	2020	2019
	Number	Number
Directors' mix		
Executive Director	1	1
Non-executive Directors	8	8
	<u>9</u>	<u>9</u>

The non-executive directors that received compensation as at 31 December 2020 were three (3) (2019: 3) in numbers. The other non-executive directors are representative of the parent company and are not entitled to receive compensation.

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

	2020	2019
	Number	Number
Range (N)		
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
	<u>3</u>	<u>3</u>

Notes to the financial statements

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 which it obtained from some 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 N61.99 billion (2019: N48.4 billion) as at the reporting date.

(c) Letters of credit (LC)

The Company has unfunded Letters of Credit amounting to N816.75 million (2019: N403.94 million) with various banking institutions in respect of imports.

37 Financial instruments

37.1 Categories of financial instruments and their fair value

The table below show the carrying amount and fair value of financial instruments by their measurement categories.

	Amortised cost N'000	Fair value through profit or loss N'000	Carrying value N'000
<u>As at 31 December 2020</u>			
Trade and other receivables	14,503,462	-	14,503,462
Other financial asset	250,084	-	250,084
Cash and bank balance	127,670,939	-	127,670,939
Derivative financial assets	-	27,591	27,591
Total financial assets	142,424,485	27,591	142,452,076
Trade and other payables	125,356,667	-	125,356,667
Derivative financial liabilities	-	111,768	111,768
Interest bearing loans and borrowings	40,868,933	-	40,868,933
Total financial liabilities	166,225,600	111,768	166,337,368
<u>As at 31 December 2019</u>			
Trade and other receivables	14,302,161	-	14,302,161
Other financial asset	301,170	-	301,170
Cash and bank balance	25,852,553	-	25,852,553
Total financial assets	41,097,624	-	41,097,624
Trade and other payables	117,265,763	-	117,265,763
Interest bearing loans and borrowings	889	-	889
Total financial liabilities	117,266,652	-	117,266,652

Notes to the financial statements

37. Financial instruments (continued)

37.1 Categories of financial instruments and their 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 2020, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

As at 31 December 2020, 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

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

	Total	Level 1	Level 2	Level 3
	N'000	N'000	N'000	N'000
At 31 December 2020				
	250,08			
Other financial asset	4	-	-	250,084
Derivative financial assets	27,591	27,591	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019				
	301,17			
Other financial asset	0	-	-	301,170
	<hr/>	<hr/>	<hr/>	<hr/>

During the reporting period ending 31 December 2020, there were no transfers between Level 1 and Level 2 (2019: 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 instruments (continued)

37.1 Categories of financial instruments and their fair value (continued)

Fair Value (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 2020, 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.

Notes to the financial statements

37. Financial instruments (continued)

37.1 Categories of financial instruments and their fair value (continued)

Fair Value (continued)

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 2020 and 2019 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% (2019: 0.65%) 36 / 48 months	1% (2019: 1%) increase (decrease) would result in an increase (decrease) in fair value by ₦1.60 million (2019: ₦0.5 million)
Derivative financial assets	DCF method	Expected future cash flows, Forward foreign currency exchange rates		The fair value of derivative would increase/decrease in same proportion to increase or decrease in the expected future pay-outs

Reconciliation of fair value measurement of derivative assets and liabilities

	Derivative financial assets	Derivative financial liabilities	Net derivative liabilities
	N'000	N'000	N'000
As at 1 January 2019	-	-	-
Recognised in statement of profit or loss during the year	-	-	-
As at 31 December 2019	-	-	-
Recognised in statement of profit or loss during the year	27,591	(111,768)	(84,177)
As at 31 December 2020	27,591	(111,768)	(84,177)

Notes to the financial statements

37. Financial instruments (continued)

37.2 Financial risk management

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables and lease liabilities. 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 trade and other receivables, cash and short-term deposits that are derived 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.

(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, forward foreign currency contracts to hedge the exchange rate risk and deposits. The sensitivity analyses in the following sections relate to the position as at 31 December in 2020 and 2019. 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 changes in 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:

	2020	2019
	N'000	N'000
Interest bearing loans and borrowings		
Non-current portion of loans	27,139,779	-
Current portion of loans	13,729,154	889
Overdraft	-	-
	40,868,933	889
Effective Interest Rate	4.90%	0%
Basis point	Strengthening	Weakening
2020	N'000	N'000
	+1	(4,087)
	+5	(20,434)
2019	N'000	N'000
	+1	-
	+5	-

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 instruments (continued)

37.2 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 2020		31 December 2019	
	USD'000	EUR'000	USD'000	EUR'000
Financial asset				
Trade and other receivables	19,522	(16)	11,671	99
Derivative financial assets	70	-	-	-
Financial liability				
Borrowings	(104,457)	-	-	-
Lease liabilities	(374,402)	-	(319,422)	-
Trade and other payables	(227,789)	16	(154,455)	(9)
Derivative financial liabilities	(285)	-	-	-
Net statement of financial position exposure	(687,340)	-	(462,206)	90

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

		Effect on profit before tax
		N'000
As at 31 December 2020	USD (5 per cent strengthening)	13,480,851
	Euro (5 per cent strengthening)	(21)
	USD (5 per cent weakening)	(13,480,851)
	Euro (5 per cent weakening)	21
As at 31 December 2019	USD (5 per cent strengthening)	8,408,452
	Euro (5 per cent strengthening)	1,834
	USD (5 per cent weakening)	(8,408,452)
	Euro (5 per cent weakening)	(1,834)

The following exchange rates were applied during the year:

	Average rate		Closing rate	
	2020	2019	2020	2019
	₹	₹	₹	₹
US Dollar	382.07	361.65	392.26	363.84
Euro	436.17	404.97	481.87	406.66

Notes to the financial statements

37. Financial instruments (continued)

37.2 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.

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				Total
	Less than 90days	90-180 days	181-360 days	Above 360 days	
At 31 December	N'000	N'000	N'000	N'000	N'000
2020					
Subscribers	921,592	-	-	-	921,592
Roaming	38,371	-	-	-	38,371
Interconnect	1,618,845	229,896	183,623	-	2,032,364
Leased line	226,567	-	-	-	226,567
Dealers	3,560,380	-	-	-	3,560,380
Net trade receivables	6,365,755	229,896	183,623	-	6,779,274
At 31 December					
2019					
Subscribers	869,313	-	-	-	869,313
Roaming	5,643	-	-	-	5,643
Interconnect	2,011,133	947,310	338,344	-	3,296,787
Leased line	678,067	-	-	-	678,067
Dealers	2,519,432	-	-	-	2,519,432
Net trade receivables	6,083,588	947,310	338,344	-	7,369,242

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 instruments (continued)

37.2 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 and leases.

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

	Total N'000	On demand N'000	Less than 3 months N'000	3 to 12 months N'000	1 to 5 years N'000	More than 5 years N'000
31 December 2020						
Interest bearing loans and borrowings	40,868,933	-	13,729,154	-	27,139,779	-
Lease liabilities	229,868,138	-	-	45,629,201	167,675,258	16,563,679
Trade and other payables	125,302,045	-	36,420,135	88,881,910	-	-
Derivative financial liabilities	111,768	-	-	-	111,768	-
Dividend payable	54,622	-	54,622	-	-	-
Total	396,205,506	-	50,203,911	134,511,111	194,926,805	16,563,679
31 December 2019						
Interest bearing loans and borrowings	889	889	-	-	-	-
Lease liabilities	203,759,699	-	-	37,329,808	147,212,094	19,217,797
Trade and other payables	96,455,221	-	39,363,164	57,092,056	-	-
Dividend payable	20,810,542	-	20,810,542	-	-	-
Total	321,026,351	889	60,173,706	94,421,865	147,212,094	19,217,797

Notes to the financial statements

37. Financial instruments (continued)

37.2 Financial risk management (continued)

(d) Capital risk 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 (including loans from parent company), trade and other payables, lease liabilities less cash and bank balances. The Company is not subject to any minimum capital requirement.

	2020	2019
	N'000	N'000
Gearing Ratio		
Interest-bearing loans and borrowings	40,868,933	889
Lease liabilities	229,868,138	203,759,699
Trade and other payables	125,356,667	117,265,763
Less: cash and bank balance	<u>(127,670,939)</u>	<u>(25,852,553)</u>
Net debt	<u>268,422,799</u>	<u>295,173,798</u>
Total Equity	<u>247,735,962</u>	<u>122,249,947</u>
Equity and net debt	<u>516,158,761</u>	<u>417,423,744</u>
Gearing ratio	<u>52.0%</u>	<u>70.7%</u>

Notes to the financial statements

38 Going concern

The Company reported a net profit for the year ended 31 December 2020 of ₦131.37 billion (2019: ₦128.45 billion) and as at that date, the current liabilities exceeded its current assets by ₦94.56 billion (2019: ₦157.71 billion) while total assets exceeded total liabilities by ₦247.74 billion (2019: ₦122.25 billion). There was a foreign exchange loss for the year which is due to a depreciation of the Naira from ₦363.84/\$ in December 2019 to ₦392.26/\$ in December 2020. Total foreign exchange loss recognised for the year ended 31 December 2020 is ₦16.38 billion (2019: gain of ₦1.77 billion).

Management continued its growth initiatives for the future quarters / years through renewed sustainability of the non-voice revenue growth by extending its 4G services across Nigeria during the financial year which has improved the revenue growth of the Company. There was the introduction of a separate product line to focus on data and to capitalise on the expanding 4G network. Extensive media campaigns to enhance market visibility in an effort to grow market share was also adopted. Cost saving optimization strategies initiated by the Company are also still in place to ensure 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 2020, the Company has ₦163 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 has a \$280 million shareholder loan commitment from the holding company that is available for drawdown. In February 2019, the Company increased the authorized share capital from ₦500 million ordinary shares of ₦1/share to 13.5 billion ordinary shares of ₦1/share with a right issue of 13.09 billion shares. Seventy (70) kobo of the right issue value remains uncalled as at the reporting date and can be called up as the Board of Directors deems fit. This reflects the Company's ability to raise new debt in the market and additional capital from its existing shareholders to meet its obligation.

The financial statements are prepared on the basis that the Company will continue as a going concern. The Company continues to have the support of the holding company through the loan facilities mentioned above and the realization of assets and settlement of liabilities will occur in the ordinary course of business. The cash flow assessment for the next twelve (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 in the Company's employment at the end of the financial year was as follows:

	2020 Number	2019 Number
CEO's office and corporate affairs	38	33
Engineering /operation	132	112
Sales and marketing	382	361
Customer experience	26	26
Information systems	15	13
Human resources	15	15
Finance	51	52
	659	612

- (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 (N)	2020 Number	2019 Number
Less than – N5,000,0000	129	109
N5,000,001- N10,000,000	163	177
N10,000,001- N15,000,000	165	152
N15,000,001- N20,000,000	85	77
N20,000,001 and above	117	97
	659	612

40 Contingent liabilities and Contingent assets

As at 31 December 2020, the Company had contingent liabilities of N110 million (2019: N160 million) in respect of legal cases. No provision has been made in these financial statements as management does not consider that there is a probable loss.

There was no contingent asset as at 31 December 2020 (2019: NIL).

Notes to the financial statements

41 Regulatory Sanctions - 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, below are the sanctions on the Company during the year 2020.

S/N	DESCRIPTION	AMOUNT (N)	DATE
a.	SIM Replacement sanctions	3,250,000	21 September 2020
b.	Forceful subscription of Value Added Services (VAS) without prior consent of the subscribers in contravention of NCC's Directive. This is still in discussion with the regulator.	670,121,000	Ongoing

42 Subscriber base

	2020	2019
	Numbers	Numbers
	'000	'000
Opening subscriber base	50,187	44,180
Net subscriber connection added during the year	5,455	6,007
Closing subscriber base	55,642	50,187

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.

Notes to the financial statements

45 Events after the reporting period

a. **Impact of COVID-19 on Business Operations:**

Management has assessed the impact of the COVID-19 pandemic on the operations of the business and its ability to continue as a going concern. Based on the facts available to management and the mitigating plans in place, management do not anticipate the COVID-19 pandemic to have a significant impact on the operations of the business. In Nigeria, where the Company operates, telecommunication operators have been pronounced as essential service providers and have therefore been exempted from complete shutdown. Furthermore, in order to mitigate the impact of the pandemic on business operations, management has put in place a comprehensive business continuity plan which addresses key aspects of the business including network availability.

Notwithstanding the above, management expects the business to be impacted by macroeconomic factors which include devaluation of the local currency. To mitigate the impact of potential devaluation of local currency, the treasury function of the business is pursuing viable foreign exchange risk management tools including forward contracts, re-denomination, netting and use of its foreign exchange earnings in order to meet dollar payments to strategic vendors.

b. **Renewal of Spectrum License**

In January 2021, Airtel Networks Limited renewed and paid for its spectrum licenses in the 900MHz and 1800MHz band following approvals received from the Nigeria Communications Commission (NCC). The renewed license is with effect from 1 December 2021 and is for a period of 10 years. Pursuant to Section 43 of the Nigerian Communications Act, 2003 and Condition 20 of the Unified Access Service Licence (UASL), Airtel Nigeria had applied to renew its spectrum licences in the 900MHz and 1800MHz bands which would otherwise expire on 30 November 2021.

Under the terms of the spectrum licences Airtel Nigeria paid ₦71.61 billion in respect of the licence renewal fees.

OTHER NATIONAL DISCLOSURES

Value Added Statement
For the year ended 31 December

	2020		2019	
	N'000	%	N'000	%
Revenue	575,909,834		468,960,719	
Bought-in-materials and services				
- Local	(249,115,174)		(181,935,913)	
-Imported	<u>(16,985,194)</u>		<u>(15,002,752)</u>	
Value added by operating activities	<u>309,809,466</u>		<u>272,022,054</u>	
<i>Non trading items:</i>				
Other income	575,363		265,937	
Finance income	<u>766,838</u>		<u>48,938</u>	
Value Added	<u>311,151,666</u>	<u>100</u>	<u>272,336,929</u>	<u>100</u>
Applied as follows:				
To pay employees' salaries, wages and fringe benefits	15,443,935	5	13,731,117	5
To pay providers of capital - interest	25,120,995	8	24,140,616	9
Current taxation	28,739,285	9	23,206,171	9
Deferred Tax	25,002,275	8	16,344,507	6
To provide for depreciation of fixed assets	41,468,337	13	37,735,013	14
To provide for depreciation of right of use assets	32,932,045	11	22,919,797	8
To provide for amortisation of licence	11,072,820	4	5,811,248	2
Profit retained for operations	<u>131,371,975</u>	<u>42</u>	<u>128,448,460</u>	<u>47</u>
Value Added	<u>311,151,666</u>	<u>100</u>	<u>272,336,929</u>	<u>100</u>

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

	2020 N'million	2019 N'million	2018- N'million	2017 N'million	2016 N'million
Statement of Comprehensive Income					
Revenue from operations	575,910	468,961	382,096	315,463	280,822
Gross profit	347,847	284,119	188,432	127,089	113,979
EBITDA	273,447	252,520	159,653	98,629	(28,896)
Gain on sale of towers and assets	-	2,367	-	349	599
Customer acquisition cost	-	1,911	-	-	-
LTE Modernization	-	(1,842)	(15,023)	(5018)	-
Profit/(Loss) before taxation	185,114	167,999	65,684	(148)	(92,827)
Taxation	(53,742)	(39,551)	47,890	(5,712)	(4,450)
Profit/(Loss) for the year	131,372	128,448	113,574	(5,860)	(97,277)
Statement of financial position					
Property, plant and equipment	322,168	240,784	209,371	182,218	191,848
Right of use	114,760	88,386	-	-	-
Intangible assets	46,758	22,130	20,931	25,960	25,522
Deferred tax assets	63,171	88,173	99,168	45,669	45,669
Investment in subsidiary	50	50	-	-	10
Other Non-current assets	6,995	7,014	670	1,239	1,472
Net current liabilities	(94,561)	(157,705)	(194,426)	(175,930)	(136,876)
Interest bearing loans and borrowings (non-current)	(27,140)	-	(4,880)	(46,719)	(87,658)
Employee benefits liability (non-current)	(41)	(29)	(21)	(28)	-
Deferred revenue - (non-current)	(149)	(98)	(15)	(7)	(21)
Provisions (non-current)	(37)	(25)	(24)	(163)	(153)
Finance leases obligation (non-current)	(184,239)	(166,430)	(105,879)	(121,701)	(123,415)
Net assets	247,736	122,250	24,895	(89,462)	(83,602)
Equity					
Share capital	4,127	4,127	201	201	201
Share premium	67,235	67,235	67,235	67,235	67,235
Retained earnings/(loss)	176,374	50,888	(42,541)	(156,898)	(151,038)
Equity attributable to owners of the Company	247,736	122,250	24,895	(89,462)	(83,602)
Earnings/(loss) per share:					
- Basic	N9.89	N9.67	N564.15	N(29.11)	N(483.20)
- Diluted	N9.89	N9.67	N564.15	N(29.11)	N(483.20)