Airtel Networks Limited

Financial Statements
For the year ended 31 December 2019
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 2019.

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 a subsidiary of Bharti Airtel International (Netherlands) B.V. and 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**
	2019	**2018**	
	'000	**'000**	**%**
Closing subscriber base	50,187	44,180	13.60
Gross subscriber connections added during the year	28,893	23,929	20.74
Churn during the year	22,886	16,983	34.76

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

Financial Highlights			
Particulars	**Financial Year**		**YoY Growth**
	2019	**2018**	
	₦' million	**₦' million**	**%**
Revenue from operations	468,961	382,096	22.73
Operating profit	187,896	116,265	61.61
Finance costs (Net)*	(22,332)	(35,558)	(37.19)
Gain on sale of equipment	2,367	-	100.00
Long-Term Evolution (LTE) Modernization	(1,842)	(15,023)	(87.74)
Profit before taxation	167,999	65,684	155.77
Profit after taxation	128,448	113,574	13.1
Capex investment at year end	725,687	680,451	6.65

*Includes foreign exchange gain of ₦1.77 billion in 2019 (2018: loss of N22.36 billion).

Directors' Report (continued)

4. Business review

The Company experienced a steady growth in its operations during the year ended 31 December 2019 as it witnessed growth of 13.6% (2018: 18.66%) in its subscriber base from 44.18 million in 2018 to 50.19 million in 2019. Revenue generated in the year increased by 22.73% from ₦382.1 billion in 2018 to ₦468.96 billion in 2019. Key drivers of growth include the continuous 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 2018.

The Company also launched its Home Broadband ("HBB") business segment during the course of 2019 financial year in its bid to deepen broadband connectivity across Nigeria. The HBB rides on the modernized 4G network making Airtel Networks the first operator to launch the Home Broadband plans in all 36 states of the country including the Federal Capital Territory providing access to high speed connectivity to customers through fixed routers and mobile routers (also known as "Mifis"). The HBB plan offers customers up to 100GB data. The HBB self-care portal was also launched to empower customers to track usage, top-up or purchase bundles on Routers/Mifis. Furthermore, the Enterprise business of the Company with focus on corporate business and leased line business continues to yield positive results with growth of 10% YoY over 2018 financial year.

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 boasts of a total of eighty-nine showrooms across Nigeria in addition to its dealer empowerment initiatives regarded as Airtel Express Shops (AES) spread over various locations across the country. During the year, several marketing strategies were introduced in order to personalise the Airtel experience, promote the brand and increase the revenue base. These include: Acquisition of the "0901" and "0904" number series to expand customer base and the launch of Airtel App for customers to view account status, pay bills, recharge and purchase data bundles.

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 4,834 (2018: 3,851) sites have been fully swapped as at 31 December 2019. The 4G service was also rolled out in more cities and towns across Nigeria.

In 2019, Airtel Networks Limited was honoured with several awards and recognitions among which are: Campaign of the Year from Advertising Practitioners Association of Nigeria (ADVAN) in the advertising category; Red Ribbon Award for Fight Against HIV/AIDS – a national award from National Association for the Control of AIDS; Best Use of Storytelling and CEO of the year from The SERAs CSR Award Africa in the Sustainability/Community Development category; Brand of the Year from Leadership Newspaper in the Marketing Communications & CSR category; Award for Airtel's Unwavering Contribution to the Telecom Industry from Business Day Newspaper in the Top 25 CEO's & Next Bulls Award category; CSR Award for Airtel's service to humanity from Rotary Club District 9110 in the Rotary Outstanding Invaluable Company Award; and Marketing Edge Brands & Advertising Excellence Award in the Brand of the year (Most Customer Centric Brand).

Airtel Touching Lives, a flagship corporate philanthropy initiative aimed at providing succour to the underprivileged, hard to reach, vulnerable and disadvantaged in the society entered its fifth season. Achievements and milestones in 2019 include: identifying 70 thousand Nigerians nominated causes, individuals and projects, inaugurated an ultra-modern ICT center for a Community in South West, Nigeria, donation of desktop computers, printers, generator, Internet facility, furniture, to the community and ongoing work on 12 major projects, including rehabilitation of a medical facility at the IDP camp. The Company's "Adopt a School" project is still being maintained as over 5000 children were presented with branded lunch boxes, water bottles, exercise books and writing materials. Airtel Nigeria also celebrated Children in its six adopted schools in Nigeria in commemoration of the Children's day on the 27th of May 2019.

Airtel Networks Limited, through its Employee Volunteer Scheme (EVS), a Special Purpose Vehicle created for employees of Airtel Nigeria to assist the underprivileged in the society as well as address inequality in communities raised ₦13 million. With participation from over 150 employees including the CEO, Airtel employees fed over 6,000 Nigerians across five cities in its annual 'Five Days of Love' initiative.

Similarly, in support to South Africa returnees who were victims of violence and discrimination, over 318 returnees were provided with phones, SIM cards and airtime by Airtel Nigeria.

In December 2019, the Company received its licence for the launch of Airtel TV in Nigeria with more than 5000 hours of videos free of any subscription fees. The Airtel TV app is available in Android as well as iOS and it is a one stop platform for Live TV, Music videos, news, sports and much more.

Directors' Report (continued)

5. Directors' interests

The directors and their beneficial interests in the shares of the Company as at 31 December 2019 were as follows:

Names		Designation	Date Appointed/ Resignation	Representing	Number of Ordinary Shares of ₦1.00 each
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 Section 277 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the following directors declared the interests of companies they represent in contracts with the Company:

Dr. Oluremi Oni - First Bank of Nigeria Limited (Banking Services)
Mr. Emeka Onwuka - Ecobank Nigeria Limited (Banking Services)

7. Property, plant and equipment

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

8. Investment in Subsidiary

During the year, 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 2019. Details of investment in the subsidiary is provided in Note 34(c).

Directors' Report (continued)

9. Charitable contributions

The Company made donations through projects and gifts totalling ₦136.97 million (2018: ₦137.29) to the following charitable activities:

Corporate Social Responsibility Projects		
	2019	**2018**
Activities	**₦'000**	**₦'000**
Adopt-a-School – Textbooks and writing materials	4,712	239
Airtel Touching Lives	126,910	132,841
5 days of Love Campaign	5,347	4,208
	136,969	**137,288**

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

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 2019, 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, Leadership Knowledge Series etc.

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

BY ORDER OF THE BOARD

Plot L2,
Banana Island,
Ikoyi,
Lagos

……………………..
Date
FRC/2016/NBA/00000014257

Shola Adeyemi
Company Secretary

Statement of Directors' Responsibilities

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

a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and Financial Reporting Council of Nigeria Act 2011.

b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in the manner required by Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and the Financial Reporting Council of Nigeria Act, 2011.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit for the year ended 31 December 2019. 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 11 June 2020

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

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

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Independent Auditor's report

To the Shareholders of Airtel Networks Limited

Report on the Audit of the financial statements

Opinion

We have audited the accompanying financial statements of **Airtel Networks Limited**, which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of **Airtel Networks Limited** as at 31 December 2019 and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act Cap C20 LFN 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
Recoverability of recognised deferred tax asset	
Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. As disclosed in Note 15 to the financial statements, the Company recognised deferred tax asset of N88.17 billion as at 31 December 2019, which is considered to be recoverable against the Company's future taxable profits. Judgement is required by the Directors to assess the recoverability of the estimated deferred tax asset that are considered to be realisable against the Company's taxable profits, which is expected to arise in future periods. Accordingly, for the purposes of our audit, we identified the assessment of recoverability of estimated deferred tax asset as a key audit matter.	We evaluated the appropriateness of the Directors' assessment of the recoverability of the recognised deferred tax asset and the adequacy of the disclosures made. Our audit procedures included challenging the Directors on the reasonableness of the estimated tax provision including the deferred tax asset that are considered to be recoverable against the Company's taxable profits, which is expected to be made in future periods and assumptions used in the estimation of the future profits. We performed the following audit procedures: We involved our Tax Specialists on the review of the tax computations, which include the deferred tax asset, considered by the Directors to be recoverable against the Company's future taxable profits. We obtained and reviewed 5 years forecast of 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

Deloitte.

Key Audit Matter	How the matter was addressed in the audit
	collectively, may prevent the entity to achieve the estimated future results. 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 are reasonable. We are also satisfied that the related disclosures in Note 15 of the financial statement are appropriate.

Other Information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

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

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

Auditor's Responsibilities for the Audit of financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the Company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

Stella Mba - FRC/2013/ICAN/00000001348
For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
16 June, 2020

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 ₦'000	2018 ₦'000
Revenue from operations	6	468,960,719	382,096,006
Cost of sales	7	(184,841,547)	(193,663,766)
Gross profit		284,119,172	188,432,240
Other income	8	265,937	1,038,743
Selling and marketing costs	9	(11,607,611)	(8,730,073)
Administrative expenses	10	(5,479,347)	(5,168,320)
Other operating expenses	11	(79,402,303)	(59,307,355)
Results from operating activities		187,895,848	116,265,235
Finance income	12(a)	48,938	16,234
Finance costs	12(b)	(22,380,990)	(35,573,978)
Net finance costs		(22,332,052)	(35,557,744)
Gain on sale of equipment	13	2,366,994	-
Customer acquisition cost	23(c)	1,910,674	-
LTE Modernization	17(a)	(1,842,326)	(15,023,217)
Profit before tax	14	167,999,138	65,684,274
Tax expense	15(a)	(39,550,678)	47,890,221
Profit for the year after tax		**128,448,460**	**113,574,495**
Other comprehensive income			
There are no items of other comprehensive income		-	-
Total comprehensive income for the year, net of tax		**128,448,460**	**113,574,495**
Earnings per share			
Basic and diluted (₦)	16	9.67	564.15

The accompanying notes on pages 14 to 81 form an integral part of these financial statements.

Statement of Financial Position
As at 31 December 2019

		2019	2018
Assets	**Notes**	**₦'000**	**₦'000**
Non-current assets			
Property, plant and equipment	17	240,783,766	209,370,602
Intangible assets	18	22,130,203	20,931,077
Right of Use	19	88,385,972	-
Other financial assets	20	188,115	54,920
Other assets	23	6,826,466	615,119
Deferred tax assets	15(d)	88,173,124	99,167,707
Investment in subsidiary	34(c)	50,000	-
Total Non-current assets		**446,537,646**	**330,139,425**
Current assets			
Inventories	21	468,500	159,817
Trade and other receivables	22	14,302,161	13,010,594
Derivative financial assets		-	-
Other financial assets	20	113,055	345,179
Other assets	23	5,453,580	8,207,919
Income tax recoverable	24	419,611	3,210,552
Cash and bank balances	25	25,852,553	2,672,052
Total current assets		**46,609,460**	**27,606,113**
Total assets		**493,147,106**	**357,745,538**
Equity and liabilities			
Equity			
Share capital	26.1	4,127,023	201,318
Share premium	26.2	67,235,360	67,235,360
Retained earnings/(loss)	27	50,887,564	(42,541,084)
Total Equity		**122,249,947**	**24,895,594**
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	28	-	4,879,590
Provisions	29	25,344	23,713
Deferred revenue	30	97,959	14,618
Lease liabilities	31	166,429,891	105,878,727
Employee benefit liability	32	29,487	21,301
Total non-current liabilities		**166,582,681**	**110,817,949**
Current liabilities			
Interest bearing loans and borrowings	28	889	41,817,516
Provisions	29	188,147	398,271
Trade and other payables	33	117,265,763	120,018,023
Deferred revenue	30	22,456,866	18,430,823
Employee benefit liability	32	1,349,855	1,186,992
Income tax payable	15(c)	25,723,150	13,264,080
Lease liabilities	31	37,329,808	26,916,290
Total current liabilities		**204,314,478**	**222,031,995**
Total liabilities		**370,897,159**	**332,849,944**
Total equity and liabilities		**493,147,106**	**357,745,538**

Approved by the Board of Directors on 11 June 2020 and signed on its behalf by:

Segun Ogunsanya	**Dr. Olufemi Oyindasola Oni**	**S Krishna Menon**
Chief Executive Officer	**Director**	**Chief Finance Officer**
FRC/2013/ICAN/00000002746	**FRC/2018/VCN/00000018386**	**FRC/2014/ICAN/00000019621**

The accompanying notes on pages 14 to 81 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2019

	Share Capital ₦'000	Share Premium ₦'000	Retained Earnings ₦'000	Total Equity ₦'000
2019				
As at 31 December 2018	201,318	67,235,360	(42,541,084)	24,895,594
Impact of IFRS 16 adoption (Note 5.1.1)	-	-	(12,471,594)	(12,471,594)
As at 1 January 2019 (restated)	**201,318**	**67,235,360**	**(55,012,678)**	**12,424,000**
Profit for the year	-	-	128,448,460	128,448,460
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**128,448,460**	**128,448,460**
Transactions with owners of the Company				
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	**4,127,023**	**67,235,360**	**50,887,564**	**122,249,947**
2018				
As at 1 January 2018	201,318	67,235,360	(156,898,488)	(89,461,810)
Impact of IFRS 15 on adoption			782,909	782,909
As at 1 January 2018 (restated)	**201,318**	**67,235,360**	**(156,115,579)**	**88,678,901**
Profit for the year	-	-	113,574,495	113,574,495
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**113,574,495**	**113,574,495**
As at 31 December 2018	**201,318**	**67,235,360**	**(42,541,084)**	**24,895,594**

The accompanying notes on pages 14 to 81 form an integral part of these financial statements.

Statement of Cash Flows
As at 31 December 2019

	Note	2019	2018
Cash flows from operating activities		**₦'000**	**₦'000**
Profit for the year before tax		167,999,138	65,684,274
Non cash adjustments:			
Depreciation of property, plant and equipment	17(c)	37,735,013	52,892,981
Depreciation of right of use	19	22,919,797	-
Amortization of intangible assets	18	5,811,248	5,518,279
Finance income	12(a)	(48,938)	(16,234)
Finance cost	12(b)	22,380,990	35,573,978
Gain on disposal of property, plant and equipment	17(b)	(1,722,916)	(5,690)
Inventory written down	21	(136,282)	(83,918)
Impairment on trade and other receivables	22	145,332	1,903,919
Other non-cash items		1,387,581	(8,892,391)
		256,470,963	**152,575,199**
Changes in working capital:			
Inventory	21	(172,401)	(45,825)
Trade receivables	22	(1,436,900)	(1,081,789)
Other assets	23	3,457,008	(622,788)
Income tax recoverable	24	2,790,942	975,498
Deferred revenue	30	4,109,384	2,046,527
Provisions	29	(208,493)	(160,912)
Trade and other payables	33	(25,288,913)	14,032,871
Change in employee benefit liability	32	171,049	59,357
Change in financial liability		-	(404,614)
Change in financial asset	20	98,929	(38,216)
Change in derivative financial asset		-	2,691
Cash generated from operating activities		**233,077,554**	**167,337,999**
Income tax paid	15(c)	(7,531,015)	(366,146)
Withholding tax utilized	15(c)	(3,216,086)	(1,506,741)
Net cash from operating activities		**222,330,453**	**165,465,111**
Cash flows from investing activities			
Investment in subsidiary	34(b)	(50,000)	-
Proceeds on disposal of property, plant and equipment	17(b)	2,400,751	293,794
Acquisition of property, plant and equipment	17	(90,921,152)	(80,476,535)
Acquisition of intangible asset	18	(13,069,828)	(489,429)
Interest received	12(a)	48,938	16,234
Net cash used in investing activities		**(101,591,291)**	**(80,655,938)**
Cash flows from financing activities			
Proceeds from right issue	26.1	3,925,705	-
External loan received	28(a)	-	32,475,000
External loan repaid	28(a)	(41,623,987)	(37,576,646)
Shareholders loan repaid	28(b)	(606,728)	(41,811,174)
Interest paid	12(b)	(24,138,769)	(13,251,436)
Repayment of principal portion of lease liabilities	31.1	(30,649,380)	(8,026,797)
Net cash used in financing activities		**(93,093,159)**	**(68,191,053)**
Movement in cash and cash equivalents		27,646,003	16,618,120
Cash and cash equivalents at the beginning of year	25(a)	(1,793,450)	(18,411,570)
Cash and cash equivalents at the end of year	25(a)	**25,852,553**	**(1,793,450)**

The accompanying notes on pages 14 to 81 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 a subsidiary of Bharti Airtel International (Netherlands) B.V. and 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.

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. Gains and losses arising from retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the statement of comprehensive income on the date of retirement and disposal. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as separate components of assets with specific useful lives and provides depreciation over their useful lives.

(b) **Subsequent costs**

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

(c) **Depreciation methods**

Assets are depreciated to the residual values on a straight-line basis over the estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed at each financial year end or whenever there are indicators for review, and 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 technology (IT) equipment	3 – 5 years
Freehold Land	-
Building	20 years
Office furniture and equipment	2 - 5 years
Motor vehicles	3 - 5 years

Notes to the financial statements

3. Summary of significant accounting policies (continued)

3.2 Intangible assets

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

Items	**Useful Life**
900 & 1800 MHz Spectrum	5 years 9 months
3G Spectrum Licence	15 years
Universal Access Service Licence (UASL)	15 years
2600 MHz Spectrum (4G LTE)	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 in the other operating expense category.

De-recognition of Intangible assets

Intangible assets are derecognised when impaired or sold. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

3.3 Impairment 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.

Notes to the financial statements

3. Summary of significant accounting policies (continued)

3.3 Impairment of non-financial assets (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Impairment losses, if any, are recognised in profit or loss as a component of depreciation and amortisation expense. Impairment losses are only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised. 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.

3.4 Business Combinations

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

Leases are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in profit or loss.

Leased assets (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:

Items	Useful Life
Leasehold land	Period of lease
Building on leased land	20 years
Leasehold improvements	Lower of 10 years or lease period
GSM equipment	3-25 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.

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.

Notes to the financial statements

3. Summary of significant accounting policies (continued)

3.7 Financial instruments (continued)

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 though profit or loss.

Fair value through other comprehensive income (FVTOCI)

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

The changes in fair value of equity investments at FVOCI are recognised in other comprehensive income (OCI) and accumulated in the investments revaluation reserve. Gain or loss is not reclassified to profit or loss on disposal of the equity investments but transferred to retained earnings. Dividends on the equity investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment. For debt instruments, any interest income (calculated using effective interest method), foreign exchange gains/losses and impairments are recognised immediately in profit or loss. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated in investments revaluation reserve. Upon de-recognition of the debt instrument, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. Fair value changes that have been recognised in OCI are recycled to profit or loss upon disposal of the debt instrument. The Company has not designated any financial assets upon initial recognition at fair value through other comprehensive income.

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)**

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

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

(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.

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.7 Financial instruments (continued)

3.7.1 Financial assets (continued)

(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 se 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.

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 revenue and released to income in equal amounts over the expected useful life of the related asset.

3.16 Dividends

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

3.17 Earnings per share

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

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 2019, the estimated liability for unredeemed points was approximately N324.2 million (2018: N191.9 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 2019 was 21% (2018: 6%). The discount rate represents the real rate determined using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the liability.

(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 2019

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The nature and the impact of each new standard and amendment are described below:

5.1.1 IFRS 16 Leases

In the current year, the Company has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Company applied IFRS 16 using the modified retrospective approach from 1 January 2019 which:

- requires the Company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

Impact of the new definition of a lease

The Company elected to apply the practical expedient included in IFRS 16 and therefore retained its existent assessment under IAS 17 and IFRIC 4 as to whether a contract entered or modified before 1 January 2019 contains a lease. 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.

(a) **Impact on lessee accounting – Company as a lessee**

On initial application of IFRS 16, the Company recognised a lease liability measured at the present value of all the remaining lease payments, discounted using the lessee’s incremental borrowing rate at 1 January 2019 whereas the Company has elected to measure right-of-use asset at its carrying amount as if IFRS 16 had been applied since the lease commencement date, but discounted using the lessee’s incremental borrowing rate at 1 January 2019. The Company has elected not to recognise a lease liability and a right-of-use asset for leases for which the lease term ends within twelve months of 1 January 2019 and has accounted for these leases as short-term leases.

For new lease contracts, the Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee in the statement of financial position. 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. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), variable lease payments that are based on consumer price index (‘CPI’), the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments including due to changes in CPI or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or when the lease contract is modified and the lease modification is not accounted for as a separate lease. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the related right-of-use asset has been reduced to zero.

Notes to the financial statements

5. Adoption of new and revised standards (continued)

5.1 Standards that became effective on 1 January 2019 (continued)

5.1.1 IFRS 16 Leases (continued)

(a) **Impact on lessee accounting – Company as a lessee (continued)**

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

Subsequent to initial recognition, right-of-use asset are stated at cost less accumulated depreciation and any impairment losses and adjusted for certain re-measurements of the lease liability. Depreciation is computed using the straight-line method from the commencement date to the end of the useful life of the underlying asset or the end of the lease term, whichever is shorter. The estimated useful lives of right-of-use assets are determined on the same basis as those of the underlying property and equipment.

In the statement of financial position, the right-of-use assets and lease liabilities are presented separately.

When a contract includes lease and non-lease components, the Company allocates the consideration in the contract on the basis of the relative stand-alone prices of each lease component and the aggregate stand-alone price of the non-lease components.

Plant and equipment

The Company leases passive infrastructure for providing telecommunication services under composite contracts which include lease of passive infrastructure and land on which the passive infrastructure is built as well as maintenance, security, provision of energy etc. services. These leases typically run for a period of 3 to 15 years. Some leases include an option to renew the lease mainly for an additional period of 3 to 10 years after the end of initial contract term.

A portion of certain lease payments change on account of changes in consumer price indices (CPI). Such payment terms are common in lease agreements in the countries where the Company operates. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Other leases

The Company's other leases comprise of lease of shops, showrooms, guest houses, warehouses, data centers, vehicles and Indefeasible right of use (IRU)

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short term leases of machinery that have a lease term of 12 months or less and leases of low value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the financial statements

5. Adoption of new and revised standards (continued)

5.1 Standards that became effective on 1 January 2019 (continued)

5.1.1 IFRS 16 Leases (continued)

(b) **Impact of IFRS 16 Leases adoption – Statement of financial position**

	Notes	31 December 2018 (Previously stated)	IFRS 16 Adjustments	1 January 2019 (Restated)
		N'000	N'000	N'000
Property, plant and equipment	(i)	209,370,602	(21,095,139)	188,275,463
Right of use assets	(ii)	-	77,522,604	77,522,604
Intangible assets		20,931,077	-	20,931,077
Other financial assets		54,920	-	54,920
Other assets		615,119	-	615,119
Deferred tax assets	(ii)	99,167,707	5,349,925	104,517,632
Total Non-current assets		**330,139,425**	**61,777,390**	**391,916,815**
Other current assets		20,441,579	-	20,441,579
Other assets		7,164,534	-	7,164,534
Total current assets		**27,606,113**	**-**	**27,606,113**
Total assets		**357,745,538**	**61,777,390**	**419,522,928**
Equity				
Share capital		201,318	-	201,318
Share premium		67,235,360	-	67,235,360
Retained Earnings	(ii)	(42,541,084)	(12,471,594)	(55,012,678)
Total Equity		**24,895,594**	**(12,471,594)**	**12,424,000**
Liabilities				
Other non-current liabilities		4,939,221	-	4,939,221
Lease liabilities	(ii)	105,878,727	74,260,549	180,139,276
Total non-current liabilities		**110,817,949**	**74,260,549**	**185,078,498**
Current liabilities				
Other current liabilities		75,097,682	-	75,097,682
Trade and other payables	(ii)	120,018,023	(11,565)	120,006,458
Lease liabilities		26,916,290	-	26,916,290
Total current liabilities		**222,031,995**	**(11,565)**	**222,020,430**
Total liabilities		**332,849,944**	**74,248,984**	**407,098,928**
Total equity and liabilities		**357,745,538**	**61,777,390**	**419,522,928**

Notes to the financial statements

5. Adoption of new and revised standards (continued)

5.1 Standards that became effective on 1 January 2019 (continued)

5.1.1 IFRS 16 Leases (continued)

(c) **Note on impact of IFRS 16 Leases adoption – Statement of financial position**

The Company has adopted IFRS 16 Leases retrospectively but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

(i) For leases previously classified as finance leases, the Company recognised the carrying amount of these as a reclassification from property, plant and equipment to right of use assets. The measurement principles of IFRS 16 resulted in reclassification of an adjusted amount of N21.09 billion as carrying amount of the leased assets in right of use assets.

(ii) The Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. This resulted in the adjustments recognized in the opening statement of financial position as follows:

- Right of use assets – Increase of ₦56.43 billion,
- Lease liabilities – Increase of ₦74.25 billion,
- Opening retained earnings – Decrease of ₦12.47 billion
- Deferred tax asset – Increase of ₦5.35 billion and
- Other payables – ₦11.56 million: De-recognition of lease equalisation reserve

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 January 2019.

Notes to the financial statements

5. Adoption of new and revised standards (continued)

5.1 Standards that became effective on 1 January 2019 (continued)

5.1.2 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.

(a) **Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement**

The Company has adopted the amendments of IAS 19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income. The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Company will now be required to use the updated assumptions from this re-measurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as re-measured under IAS 19:99 with the discount rate used in the re-measurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

(b) **IFRIC 23 Uncertainty over Income Tax Treatments**

The Company has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:

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

(c) **Amendments to IFRS 9 Prepayment Features with Negative Compensation**

The Company has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

(d) **Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures**

The Company has adopted the amendments to IAS 28 for the first time in the current year. The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The Company applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the Company does not take account of any adjustments to the carrying amount of long term interests required by IAS 28 (i.e., adjustments to the carrying amount of long term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

Notes to the financial statements

5. Adoption of new and revised standards (continued)

5.1 Standards that became effective on 1 January 2019 (continued)

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

(e) **Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs**
The Company has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards:

IAS 12 Income Taxes
The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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

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

Notes to the financial statements

5. Adoption of new and revised standards (continued)

5.2 Standards issued but not yet effective

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 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. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

5.2.2 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 IASC 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. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

5.2.3 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.

5.2.4 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

6. Revenue from operations

	2019 ₦'000	2018 ₦'000
Airtime revenue (Note 6(a))	366,128,525	298,948,008
Interconnect revenue	85,253,354	69,018,484
SIM connection	6,021,793	3,881,138
Roaming	2,527,376	2,345,877
Lease rental income (Note 6(b))	8,255,473	7,490,924
Handset sales	774,198	411,575
	468,960,719	**382,096,006**

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.

(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 infrastructure sharing income assessed as a service income rather than a lease income.

7. Cost of sales

	2019 ₦'000	2018 ₦'000
Transmission cost	83,102,846	102,289,320
Interconnect cost	78,737,474	65,350,848
Handsets cost	882,407	402,039
SIM cards (Note 9(a) & 23(c))	-	1,309,616
Recharge cards	12,936	15,455
Regulatory fees (Note 7(b))	12,848,457	10,331,132
Roaming cost	547,924	473,953
Bandwidth cost	1,561,726	1,447,143
VAS content provider cost	3,464,900	7,427,151
Other dealer commissions (Note 7(a))	3,682,877	4,617,109
	184,841,547	**193,663,766**

(a) Other dealer commissions such as tailing commission and ERC discounts are other commissions given to dealers other than one-off commissions accounted as customer acquisition costs.

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).

	2019 ₦'000	2018 ₦'000
NCC annual levy	10,176,279	8,089,099
Spectrum costs	1,889,928	1,459,783
Annual numbering fees	782,250	782,250
	12,848,457	**10,331,132**

8. Other income

	2019 ₦'000	2018 ₦'000
Sale of scrap and miscellaneous income (Note 8(a))	255,493	1,017,292
Gain on disposal of property, plant & equipment (Note 17(b))	-	5,690
Government grants income (Note 8(b) & Note 30)	10,444	15,761
	265,937	**1,038,743**

(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

	2019 ₦'000	2018 ₦'000
Airtel relationship centre expenses	277,591	303,597
Advertising media	3,281,424	2,715,017
Sales force training	202,249	162,537
Dealer merchandising (POS)	1,100,090	839,990
Knowing Your Customer	-	1,938,149
Printing	1,246,492	1,018,878
Field marketing	468,269	1,037,337
Promotional expenses	96,454	133,947
Customer acquisition expenses (Note 9(a) & 23(c))	4,401,902	-
Selling and marketing campaigns	533,140	580,621
	11,607,611	**8,730,073**

(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 Note 23(c).

Notes to the financial statements

10. Administrative expenses

	2019 ₦'000	2018 ₦'000
Customer service delivery	1,557,275	1,561,595
Rent	636,083	758,824
Bank charges	662,386	543,854
Legal fees	540,082	358,499
Statutory Audit fees	59,403	54,003
Conveyance	430,291	427,727
Office maintenance and utilities	507,521	485,902
Insurance	535,655	426,160
Internal audit fees	89,786	77,111
Warehouse stock handling (Note 10(a))	29,856	20,139
Directors' fees	42,512	42,566
Subscriptions	32,451	29,158
Staff Welfare	177,451	145,500
Consumables	15,732	18,245
Other administrative expenses	162,863	219,037
	5,479,347	**5,168,320**

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

11. Other operating expenses

	2019 ₦'000	2018 ₦'000
Depreciation of property, plant and equipment (excl. impact of LTE modernization) - Note 17	35,892,687	37,869,764
Depreciation of right of use assets (Note 19)	22,919,797	-
Amortisation of intangible assets (Note 18)	5,811,248	5,518,279
Employee costs (Note 11(b))	13,731,117	13,346,299
Travel costs	311,887	172,773
Other regulatory cost (Note 40)	80,500	20,000
Loss on disposal of property, plant and equipment (Note 17(b)	644,079	-
Other expenses (Note 11(a))	10,988	2,380,240
	79,402,303	**59,307,355**

(a) Other expenses include a reversal of write down to net realizable value for inventories of ₦136.28 million (2018: write-down of ₦339.5 million), allowance for doubtful receivables of ₦143.55 million (₦2.04 billion) and allowance for advances of ₦3.72 million (₦4.78 million reversal)

(b) **Employee cost**

	2019 ₦'000	2018 ₦'000
Basic salaries	7,717,063	8,110,732
Allowances	2,647,836	2,556,132
Contributory pension	514,755	484,610
Bonus and incentives	2,851,464	2,169,800
Other employee cost	-	25,025
	13,731,117	**13,346,299**

Information relating to employees is detailed in Note 38.

Notes to the financial statements

12. Finance income and expense

(a) Finance income

	2019 ₦'000	2018 ₦'000
Interest received - banks	23,098	12,168
Interest received – fixed deposit	25,840	4,066
	48,938	**16,234**

(b) Finance costs

	2019 ₦'000	2018 ₦'000
Interest on debts and borrowings	2,845,758	1,507,202
Lease finance (Note 31.4)	21,293,012	11,744,234
Other finance charges	1,846	(39,044)
Interest expense (Employee loans)	7,635	2,281
Net foreign exchange difference	(1,767,261)	22,359,305
	22,380,990	**35,573,978**

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

13. Gain on sale of equipment

	2019 ₦'000	2018 ₦'000
Gain on the sale of equipment (Note 17(b))	**2,366,994**	**-**

During the year, there was a sale of network equipment to a related party - Celtel Niger (2018: Nil).

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

	2019 ₦'000	2018 ₦'000
Depreciation of Property, Plant & Equipment (Note 17(c))	37,735,013	52,892,981
Depreciation of right of use asset (Note 19)	22,919,797	-
Amortisation of intangible assets (Note 18)	5,811,248	5,518,279
Finance costs (Note 12(b))	22,380,990	35,571,697
Statutory audit fee (Note 10)	59,403	54,003
Directors' fees (Note 10)	42,512	42,566
Loss/(gain) on disposal of property, plant & equipment (Note 8 and 11)	644,079	(5,690)
Gain on the sale of equipment (Note 13)	(2,366,994)	-

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:

	2019 ₦'000	2018 ₦'000
Income tax	18,038,624	8,918,248
Education tax	3,486,054	1,783,650
National Information Technology Development tax (Note 15(c)(i))	1,677,018	656,843
Nigeria Police Trust Fund Levy	4,475	-
Prior year over provision (Note 15(c)(ii))	-	(5,750,072)
	23,206,171	5,608,669
Deferred tax expense/(benefit) (Note 15(d))	16,344,507	(53,498,890)
	39,550,678	**(47,890,221)**

(b) **Reconciliation of effective tax rate**

	2019 ₦'000	%	2018 ₦'000	%
Profit before tax	167,999,138		65,684,274	
Income tax using statutory tax rate	50,399,741	30.00	19,705,282	30.00
Impact of tertiary education tax	3,486,054	0.02	1,783,650	0.03
Impact of NITDA Tax	1,677,018	0.01	656,843	0.01
Impact of Nigeria Police Trust Fund Levy	4,475	0.00	-	-
Effect of tax incentives	(2,097,652)	(0.01)	(1,399,336)	(0.02)
Non-deductible expenses	85,733	0.00	192,972	0.00
Prior year under provision	-	(0.00)	(5,750,072)	(0.09)
Effect of IFRS 16 lease and other items	(14,004,691)	0.08	(53,498,890)	(0.81)
Impact of utilized/un-utilized tax credit	-	0.00	(9,580,670)	(0.15)
	39,550,678	**29.56**	**47,890,221**	**28.97**

Notes to the financial statements

15. Taxation (continued)

(c) Movement in Income tax payable

	2019 ₦'000	2018 ₦'000
Balance as at 1 January	13,264,080	9,528,298
Charge for the year:		
Income tax	18,038,624	8,918,248
Education tax	3,486,054	1,783,650
NITDA (Note 15(c)(i))	1,677,018	656,843
Nigeria Police Trust Fund Levy	4,475	-
Prior year over provision (Note 15(c)(ii))	-	(5,750,072)
	23,206,171	5,608,669
Payments during the year	(7,531,015)	(366,146)
Withholding tax credit notes utilised	(3,216,086)	(1,506,741)
Balance as 31 December	**25,723,150**	**13,264,080**

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

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

Notes to the financial statements

15. Taxation (continued)

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

	2019 **₦'000**	**2018** **₦'000**
Balance at 1 January	99,167,707	45,668,817
IFRS 16 adoption impact (Note 5.1.1(b)(i)	5,349,925	-
As at 1 January (restated)	**104,517,632**	**45,668,817**
Movement during the year (expenses)/benefit	(16,344,507)	53,498,890
Balance at 31 December	**88,173,125**	**99,167,707**
Deferred tax assets are attributable to the following:		
Property, plant and equipment	56,560,806	50,798,987
Foreign exchange	18,995,915	22,742,206
Employee benefits	592,143	395,894
Provisions	2,304,021	2,569,133
IFRS 16 adoption - lease	9,720,240	-
Asset retirement obligation & lease equalisation reserve	-	22,661,487
Net deferred tax assets	**88,173,125**	**99,167,707**

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 ₦88.17 billion (2018: ₦99.17 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 2019 is Nil (2018: 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:

	2019 ₦'000	2018 ₦'000
Net profit attributable to ordinary equity holders	128,448,460	113,574,495

	Number of shared '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)	13,085,681	-
	13,286,999	**201,318**
Earnings per share (₦)	9.67	564.15

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

There was no change in basic and diluted earnings per share as a result of changes in accounting policy on adoption of IFRS 16.

Notes to the financial statements

17. Property, plant and equipment

Cost	GSM Equipment ₦ '000	Capital work in-progress ₦ '000	Information System Equipment ₦ '000	Land ₦ '000	Building ₦ '000	Office Furniture & Equipment ₦ '000	Motor Vehicles ₦ '000	Total ₦ '000
Balance 1 Jan. 2018	496,600,833	18,488,939	61,585,894	1,241,759	7,144,928	8,047,493	248,034	593,357,880
Additions	54,091,227	24,895,900	326,504	-	-	1,162,904	-	80,476,535
Disposals	(452,867)	-	(14,557)	(5,513)	-	(578,576)	-	(1,051,513)
Balance at 31 Dec 2018	550,239,193	43,384,839	61,897,841	1,236,246	7,144,928	8,631,821	248,034	672,782,902
Reclassification as right of use	(32,263,024)	-	67,786	-	25,479	-	-	(32,169,759)
As at 1 Jan 2019 (restated)	**517,976,169**	**43,384,839**	**61,965,627**	**1,236,246**	**7,170,407**	**8,631,820**	**248,034**	**640,613,143**
Additions	80,538,996	5,314,935	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**
Accumulated Depreciation								
Balance 1 Jan. 2018	(339,765,581)	-	(59,763,589)	-	(4,126,404)	(7,275,658)	(208,268)	(411,139,500)
Depreciation	(50,185,265)	-	(1,611,758)	-	(349,883)	(727,365)	(18,710)	(52,892,981)
Disposals	186,881	-	11,448	-	-	565,081	-	763,410
Adjustment (Note 17(d))	(46,614)	-	(97,168)	-	-	553	-	(143,229)
Balance at 31 Dec 2018	(389,810,579)	-	(61,461,067)	-	(4,476,287)	(7,437,389)	(226,978)	(463,412,300)
Reclassification as right of use	11,179,392	-	(94,468)	-	(7,678)	(2,623)	(2)	11,074,620
As at 1 Jan 2019 (restated)	**(378,631,187)**	**-**	**(61,555,535)**	**-**	**(4,483,965)**	**(7,440,012)**	**(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)**
Net Book Value								
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**
As at 31 Dec 2018	160,428,614	43,384,839	436,774	1,236,246	2,668,641	1,194,432	21,056	209,370,602

Notes to the financial statements

17. Property, plant and equipment (continued)

(a) **LTE Modernization**

During the year ended 2019, 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 4,834 sites have been fully swapped as at 31 December 2019.

The total impact of LTE modernisation of ₦1.84 billion (2018: ₦15.02 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**

	2019	**2018**
	₦'000	**₦'000**
Cost of assets disposed	5,847,544	1,051,514
Accumulated depreciation of assets disposed	(5,169,708)	(763,410)
Net book value of assets disposed	**677,836**	**288,104**
(Loss)/gain on sale of property, plant & equipment (Note 8 and 11)	(644,079)	5,690
Gain on the sale of equipment (Note 13)	2,366,994	-
Gain on disposal of property, plant and equipment	**1,722,916**	**5,690**
Sales proceeds on disposal	**2,400,751**	**293,794**

(c) **Depreciation of property, plant and equipment**

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

	2019	**2018**
	₦'000	**₦'000**
Operating expenses (Note 11)	35,892,687	37,869,764
LTE modernization (Exceptional line in statement of profit or loss)	1,842,326	15,023,217
Total depreciation as per property, plant and equipment	**37,735,013**	**52,892,981**

(d) **Property, plant and equipment adjustment:**

This relates to adjustment as a result of vendor reconciliation during the year.

(e) **Capital Work in progress:**

The carrying value of the capital work in progress amounts to ₦48.03 billion (2018: ₦43.38 billion). Included in additions is the payment made to Nigeria Broadcasting Commission (NBC) of N10 million for the acquisition of the IPTV licence for Airtel TV which forms part of capital work in progress as at 31 December 2019.

18. Intangible assets

As at 31 December 2019, the Company held five licenses for the provision of telecommunication services in Nigeria namely the Digital Mobile Licence (DML) which was issued on February 2001 for a tenor of 15 years. This has now been discontinued by Nigerian Communications Commission (NCC). However, the Spectrum associated with the DML (900 and 1800 MHz) has been subsumed under the Universal Access Service Licence (UASL) which has been renewed till November 2021. Other licenses include the Universal Access Service Licence (UASL) issued on 1 December 2006 for a tenor of 15 years; National Destination Code (NDC) issued as an additional number blocks to accommodate growing customer base; 3G Spectrum Licence issued on 1 May 2007 also for a tenor of 15 years and Infrastructure Sharing and Collocation Services Licence issued on 1st March 2012 for a tenure of 10years. The Company also acquired 2600 MHz 4G spectrum licence during the year with tenor of 10 years. 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 Company was as follows:

Cost	900 & 1800 MHz Spectrum ₦'000	2600 MHz Spectrum ₦'000	3G Licence ₦'000	Indefeasible right of use ₦'000	Software licence ₦'000	National Destination Code ₦'000	Total ₦'000
As at 1 Jan. 2018	21,300,040	-	19,020,000	7,179,131	-	577,500	48,076,671
Additions	-	-	-	489,429	-	-	489,429
As at 31 Dec. 2018	**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**
Accumulated Amortisation							
As at 1 Jan. 2018	(6,917,027)	-	(13,478,027)	(1,557,616)	-	(164,074)	(22,116,744)
Amortisation	(3,707,419)	-	(1,259,535)	(445,838)	-	(105,487)	(5,518,279)
As at 31 Dec. 2018	**(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	-	-	2,005,037
As at 31 Dec. 2019	**(14,399,878)**	**(732,546)**	**(15,933,183)**	**-**	**(580)**	**(375,049)**	**(31,441,234)**
Carrying amount							
As at 31 Dec 2019	**6,900,162**	**11,939,454**	**3,086,817**	**-**	**1,319**	**202,451**	**22,130,203**
As at 31 Dec 2018	10,675,594	-	4,282,438	5,665,106	-	307,939	20,931,077

Notes to the financial statements

19. Right of use

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

Cost	**GSM Equipment ₦'000**	**Building ₦'000**	**Motor Vehicles ₦'000**	**Total ₦'000**
As at 1 Jan. 2019	-	-	-	-
Reclassification from property, plant and equipment	32,245,471	-	-	32,245,471
IFRS 16 adoption impact	55,457,034	669,607	300,824	56,427,465
As at 1 Jan. 2019 (Restated)	**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**
Accumulated Amortisation				
As at 1 Jan. 2019	-	-	-	-
Reclassification from property, plant and equipment	(11,150,332)	-	-	(11,150,332)
As at 1 Jan. 2019 (Restated)	(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)**
Net Book Value				
As at 31 Dec 2019	**88,089,711**	**220,609**	**75,652**	**88,385,972**
As at 1 Jan 2019 (Restated)	76,552,173	669,607	300,824	77,522,604

The Company leases several assets including buildings, GSM equipment and motor vehicles. The average lease term is detailed in Note 3.6. 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

	2019 ₦'000	**2018 ₦'000**
Depreciation of right of use assets (Note 11 – Other operating expenses)	22,919,797	-

19.2 Retirement of Right of use – GSM Equipment

During the year, the Company exited 20 of the leased sites as per terms of the agreement with the Lessor. The carrying amount of the exited sites derecognised is ₦80.63 million (cost – ₦134.38 million, accumulated depreciation – ₦53.75 million).

Notes to the financial statements

19. Right of use (continued)

19.3 Sale and lease back transactions

As at 31 December 2019, included in the right of use assets – GSM equipment is the carrying value of assets held under a sale and lease back transaction of ₦54.02 billion (2018: ₦63.89 billion) and deferred gain on sale of towers of ₦36.21 billion (2018: ₦42.80 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

	2019 ₦'000	2018 ₦'000
Non- Current	188,115	54,920
Current	113,055	345,179
	301,170	**400,099**
Security deposit	1,250	311,288
Staff car loan	299,920	88,811
	301,170	**400,099**

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 costs (Note 12(b)) and deferred for amortisation over the life of the loans.

Notes to the financial statements

21. Inventories

	2019 ₦'000	2018 ₦'000
Handsets	48,507	8,212
Accessories	419,993	151,605
	468,500	**159,817**

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

During the year, ₦136.28 million was recognised as net reversal for inventories carried at net realisable value (2018: ₦360.46 million - expense). This is recognised as part of other operating expenses in Note 11.

22. Trade and other receivables

	2019 ₦'000	2018 ₦'000
Interconnect (Note 22(a))	5,101,357	6,194,461
Subscribers	1,708,350	1,694,311
Dealers	2,430,627	218,267
E1 Leased line	1,859,589	2,026,645
Roaming	131,613	49,857
Trade receivables	11,231,536	10,183,541
Allowance for impairment for receivables (Note 22(b))	(3,862,294)	(3,715,746)
Net trade receivables	7,369,242	6,467,795
Due from related companies (Note 22(c))	6,728,377	2,892,737
Other receivables	387,684	3,831,988
Less: Allowance for other receivables (Note 22(d))	(183,142)	(181,926)
	14,302,161	**13,010,594**

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

The Company applies the simplified approach which uses a provision matrix to measure the expected credit loss of trade receivables. Based on the industry practices and the business environment in which the entity operates, management considers that the trade receivables are credit impaired if the payments are more than 90 days past due except for interconnect of 270 days past due. There has been no change in the estimation techniques or significant assumptions made during the current reporting period. Movement in impairment of trade and other receivables is shown in Note 22(b) and (d).

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 2019 (2018: Nil).

Notes to the financial statements

22. Trade and other receivables (continued)

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

	2019 ₦'000	2018 ₦'000
Receivables		
Balance as at 1 January	6,194,461	4,158,196
Revenue for the year	85,253,354	69,018,484
Impairment during the year	(289,278)	(1,437,361)
Balance as at 31 December (Note 22)	(5,101,357)	(6,194,461)
Payment received in the year	**86,057,180**	**65,544,858**
Payables		
Balance as at 1 January	1,499,582	4,999,659
Cost for the year	78,737,474	65,350,848
Balance as at 31 December (Note 33)	(2,928,439)	(1,499,582)
Payment made in the year	**77,308,618**	**68,850,925**
Net receipt/payment made for the year	**8,748,563**	**(3,306,067)**

(b) Allowance for impairment of trade receivables

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

	2019 ₦'000	2018 ₦'000
Individually impaired	**3,862,294**	**3,715,746**

	₦'000	₦'000
Balance as at 1 January	3,715,746	1,976,719
Movement during the year	146,548	1,739,027
Balance as at 31 December	**3,862,294**	**3,715,746**

Notes to the financial statements

22. Trade and other receivables (continued)

(c) Due from related companies

	2019 ₦'000	2018 ₦'000
Airtel Kenya	749	2,988
Airtel Madagascar	9,278	9,375
Airtel Niger	4,143,727	944,623
Airtel DRC	139,717	122,013
Airtel Zambia	32,364	33,434
Airtel Congo Brazzaville	209,184	183,252
Airtel Malawi	43,964	45,518
Airtel Chad	217,451	202,589
Airtel Gabon	181	140
Airtel Tanzania	68,777	69,652
Airtel Uganda	22,934	19,801
Airtel Rwanda	46,730	50,422
Airtel Seychelles	6,557	6,568
Bharti Airtel Limited	122,720	132,878
Bharti Airtel (UK) Limited	1,639,488	1,002,006
Bharti International (Singapore) Pte Ltd	24,552	61,915
Bharti Airtel Lanka (Pvt Ltd)	-	40
Bharti Airtel France (SAS)	-	5,523
Jersey Airtel Limited	4	-
	6,728,377	**2,892,737**

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

(d) Allowance for impairment of other receivables

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

	2019 ₦'000	2018 ₦'000
Individually impaired	**183,142**	**181,926**

	₦'000	₦'000
Balance as at 1 January	181,926	17,033
Movement during the year	1,216	164,893
Balance as at 31 December	**183,142**	**181,926**

Notes to the financial statements

23. Other assets

	2019 ₦'000	2018 ₦'000
Non-current	6,826,466	615,119
Current	5,453,580	8,207,919
	12,280,046	**8,823,038**
Prepaid expenses (Note 23(a))	2,858,415	7,743,497
Prepaid site lease/rent (Note 23(b))	4,425,064	36,156
Customer Acquisition cost (Note 23(c))	4,354,827	-
Advance payment to suppliers (Note 23(d))	641,740	1,043,385
	12,280,046	**8,823,038**

(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** - During the year, 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 ₦1.9 billion relating to prior year was recognised in the statement of profit or loss as an exceptional item for customer acquisition cost. Management opted not to restate its retained earnings due to the materiality of the amount.

	2019 ₦'000	2018 ₦'000
Included in exceptional item line	**1,910,674**	**-**

(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

	2019 ₦'000	2018 ₦'000
Unutilised WHT credit notes	**419,611**	**3,210,552**

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

24.1 Movement in income tax recoverable

	2019 ₦'000	2018 ₦'000
Balance as at 1 January	3,210,552	4,186,050
Additions during the year	425,145	531,243
Utilized during the year	(3,216,086)	(1,506,741)
Un-utilized WHT credit notes	**419,611**	**3,210,552**

25. Cash and cash equivalents

	2019 ₦'000	2017 ₦'000
Cash in hand	1,271	2,528
Bank Balances	15,811,605	2,573,024
Restricted cash (Note 25.1)	39,677	96,500
Fixed Deposit	10,000,000	-
Cash and bank balances	**25,852,553**	**2,672,052**
Bank overdraft (Note 28 (c))	-	(4,465,502)
Cash and cash equivalent	**25,852,553**	**(1,793,450)**

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

	2019 ₦'000	2018 ₦'000
Authorised:		
13,500,000,000 (2018: 500,000,000 ordinary shares of ₦1 each	13,500,000	500,000
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)	3,925,705	-
Total share capital	**4,127,023**	**201,318**

The Company increased the authorized share capital from 500 million ordinary shares of N1/share to N13.5 billion ordinary shares of N1/share in 2019. Total number of shares issued as at 31 December 2019 is detailed in Note 16.

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 N1.00 each and allotted to the eligible shareholders per their respective pro-rata entitlement. As at 31 December 2019, 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 N3.9 billion was realized from the paid up portion of the right issues. 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

	2019 ₦'000	2018 ₦'000
Balance as at 31 December	**67,235,360**	**67,235,360**

27. Retained earnings

	2019 ₦'000	2018 ₦'000
As at 1 January	(42,541,084)	(156,898,488)
Effect of IFRS 15 adoption	-	782,909
Effect of IFRS 16 adoption	(12,471,594)	-
As at 1 January (restated)	(55,012,678)	(156,115,579)
Profit for the period	128,448,460	113,574,495
Interim Dividend (Note 27.1)	(22,548,218)	-
As at 31 December	**50,887,564**	**(42,541,084)**

27.1 Dividend - On 4 December 2019, the Board of Directors declared interim dividend of ₦22,548,217,816 which is equivalent to N1.70 per share to each shareholder in the register of members as the date of declaration. The interim dividend amount is recognised as a payable net of applicable tax in Note 33.

Notes to the financial statements

28 Interest bearing loans and borrowings

	2019 N'000	2018 N'000
Non-current		
Term loans and borrowings (Note 28 (a))	-	4,272,862
Shareholder loan (Note 28 (b))	-	606,728
	-	**4,879,590**
Current		
Bank overdraft (Note 28 (c))	-	4,465,502
Term loans and borrowings (Note 28 (a))	889	37,352,014
	889	**41,817,516**

(a) Term loans and borrowings

	2019 N'000	2018 N'000
Balance at 1 January	41,624,876	42,313,733
Additions in the year	-	32,475,000
	41,624,876	74,788,733
Repayment	(41,623,987)	(37,576,646)
Exchange difference	-	4,412,789
Balance at 31 December	**889**	**41,624,876**
Current	889	4,272,862
Non-current	-	37,352,014
	889	**41,624,876**

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

(b) Shareholder loan

	2019 ₦'000	2018 ₦'000
Balance at 1 January	606,728	39,285,550
Additions in the year	-	-
Exchange difference	-	3,132,352
	606,728	42,417,902
Repayment in the year	(606,728)	(41,811,174)
Balance at 31 December	**-**	**606,728**

This loan facility was obtained from Bharti Airtel International, Netherlands B.V. It is a USD 300mn facility with 6-year term, which is inclusive of a two-year moratorium on interest and principal repayment. It is priced at LIBOR plus a margin of 4.5%. These loans are stated at amortised cost using floating interest rates which approximates the effective interest rate. The carrying value of the loans approximates the fair value of the loans as at 31 December 2019. These loans are unsecured. As at 31 December 2019, the principal loan drawn had been fully settled.

Notes to the financial statements

28. Interest bearing loans and borrowings (continued)

(c) **Bank overdraft**

	Commitment ₦'000	Drawn-down ₦'000	Available ₦'000	Outstanding ₦'000
2019	81,000,000	-	81,000,000	-
2018	49,000,000	4,465,502	44,534,498	4,465,502

The Company's overdraft facilities are revolving having a structure of 12 months' term with a fixed rate of interest ranging between 13% and 17% (2018: 18% and 24%) per annum. These facilities are secured on all-assets debenture and corporate guarantee.

29 Provisions

	2019 ₦'000	2018 ₦'000
Non-current		
Asset retirement obligation (Note 29.1)	**25,344**	**23,713**
Current		
Provision for litigations (Note 29.2)	**188,147**	**398,271**

29.1 Asset Retirement obligation

	2019 ₦'000	2018 ₦'000
Balance at 1 January:		
ARO liability	2,489	102,877
Finance cost	21,224	60,268
	23,713	163,145
Additions during the year:		
ARO liability	-	-
Finance cost	3,833	14,132
	3,833	14,132
Utilization during the year:		
ARO liability	(215)	(100,388)
Finance cost	(1,987)	(53,176)
	(2,201)	153,564
Balance at 31 December:		
ARO liability	2,274	2,489
Finance cost	23,070	21,224
	25,344	**23,713**

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 2019 was 21% (2018: 6%). The discount rate represents the real rate determined using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the liability. 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

	2019 ₦'000	2018 ₦'000
Balance at 1 January	398,271	419,751
Addition during the year	119,996	554,009
Revision/utilisation during the year	(330,120)	(575,489)
Balance at 31 December	**188,147**	**398,271**

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

	2019 ₦'000	2018 ₦'000
Customer advances	22,126,764	18,230,504
Grants (Note 30(a))	103,818	23,018
Customer loyalty claims (Note 30(b))	324,243	191,919
	22,554,825	**18,445,441**
Non-current	97,959	14,618
Current	22,456,866	18,430,823
	22,554,825	**18,445,441**

(a) **Grants**

Balance at 1 January	23,018	21,501
Addition during the year	91,244	17,278
Amortised for the year (Note 8)	(10,444)	(15,761)
Balance at 31 December	**103,818**	**23,018**
Non-current	97,959	14,618
Current	5,859	8,400
	103,818	**23,018**

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

(b) **Customer loyalty**

The Company operates a customer loyalty programme, which allows customers to accumulate points when they recharge airtime. The points can be redeemed for free airtime, subject to a minimum number of points being obtained. Consideration received is allocated between the airtime revenue and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined by applying a statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed. As at 31 December 2019, the estimated liability for unredeemed points was approximately ₦324.2 million (2018: ₦191.9 million) disclosed as part of deferred revenue liability.

Notes to the financial statements

31 Lease liabilities

	31 Dec 2019 ₦'000	1 Jan 2019 ₦'000	31 Dec 2018 ₦'000
Non-current	166,429,891	180,139,276	105,878,727
Current	37,329,808	26,916,290	26,916,290
	203,759,699	**207,055,566**	**132,795,017**

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

	2019 ₦'000	2018 ₦'000
As at 1 January	132,795,017	135,080,034
IFRS 16 adoption	74,260,549	-
As at 1 January 2019 (restated)	**207,055,567**	**135,080,034**
Additions during the year	33,200,128	82,803,230
Interest expense during the year	10,528,777	-
Interest repayment	(8,667,427)	-
Principal Repayment	(30,649,380)	(25,252,537)
Exchange difference	(7,707,965)	(59,835,710)
Lease liabilities included in the statement of financial position	**203,759,699**	**132,795,017**

31.2 Maturity analysis: Lease liabilities

	2019 ₦'000	2018 ₦'000
Less than one year	37,329,808	26,916,290
Later than one year but not later than 5 years	147,212,094	155,082,074
Later than 5 years	19,217,797	40,796,653
Lease liabilities included in the statement of financial position	**203,759,699**	**132,795,017**

31.3 Maturity analysis: Undiscounted lease liabilities

	2019 ₦'000	2018 ₦'000
Less than one year	48,017,023	16,037,815
Later than one year but not later than two years	28,687,503	78,660,851
Later than two years but not later than five years	138,072,690	38,096,351
Later than five years but not later than nine years	18,761,989	-
Later than nine years	455,808	-
Total undiscounted lease liabilities	**233,995,013**	**132,795,017**

Notes to the financial statements

31 Lease liabilities (continued)

31.4 Amount recognised in statement of profit or loss

	2019 ₦'000	2018 ₦'000
Lease interest expenses – Lease liabilities	10,528,777	-
Lease interest expenses – Trade & other payables	10,764,235	11,744,234
Total lease finance charge (Note 12(b))	**21,293,012**	**11,744,234**

32 Employee benefit liability

	2019 ₦'000	2018 ₦'000
Pension fund	235	207
Leave encashment (Note 32.1)	9,381	18,979
Staff bonus	1,319,382	1,125,707
Other employee benefit	27,705	36,116
Long service award (Note 32.2)	22,639	27,284
	1,379,342	**1,208,293**
Non-current	29,487	21,301
Current	1,349,855	1,186,992
	1,379,842	**1,208,293**

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 2019 and 2018 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 2019. 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 2019**	**31 December 2018**
Discount rate*	12.75% p.a	16% p.a
Salary increase rate	8% p.a	7% p.a
Rate of return on plan assets	Not applicable	Not applicable
Withdrawal (rate of employee turnover)	14.07% p.a	8.7% 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

	2019	**2018**
	₦'000	**₦'000**
Opening obligation	18,979	82,461
Current service cost	3,392	-
Benefits paid	(12,990)	(63,482)
Total leave encashment	**9,381**	**18,979**
Current net liability	6,401	18,979
Non-current net liability	2,980	-
	9,381	**18,979**

32.2 Long service award

Key assumptions:	**31 December 2019**	**31 December 2018**
Discount rate*	12.75% p.a	16% p.a
Salary increase rate	Not applicable	7% 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)	14.07% p.a	8.7% p.a
Retirement Age	60 years	60 years

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

Amount shown in statement of financial position

	2019	**2018**
	₦'000	**₦'000**
Opening obligation	27,284	34,418
Current service cost	10,056	-
Benefits paid	(14,702)	(7,134)
Total leave encashment	**22,639**	**27,284**
Current net liability	10,002	21,301
Non-current net liability	12,637	5,984
	22,639	**27,284**

Notes to the financial statements

33 Trade and other payables

	2019 ₦'000	2018 ₦'000
Interconnect creditors (Note 22 (a))	2,928,439	1,499,582
Roaming creditors	410,169	658,007
Trade creditors	41,443,576	58,704,763
Sundry creditors	24,434,251	25,825,074
Due to related companies (Note 33 (a))	12,720,042	21,709,109
Interest accrued	-	300,524
Accruals	14,518,744	11,320,964
Dividend payable (Note 27)	20,810,542	-
	117,265,763	**120,018,023**

Trade payables are non-interest bearing and are normally settled between 30-60 day terms. For terms and conditions relating to related party payables, refer to Note 34.

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

Impact of IFRS 16 adoption on trade and other payables is shown in Note 5.1.1(b)(ii).

(a) Due to related companies

	2019 ₦'000	2018 ₦'000
Bharti Airtel Nigeria B.V.	8,401,732	9,634,825
Airtel Kenya	886,196	1,146,140
Airtel Madagascar	11,653	22,172
Airtel Niger	1,128,392	8,117,184
Airtel DRC	956,680	1,028,693
Airtel Zambia	38,582	124,778
Airtel Congo Brazzaville	95,440	95,801
Airtel Malawi	21,139	170,686
Airtel Chad	188	199
Airtel Gabon	122,634	95,866
Airtel Tanzania	240,589	245,596
Airtel Uganda	30,701	218,068
Airtel Rwanda	17,942	11,713
Airtel Seychelles	9	1
Bharti Airtel Limited	41,505	37,129
Bharti Airtel (UK) Limited	634,141	572,019
Bharti International (Singapore) Pte Ltd	13,163	13,663
Bharti Airtel Lanka (Pvt Ltd)	1	78
Nxtra Data Limited	32,985	48,176
Network i2i Limited	11,953	53,371
Africa Towers Services Limited	23,422	23,458
Bharti Airtel Services Limited	2,961	27,530
Bharti Airtel (France) SAS	8,034	21,963
	12,720,042	**21,709,109**

Notes to the financial statements

34 Related Party

(a) Related party transactions:

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

Name	Nature of transaction	Relationship	Transaction value 2019 ₦'000	Transaction value 2018 ₦'000	Balance receivable 2019 ₦'000	Balance receivable 2018 ₦'000	Balance (payable) 2019 ₦'000	Balance (payable) 2018 ₦'000
Bharti Airtel Nigeria, B.V.	Support Service Fees and Credit Facility/Other services	Shareholder's Interest	1,839,820	34,024,263	-	-	(8,401,732)	(10,241,552)
Airtel Kenya	Interconnect & Roaming	Fellow Subsidiary	257,704	(225,472)	749	2,988	(886,196)	(1,146,140)
Airtel Madagascar	Interconnect & Roaming	Fellow Subsidiary	10,422	(7,674)	9,278	9,375	(11,653)	(22,172)
Airtel Niger	Interconnect & Roaming	Fellow Subsidiary	10,187,895	661,161	4,143,727	944,623	(1,128,392)	(8,117,184)
Airtel DRC	Interconnect & Roaming	Fellow Subsidiary	89,717	(39,588)	139,717	122,013	(956,680)	(1,028,693)
Airtel Zambia	Interconnect & Roaming	Fellow Subsidiary	85,126	(96,331)	32,364	33,434	(38,582)	(124,778)
Airtel Congo Brazzaville	Interconnect & Roaming	Fellow Subsidiary	26,293	12,176	209,184	183,252	(95,440)	(95,801)
Airtel Malawi	Interconnect & Roaming	Fellow Subsidiary	147,993	(11,098)	43,964	45,518	(21,139)	(170,686)
Airtel Chad	Interconnect & Roaming	Fellow Subsidiary	14,873	63,116	217,451	202,589	(188)	(199)
Airtel Gabon	Interconnect & Roaming	Fellow Subsidiary	(26,728)	(24,871)	181	140	(122,634)	(95,866)
Airtel Tanzania	Interconnect & Roaming	Fellow Subsidiary	4,133	(28,888)	68,777	69,652	(240,589)	(245,596)
Airtel Uganda	Interconnect & Roaming	Fellow Subsidiary	190,500	(98,082)	22,934	19,801	(30,701)	(218,068)
Airtel Rwanda	Interconnect & Roaming	Fellow Subsidiary	(9,922)	31,493	46,730	50,422	(17,942)	(11,713)
Airtel Seychelles	Interconnect & Roaming	Fellow Subsidiary	(19)	834	6,557	6,568	(9)	(1)
Bharti Airtel Limited	Interconnect, Roaming, Signalling, Leaseline/Bandwidth	Common Parent	(14,534)	(1,209,112)	122,720	132,878	(41,505)	(37,129)
Bharti Airtel (UK) Limited	Interconnect, Roaming & Leaseline/Bandwidth	Common Parent	575,360	154,825	1,639,488	1,002,006	(634,141)	(572,019)
Bharti International (Singapore) Pte Ltd	Interconnect, Roaming & Leaseline/Bandwidth	Common Parent	(36,863)	333,738	24,552	61,915	(13,163)	(13,663)
Bharti Airtel Lanka (Pvt Ltd)	Roaming Services	Common Parent	37	(137)	-	40	(1)	(78)
Nxtra Data Limited	Network Data Maintenance	Common Parent	15,190	(1,168)	-	-	(32,985)	(48,176)
Network i2i Limited	Leaseline/Bandwidth	Common Parent	41,418	1,042,181	-	-	(11,953)	(53,371)
Africa Towers Services Ltd	Payment for investment	Common Parent	36	(3,721)	-	-	(23,422)	(23,458)
Bharti Airtel Services Limited	Manpower Services	Common Parent	24,569	3,219	-	-	(2,961)	(27,530)
Bharti Airtel (France) SAS	Leaseline/Bandwidth	Common Parent	8,407	(13,599)	-	5,523	(8,034)	(21,963)
Jersey Airtel Limited	Roaming Services	Common Parent	4	-	4	-	-	-
			13,431,431	**34,567,262**	**6,728,377**	**2,892,738**	**12,720,042**	**22,315,837**

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

Notes to the financial statements

34. 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 32 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 2019, 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:

	2019	**2018**
	₦'000	**₦'000**
Investment in subsidiary – Airtel Mobile Commerce Nigeria Limited	**50,000**	**-**

Notes to the financial statements

34. 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

	2019	2018
Short term compensation	**₦'000**	**₦'000**
Fees	38,766	38,520
Sitting allowance	3,746	4,046
	42,512	**42,566**
Chairman emoluments (excluding pension contribution)	16,672	16,672
The fees and emoluments of the highest paid Director	16,672	16,672

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

	2019	2018
Directors' mix	**Number**	**Number**
Executive Director	1	1
Non-executive Directors	6	6
	7	**7**

The non-executive directors that received compensation as at 31 December 2019 were three (3) (2018: 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:

	2019	2018
Range (₦)	**Number**	**Number**
0 – 9,999,999	-	-
10,000,000 – 10,999,999	-	-
11,000,000 – 11,999,999	-	-
12,000,000 – 12,999,999	2	2
13,000,000 – 13,999,999	-	-
14,000,000 – 14,999,999	-	-
15,000,000 – 15,999,999	-	-
16,000,000 – 16,999,999	1	1
	3	**3**

Notes to the financial statements

35 Guarantee and financial commitments

(a) Bank guarantee

The Company obtained a bank guarantee amounting to ₦550 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 ₦48.4 billion (2018: ₦40.3 billion) as at the reporting date.

(c) Letters of credit (LC)

The Company has unfunded Letters of Credit amounting to ₦403.94 million (2018: ₦1.16 billion) with various banking institutions in respect of imports.

36 Financial Instruments

36.1 Categories of financial instruments and their fair value

The table below show financial instruments by their measurement categories.

	Amortised cost ₦'000	Carrying value ₦'000
As at 31 December 2019		
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**
As at 31 December 2018		
Trade and other receivables	14,053,979	14,053,979
Other financial asset	400,099	400,099
Cash and bank balance	2,672,052	2,672,052
Total financial assets	**17,126,130**	**17,126,130**
Trade and other payables	120,018,023	120,018,023
Interest bearing loans and borrowings	46,697,106	46,697,106
Total financial liabilities	**166,715,129**	**166,715,129**

Notes to the financial statements

37. Financial Instruments (continued)

36.2 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; and deposits. The sensitivity analyses in the following sections relate to the position as at 31 December in 2019 and 2018. 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:

	2019	**2018**
	₦ '000	**₦ '000**
Interest bearing loans and borrowings		
Non-current portion of loans	-	4,879,590
Current portion of loans	889	37,352,014
Overdraft	-	4,465,502
	889	**46,697,106**
Effective Interest Rate	**0%**	**5.67%**

Basis point		**Strengthening**	**Weakening**
2019		**N'000**	**N'000**
	+1	-	-
	+5	-	-
2018		**N'000**	**N'000**
	+1	4,670	(4,670)
	+5	23,349	(23,349)

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. As at 31 December 2019, all loans had been fully settled.

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 2019		31 December 2018	
	USD '000	**EUR '000**	**USD '000**	**EUR '000**
Financial asset				
Trade receivables (Net)	11,671	99	8,966	109
Financial liability				
Borrowings	-	-	(143,409)	-
Lease liabilities	(319,422)	-	-	-
Trade and other payables	(154,455)	(9)	(859,622)	(55)
Net statement of financial position exposure	**(462,206)**	**90**	**(994,065)**	**54**

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

		Effect on profit before tax ₦'000
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)
As at 31 December 2018	USD (5 per cent strengthening)	18,111,928
	Euro (5 per cent strengthening)	1,121
	USD (5 per cent weakening)	(18,111,928)
	Euro (5 per cent weakening)	(1,121)

The following exchange rates were applied during the year:

	Average rate		Closing rate	
	2019	**2018**	**2019**	**2018**
	₦	**₦**	**₦**	**₦**
US Dollar	361.65	353.25	363.84	364.40
Euro	404.97	416.97	406.66	417.00

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				
At 31 December 2019	**Neither past due nor impaired ₦'000**	**Less than 90days ₦'000**	**90-180 days ₦'000**	**181-360 days ₦'000**	**Above 360 days ₦'000**	**Total ₦'000**
Subscribers	342,834	526,479	-	-	-	869,313
Roaming	5,643	-	-	-	-	5,643
Interconnect	3,296,787	-	-	-	-	3,296,787
Leased line	678,067	-	-	-	-	678,067
Dealers	2,519,432	-	-	-	-	2,519,432
Net trade receivables	**6,842,763**	**526,479**	**-**	**-**	**-**	**7,369,242**
At 31 December 2018						
Subscribers	341,736	424,575	-	-	-	766,311
Roaming	153,911	143,020	-	-	-	296,931
Interconnect	3,251,041	1,050,495	-	-	-	4,301,536
Leased line	659,334	255,561	-	-	-	914,895
Dealers	188,122	-	-	-	-	188,122
Net trade receivables	**4,594,144**	**1,873,651**	**-**	**-**	**-**	**6,467,795**

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's debt has been fully paid as at 31 December 2019.

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.

Financial instruments by measurement bases

The table below show financial instruments by their measurement bases.

	Total ₦'000	On demand ₦'000	Less than 3 months ₦'000	3 to 12 months ₦'000	1 to 3 years ₦'000	4 to 5 years ₦'000
31 December 2019						
Interest bearing loans and borrowings	889	889	-	-	-	-
Trade and other payables	96,455,221	-	39,363,164	57,092,056	-	-
Dividend payable	20,810,542	-	20,810,542			
Total	**117,266,652**	**889**	**60,173,706**	**57,092,056**	**-**	**-**
31 December 2018						
Interest bearing loans and borrowings	42,231,603	889	662	42,230,052	-	-
Trade and other payables	120,018,023	-	120,018,023	-	-	-
Bank overdraft	4,465,502	4,465,502	-	-	-	-
Total	**166,715,128**	**4,466,391**	**120,018,685**	**42,230,052**	**-**	**-**

Fair Value

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

	Carrying amount		Fair value	
	2019 ₦'000	2018 ₦'000	2019 ₦'000	2018 ₦'000
Financial assets				
Other financial asset:				
Staff car loan	299,920	88,811	299,920	88,811
Security deposit	1,250	311,288	1,250	311,288
Total	**301,170**	**400,099**	**301,170**	**400,099**
Financial liabilities				
Interest loan and borrowings	889	46,697,106	889	46,697,106
Total	**889**	**46,697,106**	**889**	**46,697,106**

Notes to the financial statements

37. Financial Instruments (continued)

37.2 Financial risk management (continued)

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

- Cash and cash equivalent, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- Long-term fixed-rate and variable-rate borrowings and/or receivable are evaluated by the Company based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2019, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

As at 31 December 2019, the changes in counterparty credit risk had no material effect on the financial instruments recognised at fair value.

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

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

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

	Total ₦'000	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000
At 31 December 2019				
Other financial asset	301,170	-	-	301,170
At 31 December 2018				
Other financial asset	400,099	-	-	400,099

During the reporting period ending 31 December 2019, there were no transfers between Level 1 and Level 2 (2018: 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)

37.2 Financial risk management (continued)

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

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

The Company enters into derivative financial instruments with various counterparties. Interest rate swaps and foreign exchange forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty risk and the Company's own non-performance risk. As at 31 December 2019, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

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

Description of significant unobservable inputs to valuation:
The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2019 and 2018 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% (2018: 0.65%) 36 / 48 months	1% (2018: 1%) increase (decrease) would result in an increase (decrease) in fair value by ₦0.5 million (2018: ₦1.02 million)
Derivative financial assets	DCF method	Expected future cash flows, Forward foreign currency exchange rates, Interest rates to discount future cash flow		The fair value of embedded derivative would increase/ decrease in same proportion to increase or decrease in the expected future pay-outs to vendor

Notes to the financial statements

37. Financial Instruments (continued)

37.2 Financial risk management (continued)

Reconciliation of fair value measurement of derivative assets and liabilities

	Derivative financial assets			Derivative
	Embedded derivatives ₦'000	**Interest rate swap ₦'000**	**Forward contract ₦'000**	**financial liabilities ₦'000**
As at 1 January 2018	-	-	2,691	404,614
Recognised in statement of profit or loss during the year	-	-	(2,691)	(404,614)
As at 31 December 2018	**-**	**-**	**-**	**-**
Recognised in statement of profit or loss during the year	-	-	-	-
As at 31 December 2019	**-**	**-**	**-**	**-**

(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.

	2019 ₦'000	**2018 ₦'000**
Gearing Ratio		
Interest-bearing loans and borrowings	889	42,231,603
Bank Overdraft	-	4,465,502
Lease liabilities	203,759,699	-
Trade and other payables	117,265,763	120,018,023
Less: cash and bank balance	(25,852,553)	(2,672,052)
Net debt	**295,173,798**	**164,043,076**
Total Equity	**122,249,947**	**24,895,594**
Equity and net debt	417,423,744	188,938,670
Gearing ratio	**70.7%**	**86.8%**

Collateral

The Company had deposited cash as security in respect of facility usage. At 31 December 2019 the fair value of the cash deposit was ₦1.25 million (2018: ₦311.3 million) as shown in Note 20. The counterparty has an obligation to return the security to the Company after the expiration of the contract. There are no other significant terms and conditions associated with the use of collateral. Security deposit held in respect of post-paid customers amounted to ₦397.6 million as at 31 December 2019 (2018: ₦349.5 million).

Notes to the financial statements

37 Going concern

The Company reported a net profit for the year ended 31 December 2019 of ₦128.45 billion (2018: ₦113.57 billion) and as at that date, the current liabilities exceeded its current assets by ₦157.71 billion (2018: ₦194.42 billion) while total assets exceeded total liabilities by ₦122.25 billion (2018: ₦24.89 billion). There was a forex gain for the year which is due to an appreciation of the Naira from N364.40/$ in December 2018 to N363.84/$ in December 2019. Total forex gain recognised for the year ended 31 December 2019 is ₦1.77 billion (2018: loss of ₦22.36 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 2019, the Company has N144.6 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 $300 million shareholder loan from the holding company that is yet to be drawn down as at this reporting date. In February 2019, the Company increased the authorized share capital from N500 million ordinary shares of N1/share to 13.5 billion ordinary shares of N1/share with a right issue of 13.09 billion shares. Thirty (30) kobo of the right issue value has been called-up and the balance is to be called up as the Board of Directors deems fit. The total sum of N3.93 billion was realized from the right issue in 2019. 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

38 Information relating to employees

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

	2019 Number	2018 Number
CEO's office and corporate affairs	33	35
Engineering /operation	112	111
Sales and marketing	361	331
Customer experience	26	25
Information systems	13	6
Human resources	15	14
Finance	52	54
	612	**576**

(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 (₦)	2019 Number	2018 Number
Less than – N5,000,0000	109	90
N5,000,001- N10,000,000	177	184
N10,000,001- N15,000,000	152	156
N15,000,001- N20,000,000	77	63
N20,000,001 and above	97	83
	612	**576**

39 Contingent liabilities and Contingent assets

As at 31 December 2019, the Company had contingent liabilities of ₦160 million (2018: ₦1.22 billion) 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 2019.

Notes to the financial statements

40 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 2019.

S/N	DESCRIPTION	AMOUNT (NGN)	DATE
a.	Contravention of NCC's Direction on "Do Not Disturb"	5,000,000	27 February 2019
b.	Alleged Unilateral Disconnection of Exchange Telecommunications Limited without NCC's prior approval and failure to resolve faults on interconnection links with Exchange within NCC's specified timeframe as per QoS Regulations, 2013 (As Amended)	60,500,000	17 June 2019
c.	Non-compliance with NCC Revised Conditions for Tariff Approval	15,000,000	9 September 2019
d.	Forceful subscription of Value Added Services (VAS) without prior consent of the subscribers in contravention of NCC's Directive	866,842,000	6 March 2020

41 Subscriber base

	2019 Numbers '000	2018 Numbers '000
Opening subscriber base	44,180	37,234
Net subscriber connection added during the year	6,007	6,946
Closing subscriber base	**50,187**	**44,180**

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

42 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.

43 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

44 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. **Acquisition of new spectrum licence:**

The Company acquired a 10MHz spectrum frequency licence in the 900 MHz (E-GSM) band from Intercellular Nigeria Limited in March 2020.

OTHER NATIONAL DISCLOSURES

Value Added Statement

For the year ended 31 December

	2019		2018	
	N'000	%	N'000	%
Revenue	468,960,719		382,096,006	
Bought-in-materials and services				
- Local	(181,935,913)		(220,458,907)	
-Imported	(15,002,752)		(12,037,851)	
Value added by operating activities	**272,022,054**		**149,599,248**	
Non trading items:				
Other income	265,937		1,038,743	
Finance income	48,938		16,234	
Value Added	**272,336,929**	**100**	**150,654,225**	**100**
Applied as follows:				
To pay employees' salaries, wages and fringe benefits	13,731,117	5	13,346,299	9
To pay providers of capital - interest	24,140,616	9	13,212,392	9
Current taxation	23,206,171	9	5,608,669	4
Deferred Tax	16,344,507	6	(53,498,890)	(36)
To provide for depreciation of fixed assets	37,735,013	14	52,892,981	35
To provide for depreciation of right of use assets	22,919,797	8	-	-
To provide for amortisation of licence	5,811,248	2	5,518,279	4
Absorbed by the Company's operations	128,448,460	47	113,574,495	75
Value Added	**272,336,929**	**100**	**150,654,225**	**100**

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

Five-Year Financial Summary

	2019 ₦'million	2018 ₦'million	2017 ₦'million	2016 ₦'million	2015 ₦'million
Statement of Comprehensive Income					
Revenue from operations	468,961	382,096	315,463	280,822	249,120
Gross profit	284,119	188,432	127,089	113,979	114,022
EBITDA	252,520	159,653	98,629	(28,896)	56,927
Gain on sale of towers and assets	2,367	-	349	599	69,776
Customer acquisition cost	1,911	-	-	-	-
LTE Modernization	(1,842)	(15,023)	(5018)	-	-
Profit/(Loss) before taxation	167,999	65,684	(148)	(92,827)	66,351
Taxation	(39,551)	47,890	(5,712)	(4,450)	(42,354)
Profit/(Loss) for the year	**128,448**	**113,574**	**(5,860)**	**(97,277)**	**23,997**
Statement of financial position					
Property, plant and equipment	240,784	209,371	182,218	191,848	194,247
Right of use	88,386	-	-	-	-
Intangible assets	22,130	20,931	25,960	25,522	29,649
Deferred tax assets	88,173	99,168	45,669	45,669	45,669
Investment in subsidiary	50	-	-	10	10
Other Non-current assets	7,015	670	1,239	1,472	765
Net current liabilities	(157,705)	(194,426)	(175,930)	(136,876)	(119,691)
Interest bearing loans and borrowings (non-current)	-	(4,880)	(46,719)	(87,658)	(56,629)
Employee benefits liability (non-current)	(29)	(21)	(28)	-	-
Deferred revenue - (non-current)	(98)	(15)	(7)	(21)	(43)
Provisions (non-current)	(25)	(24)	(163)	(153)	(153)
Finance leases obligation (non-current)	(166,430)	(105,879)	(121,701)	(123,415)	(80,149)
Net assets	**122,250**	**24,895**	**(89,462)**	**(83,602)**	**13,675**
Equity					
Share capital	4,127	201	201	201	201
Share premium	67,235	67,235	67,235	67,235	67,235
Retained earnings/(loss)	50,888	(42,541)	(156,898)	(151,038)	(53,761)
Equity attributable to owners of the Company	**122,250**	**24,895**	**(89,462)**	**(83,602)**	**13,675**
Earnings/(loss) per share:					
- Basic	₦9.67	₦564.15	₦(29.11)	₦(483.20)	₦119.20
- Diluted	₦9.67	₦564.15	₦(29.11)	₦(483.20)	₦119.20