Arik Air Limited (In Receivership)
Annual Report and Financial Statements
for the year ended 31 December 2018

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Corporate information

Board of directors

Sir Johnson Arumemi-Ikhide	-	Director	
Dr. Michael Arumemi-Ikhide	-	Director	
Mr. Chris Ndulue	-	Director	
Engr. Olubiyi Sangowawa	-	Director	

Appointed by Asset Management Corporation of Nigeria (AMCON):

Oluseye Opasanya	-	Receiver Manager	(Appointed 6 February 2017; Resigned 6 June 2019)
Capt. Roy Ilegbodu	-	Chief Executive Officer	(Appointed 6 February 2017)
Kamilu Alaba Omokide (FCA)	-	Receiver Manager	(Appointed 10 June 2019)

Company secretary

Oluseun Oludimu

Registered office

Arik Aviation Centre
Murtala Muhammed Domestic Airport
P.O. Box 10468
Ikeja, Lagos

Independent auditors

PricewaterhouseCoopers
Chartered Accountants
Landmark Towers
5B Water Corporation Road
Victoria Island
Lagos
Nigeria

Report of the Receiver Manager

The receiver manager submits the report together with the audited financial statements for the year ended 31 December 2018, which disclose the state of affairs of the company.

Incorporation
Arik Air Limited was incorporated in Nigeria under the Companies and Allied Matters Act as a private limited liability company, and is domiciled in Nigeria. Arik Air Limited ('the company' or 'Arik Air') was incorporated on 2 July 2004 and commenced business operations on 1 January 2006. The commercial flight operations commenced on 30 October 2006.

Principal activities
The principal activities of the company are the provision of scheduled and chartered flight services to members of the general public, corporations and government establishments. As at the balance sheet date, the company owned a fleet of nineteen (19) aircraft, while five (5) are financed by debt and equity.

Appointment of Receiver Manager
In February 2017, the Asset Management Company of Nigeria (AMCON) served Arik Air Limited with a court order appointing a Receiver Manager (Mr Oluseye Opasanya, SAN) to oversee the daily affairs of the company. AMCON is a creditor to the company.

Mr Oluseye Opasanya (SAN) resigned on 6 June 2019 and Kamilu Alaba Omokide (FCA) was appointed as receiver manager on 10 June 2019.

Results and dividend
Details of the company's results for the year are set out on page 13 in the statement of profit or loss and other comprehensive income. The loss after taxation for the year of N14.3 billion (2017: N41.6 billion) has been transferred to reserves. No dividend is proposed by the directors (2017:Nil).

	31 December 2018	31 December 2017
	N '000	N '000
Revenue	42,703,399	28,433,731
Operating profit/(loss)	3,337,223	(23,483,383)
Loss before taxation	(15,101,732)	(41,901,884)
Loss after taxation	(15,101,732)	(41,901,884)

Directors

The directors who held office during the year and to the date of this report were:

Sir Johnson Arumemi-Ikhide	Director	
Dr. Michael Arumemi-Ikhide	Director	
Mr. Chris Ndulue	Director	
Engr. Olubiyi Sangowawa	Director	
Appointed by AMCON:		
Oluseye Opasanya	Receiver Manager	(Appointed 6 February 2017; Resigned 6 June 2019)
Capt. Roy Ilegbodu	Chief Executive Officer	(Appointed 6 February 2017)
Kamilu Alaba Omokide (FCA)	Receiver Manager	(Appointed 10 June 2019)

Directors' shareholding
The direct and indirect interests of directors in the issued share capital of the company as recorded in the register of directors' shareholdings for the purposes of sections 275 and 276 of the Companies and Allied Matters Act are as follows:

	Number of shares held as at 31 December	
	2018	2017
Sir Johnson Arumemi-Ikhide ('000)	1,200,000	1,200,000

Significant Shareholding

According to the register of members at 31 December 2018, the following shareholders of the Company held more than 10% of the issued share capital of the Company:

	Number of shares held	Percentage held
Sir Johnson Arumemi-Ikhide	1,200,000,000	60%
Dame Mary Arumemi-Ikhide	700,000,000	35%

Status of the board of directors

In February 2017, the Asset Mangement Company of Nigeria (AMCON) served the management of Arik Air Limited with a court order appointing a Receiver Manager ((Mr. Oluseye Opasanya SAN) to oversee the daily affairs of the company. The Receiver Manager has taken charge of the company from the date of the appointment and has authorised the preparation of these financial statements.

On 6 June 2019, Mr Oluseye Opasanya (SAN) resigned from his position as receiver manager. Kamilu Alaba Omokide (FCA) was then appointed as receiver manager on 10 June 2019.

Directors' interests in contracts

None of the directors has notified the company for the purpose of section 277 of the Companies and Allied Matters Act of their direct or indirect interest in contracts or proposed contracts with the company during the year.

Suppliers and technical agreements

The company's business operations require the importation of specialised aircraft equipment as well as aviation services. Major suppliers are:

- Airbus (provider of A330-200 and A340-500 aircraft)
- Boeing (provider of B737-700NG and B737-800NG aircraft)
- Bombardier (provider of Dash 8-Q400, CRJ900 and CRJ 1000 aircraft)

Arik Air Limited has a technical agreement with Iberia for the maintenance of Airbus A330- 200 and A340-500 aircraft. In addition, the airline has technical agreements with Lufthansa Technik, Lufthansa Cityline, and Samco Aircraft Maintenance B.V for the provision of general and specific maintenance on the airline's other aircraft and other aviation equipment.

There are no other direct or indirect relationships with any of these suppliers.

Employment of disabled persons

The company has a policy of fair consideration of job applications by disabled persons having regard to their abilities and aptitude. The company's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees. At present, the Company has no disabled persons in its employment.

Employee health, safety and welfare

The management of the company creates awareness among employees and ensure continuous improvement in safety and environmental performance thus various programmes have been implemented including training seminars for employees at all levels and having specific programmes and drills aimed at eliminating unsafe acts in the workplace.

The company provides medical care for its employees and their families through designated hospitals and clinics.

Fire prevention and fire-fighting equipment are installed in strategic locations within the company's premises.

Report of the Receiver Manager

Donations and gifts

The company made the following donations and charitable gifts during the year:

	N'000
The National Association of Nigeria Travel Agencies	2,500
National Association Of Aircraft Pilots and Engineers	300
United Sates Disbursing Officer	750
League of Airport and Aviation Correspondents	750
House of Representatives of Nigeria (Committee on narcotic drugs)	500
Air Transport Services Senior Staff Association of Nigeria	500
National Union of Air Transport Employees	500
	5,800

The company did not make any donation to any political organisation during the year (2017: Nil).

Property, plant and equipment

Information relating to changes in property, plant and equipment is given in Note 14 to the financial statements. In the directors' opinion, the market value of the Company's property and equipment is not less than the value shown in the financial statements.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office, in accordance with Section 357(2) of the Companies and Allied Matters Act.

By order of the Receiver Manager:

Oluseun Oludimu
Company secretary

Statement of Receiver Manager's Responsibilities

The Companies and Allied Matters Act requires the receiver manager to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibility includes:

a) ensuring that the Company 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;

b) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; and

c) preparing the Company's financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates that are consistently applied.

The receiver manager accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with the International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act.

The receiver manager is 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 or loss. The receiver manger further accepts 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 receiver manager to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

The Receiver Manager was appointed on 6th February 2017 by the Asset Management Corporation of Nigeria (AMCON) in accordance with its powers under section 48 of the AMCON Act, 2010 to be the receiver of all assets and undertakings of Arik Air Limited (Arik).

The Receiver Manager have pleasure in presenting this annual reports and audited financial statements for the year ended 31st December, 2018. Incidentally, these financial statements for the year then ended relates to the first full financial period after the receivership, i.e post Asset Management Corporation of Nigeria (AMCON) takeover of Arik Air Limited on 9th February, 2017.

Overview of the Nigerian Economy

For the Nigerian aviation industry, 2018 began on a relatively high note, particularly following the country's recovery from recession. In 2017, the sector experienced a number of milestones which should serve as leverage for building success as the country becomes an air travel hub in West Africa. Some of these positive developments include the country's increased ranking in the global aviation safety rating in the Level 3 State Safety Programme Implementation Process, joining countries including the United States and the United Kingdom. Further, the Murtala Muhammed Airport in Lagos and the Nnamdi Azikiwe International Airport in Abuja received International Civil Aviation Organisation (ICAO) certification from the Nigerian Civil Aviation Authority, which serves as an endorsement of its safety standards and alignment with global best practices. Another major achievement was the rehabilitation of the Nnamdi Azikiwe International Airport within the initial timeframe and prescribed budget.

Current economic state

The aviation sector is poised for greater expansion as a result of the developments within the industry. According to the National Bureau of Statistics in its gross domestic product (GDP) Report, the air transportation and storage sector grew by 10.22% in the first quarter of 2018 from 4.71% in the fourth quarter of 2017 and 0.48% in the third quarter of 2017.

The growth experienced in the sector is primarily due to an increase in the sale of tickets within the country, which has been stimulated by the relatively stable economy. In the past year, the naira has maintained a reliable margin in the exchange rate against the US dollar and other globally tradable currencies.

Statement of Receiver Manager's Responsibilities

The stability in the economy has renewed stakeholder trust in the aviation industry. As a result, foreign airlines have increased the frequency with which they operate in the country and have opened more routes through Nigeria.

This is a promising indication for the aviation industry, as increased travel will help to achieve the objective of becoming the primary travel hub in West Africa and ultimately generate more revenue for the country. Some of the foreign airlines opening new routes in Nigeria include:

i) Delta Airlines;
ii) RwandAir; and
iii) Emirates

In addition, Nigeria was among the member nations to ratify the Single African Air Transport Market (SAATM). It is expected that the SAATM will triple passenger movement in the West African coastal region and throughout the rest of Africa, thereby boosting the GDP of member nations.

An analysis of aviation trends conducted by Oxford Economic in collaboration with the International Air Transport Association found that the role of aviation and the development of its infrastructure is instrumental in the growth of a country's economy. The research concluded that global economic growth is linked to and dependent on growth in aviation.

In the year 2018, Nigeria’s economic fundamentals strengthened progressively and this momentum dragged some of the leading economic indicators high thus affirming Nigeria’s exit from a recession. Inflation during this period dropped consistently from 18.72% in January, 2017 to 11.44% in December, 2018. Nigeria’s Gross Domestic Products (GDP) grew by 1.9% in 2018 as compared to 0.8% growth in 2017. The country’s foreign reserves which was $38.2bn at the beginning of 2018 rose to $42.11bn from the third quarter of 2018.

Arik’s challenges with creditors under Receivership

In the course of the receivership, AMCON received diverse claims of indebtedness from various financial institutions both within and outside the shores of Nigeria, airport and aviation authorities, service providers including staff and insurance providers. In view of the peculiarities of the industry, some of these creditors are considered as very critical to the operation of Arik Air and as such we have to come to a round table talk with them to manage their expectations and enlist their cooperation towards ensuring continuous stabilization of Arik’s operations.

Future prospects – Stabilizing Arik’s operations

The huge loan portfolio of Arik made it almost impossible to continue running the business, as banks refused to lend and fuel suppliers refused to supply. These posed a great challenge to the whole effort put in towards the stabilization of Arik’s operations. We had to enter into negotiations with these critical lenders and we were able to obtain some discount with a more robust and realistic restructured tenor of the net outstanding obligations.

Furthermore, we also looked in the area of reducing the time it takes to maintain our aircraft by entering into further discussions with critical Maintenance, Repair and Operations (MRO) companies, who agreed to a workable and realistic restructuring of the net outstanding obligations, leading to the release of aircrafts that were held as lien. In order to also cushion the effect of revenue loss due to Aircraft On Ground (AOG) incidents, Arik Air negotiated and executed maintenance agreements with internationally renowned MRO companies which will ensure that faulty aircraft spare parts are promptly replaced with no delay to the flying public thereby improving customer services and consequently reducing loss of revenue to the airline.

In order to also reduce the enormous portfolio of litigation, Arik Air have also taken a proactive decision to settle some cases out of court thereby curtailing or reducing cost and expenses on litigation. So far, we now have better visibility on the finances and operations of the company, particularly for the reporting year ended 31 December 2018.

The impact of Covid-19 on the company has been disclosed in Note 34 of the financial statements.

Statement of Receiver Manager's Responsibilities

Receiver manager view on qualified balances

The representations of directors, explanations and clarifications are necessary inputs for the preparation of financial records. At the resumption of the receivership, attempts to engage the major shareholder/director of the company to obtain explanations on some issues were rebuffed. Secondly, the winding down of Arik Air International by its shareholders meant that the new management could not access documents utilised for intercompany transactions. Notwithstanding our best efforts at independent audit circularisation, we were unable to reconcile or place reliance on the completeness, validity and accuracy of some balances on Account Payable, Account Receivable, and Intercompany balances with similar or related ownership as Arik Air Limited (in Receivership). This includes Arik Air International Limited, Ojemai Farms Limited, Rockson International, Hansworth Limited, etc.
Further to the commencement of the receivership, the receiver manager has taken decisions to deal with the cashflow challenges of the company, exit unprofitable relationships and preserve the operational stability of the airline. A critical part of this has been the immediate suspension of the unprofitable international operations of the airline and cancellation of lease arrangements dedicated to such operations.

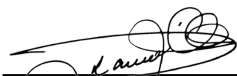
We will therefore provide clarifications and explanations on key areas impacted by the above as follows:

a) Trade Receivables: This includes the sum of N1.7 billion representing receivables from Rockson Engineering Limited. The company could not confirm the existence, accuracy and completeness of the balance as at the time of the audit.
b) Intercompany Receivables: This includes the sum of N2.3 billion representing receivable from Ojemai Farms Limited, Rockson International, Hansworth Limited and Arik Air International Limited. The company could not confirm the existence, accuracy and completeness of the balance as at the time of the audit.
c) Trade Payables: This includes aggregate net receivable of N11.7 billion, comprising of N9.6 billion from foreign vendors, N2.1 billion from local vendors and 24.9 billion payable to certain industry regulatory authorities. Under the receivership, we have taken several steps to reconcile these balances. This includes:
   i) Circularisation of the creditors to confirm the existence and accuracy of the balances captured on our books. Under this scenario, we sent letters to local and foreign vendors with the objective of reconciling their balances with that of Arik Air Limited. We should however note that this did not yield the required result as only few creditors responded to our letters while we did not receive feedback from a substantial number of creditors. The balances remain largely unreconciled as we could not access financial records on some of the vendor due to the commencement of the receivership and the winding down of Arik Air International Limited by the company's shareholders.
   ii) We have also held reconciliation meetings with key creditors immediately relevant to the operations of the business of the company covering maintenance, fuelling activities, ground handling, hotels, etc. We negotiated discounts on the outstanding obligations and agreed repayment terms in line with the cash flow capabilities of the company. These have been duly communicated to the auditors and recognised accordingly.

d) Intercompany Payables: This includes the sum of N13.1 billion which is payable to Ojemai Investments Limited and Arik Air International Limited. The company could not confirm the existence, accuracy and completeness of the balance as at the time of the audit.
e) Other Receivables: This comprise the sum of N9.1 billion which is represents our maintenance reserve and receivable from Standard Chartered Bank (aircraft lessors) on two leased aircraft named Squa and Night Jar. These payments were made alongside the monthly lease payments made by Arik to the lessors. The vendor was circularised by PWC and they confirmed a counter claim that Arik was indebted to them to the tune of N7.7 billion. We have reached out to the lessor at several times with a view to reconciling the position but the situation remained unreconciled as we disagreed with the claim at the time of the audit.

AMCON Exit plan

AMCON will continue to interact with existing shareholders with a view to achieving an amicable resolution of the outstanding debt and may consider giving reasonable concessions to Arik. However, where the shareholders are unable to resolve the loans, AMCON will work with various partners to preserve the assets of the company, its business interests and also achieve reasonable cash flow for creditors.



Kamilu Alaba Omokide (FCA)
Receiver Manager
24/12/ 2021

Arik
WINGS OF NIGERIA

Statements of profit or loss and other comprehensive income for the year ended 31 December 2018

In thousands of naira	Note	31 December 2018	31 December 2017
Passengers	4	21,081,758	17,630,325
Cargo and surcharge revenue	4	21,621,641	10,803,406
Revenue		**42,703,399**	**28,433,731**
Aviation fuel and oil expense		(12,495,238)	(9,428,684)
Aircraft maintenance expense		(3,836,244)	(4,115,307)
Depreciation and amortisation expenses	14 & 15	(6,120,849)	(4,992,292)
Employee benefit expenses	10	(8,118,888)	(7,548,951)
Landing, navigation and other charges	5	(1,646,021)	(1,789,490)
Loss allowance on trade receiveables	6	(26,208)	268,636
Other operating expenses	6.1	(2,149,202)	(1,970,298)
Aircraft lease expenses	6.2	-	(685,492)
Aircraft handling and catering charges	7	(2,026,944)	(1,942,964)
Accomodation and hotel expenses		(138,923)	(177,214)
Insurance expenses	8	(1,400,733)	(1,439,855)
Administrative expenses	9	(1,141,765)	(948,339)
Information technology related expenses		(265,161)	(216,889)
Impairment of aircrafts and related technical equipment	14	-	(6,382,258)
Impairment of landing and take-off slots	15	-	(10,547,717)
Total expenses		**(39,366,176)**	**(51,917,114)**
Operating profit/(loss)		**3,337,223**	**(23,483,383)**
Finance cost	11	(21,603,955)	(20,541,824)
Finance income	11	381,829	66,652
Finance costs-net		**(21,222,126)**	**(20,475,172)**
Other income	12	2,960,179	2,174,479
Minimum tax charge	13	(177,008)	(117,808)
Loss before tax		**(15,101,732)**	**(41,901,884)**
Income tax charge	13	-	-
Loss after tax		**(15,101,732)**	**(41,901,884)**
Total comprehensive loss for the year, net of tax		**(15,101,732)**	**(41,901,884)**

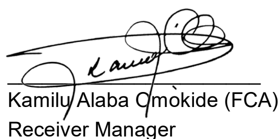
The notes on pages 17 to 54 form part of these financial statements.

Statement of financial position
as at 31 December 2018

In thousands of naira	Note	31 December 2018	31 December 2017
Assets			
Non-current assets			
Property, plant and equipment	14	110,621,261	110,583,691
Intangible assets	15	219,922	140,954
Deposit for aircraft	16	13,016,252	12,878,648
Total non-current assets		**123,857,435**	**123,603,293**
Current assets			
Inventories	18	2,219,281	1,597,520
Other receivables	17	13,885	-
Trade receivables	19	2,248,899	2,634,430
Prepayments	19	202,274	90,299
Other assets	20	12,132,864	12,003,327
Cash and cash equivalents	21	6,740,422	2,942,811
Total current assets		**23,557,625**	**19,268,387**
Total assets		**147,415,060**	**142,871,680**
Equity and liabilities			
Equity			
Share capital	28	2,000,000	2,000,000
Retained earnings		(194,582,679)	(179,422,020)
Total equity		**(192,582,679)**	**(177,422,020)**
Non-current liabilities			
Deferred income	25	824,184	1,082,646
Total non-current liabilties		**824,184**	**1,082,646**
Current liabilities			
Trade payables	22	46,212,103	44,931,360
Loans and borrowings	23	229,600,338	215,579,765
Other current liabilities	24	39,509,388	33,208,456
Deferred income	25	555,155	1,725,455
Contract liabilities	26	731,297	1,376,563
Deposit for shares	27	21,600,000	21,600,000
Income tax payable	13	965,274	789,455
Total current liabilities		**339,173,555**	**319,211,054**
Total equity and liabilities		**147,415,060**	**142,871,680**

The notes on pages 17 to 54 form part of these financial statements.

The financial statements on pages 13 to 56 were approved and authorised for issue by the Receiver Manager on ____________________________ and were signed on his behalf by:



Kamilu Alaba Omokide (FCA)
Receiver Manager

Capt. Roy Ilegbodu
Chief Executive Officer

Statement of changes in equity
for the year ended 31 December 2018

In thousands of naira	Note	Share capital	Retained earnings	Total equity
As at 1 January 2017		2,000,000	(137,520,136)	(135,520,136)
Loss for the year		-	(41,901,884)	(41,901,884)
As at 31 December 2017		2,000,000	(179,422,020)	(177,422,020)
Balance at 31 December 2017 as originally presented		2,000,000	(179,422,020)	(177,422,020)
Effect of initial application of IFRS 9 (net of tax)	3	-	(11,293)	(11,293)
Effect of initial application of IFRS 15 (net of tax)	3	-	(47,635)	(47,635)
Restated total equity as at 1 January 2018		2,000,000	(179,480,947)	(177,480,947)
Loss for the year		-	(15,101,732)	(15,101,732)
As at 31 December 2018		2,000,000	(194,582,679)	(192,582,679)

The notes on pages 17 to 54 form part of these financial statements.

Statement of cash flows
for the year ended 31 December 2018

In thousands of naira	Note	31 December 2018	31 December 2017
Operating activities			
Loss before tax		(15,101,732)	(41,901,884)
Non-cash adjustment:			
Depreciation of property, plant and equipment	14	6,045,553	4,967,343
Amortisation of intangible assets	15	75,296	24,949
Impairment of landing and take-off slots	15	-	10,547,717
Impairment of aircrafts and related technical equipment	14	-	6,382,258
Foreign exchange difference		(137,604)	2,777,914
Government grant	12	(1,428,762)	(1,825,263)
Minimum tax	13	177,008	117,808
Finance income	11	(381,829)	(66,652)
Finance cost	11	21,237,775	20,541,824
Working capital adjustments:			
Changes in trade and other receivables		82,499	2,545,464
Changes in inventory		(621,761)	(164,890)
Changes in trade payables		1,280,743	(11,239,189)
Changes in other liabilities		6,289,639	14,595,405
Changes in contract liabilities		(645,266)	921,713
Cash flow from operations		16,871,559	8,224,517
Income tax paid	13	(1,189)	(23,864)
Net cash flows generated from operating activities		**16,870,370**	**8,200,653**
Investing activities			
Acquisition of property, plant and equipments	14	(6,083,123)	(1,981,051)
Acquisition of intangible assets	15	(154,264)	(139,128)
Interest received		381,829	66,652
Net cash flows used in investing activities		**(5,855,558)**	**(2,053,527)**
Financing activities			
Proceeds from borrowings		21,613,617	12,343,868
Repayments of borrowings		(2,887,872)	(6,860,897)
Interest paid	11	(21,237,775)	(20,541,824)
Net cash flows used in from financing activities		**(2,512,030)**	**(15,058,853)**
Net increase/(decrease) in cash and cash equivalents		8,502,782	(8,911,727)
Exchange difference arising from translation of cash and cash equivalent		-	93,786
Cash and cash equivalent at beginning of the year		(7,924,667)	893,274
Cash and cash equivalent at end of the year	21	**578,115**	**(7,924,667)**

The notes on pages 17 to 54 form part of these financial statements.

1 THE COMPANY

In February 2017, the Asset Management Company of Nigeria (AMCON) served Arik Air Limited with a court order appointing a Receiver Manager.

The financial statements of Arik Air Limited (In Receivership) for the year ended 31 December 2018 were authorised for issue by the receiver manager. Arik Air Limited, "the Company" or "Arik Air", is a limited liability company incorporated on 2 July 2004 and domiciled in Nigeria. The Company commenced business operations and commercial flight operations on 30 October 2006. The registered office is located at Arik Air Aviation Center on the grounds of Murtala Muhammed International Airport in Ikeja, Lagos State, Nigeria.

The main activities of Arik Air are the operation of domestic, regional and international flight- scheduled services to corporate organisations and the general public.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

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) and interpretations issued by the IFRS Interpretation Committee.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.4.

Basis of measurement

The statements have been prepared on a historical cost basis, except for where fair values are used. The financial statements are presented in Naira and all values are rounded to the nearest thousand (N'000), except when otherwise indicated.

2.2 Changes in accounting policy and disclosures

i) New standards, amendments, interpretations adopted by the Company

A number of new or amended standards became applicable for the current reporting period and the Company had to change its accounting policies as a result of adopting the following standards.

- IFRS 9 Financial instruments, and
- IFRS 15 Revenue from contracts with customers

The impact of the adoption of these standards and the new accounting policies are disclosed in note 3. Other new accounting standards effective for reporting periods beginning on or after 1 January 2018 did not have any impact on the Company's accounting policies and did not require retrospective adjustments to the financial statements.

ii) New Standards, amendments, interpretations issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. Management is yet to assess the effect of the following standards on the financial statements of the Company. These include:

Amendment to IAS 19 - Plan Amendment, Curtailment or Settlement (effective date - 1 January 2019)

This amendment specifies how companies determine pension expenses when changes to a defined benefit pension plan occur.

IAS 19 Employee Benefits specifies how a company accounts for a defined benefit plan. When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires a company to remeasure its net defined benefit liability or asset. The amendments require a company to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements.

The Company does not intend to adopt the amendments before its effective date and is yet to assess the full impact of the amendments on its financial statements.

2.2 Changes in accounting policy and disclosures (continued)

IFRS 16 - 'Leases', (effective date- 1 January 2019).

This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. it also substantially carries forward the lessor accounting requirements in IAS 17.

IFRIC 23 Uncertainty over income tax treatment (effective date - 1 January 2019)

These amendments were issued in June 2017. IAS 12 Income taxes specifies requirements for current and deferred tax assets and liabilities. An entity applies the requirements in IAS 12 based on applicable tax laws. It may be unclear how tax law applies to a particular transaction or circumstance. The acceptability of a particular tax treatment under tax law may not be known until the relevant taxation authority or a court takes a decision in the future. Consequently, a dispute or examination of a particular tax treatment by the taxation authority may affect an entity's accounting for a current or deferred tax asset or liability.

This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation.

Conceptual framework for financial reporting - Revised (effective date - 1 January 2020)

These amendments were issued in March 2018. Included in the revised conceptual framework are revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure. The amendments focused on areas not yet covered and areas that had shortcomings.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2.3 Summary of significant accounting policies

The following are the significant accounting policies applied by the Company in preparing its financial statements:

Foreign currency transactions

The financial statements are presented in Naira, which is also the functional currency.
Transactions denominated in a currency other than the currency of the primary economic environment in which the company operates (Naira) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the translation of monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation; in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the translation of the foreign operation.

For all non-monetary items in foreign currency carried at historical cost, the historical exchange rate at the date of transaction is used to recognise the non-monetary asset or liabilities. For all non-monetary items in foreign currency carried at fair value the exchange rate at the date when fair value was determined is used to translate the asset or liabilities. The company does not have non-monetary assets and liabilities in foreign currency.

2.3.1 Fair value measurements

Arik Air discloses financial instruments such as loans and receivables at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability,
- the principal or the most advantageous market must be accessible to by Arik Air.

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.

2.3.2 Fair value measurements (continued)

Arik Air uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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; and

- 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, Arik Air determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.3.3 Revenue recognition
i) Accounting policy before 1 January 2018

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

IAS 18 Revenue requires that when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Revenue is recognised from various services as thus:

Aviation services
Passenger and cargo revenue is recognised when the transportation service is provided. Passenger tickets net of discounts are recorded as deferred revenue (current liabilities) until utilised by the passengers after which they are recognised as revenue. Air tickets that remain unutilised after a 12 -month period in respect of both international and domestic routes are released to revenue.

Cargo revenue is recognised once the goods have departed the point of origination. Surcharge revenue is recognised once the passengers have utilised their tickets.

Interest income
For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the profit or loss statement.

ii) Accounting policy from 1 January 2018

IFRS 15 Summary of significant accounting policies

Revenue from contracts with customers

The Company is principally engaged in the operation of domestic, regional and international flight-scheduled services to corporate organisations and the general public.

Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in note 3.

2.3.3 Revenue recognition (continued)

Policy from 1 January 2018

Aviation services:

Passenger services

Passenger services include Scheduled flight and surcharge, Charter services, and Interline services. Revenue from these services rendered to customers is recognised overtime, using a measure of progress when control is transferred to the customer, generally as services are being delivered to customers by transporting customers to agreed destinations.

The Company has assessed that as it performs, the customer simultaneously receives and consumes the benefits provided by the Company. Performance obligation relating to each of these services are distinct services which the customer can benefit from on its own and within the context of the contract.

The Company measures its progress towards satisfaction of the performance obligation using the output method. This has no financial impact since the Company can demonstrate that the invoiced amount corresponds directly with the value to the customer of its performance completed to date.

Cargo services

Revenue is recognised on contract with customers when carriage is performed. Revenue from these services rendered to customers is recognised overtime, using a measure of progress when control is transferred to the customer, generally as services are being delivered to customers by transporting customers' cargo to agreed destination.

The Company has assessed that as it performs, the customer simultaneously receives and consumes the benefits provided by the Company. Performance obligation relating to cargo services are distinct services which the customer can benefit from on its own and within the context of the contract.

The Company measures its progress towards satisfaction of the performance obligation using the output method. This has no financial impact since the Company can demonstrate that the invoiced amount corresponds directly with the value to the customer of its performance completed to date.

Loyalty points programme

The Company has a loyalty points programme, Frequent Flyer Program, which allows customers to accumulate points, referred to as miles, that can be redeemed for free tickets. The loyalty miles give rise to a separate performance obligation as they provide a material right to the customer.

A portion of the transaction price is allocated to the loyalty points awarded to customers, based on the relative stand-alone selling price of the class of ticket awarded to the customer and is recognised as a contract liability until the miles earned are redeemed. Revenue is recognised upon redemption or expiration of miles earned by the customer.

When estimating the stand-alone selling price of the loyalty miles, the Company considers the likelihood that the customer will redeem the points. The Company updates its estimates of the miles that will be redeemed on an annual basis and any adjustments to the contract liability balance are charged against revenue.

Significant financing component

The Company receives short- term advance payments from its customers for the sale of tickets. Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Contract balances

• Trade receivables

A receivable represents the Company’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under financial instruments – initial recognition and subsequent measurement.

• Contract liabilities

A contract liability is the obligation to transfer services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

The company has adopted IFRS 15 from 1 January 2018. See the accounting policy and adjustments passed in note 3 of these financial statements.

2.3.4 Taxation

(a) Income tax

The current income tax liabilities for the current period are measured at the amount expected to be paid to the taxation authorities. The tax rates and tax laws used to compute the amount are determined in accordance with the Companies Income Tax Act (CITA) and the Tertiary Education Trust Fund Act (TET). Minimum tax is imposed where the company has no taxable profit.

Current income tax relating to items recognised directly in equity is recognised in equity through other comprehensive income and not in the income statement. Current tax payable for current and prior periods shall be to the extent unpaid. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognised as an asset.

(b) Deferred tax

Deferred tax is provided using the liability method 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 liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiary where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred tax assets are recognized 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 utilized, except:
- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiary, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 income tax asset to be utilized.

Tax relating to items recognized in other comprehensive income is recognized in other comprehensive income and tax relating to items recognized directly in equity is recognized directly in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable Company and the same taxation authority. Otherwise, deferred tax assets and liabilities are presented separately within the financial statements.

2.3.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits from its use will flow to the Company and the cost can be measured reliably. Borrowing costs for long term constructions projects are capitalised if the recognition criteria are met. An assessment of the useful life of an item of property and equipment is assessed annually and any changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight–line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognized or classified as held for sale in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations. Land is not depreciated. The estimated useful lives of assets are as follows:

Buildings	50	years
Furniture and fittings	10	years
Office and ground equipment	10	years
In-flight entertainment	12	years
Computer equipment	4	years
Motor vehicles	5	years
Aircraft	30	years
Aircraft parts		Fleet life

2.3.5 Property, plant and equipment (continued)

Construction costs relate to offices under construction and this is classified as work in progress and measured at cost. On completion of construction, the related amounts are transferred to the appropriate category of property, plant and equipment.

Property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other income' in the statement of profit or loss in the year the asset is derecognised.

Componentisation

Arik Air componentizes its aircraft into:

-	Airframe	30 years
-	Engines	30 years
-	Landing gear and Auxiliary Power Unit (APU)	30 years

These are parts that have costs that are significant in relation to the total cost of the asset. Arik Air identifies the significant parts of the asset on initial recognition in order for it to depreciate the asset properly. An existing part of an asset is derecognised when it is replaced, regardless of whether it has been depreciated separately, and the carrying value of the part that has been replaced is estimated, if necessary.

Where it is not practicable for Arik Air to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed.

Major overhaul expenditure, including replacement spares and labour costs, is capitalised and amortised over the average expected life between major overhauls usually over a period of 24-36 months. Major overhaul expenditure, including replacement spares and labour costs is classified under Aircraft and technical equipment. All other replacement spares and other costs relating to maintenance of fleet assets (including maintenance provided under 'pay-as-you-go' contracts) are charged to the income statement on consumption or as incurred respectively.

2.3.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3.7 Leases

Leases are classified as finance leases and operating leases.

Company is the lessee

i. Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

ii. *Finance lease*

Leases of assets where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in long term liabilities if the tenure is more than one year. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the estimated useful life of the asset.

2.3.8 Intangible assets

Intangible assets in Arik Air comprises of computer software and landing slots.
Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

– it is technically feasible to complete the software product so that it will be available for use;
– management intends to complete the software product and use or sell it;
– there is an ability to use or sell the software product;
– it can be demonstrated how the software product will generate probable future economic benefits;
– adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment.
Whenever there is an indication that the intangible asset may be impaired an impairment assessment is carried out. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least once at the end of each year. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Computer software
Computer software development costs recognised as assets are amortised over their estimated useful lives, which is four years.

Landing slots

Landing slots relate to take off and landing rights. Landing slots acquired are capitalised at cost. Subsequently, landing slots are measured at cost and are assessed for impairments at least annually whether or not there are inidicators of impairment. Capitalised landing rights based within the European Union (EU) are not amortised, as regulations within the EU consider them to have an indefinite economic life. However, where a slot is leased, the lease rental is expensed in the period they are incurred.

2.3.9 Impairment of non-financial assets

The Company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication of impairment exists, an estimate of the asset's recoverable amount is made. Individual assets are grouped for impairment assessment purposes at the lowest level (cash generating unit) at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets.

An asset group's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods can be reversed up to the original carrying amount, had the impairment loss not been recognized. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.3.10 Financial instruments

Policy prior to 1 January 2018

Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. For all the years presented the entity's financial assets are classified as loans and receivables.

Financial assets
Financial assets are recognised when the entity becomes a party to the contractual provisions to the financial asset, equivalent to the date that the company commits itself to either the purchase or sale of the asset.

The entity classifies its financial assets in the following category: loans and receivables. The classification depends on the purpose for which the investments or financial assets were acquired. Management determines the classification of its investments or financial assets at initial recognition.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

Subseqent measurement

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the entity provides money, goods or services directly to a debtor with no intention of selling the receivable. Arik Air's loans and receivables comprises trade receivables from customers and cash and cash equivalent.

The entity assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Derecognition
A financial asset is derecognised when:
- The right to receive cash flows from the asset have expired; or
- The Company has transferred in full without material delay to a third party under a 'pass-thorugh' arrangement, and either (a) the Company has transferred substantially all the risk and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risk and reward of the asset, but has transferred control of the asset.

Financial liabilities
Initial recognition and measurement
Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, carried at amortised cost. The Company's financial liabilties includes trade and other payables, bank overdrafts, and interest bearing borrowings.

Subsequent measurement

Other liabilities
Financial liabilities classified as other liabilities in the books of Arik Air comprises of trade payables to contractors and suppliers and interest bearing borrowings.

Other liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

2.3.10 Financial instruments (continued)

Financial liabilities (continued)

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

Impairment of financial assets
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if; there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset. 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
- Where observable data indicate that there is a measurable decrease in the estimated future cash flow such as changes in national or local economic conditions that correlate with defaults.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If Arik Air determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

Policy from 1 January 2018

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement
Financial assets are classified at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies on revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

2.3.10 Financial instruments (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The company's financial assets are measured at amortised cost.

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

- The Company's financial assets at amortised cost includes trade receivables, and cash and cash equivalent.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Company's financial liabilities include trade and other payables, loans and borrowings and bank overdraft.

2.3.10 Financial instruments (continued)

Loans and borrowings
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.
This category generally applies to interest-bearing loans and borrowings.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

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

2.3.11 Inventories
Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Costs include directly attributable costs incurred in bringing inventories to the present location and condition for intended use by management. Net realizable value is determined by reference to prices existing at the reporting date.

2.3.12 Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities in current liabilities on the statement of financial position.

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.

2.3.13 Provisions
Provisions are recognized when the Company has a present obligation whether legal or constructive, as a result of past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation in accordance with the International Accounting Standards (IAS) 37 Provisions, Contingent Liabilities and Contingent Assets.

The expense relating to any provision is presented in the statement or profit or loss net of any reimbursement. Provisions are reviewed at the end of each financial year and are adjusted to reflect current best estimates.

2.3.14 Employee benefits

Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, and compensated absence are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Post-employment benefit

Defined contribution plan
The Company operates a funded defined contribution retirement benefit scheme for its employees under the provisions of the Pension Reform Act 2014. The minimum employer and the employee contributions are 10% and 8% respectively for each of the qualifying employee's salary. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense within profit or loss. The Company's obligation is limited to amounts contributed. Obligations in respect of the Company's contributions to the scheme are recognised as an expense in the profit or loss account on an annual basis.

2.3.15 Deferred income

Deferred income arises as a result government intervention. Deferred income is recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

The Company's loans at a rate below the prevailing market rate received from government agencies and parastatals are recognised as deferred income in the financial statements.

2.3.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.3.17 Trade payable

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.3.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down,the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, 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. The most significant uses of judgement and estimates are as follows:

2.4.1 Going concern

The company incurred a loss after tax of N15.1 billion during the year ended 31 December 2018 (2017: N41.7 billion). The company was also at a net liability position of N192.5 billion as at 31 December 2018 (2017: N177.4 billion). The company also did not settle its liabilities that were due in the year and in prior years and was subsequently taken over by the Asset Management Corporation of Nigeria (AMCON) on 9 February 2017. The company also cancelled its international flights.

These circumstances indicate the existence of a material uncertainty that creates significant doubt relating to the company's ability to continue as a going concern.

The management of Arik Air has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future and has made the following plans for the company.

Upon the takeover of the management of the company by the Asset Management Corporation of Nigeria (AMCON) on 9 February 2017, management has streamlined operations by cancellation of international operations. Management's plan is to build and strengthen the domestic routes and West coast areas before resuming international operations. Currently, the company has resumed flights on 11 domestic routes and 4 West coast regions. The cancellation of international operations significantly decreased the operating costs of the airline such as landing fees, fuel costs and crew wages.

Management has also successfully re-negotiated existing obligations with financial and non-financial institutions.

The company is still in existence as at the date of this report, and management has developed a financial and operational plan. Management believes that the company will continue to exist for the foreseeable future

These financial statements do not reflect the adjustments to the carrying value of assets and liabilities of the classifications that would be necessary if the Company were unable to realise its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

The company has carried out an assessment of the impact of the COVID 19 pandemic. See details in note 34.

2.4.2 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as discount rates, prepayment rates, time to maturity and default rate assumptions for debt securities. Further information about the assumptions made in determining fair values is disclosed in note 29).

2.4.3 Income taxes

The company is subject to income taxes. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

2.4.4 Impairment of non-financial assets

The company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Intangible assets with indefinite economic lives are tested for impairment annually and at other times when such indicators exist. The recoverable amount of the cash generating units requires estimates.

Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

2.4.5 Residual value and useful lives of assets

The Company exercises judgement to determine useful lives and residual values of property, plant and equipment. The assets are depreciated down to their residual values over their estimated useful lives. Further details are provided in notes 2.3.5 and 14.

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 beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

2.4.6 Revenue from Contracts with Customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the timing of satisfaction of aviation services

The Company concluded that revenue for its aviation services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Company. This is due to the fact that another entity would not need to re-perform the service that the Company has provided to date.

The Company determined that the output method is the best method in measuring progress of the aviation services because the Company can demonstrate that the invoiced amount corresponds directly with the value to the customer of its performance completed to date.

Determining whether the loyalty points provide material rights to customers

The Company operates a loyalty points programme, which allows customers to accumulate miles when they purchase tickets. The miles can be redeemed for free tickets, subject to a minimum number of miles obtained. The Company assessed whether the loyalty points provide a material right to the customer that needs to be accounted for as a separate performance obligation.

The Company determined that the loyalty points provide a material right that the customer would not receive without entering into the contract. The free ticket the customer would receive by exercising the loyalty points do not reflect the stand-alone selling price that a customer would pay without an existing relationship with the Company. The customers' right also accumulates as they purchase additional tickets.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Revenue recognition - Estimating stand-alone selling price – Frequent Flyer loyalty program

The Company estimates the stand-alone selling price of the loyalty miles awarded under the Frequent Flyer Program. The stand-alone selling price of the loyalty miles redeemed is calculated by multiplying the redemption miles by the average monetary value assigned to each class of ticket awarded to customers. To estimate the miles redeemable, the Company uses available information on number of miles accrued by customers and maps these miles to the client pricing (on an average basis --based on the various classes of ticket issued to customers at the date of sale). Upon redemption, provision (contract liability) created on accumulated miles that are now redeemed are credited back to revenue.

The Company applies customers' historical accrued and redeemed miles as the main inputs in its estimation. The redemption rate is updated annually and the liability for the unredeemed miles is adjusted accordingly. In estimating the value of the miles issued, the Company considers the mix of different class of tickets that will be awarded in the future in exchange for loyalty miles and customers' destination preferences. The Company ensures that the value assigned to the loyalty miles is commensurate to the stand-alone selling price of the tickets eligible for redemption (i.e., the value of each mile is equivalent to the stand-alone selling price of any ticket eligible for redemption divided by the number of miles required). Miles awarded expire in three years from the award day.

2.4.7 Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for group of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 30.2.

3 Changes in accounting policy and disclosures

3.1 Standards and interpretations adopted by the company

New and amended standards and interpretations
The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective

3.1.1 IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 January 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 18 and related Interpretations.

The effect of adopting IFRS 15 as at 1 January 2018 was, as follows:

	Reference	Increase/(Decrease)
		N‘000
Assets		
Deferred tax assets	c	-
		-
Liabilities		
Deferred revenue	a	(878,464)
Contract liabilities (non-current)	a,b	6,112
Contract liabilities (current)	a,b	883,644
Total liabilities		**11,293**
Total adjustment on equity:	b	
Retained earnings		**(11,293)**

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on OCI or the Company’s operating, investing and financing cash flows. The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

Statement of profit or loss for the year ended 31 December 2018

	Reference	Amounts prepared under IFRS 15	Amounts prepared under Previous IFRS	Increase/(Decrease)
		N‘000	N‘000	N‘000
Scheduled flight revenue	b	18,815,205	18,832,250	(17,045)
Revenue from contract with customers		**18,815,205**	**18,832,250**	**(17,045)**

3 Changes in accounting policy and disclosures (continued)

3.1.1 IFRS 15 Revenue from Contracts with Customers (continued)

Statement of financial position as at 31 December 2018

	Reference	Amounts prepared under IFRS 15	Amounts prepared under Previous IFRS	Increase/(Decrease)
		N'000	N'000	N'000
Contract liabilities	a,b	731,297	-	731,297
Deferred revenue	a	-	702,964	(702,964)
		731,297	**702,964**	**28,333**

a. Deferred revenue

The Company receives advances from its customers before services are delivered to the customers. Before the adoption of IFRS 15, the Company presented these advances as deferred revenue in the statement of financial position. Upon the adoption of IFRS 15, the Company reclassified N1.375 billion from deferred revenue (current) to contract liabilities (current) as at 1 January 2018.

As at 31 December 2018, IFRS 15 increased current contract liabilities by N702.96 million and decreased current deferred revenue by N702.96 million.

b. Loyalty points programme

The company has a loyalty points program, frequent flyer program, which allows customers to accumulate points, referred to as miles, that can be redeemed for free tickets. Currently, the company only recognizes the tax element paid by the customer upon redemption of the miles.

The Company concluded that under IFRS 15, the loyalty points give rise to a separate performance obligation because they provide a material right to the customer and a portion of the transaction price was allocated to the loyalty points awarded to customers.

Therefore, upon the adoption of IFRS 15, the excess of the accrued miles previously recogised as revenue of N6.1 million, was transferred to Retained earnings as at 1 January 2018. In addition, deferred revenue (current) of N883.6 million was reclassified to Contract liabilities (current) as at 1 January 2018.

As at 31 December 2018, IFRS 15 increased Contract liabilities (non-current) by N22.2 million; and decreased revenue by the same amount. It also increased revenue from contracts with customers by N5.2 million for the year ended 31 December 2018 as a result of the redeemed portion of miles awarded to customers during the year; and decreased contract liablilities (current) by the same amount. As at 31 December 2018, the estimated liability for unredeemed points was N28.3 million.

c. Other adjustments

In addition to the adjustments described above, other items of the primary financial statements such as deferred taxes, and retained earnings were adjusted as necessary.

3.1.2 IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied IFRS 9 propectively, with an initial application date of 1 January 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings.

The effect of adopting IFRS 9 as at 1 January 2018 was, as follows:

	Adjustments	1 January 2018
		N'000
Assets		
Trade receivables	a,b	(47,635)
Deferred tax assets	c	-
Total assets		**(47,635)**
Liabilities		
Deferred tax liabilities		-
Total liabilities		
Total adjustment on equity:		
Retained earnings	b,c	**(47,635)**

3 Changes in accounting policy and disclosures (continued)

3.1.2 IFRS 9 Financial Instruments (continued)

The nature of these adjustments are described below:

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Company. The following are the changes in the classification of the Company's financial assets:

Trade receivable, and cash and bank deposits classified as Loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 1 January 2018.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

In summary, upon the adoption of IFRS 9, the Company had the following required or elected reclassifications as at 1 January 2018.

	IFRS 9 measurement category	
	Amortised cost	
	N'000	N'000
IAS 39 measurement category		
Loans and receivables		
Trade receivables*	2,634,430	2,586,795
	2,634,430	**2,586,795**

* The change in carrying amount is a result of reversed impairment allowance. See the discussion on impairment below.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

Upon adoption of IFRS 9 the Company recognised impairment on the Company's trade receivables of N47.6 million which resulted in an increase in Retained earnings of N47.6 million as at 1 January 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	Allowance for impairment under IAS 39 as at 31 N'000	Re-measurement N'000	ECL under IFRS 9 as at 1 January 2018 N'000
Loans and receivables under IAS 39/Financial assets at amortised cost under IFRS 9:			
Trade receivables	921,952	47,635	969,587
	921,952	**47,635**	**969,587**

(c) Other adjustments

In addition to the adjustments described above, other items such as deferred taxes were not adjusted to retained earnings as necessary upon adoption of IFRS 9 as at 1 January 2018.

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4 Revenue

In thousands of naira	2018	2017
Scheduled flight revenue	18,815,205	15,120,556
Charter revenue	2,266,553	2,509,229
Interline revenue	-	540
Passenger revenue	**21,081,758**	**17,630,325**
Cargo revenue	412,730	198,426
Surchage revenue*	21,208,911	10,604,980
Cargo and other revenue	**21,621,641**	**10,803,406**
Total revenue from contracts with customers	**42,703,399**	**28,433,731**

*Surcharge revenue includes excess baggage fees, fuel surcharge, surcharge on refunds and penalties.

Geographical markets - 2018

	Within Nigeria	Outside Nigeria
Passenger revenue	39,443,904	2,846,765
Cargo and other revenue	404,134	8,596
Total revenue from contracts with customers	**39,848,038**	**2,855,361**

Timing of revenue recognition
Services transferred over time

Passenger revenue	42,290,669
Cargo and other revenue	412,730
Total revenue from contracts with customers	**42,703,399**

Geographical markets - 2017

	Within Nigeria	Outside Nigeria
Passenger revenue	26,183,171	2,052,134
Cargo and other revenue	194,205	4,221
Total revenue from contracts with customers	**26,377,376**	**2,056,355**

Timing of revenue recognition
Services transferred over time

Passenger revenue	28,235,305
Cargo and other revenue	198,426
Total revenue from contracts with customers	**28,433,731**

5 Landing, navigation and other charges

In thousands of naira	2018	2017
Navigation cost	673,414	1,220,932
Airport charges	316,068	89,815
Landing and parking fees	656,539	478,743
Total landing, navigation and other charges	**1,646,021**	**1,789,490**

6 Loss allowance on trade receivables

In thousands of naira	2018	2017
Loss allowance on trade receivables	**26,208**	**(268,636)**

6.1 Other operating expenses

In thousands of naira	2018	2017
Marketing expenses	738,933	294,420
Ferry flight	31,176	23,748
Charter expenses	62,034	61,445
Collection charges	72,107	105,582
Licence expenses	2,452	776
Postal expenses	148	422
Transport cost	197,960	125,903
Donation	5,800	823
Security charges	28,653	34,426
Non-aircraft fueling expenses	204,110	158,210
Advertisement	96,040	73,216
Vehicle maintenance	87,694	41,141
Repairs and maintenance expenses	81,702	119,386
Electricity, water and similar expenses	74,578	50,423
Foreign exchange translation loss	-	659,717
Other expenses	465,815	220,660
Total other operating expenses	**2,149,202**	**1,970,298**

6.2 Aircraft lease expenses

In thousands of naira	2018	2017
Lease rental expense for A330	**-**	**685,492**

7 Aircraft handling and catering charges

In thousands of naira	2018	2017
Airline handling cost	1,162,858	1,337,579
Catering expenses	864,086	605,385
Total aircraft handling and catering charges	**2,026,944**	**1,942,964**

8 Insurance expenses

In thousands of naira	2018	2017
Insurance expenses - aircraft	1,315,344	1,427,771
Insurance expenses - vehicles	37,544	291
Insurance expenses - others	47,845	11,793
Total insurance expenses	**1,400,733**	**1,439,855**

9 Administrative expenses

In thousands of naira	2018	2017
Professional and management fees	491,062	154,863
Auditors renumeration	50,000	100,000
Printing, stationery and other accesories	77,319	51,886
Directors expenses/Tac expenses	6,140	-
Telephone expenses	566	450
Rents and rates expenses	466,480	590,767
Other administrative expenses	50,198	50,373
Total administrative expenses	**1,141,765**	**948,339**

10 Staff numbers and costs

In thousands of naira	2018	2017
Salaries and wages	4,964,093	3,637,078
Defined contribution plan	325,052	208,859
Other short term benefits	112,251	97,006
Staff rotation cost	182,905	192,250
Pilot training and simulation cost	443,727	378,147
Out of station and local allowances	1,772,679	2,820,959
Medical expenses	143,015	101,866
Other staff expenses	175,166	112,786
Total employee benefit expenses	**8,118,888**	**7,548,951**

	Number 2018	Number 2017
Senior staff	44	44
Supervisory and junior staff	1,640	1,705
Total	**1,684**	**1,749**

The table below shows the numbers of employees who earned above N300,000 in the year.

N		N	2018 Number	2017 Number
300,001	-	500,000	33	-
500,001	-	600,000	85	35
600,001	-	700,000	98	30
700,001	-	800,000	286	149
800,001	-	900,000	73	196
900,001	-	1,000,000	14	142
1,000,001	-	1,200,000	88	73
1,200,001	-	1,400,000	6	37
1,400,001	-	1,600,000	52	44
1,600,001	-	1,800,000	41	34
1,800,001	-	2,000,000	405	58
2,000,001	-	2,200,000	118	32
2,200,001	-	2,400,000	16	211
2,400,001	-	3,000,000	111	339
3,000,001	-	4,000,000	128	186
4,000,001	-	6,000,000	34	97
6,000,001	-	8,000,000	15	21
8,000,001	-	10,000,000	1	3
10,000,001	-	12,000,000	5	1
12,000,001	-	16,000,000	37	17
16,000,001 and above			38	44
Total			**1,684**	**1,749**

11 Finance cost

In thousands of naira	2018	2017
Bank charges	366,180	283,122
Interest on loans and borrowings	21,237,775	20,258,702
Total finance cost	**21,603,955**	**20,541,824**
Finance income		
Interest income	**381,829**	**66,652**
Finance costs-net	**21,222,126**	**20,475,172**

12 Other income

In thousands of naira	2018	2017
Deferred income (see Note 25)	1,428,762	1,825,263
Insurance claims	50,854	-
Income from aircraft and engine management	97,576	-
Foreign exchange translation gain	225,431	-
Shave-off income*	593,549	-
Others	564,007	349,216
Total other income	**2,960,179**	**2,174,479**

*Shave-off income represents income arising from debt forgiveness given by trade creditors of the Company.

13 Taxation

13a Income tax

The major components of income tax expense are:

Statement of profit or loss

In thousands of naira	2018	2017
Minimum tax charge	177,008	117,808
Education tax	-	-
Deferred tax charge	-	-
Total income tax expense	**-**	**-**

A reconciliation between tax expense and the product of accounting profit multiplied by the domestic tax rate for the years ended 31 December 2018 and 31 December 2017 is as follows:

In thousands of naira	2018	2017
Accounting loss before income tax	15,101,732	41,901,884
At Nigeria's statutory income tax rate of 30% (2017: 30%)	4,530,520	12,570,565
Effect of non-deductible expenses for tax purposes	(1,894,240)	(9,289,873)
Carried forward tax losses	(2,324,642)	(3,177,208)
Minimum tax charge	177,008	117,808
Income tax expense reported in the statement of profit or loss	488,645	221,292

In line with IFRIC 21, N177 million (2017: N117 million) arising from minimum tax computations is included in the charge for the year on the statement of financial position but above the line in the statement of profit or loss and other comprehensive income for the year.

Movement in current tax payable

In thousands of naira	2018	2017
At beginning of the year	789,455	695,511
Tax paid	(1,189)	(23,864)
Income tax charge	177,008	117,808
At end of the year	965,274	789,455

As at 31 December 2018, the company had a deferred tax asset balance of N40.8 billion (2017: N47.9 billion) arising from untilised tax losses. Management has not recognised this balance as it is not certain if taxable profits would be available against which these assets can be utilised in the near future.

14 Property, plant and equipment

In thousands of naira	Aircraft and technical equipment	Land	Buildings	Furniture & fittings	Computer, office & ground equipment	Motor vehicles	Capital work-in-progress	Total
Cost:								
At 1 January 2017	**187,794,174**	**1,436,583**	**856,022**	**805,548**	**3,035,676**	**1,037,847**	**5,460,171**	**200,426,021**
Additions	1,855,877	-	-	22,926	101,798	450	-	1,981,051
At 31 December 2017	**189,650,051**	**1,436,583**	**856,022**	**828,474**	**3,137,474**	**1,038,297**	**5,460,171**	**202,407,072**
Additions	5,751,830	-	50,007	36,829	194,581	49,876	-	6,083,123
At 31 December 2018	**195,401,881**	**1,436,583**	**906,029**	**865,303**	**3,332,055**	**1,088,173**	**5,460,171**	**208,490,195**
Accumulated depreciation:								
At 1 January 2017	**76,740,574**	**-**	**97,588**	**437,393**	**2,425,094**	**773,130**	**-**	**80,473,779**
Depreciation charge for the year	4,668,730	-	14,671	60,039	175,597	48,307	-	4,967,344
Impairment charge	6,382,258	-	-	-	-	-	-	6,382,258
At 31 December 2017	**87,791,562**	**-**	**112,259**	**497,432**	**2,600,691**	**821,437**	**-**	**91,823,381**
Depreciation charge for the year	5,864,802	-	17,284	56,980	53,189	53,298	-	6,045,553
At 31 December 2018	**93,656,364**	**-**	**129,543**	**554,412**	**2,653,880**	**874,735**	**-**	**97,868,934**
Net book value:								
At 31 December 2018	**101,745,517**	**1,436,583**	**776,486**	**310,891**	**678,175**	**213,438**	**5,460,171**	**110,621,261**
At 31 December 2017	**101,858,490**	**1,436,583**	**743,763**	**331,042**	**536,783**	**216,860**	**5,460,171**	**110,583,691**

Due to a perceived reduction in the market value and reduction in the economic performance. Some aircrafts were not operational and were on ground as at 31 December 2017. An independent valuation of the company's aircrafts was carried out by valuers (McLarens Aviation) to determine the fair value of aircrafts. Included in the income statement for the year ended 31 December 2017 is impairment charge of N6.3 billion. There is no impairment charge for the year ended 31 December 2018.

The aircrafts together form a Cash generating unit as they are not allocated to different revenue streams. In accordance with IAS 36, a comparison of value in use and fair value less cost to sell was done and the higher of the two which is the fair value less costs of disposal was selected. The fair value hierarchy is level 2 and is based on the market approach.

Technical equipment include in-flight entertainment and aircraft parts.
The net book amount of aircraft, aircraft engines and parts and the real estate of the company includes an amount of N21.6 billion (2017: N22.6 billion) in respect of assets provided as security against term loans.

No borrowing costs were capitalised during the year ended 31 December 2018 (2017: Nil).

15 Intangible assets

In thousands of naira	Computer software	Landing & take-off slots	Total
Cost:			
At 1 January 2017	90,126	10,547,717	10,637,843
Addition	139,128	-	139,128
At 31 December 2017	**229,254**	**10,547,717**	**10,776,971**
Addition	154,264	-	154,264
At 31 December 2018	**383,518**	**10,547,717**	**10,931,235**
Accumulated amortisation and impairment:			
At 1 January 2017	63,351	-	63,351
Amortisation for the year	24,949	-	24,949
Impairment loss	-	10,547,717	10,547,717
At 31 December 2017	**88,300**	**10,547,717**	**10,636,017**
Amortisation for the year	75,296	-	75,296
Impairment loss	-	-	-
At 31 December 2018	**163,596**	**10,547,717**	**10,711,313**
Net book value:			
At 31 December 2018	**219,922**	**-**	**219,922**
At 31 December 2017	**140,954**	**-**	**140,954**

An intangible asset should be regarded as having an indefinite useful life when, based on an analysis of all relevant factors (such as legal, regulatory, contractual, competitive and economic), there is no foreseeable limit on the period over which the asset is expected to generate net cash inflows for the entity. The landing slots represent slots at Heathrow Airport (LHR), London, United Kingdom and J.F Kennedy Airport, New York, United States of America (JFK). The (LHR) and (JFK) slots were acquired in 2009 and 2010 respectively. Airport slot gives the owner of that slot the ability to fly in/out of that airport so long as the owner continues to operate and contribute to the airline's cash flows indefinitely. However, in 2017 the routes were no longer operated and the slots became unavailable to Arik Air based on IATA rules. Hence, the landing and take-off slots were fully impaired in 2017.

16 Deposit for aircraft

In thousands of naira	2018	2017
Deposit Boeing	**13,016,252**	**12,878,648**

This amount represents advance payment made by the Company for the acquisition of aircraft and aircraft engines.

17 Other receivables

In thousands of naira	2018	2017
Current		
Staff advance	13,885	-

18 Inventories

In thousands of naira	2018	2017
Consumables	2,126,795	1,508,021
Diesel and lubricants	-	4,756
Catering items	30,906	5,363
Other inventory	61,580	79,380
Total inventories	**2,219,281**	**1,597,520**
Amount of inventory charged to cost of sales	1,650,827	1,188,326
Amount of inventory written off during the period	568,454	409,194

19 Trade and other receivables

a Trade receivables

In thousands of naira	2018	2017
Current		
Trade receivable	1,574,543	1,871,231
Due from related parties	1,670,151	1,685,151
Impairment on trade receivables	(995,795)	(921,952)
Total trade receivables	**2,248,899**	**2,634,430**

Analysis of impairment on trade receivables

In thousands of naira	2018	2017
At 1 January	921,952	1,190,588
Adjustment upon application of IFRS 9	47,635	-
ECL under IFRS 9 as at 1 January 2018	969,587	1,190,588
Increase/(decrease) in loss allowance	26,208	(268,636)
At 31 December	**995,795**	**921,952**

Included in trade receivables balance is N1.7 billion which is receivable from a Rockson Engineering Limited. This balance mostly represents pre-receivership transactions that remain unreconciled at year end.

b Prepayments

In thousands of naira	2018	2017
Advance payment to suppliers	17,974	17,974
Rent	18,060	62,712
Insurance	38,364	519
Others	127,876	9,094
	202,274	**90,299**

20 Other assets

In thousands of naira	2018	2017
Deposit for aircraft maintenance	9,087,524	9,087,524
Advance payment to suppliers	-	-
Due from related parties	2,279,913	2,279,913
Work advances	529,727	625,700
Others	333,995	108,486
Impairment on other assets	(98,295)	(98,295)
	12,132,864	**12,003,327**

Impairment for other assets consists of impairment for related parties receivable and other advance payments made to suppliers.
Included in the other assets balance is N9.1 billion which is receivable from aircraft lessors and maintenance service providers. This balance represents pre-receivership transactions that remain unreconciled at year end. Management is still in the process of reconciling the balance with the providers.
Included in other assets is a balance of N2.3 billion arising from transactions related parties. This balance mostly represents pre-receivership transactions that remain unreconciled at year end. Management has taken steps to reconcile the balances with the related parties but this remain unreconciled as at year end.

21 Cash and cash equivalents

In thousands of naira	2018	2017
Cash in hand	-	-
Cash at bank	6,740,422	2,942,811
	6,740,422	**2,942,811**

Cash and cash equivalent include the following for the purpose of the statement of cash flows:

In thousands of naira	2018	2017
Cash at bank and in hand	6,740,422	2,942,811
Bank overdrafts (Note 23)	(6,162,307)	(10,867,478)
Cash and cash equivalents	**578,115**	**(7,924,667)**

22 Trade payables

In thousands of naira	2018	2017
Payable to aviation regulators	24,906,617	30,263,648
Other trade payables	21,305,486	14,667,712
Trade payables	**46,212,103**	**44,931,360**

Included in trade payables is a balance of N24.9 billion arising from transactions with certain industry regulatory authorities. Management is still in the process of reconciling the balance with the providers. Also, a net debit balance N11.7 billion relating to foreign and local operations with several vendors is included in other trade payables. Management took steps to reconcile the balances with the vendors by sending out letters to its vendors to confirm amounts due to/from Arik, from the responses received, vendors with balances due to the company amounting to N900 million confirmed that amounts due from the company to them was N380 million. This remain unreconciled as at year end.

23 Loans and borrowings

In thousand	2018	2017
Current		
Bank overdrafts	6,162,307	10,867,478
Loans	223,438,031	204,712,287
Total loans and borrowings	**229,600,338**	**215,579,765**

Details of outstanding loan balances as at 31 December are as follows:

Source of loan	2018	2017
Asset Management Corporation of Nigeria (AMCON)	171,029,833	133,691,385
Zenith Bank Plc	-	24,484,234
Export Development Canada	18,340,211	18,215,786
Federal Government of Nigeria (FGN) Promissory Notes	7,081,958	13,587,533
African Export–Import Bank	11,009,557	7,921,061
Bank of Industry	2,047,188	5,927,911
Ecobank Transnational Inc	13,929,283	884,377
Total loans	**223,438,031**	**204,712,287**

The loans from Nigerian institutions have tenor ranging between 6 - 160 months with interest rate of between 3% - 24% per annum. The loans are secured on real estate, aircraft and aircraft parts, personal guarantee of the chairman of Arik Air Limited and lien on domiciled collections. The company's interest-bearing borrowings are measured at amortised cost. There were breaches to the loan covenants hence the loans are now classified as current liabilities.

The loans from non-Nigerian institutions have tenor ranging between 30 - 120 months with interest rate of between 4.3% - 6.2% per annum. The loans are secured on aircraft and aircraft parts, and lien on domiciled collections. The company's interest-bearing borrowings are measured at amortised cost. There are breaches to the loan covenants and loans are now classified as current.

On 29 March 2018, Asset Management Corporation of Nigeria (AMCON) purchased Arik Air debt liability balance to Zenith Bank Plc.

24 Other current liabilities

In thousands of naira	2018	2017
Accrued expense	9,460,235	7,152,743
PAYE liabilities	2,769,078	2,785,821
Due to related parties	14,524,224	13,273,438
Pension liabilities	2,177,965	2,203,521
Other tax liabilities	5,096,174	4,846,265
Other payables	5,481,712	2,946,669
Total other current liabilities	**39,509,388**	**33,208,456**

Accrued expenses relate to accruals for insurance cost, rents and rates, professional fees and other short term expenses which are expected to be paid within 12 months of the statement of financial statement position date.
Included in other current liabilities is a balance of N13.1 billion arising from transactions related parties. This balance mostly represents pre-receivership transactions that remain unreconciled at year end. Management has taken steps to reconcile the balances with the vendors but this remain unreconciled as at year end.

25 Deferred income

In thousands of naira	2018	2017
As at 1 January	2,808,101	4,633,364
Released to the statement of profit or loss	(1,428,762)	(1,825,263)
As at 31 December	**1,379,339**	**2,808,101**
Current	555,155	1,725,455
Non-current	824,184	1,082,646
	1,379,339	**2,808,101**

Deferred income relates to the income from loans received from the Federal Government of Nigeria through the Bank Of Industry (BOI) and the Asset Management Company of Nigeria (AMCON) granted at rates below the prevailing market rate. The difference between the interest rate on the loan and the prevailing market rate is regarded as grant received from government. This income has been deferred and recognised as earned in the statement of profit or loss over the tenor of the loans.

26 Contract liabilities

In thousands of naira	2018	2017
Advanced ticket sales	702,963	1,365,270
Loyalty points unredeemed (Note 26.1)	28,334	11,293
	731,297	**1,376,563**
Current	731,297	1,376,563
Non-current	-	-

26.1 Loyalty points unredeemed

In thousands of naira	2018	2017
At 1 January	11,293	-
Deferred during the year	22,221	11,293
Recognised as revenue during the year	(5,180)	-
At 31 December	**28,334**	**11,293**

Loyalty points unredeemed

These amounts relate to the accrual and redeemed loyalty points transactions. As at 31 December 2018, the estimated liability for unredeemed points amounted to N28.3 million (2017: N11.2 million).

27 Deposit for shares

In thousands of naira	2018	2017
Deposit from Director	21,600,000	21,600,000

This represents deposit made by a director. The company is awaiting the increase of its authorised shares capital to enable it issue additional ordinary shares.

28 Share capital

In thousand	2018	2017
Authorised ordinary shares at N1 each (units)	2,000,000	2,000,000
Authorised ordinary shares at N1 each (amount)	2,000,000	2,000,000
Shares issued and fully paid		
2 billion ordinary shares at N1 each	2,000,000	2,000,000

29 Fair value of financial instruments

(i) Fair values versus carrying amount

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

		Fair Value		
In thousands of naira	**Carrying value**	**Level 1**	**Level 2**	**Level 3**
31 December 2018				
Assets carried at amortised cost				
Trade and other receivables	2,248,899	-	2,248,899	-
Cash and short-term deposits	6,740,422	-	6,740,422	-
Liabilities carried at amortised cost				
Trade and other payables	85,721,491	-	-	85,721,491
Interest-bearing loans and borrowings	223,438,031	-	223,438,031	-
Bank overdrafts	6,162,307	-	6,162,307	-

		Fair Value		
In thousands of naira	**Carrying value**	**Level 1**	**Level 2**	**Level 3**
31 December 2017				
Assets				
Trade and other receivables	2,634,430	-	2,634,430	-
Cash and short-term deposits	2,942,811	-	2,942,811	-
Liabilities				
Trade and other payables	78,139,816	-	-	78,139,816
Interest-bearing loans and borrowings	204,712,287	-	204,712,287	-
Bank overdrafts	10,867,478	-	10,867,478	-

The carrying value of cash and cash equivalent, trade and other receivables, trade and other payables, bank overdrafts and loans and receivables approximates their fair values as at the reporting dates.

(ii) Methodologies and assumptions used:

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. These includes bank overdraft, cash at hand and at bank.

Financial liabilities measured at amortised cost

Interest bearing loans and borrowings

Fair value of interest bearing loans and borrowings in the books of the Company at each reporting date was determined by discounting the future expected cash outflows on the loans using a discount rate which reflect the market rate of loans and advances as at the end of each reporting date. The average prime lending rate published by the Central Bank of Nigeria was used as the discount rate in determining the present value of interest bearing loans and borrowings at the reporting dates.

iii The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

All the Company's financial assets and liabilities are measured at amortized cost. The fair values hierarchy are as shown above.

30 Risk management framework

(i) Overall risk management objectives

Arik Air's risk management framework provides a firm-wide definition of risk and codifies the core governing principles for the risk management function. The purpose of this framework is in particular to:

~ Provide an enterprise-wide definition of risk

~ Define the Company's overall approach, objectives, strategy, policies and risk appetite towards its significant risks; and

~ Define the process required to manage risk such as identification, monitoring, control and mitigation.

(ii) Risk mitigation and control

Once a risk has been identified and assessed, an appropriate risk response shall be defined and approved in line with the Company's risk mitigation strategy. The risk mitigation strategy defines the conditions for accepting, transferring, mitigating and avoiding inherent risks within the Company.

Each department within the Company operates in terms of documented standard operating procedures (SOPs) incorporating policies and procedures to mitigate exposures. These policies are subject to regular review and update.

The Company's other policies and procedure documents incorporate to a greater or lesser extent some elements of risk recognition and control.

Furthermore, business units and departmental heads shall ensure the following:

a) There are policies, processes and procedures to control and mitigate significant risks that have been identified by the Company.

b) Control activities for the risk management are an integral part of the regular activities of Arik; and

c) Controls and systems are sufficient to control and mitigate the identified risks before they become major concerns.

(iii) Risk mitigation strategy

The Company develops adequate mitigation strategies to effectively minimize the frequency and severity of risk events.

Risk response options include:

Risk acceptance: Acceptance of a residual risk (that is outstanding risks after controls responses have been applied or minor risks where any response is not likely to be cost-effective compared to the possible cost of bearing the risk impact).

Risk appetite (maximum loss to be tolerated) will be set for significant residual risks and will be the basis for triggering alternative risk response options.

Risk transfer: Specific actions to reduce risk likelihood or impact by transferring ownership and/or liability or otherwise sharing a portion of the risk with a particular third party. Arik Air will continuously explore available risk sharing/transfer techniques suitable for mitigating operational risks in processes, activities, and systems, and select the most appropriate tools.

The following risk transfer tools/techniques will be employed in mitigating operational risks:
- Insurance
- Liability acceptance clauses in contract agreements.

30 Risk management framework (Continued)

Risk mitigation: These are specific actions to reduce the likelihood and/or severity of risk events. The objective of risk reduction is to reduce residual risk (that is outstanding operational risk that Arik Air may be unable to further mitigate through risk management activities without dropping business activities) within the acceptable tolerance limit or threshold. The risk mitigation activities entail the use of internal controls to minimize likelihood and/or severity of risk events. A properly designed and consistently enforced internal control system will enable Arik Air to safeguard the Company's earnings and capital. Some of the key internal control measures that Arik Air employs include:

- Segregation of duties/dual controls (maker-checker concept)
- Access control policies
- Clarity of responsibilities and reporting lines
- Senior level approvals for transactions/policies

Risk avoidance: Specific actions taken to exit activities that are likely to culminate in excessive risk the choice of avoidance as a risk response approach shall be informed if after consideration:

- Either the cost of other responses (acceptance, transfer and mitigation) exceeds the desired benefits; or

- No response can be identified that would reduce the impact and likelihood of the risk to an acceptable limit. The risk mitigation strategy above will guide the action planning stage of the periodic self-assessment and independent control assessment processes. Management will challenge risk assessments conducted by the business units and make appropriate risk response recommendations aimed at protecting/safeguarding the earnings and capital of Arik Air. Any related disputes as a result of the risk response recommendations shall be escalated to the Management for a final decision.

Risk management policies

The company's activities expose it to a variety of financial risks – market risk (foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. Finance management team identifies and mitigates financial risks in co-operation with the other operating units.

30.1 Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

(i) Fuel price risk

The company is exposed to aviation fuel price risk. However, this risk is partially offset by having fixed price contracts in place with local suppliers in Nigeria where most of the consumption takes place. Fuel contracts with suppliers include volume discounts and include assurances for continuous supply.

The following table demonstrates the sensitivity of financial instruments to a reasonably possible change in fuel prices, with all other variables held constant, on profit before tax and equity.

	31 December 2018		**31 December 2017**	
In thousands of naira	Increase/ (decrease) in price (%)	Effect on profit before tax	Increase/ (decrease) in price (%)	Effect on profit before tax
Aircraft fuel expenses	+50%	6,247,619	+50%	4,714,342
Aircraft fuel expenses	-50%	(6,247,619)	-50%	(4,714,342)

30 Risk management framework (Continued)

30.1 Market risk (continued)

The company is exposed to commercial price risk (price competition). Some of this risk is offset by the safety record of Arik compared to other airlines, whereby, passengers are willing to pay such as a premium to fly Arik for safety reasons. The maintenance of the aircraft fleet by international organizations like Lufthansa Cityline, Lufthansa Technik and Samco gives safety comfort to discerning customers. This in addition to the young fleet it operates. As part of Arik's plan to maintain this position and grow market share domestically and internationally, the company has recently launched a loyalty program – Arik Affinity Wings for frequent flyers and an all-in-one shop program - Arik Explorer to take care of air and land travel and hotel reservations for customers.

The dominance is also secured with its ownership of key infrastructure, such as the maintenance hangar and real estate. Continuous expansion is expected through added capacity of new planes. Increased propensity to travel has increased advent of new entrants in the industry but the market share and infrastructure with back office improvements are mitigants put in place by management.

(ii) Foreign currency risk

Foreign currency risk is the risk of the value of an investment or a liability changing due to changes in currency exchange rates.

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Euros. Foreign exchange risk arises from future commercial transactions, assets and liabilities already recognized and all foreign investments.

90-95% of sales is in Naira. A depreciating Naira increases exposure to foreign currency denominated balances. To mitigate this, management has set up policy to purchase foreign exchange from the Central Bank of Nigeria to meet the payments for foreign transactions such as aircraft maintenance and aircraft lease costs, with additional requirements being funded from foreign operation revenue and approved currency dealers in the market.

The following table demonstrates the sensitivity of financial instruments to a reasonably possible change in the US Dollar and Euro with all other variables held constant, on profit/(loss) before tax:

There were no changes in methods and assumptions used in preparing the sensitivity analysis from the previous period.

	31 December 2018		31 December 2017	
In thousands of naira	Increase/ (decrease) in rate (%)	Effect on profit before tax	Increase/ (decrease) in rate (%)	Effect on profit before tax
US $	+10%	(21,062,954)	+10%	(2,324,382)
	-10%	21,062,954	-10%	2,324,382
Euro €	+10%	(1,207,294)	+10%	(359,754)
	-10%	1,207,294	-10%	359,754

The table below summarises the Company's exposure to foreign currency exchange risk as at 31 December 2018. Included in the table are the Company's financial instruments at their carrying amounts categorised by currency.

	Naira	USD	Euro	GBP	Others	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Financial assets						
Cash and cash equivalents	6,664,727	52,167	23,807	4,588	(4,868)	6,740,422
Trade receivable	2,052,760	196,139	-	-	-	2,248,899

30 Risk management framework (Continued)

30.1 Market risk (continued)

	Naira	USD	Euro	GBP	Others	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Financial liabilities						
Trade payables	16,918,407	16,789,584	12,096,752	26,253	381,107	46,212,103
Loans and borrowings	35,512,076	194,088,262	-	-	-	229,600,338

The table below summarises the Company's exposure to foreign currency exchange risk as at 31 December 2017. Included in the table are the Company's financial instruments at their carrying amounts categorised by currency.

	Naira	USD	Euro	GBP	Others	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Financial assets						
Cash and cash equivalents	2,797,743	133,303	518	433	10,814	2,942,811
Trade receivable	2,438,291	196,139	-	-	-	2,634,430
Financial liabilities						
Trade payables	27,801,649	16,789,584	12,096,752	26,253	381,107	57,095,345
Loans and borrowings	189,262,692	26,317,073	-	-	-	215,579,765

(iii) Interest rate risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
The Company’s interest rate risk arises from long-term borrowings. The borrowings represent the major interest-bearing positions. The Company policy is to maintain part of its borrowings with international banks at reduced rates. The Company’s borrowings are denominated in Nigerian Naira and US Dollars.

The Company's policy on managing interest rate risk is to negotiate favorable terms with the banks to reduce the impact of the exposure to this risk and to obtain competitive rates for loans and for deposits.

The table below shows the impact on Arik's Air net assets if interest rates on long term borrowings increased or decreased by 5%, with all other variables held constant. Mainly as a result of higher or lower interest expense on borrowings.

Borrowing

In thousands of naira	2018	2017
Effect 5% increase in interest rate	(1,080,198)	(1,027,091)
Effect 5% decrease in interest rate	1,080,198	1,027,091

Interest rate risk is also managed by treasury department to ensure idle cash is effectively and efficiently utilized.

To mitigate risks, borrowings are closely monitored and sometimes restructured. Management ensures that banking transactions are only with banks with good capital base. Management also ensures that some of the collecting banks are also borrowing banks so that repayments can be deducted at source. The treasury department manages the interests and negotiates / recalculates interest periodically to ensure appropriate deductions.

30 Risk management framework (Continued)

30.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

Trade receivables

Customer credit risk is managed by the revenue 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 any deliveries to major customers are generally covered by bank guarantees obtained from reputable banks and other financial institutions.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 30.2. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Sensitivity analysis on ECL Model

The most significant forward looking information with impact on the ECL allowance of the Company include:
- Unemployment rate
- Inflation rate
- Crude oil price

The table below demonstrates the sensitivity of the ECL allowance to movements in the significant forward looking indicators for financial assets, with all other variables held constant:

	ECL allowance N'000	Net effect N'000
Unemployment rate %		
10% increase	1,065,500	69,706
No change	995,795	-
10% decrease	936,047	(59,748)
Inflation rate %		
10% increase	1,075,458	79,664
No change	995,795	-
10% decrease	921,110	(74,685)
Crude oil price		
10% increase	926,089	(69,706)
No change	995,795	-
10% decrease	1,073,467	77,672

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions are managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit exposure limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Receiver Management team on an annual basis, and may be updated throughout the year subject to approval of the company's Receiver Management team. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Company's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts. The Company does not hold collateral as security.

30 Risk management framework (Continued)

30.2 Credit risk (continued)

Below is a breakdown of the Company's financial assets that are exposed to credit risk and the maximum credit risk exposure before other credit enhancements at the reporting date.

	Maximum exposure	
	31 December 2018	**31 December 2017**
In thousands of naira		
Trade receivables	2,248,899	2,634,430
Other assets	12,132,864	12,003,327
Cash and bank balances	6,740,422	2,942,811
Financial assets bearing credit risk	**21,122,185**	**17,580,568**

31 December 2018 *In thousands of naira*	Trade receivables	Other assets	Cash and bank balances	Total
Neither past due nor impaired	-	9,852,951	6,740,422	16,593,373
Past due but not impaired	2,248,899	2,279,913	-	4,528,812
Impaired	995,795	98,295	-	1,094,090
Gross	**3,244,694**	**12,231,159**	**6,740,422**	**22,216,275**
Provisions for doubtful debts	(995,795)	(98,295)	-	(1,094,090)
	2,248,899	**12,132,864**	**6,740,422**	**21,122,185**

31 December 2017 *In thousands of naira*	Trade receivables	Other assets	Cash and bank balances	Total
Neither past due nor impaired	2,485,291	9,723,415	2,942,811	15,151,517
Past due but not impaired	149,139	2,279,913	-	2,429,052
Impaired	921,952	98,295	-	1,020,247
Gross	**3,556,382**	**12,101,623**	**2,942,811**	**18,600,816**
Provisions for doubtful debts	(921,952)	(98,295)	-	(1,020,247)
	2,634,430	**12,003,328**	**2,942,811**	**17,580,569**

31 December 2018

In thousands of naira					**Trade receivables** **Days past due**			
	Current	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**91 - 120 days**	**121 - 150 days**	**151 - 365 days**	**>365 days**	**Total**
Expected credit loss rate	1.31%	3.18%	5.55%	9.68%	13.91%	20.74%	25.61%	100.00%	
Estimated total gross carrying amount at default	183,901	127,059	29,646	113,341	242,208	95,909	3,604,777	-	**4,396,841**
Expected credit loss	2,400	4,035	1,646	10,968	33,685	19,888	923,173	-	**995,795**

30 Risk management framework (Continued)

30.2 Credit risk (continued)

31 December 2017

In thousands of naira	**Current**	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**91 - 120 days**	**121 - 150 days**	**151 - 365 days**	**>365 days**	**Total**
				Trade receivables Days past due					
Expected credit loss rate	5.95%	6.54%	8.09%	16.59%	24.50%	26.15%	28.43%	100.00%	
Estimated total gross carrying amount at default	60,544	209,796	77,761	61,634	69,117	166,569	2,910,961	-	**3,556,381**
Expected credit loss	3,604	13,729	6,294	10,228	16,934	43,550	827,613	-	**921,952**

Financial assets that are neither past due nor impaired

In thousands of naira	**31 December 2018**	**31 December 2017**
Cash at bank		
A	-	-
A+	1	1
AA-	-	-
B	988,447	289,386
B+	1,222,425	601,222
B-	1,645,503	397,713
Not rated	2,771,490	1,654,489
	6,627,866	**2,942,811**

Bank ratings are based on Fitch ratings as at the year end dates.

30 Risk management framework (Continued)

30.3 Liquidity risk

Liquidity risk is the risk that an entity will have difficulties in paying its financial liabilities/meeting its obligations.

Cash flow forecasting is performed in the organization's monthly planning. The treasury department creates and monitors the forecasts for liquidity requirements to ensure it has sufficient cash or make cash available to meet operational needs while maintaining sufficient repayments for the committed borrowing facilities at all times, so that the company does not breach borrowing limits. Such forecasting takes into consideration the financial requirements, debt financing plans, compliance with critical vendors' payments and government agencies and other payment requirements.

The sweeping of revenue collections and utilization of cash and bank credit limits is regularly monitored by the treasury department. Cash flow monitoring is also managed by treasury to ensure idle cash is utilized or transferred to operations accounts with overdraft balances to cushion the effect of interest payments.

The Company has not enjoyed tax holidays.

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities and on the basis of their earliest possible contractual maturity.

31 December 2018	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Financial assets						
Other assets	-	12,132,864	-	-	-	12,132,864
Trade receivables	2,248,899	-	-	-	-	2,248,899
Cash and cash equivalents	-	6,740,422	-	-	-	6,740,422
Total assets	**2,248,899**	**18,873,286**	**-**	**-**	**-**	**21,122,185**

	On demand	**Less than 3 months**	**3 to 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Financial liabilities						
Trade payables	-	-	46,212,103	-	-	46,212,103
Loans and borrowings	229,600,338	-	-	-	-	229,600,338
Total liabilities	**229,600,338**	**-**	**46,212,103**	**-**	**-**	**275,812,441**
Total liquidity gap	**(227,351,439)**	**18,873,286**	**(46,212,103)**	**-**	**-**	**(254,690,256)**

31 December 2017	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Financial assets						
Other assets	-	12,003,328	-	-	-	12,003,328
Trade receivables	-	2,634,430	-	-	-	2,634,430
Cash and cash equivalents	-	2,942,811	-	-	-	2,942,811
Total assets	**-**	**17,580,569**	**-**	**-**	**-**	**17,580,569**

	On demand	**Less than 3 months**	**3 to 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Financial liabilities						
Trade payables	-	-	44,931,360	-	-	44,931,360
Loans and borrowings	215,579,765	-	-	-	-	215,579,765
Total liabilities	**215,579,765**	**-**	**44,931,360**	**-**	**-**	**260,511,125**
Total liquidity gap	**(215,579,765)**	**17,580,569**	**(44,931,360)**	**-**	**-**	**(242,930,556)**

31 Contingent liabilities, commitments and operating lease arrangements

Contingent liabilities

The company had no material contingent liabilities as at 31 December 2018 (2017:Nil).

Commitments

Amount committed to aircraft acquisition as at 31 December 2018 are as analysed in Note 16. There were no other capital expenditure contracted at the balance sheet date.

Operating lease arrangements

The Company has entered into operating leases arrangements on certain aircraft. These leases have an average life of eight (8) years, with no renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

In thousands of naira	**2018**	**2017**
Within one year	8,333,839	6,942,965
After one year but not more than five years	33,335,354	34,714,827
More than five years	-	-
	41,669,193	**41,657,792**

32 Capital management

The Company’s objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio, (net debt as a percentage of total capital). Net debt is defined as the total borrowings, finance leases and net interest-bearing deposits and cash and cash equivalents less overdrafts.

The Company is not subject to externally imposed capital requirements.

Total capital is defined as the total of capital, reserves and net debt.
The gearing ratios at each year end were as follows:

In thousands of naira	**2018**	**2017**
Total equity	(192,582,679)	(177,422,020)
Net debt (a)	229,600,338	215,579,765
Total Capital (b)	37,017,659	38,157,745
Gearing ratio (%) (a)/ (b)	620%	565%

There are no changes to the company's objectives, policies and processes of managing capital.

33 Related party disclosure

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

The relationship between Arik Air Limited and its related parties are disclosed below, irrespective of whether there were transactions between them during the reporting year.

Name	**Relationship**
Ojemai Investment Limited	Common ownership
Rockson Engineering	Common ownership
Rockson International	Common ownership
Ojemai Farms Limited	Common ownership
Hansworth Limited	Common ownership
Arik Air International Limited	Common ownership

33 Related party disclosure (continued)

The table below show the transactions that occurred between related parties during the relevant financial year:

(a) Receivables from related parties

In thousands of naira	2018	2017
Trade receivables	-	-
Rockson Engineering Limited	1,670,151	1,685,151
Other assets		
Ojemai Farms Limited	900	900
Rockson International	486,200	486,200
Hansworth Limited	11,871	11,871
Arik Air International Limited	1,780,942	1,780,942
	2,279,913	2,279,913
Total related party receivables	3,950,064	3,965,064

No impairment was recognised in 2018 (2017: Nil).

(b) Payables to related parties

In thousands of naira	2018	2017
Ojemai Investment Limited	518,468	518,468
Arik Air International Limited	14,005,755	12,754,970
	14,524,223	13,273,438

Receivables and payables from/to related parties are without tenor and are unsecured and the consideration to be provided in settlement could either be cash and cash equivalent or services.

(c) Purchases from related parties

In thousands of naira	2018	2017
Ojemai Investment Limited	165,376	165,376

(d) Loan from key management

In thousands of naira	2018	2017
Directors current account	512,666	512,666

Loan from key management of the company during the year were unsecured in nature and bear no interest .

(e) Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel include the Chief Executive Officer, Receiver Manager, and Chief Financial Officer. The compensation paid or payable to key management for employee services is shown below:

In thousands of naira	2018	2017
Salaries and other short-term employee benefits	111,744	102,432
Post-employment benefits (gratuity and pension)	11,174	10,243
	122,918	**112,675**

*The remuneration of the Receiver Manager is borne by AMCON.

33 Related party disclosure (continued)

(f) Directors emoluments

	2018	2017
Salaries and fees	-	-
Other emoluments	-	-
	-	-

Salaries and other emoluments are analysed as follows:

	2018	2017
Chairman	-	-
Emoluments of highest paid director	-	-

The emoluments of directors are analysed into the following categories:

N		N	2018	2017
			-	-
15,000,000	-	20,000,000	-	-
20,000,000	-	25,000,000	-	-
25,000,000	-	30,000,000	-	-
30,000,000	-	35,000,000	-	-
			-	-

The directors did not perform any roles in 2018 and 2017 and hence are not entitled to receive any emolument.

(g) Operating lease

The land (head office) occupied by Arik Air Limited is on a lease agreement with Ojemai investment Limited being the lessor with an option to renew the lease agreement. There are no restrictions on the Company by the lease contract. However, Arik Air Limited (in receivership) recognised an estimated lease amount based on the assessment of an independent estate manager pending when the old amount is re-negotiated. The amount is recognised in the statement of profit or loss and other comprehensive income.

34 Events after the reporting date

In the first quarter of 2020, there was a COVID -19 outbreak which has spread globally. The outbreak has been declared a Public Health Emergency of International concern by World Health Organisation (WHO) in March 2020. As at the date of this report, several cases have been confirmed in Nigeria by the Nigerian Centre for Disease Control.

The disease has caused a significant reduction in social interaction, with a shutdown of public facilities and physical interaction. Measures taken to contain the virus have affected economic activities. A large number of airlines have been grounded as many countries have also shut their airports to both local and international flights. This has significant impact on revenue and going concern of the operators within the industry.

In the light of these recent developments and its underlying impact, the Company may experience loss in revenue in its 2020 financial year. Estimated monthly revenue of N3billion may be lost if the airline remains grounded with its attendant negative impact on the movement of people, trade and commerce within and outside the country. Management also decided to implement a 80 per cent pay cut for all members of staff across the entire organisation for the month of April 2020. Furthermore, commencing from 1 May 2020, no less than 90 per cent of our staff will proceed on leave without pay despite the resumption of flights in July 2020.

Management has also considered the potential implications of this outbreak and have put in place measures to mitigate against a significant impairment of the carrying value of assets. The management is confident that there are no plans to liquidate any of the Company's operations as a result of the impact of COVID- 19 outbreak in the short term.

However, its reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions used for some estimates and judgement, could require a material adjustment to the carrying amount of the asset or liability affected.

Other than has disclosed above, there are no other events subsequent to the end of the reporting period that requires an adjustment or a disclosure in these financial statements.

Statement of value added

for the year ended 31 December 2018

In thousands of Naira	31 December 2018	%	31 December 2017	%
Revenue	42,703,399		28,433,731	
Other income	2,960,179		2,174,479	
Finance income	381,829		66,652	
Bought in goods and services:				
Local	(15,182,068)		(23,696,207)	
Foreign	(10,121,379)		(15,797,472)	
Value added/(eroded)	**20,741,960**	**100**	**(8,818,817)**	**100**
Applied as follows:				
Pay salaries, wages and other entitlements	8,118,888	39	7,548,951	(86)
Pay interest on funds provided	21,603,955	104	20,541,824	(233)
Provide for depreciation and amortisation of assets	6,120,849	30	4,992,292	(57)
Consumed in the business	(15,101,732)	(73)	(41,901,884)	475
Value added/(eroded)	**20,741,960**	**100**	**(8,818,817)**	**100**

This statement represents the distribution of the wealth created through the use of the company's assets through its own efforts.

Arik
WINGS OF NIGERIA

Five year financial summary
for the year ended 31 December 2018

Statement of financial position

In thousands of Naira	2018	2017	2016	2015	2014
Non-current assets	123,857,435	123,603,293	141,409,946	177,168,833	165,854,946
Current assets	23,557,625	19,268,387	22,717,514	34,203,716	17,267,944
Current liabilities	(339,173,555)	(319,211,054)	(296,835,226)	(210,942,957)	(133,647,767)
Non-current liabilities	(824,184)	(1,082,646)	(2,812,370)	(54,526,956)	(41,761,963)
Net (liabilities)/assets	(192,582,679)	(177,422,020)	(135,520,136)	(54,097,364)	7,713,160
Capital and reserves					
Share capital	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Reserves	(194,582,679)	(179,422,020)	(137,520,136)	(56,097,364)	5,713,160
Shareholders' funds	(192,582,679)	(177,422,020)	(135,520,136)	(54,097,364)	7,713,160

Statement of profit or loss and other comprehensive income

In thousands of Naira	2018	2017	2016	2015	2014
Revenue	42,703,399	28,433,731	61,857,010	61,788,869	87,638,232
(Loss)/profit before taxation	(15,101,732)	(41,901,884)	(85,201,946)	(45,495,353)	2,605,208
Taxation	-	-	-	-	(1,372,250)
(Loss)/profit after taxation	(15,101,732)	(41,901,884)	(85,201,946)	(45,495,353)	1,232,958