

**DAAR COMMUNICATIONS PLC**

**Company No. RC117587**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020**



*SIAO - Accomplish More*

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**DAAR COMMUNICATIONS PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020**  
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**DAAR COMMUNICATIONS PLC  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020**

**Corporate Information**

**Directors**

Chief Raymond Paul Dokpesi Jnr.	Chairman
Mr. Tony A. Akiotu	Group Managing Director
Chief Stanley Sagboje	Executive Director
Ambrose Somide	Executive Director
Dr. (Mrs.) Oluwatosin Dokpesi	Executive Director
Engr. Tony C. Uyah	Executive Director
Malam Gambo Lawan	Non-Executive Director
Shedrack. A. Akolokwu, PhD	Non-Executive Director
Barr. Charles C. Iyizoba	Non-Executive Director
Prof. Ralph Akinfeleye	Non-Executive Director
Mr. Cornelius Oboh	Non-Executive Director
Princess (Mrs.) Ibitoru Ofili JP	Non-Executive Director
High Chief Raymond Aleogho Dokpesi, PhD, Dsc, OFR- Norna Awoh	Non-Executive Director Independent Director

**Company Secretary**

Anopuo Donatus O. (Esq)  
DAAR Communications Plc  
Asokoro, Abuja.

**Company Registration Number**

Rc. 117587

**Registered Office**

LadiLawal Drive Kpaduma Hills,  
Off T. Y. Danjuma Street,  
Asokoro, FCT Abuja.

**Auditors**

SIAO (Chartered Accountants)  
Wing B, 1<sup>st</sup> Floor, Bank of Industry Building  
Herbert Macaulay Way, CBD, Abuja  
Tel: 09-2912462-3

**Registrars**

First Registrars Ltd  
No. 2 Abebe Village Road  
Iganmu, Lagos.

**Bankers**

Fidelity Bank Plc  
First Bank Nigeria Ltd  
First City Monument Bank Plc  
Sterling Bank Plc  
Guaranty Trust Bank Plc.  
Union Bank of Nigeria Plc  
United Bank for Africa Plc  
Zenith Bank Plc

**Financial Highlights**

**DAAR COMMUNICATIONS PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020**

	<b>2020</b>	<i>2019</i>	Absolute Change	Changes
	<b>₦'000</b>	<i>₦'000</i>	<b>₦'000</b>	<b>%</b>
<b>Revenue</b>	<b>3,553,526</b>	<i>5,152,448</i>	<i>(1,598,923)</i>	<i>(31)</i>
<b>Loss Before Taxation</b>	<b>(2,554,036)</b>	<i>(1,690,228)</i>	<i>(863,808)</i>	<i>(51)</i>
<b>Loss After Taxation</b>	<b>(2,346,111)</b>	<i>(1,379,719)</i>	<i>(966,932)</i>	<i>(70)</i>
<b>Non-Current Assets</b>	<b>12,335,358</b>	<i>13,594,310</i>	<i>(1,258,952)</i>	<i>(9)</i>
<b>Current Assets</b>	<b>2,608,590</b>	<i>2,528,844</i>	<i>79,745</i>	<i>3</i>
<b>Non-Current Liabilities</b>	<b>-</b>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Current Liabilities</b>	<b>11,303,183</b>	<i>10,136,280</i>	<i>1,166,903</i>	<i>12</i>
<b>Issued Share Capital</b>	<b>4,000,000</b>	<i>4,000,000</i>	<i>-</i>	<i>-</i>
<b>Share Premium</b>	<b>13,411,541</b>	<i>13,411,541</i>	<i>-</i>	<i>-</i>
<b>Shareholders' Fund</b>	<b>3,640,765</b>	<i>5,986,875</i>	<i>(2,346,111)</i>	<i>(39)</i>
<b>Total Equity and Liabilities</b>	<b>14,943,948</b>	<i>16,123,155</i>	<i>(1,179,208)</i>	<i>(7)</i>
<b>Loss Per Share (kobo)</b>	<b>(29)</b>	<i>(17)</i>		<i>4</i>

**DAAR COMMUNICATIONS PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020**  
**Statement of Directors' Responsibilities**

The Directors of DAAR Communications Plc are responsible for the preparation of the financial statements that present fairly the financial position of the Company as at 31st December 2020, and the results of its operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards ("IFRS").

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

- Properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient, to enable users to understand the impact of particular transactions, and conditions on the Company's financial position and financial performance; and
- making an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company, and preventing and detecting fraud and other irregularities.

The Directors accept responsibility for the preparation of the annual financial statements which has been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates in conformity with International Financial Reporting Standards and the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act 2011.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the Company and of the loss for the year.

The financial statements of the Company for the year ended 31st December 2020 were approved by management on 30<sup>th</sup> March, 2021

Signed on behalf of the management of the Company:



.....  
**Tony A. Akiotu**  
**GMD/CEO**  
**FRC/2014/NIM/0000006895**



.....  
**Stanley Sagboje**  
**Director, Finance & Accounts/CFO**  
**FRC/2014/ICAN/00000015580**

**DAAR COMMUNICATIONS PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020**  
**Report of the Audit Committee**

**Report of the Audit Committee to the members of DAAR Communications Plc for the year ended 31st December 2020**

In compliance with the Provisions of Section 404 (7) of the Companies and Allied Matters Act, 2020, the members of the Audit Committee of DAAR Communications Plc have considered the audited Financial Statements for the year ended 31st December 2020 together with the Management Report from the External Auditors and Management response thereon.

In our opinion, the scope and planning of the audit for the year ended 31st December 2020 was adequate.

After due consideration, the Audit Committee accepted the Report of the External Auditors that the Financial Statements were prepared in accordance with the International Financial Reporting Standards and agreed ethical practices and give a true and fair view of the state of affairs of the Company.

The Committee reviewed Management's Response to the Auditor's findings in respect of Management matters and is satisfied with Management's response thereto.

The Committee also considered and recommends to the Board provision made in the Financial Statements with respect to the remuneration of the Auditors.

The Committee, therefore, recommends that the audited Financial Statements of the Company for the year ended 31st December 2020 and the Auditors' report thereon be presented for adoption at the Annual General Meeting.



**John Adidi, FCA**  
FRC/2013/ICAN/00000000742  
Chairman, Audit Committee

Dated: 30<sup>th</sup> March, 2021

**Members of the Audit Committee are:**

Mr John Adidi, FCA	Chairman	Shareholder's Representative
High Chief Vincent Barrah	Member	Shareholder's Representative
Mr Yinka Ayamwamide	Member	Shareholder's Representative
Mr. Cornelius Oboh	Member	Board's Representative
Mr. Charles Iyizoba	Member	Board's Representative
Shedrack A. Akolokwu, PhD	Member	Board's Representative

**To the members of DAAR Communications Plc Report on the Audit of the Financial Statements****Opinion**

We have audited the accompanying financial statements of DAAR COMMUNICATIONS PLC (“the Company”) which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the Company has kept proper accounting records and the financial statements are in agreement with the records in all material respects and give in the prescribed manner, information required by the Companies and Allied Matters Act (CAMA), 2020. The financial statements give a true and fair view of the financial position of DAAR COMMUNICATIONS PLC as at 31st December 2020 and of its financial performance and its Cash flows for the year then ended in accordance with the International Financial Reporting Standard (IFRS) as adopted by the Financial Reporting Council of Nigeria (FRC).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants (IESBA), the provisions of the Companies and Allied Matters Act (CAMA), 2020 and other independence requirements applicable to performing audits of financial statements of DAAR COMMUNICATIONS PLC. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and CAMA applicable to performing the audits of DAAR COMMUNICATIONS PLC. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Related to Going Concern**

We draw attention to note 35 in the financial statements, which indicates that the company incurred a net loss of ₦2.34 billion during the year ended December 31, 2020, and as of that date the company’s current liabilities exceeded its current assets by ₦ 8.7 billion. As stated in note 35, these events or conditions, along with other matters as outlined in note 35, indicate that a material uncertainty exists that may cast significant doubt on the company’s ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors’ responsibilities for the audit of the financial statements section of our report, including in relation to this matter.

**DAAR COMMUNICATIONS PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020**  
**Independent Auditor's Report**

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures, performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters	How the matters were addressed in the Audit
<p><b>Impairment of Property, Plant and Equipment</b></p> <p>See notes 15.1 to the financial statements.</p> <p>We considered this area to be key to our audit due to the significant judgment involved in estimating the carrying amount of Property, Plant and Equipment at the period end date. In particular, judgment is required by the directors in cash flow forecasts of each Cash Generating Units (CGUs), determining the recoverable amounts of each Cash Generating Units (CGUs) and the assumptions applied within the Value-in-use calculations.</p> <p>This matter is considered a key audit matter in the financial statements.</p>	<ul style="list-style-type: none"> <li>• We tested the Company's controls relating to the preparation of the cash flow forecasts.</li> <li>• We reviewed the value in use calculations prepared by management, with a particular focus on both the growth rate and discount rate.</li> <li>• Assessed the reasonableness of assumptions made by management about the weighted average cost of capital.</li> <li>• We compared management's cash flow forecasts to actual results obtained based on audited financial statements from prior years.</li> <li>• We considered the company's risk profile, market conditions and industry forecast and challenged management's assumptions in the forecasts for long term growth rate and discount rate.</li> </ul>
<p><b>Revenue Recognition</b></p> <p>Revenue is recognized in accordance with International Financial Reporting Standards net of discounts, incentives, and rebates accrued by the Company's customers based on sales. In certain revenue segments, the estimate associated with these discounts, incentives, and rebates is significant and is likewise based on complex, highly subjective judgments. Consequently, there is a risk that the contractual terms that give rise to these adjustments to sales are incorrectly recorded and thus, revenue recognized in the financial statements may be incorrectly measured.</p> <p>We determined this matter to be a key audit issue due to the variety of discounts and incentives offered, as well as the complexity associated with the estimates that management must make to record some of them at year-end.</p>	<p>In this regard, our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Understanding the policies and procedures applied to revenue recognition, as well as compliance therewith, including an analysis of the effectiveness of controls related to revenue recognition processes employed by the Group's key components.</li> <li>• Carrying out substantive analytical procedures for the company's key components, analyzing the actual performance of revenue and cost of sales related to discounts, incentives, rebates, and margins.</li> <li>• Analyzing and discussing with management significant contracts including contractual terms and conditions related to discounts, incentives, and rebates, as well as the hypotheses used in the related estimates.</li> </ul>

<p>Therefore, we consider the abovementioned issues to be a key audit matter. The disclosures related to recognition of revenue by the Company as well as the information relating to revenue by business segments are provided in Notes 5k and 7.2, respectively, to the accompanying financial statements.</p>	<ul style="list-style-type: none"> <li>• Performing operations cut-off procedures for a sample of revenue transactions at year-end in order to conclude whether they were recognized at the moment the related goods or services took place.</li> <li>• Analyzing other adjustments and credit notes issued after the reporting date.</li> <li>• Reviewing disclosures included in the notes to the accompanying consolidated financial statements.</li> </ul>
<p><b>Recoverability of Accounts Receivables</b></p> <p>We identified the recoverability of accounts receivables as a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the significant degree of judgments made by the management in assessing the impairment of accounts receivables and determining the allowance for doubtful debts.</p> <p>As at 31st December 2020, the carrying amounts of accounts receivables was ₦2.4 billion, net of allowance for lost and doubtful debts of about ₦1.8 billion as disclosed in note 18 to the financial statements, representing 14% of the total tangible assets of the Company. As disclosed in note 6.1 to the financial statements, the amount of allowance for doubtful debts was measured as the difference between the carrying amounts of accounts receivables and the estimated future cash flows by considering the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of the accounts receivables.</p>	<p>Our procedures concerning the recoverability of accounts receivables included:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of how the allowance for doubtful debts is estimated by the management and assessing the management's process in determining the estimated future cash flows of accounts receivables;</li> <li>• Discussing with the management and obtaining a list of accounts receivables with relevant small amount of settlement, during the year or subsequent to the end of the reporting period identified by the management and their assessment on the recoverability of accounts receivables;</li> <li>• Checking the ageing analysis and subsequent settlement of the accounts receivables, on a sample basis;</li> <li>• Assessing the reasonableness of allowance for doubtful debts for accounts receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of the accounts receivables on a sample basis;</li> <li>• Evaluating the historical accuracy of the management's assessment of impairment for accounts receivables on a sample basis by examining the actual write-offs, the reversal of previously recorded allowance and new allowances recorded in the current year in respect of accounts receivables at the end of the previous financial year.</li> </ul>

**DAAR COMMUNICATIONS PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020**  
**Independent Auditor's Report**

**Other Information**

The directors are responsible for the other information. The other information comprises the Directors' Report, Corporate Governance Report, Statement of Directors' Responsibility, Audit Committee Report, Statement of Value Added and Five-Year Financial Summary, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

**Responsibilities of the Directors for the Financial Statements**

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the provisions of the Companies and Allied Matters Act (CAMA), 2020, the Financial Reporting Council Act No.6, 2011 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



**DAAR COMMUNICATIONS PLC**

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020**

**Independent Auditor's Report**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

**DAAR COMMUNICATIONS PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020**  
**Independent Auditor's Report**

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirement of the Companies and Allied Matters Act (CAMA), 2020 we expressly state that:

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit
- ii. In our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books;
- iii. The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.



**Abiodun Ariyibi**  
**FRC/2013/ICAN/00000001548**

**For: SIAO (Chartered Accountants)**  
Lagos Nigeria

Date:..... *31/03/2021* .....



**DAAR COMMUNICATIONS PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020**  
**Statement of Profit or Loss and Other Comprehensive Income**

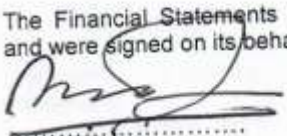
	Notes	2020 ₦'000	2019 ₦'000
Revenue	7	3,553,526	5,152,448
Cost of Sales	8	<u>(2,320,586)</u>	<u>(2,536,464)</u>
<b>Gross Profit</b>		<b>1,232,940</b>	<b>2,615,985</b>
Other Income	9	147,433	51,644
Selling Expenses	10	(127,760)	(157,402)
Impairment and Provisions	10b	(1,661,936)	(1,998,158)
Administrative Expenses	11	<u>(2,088,701)</u>	<u>(2,143,858)</u>
<b>Operating Profit/(Loss) before Finance Income/Cost</b>		<b>(2,498,025)</b>	<b>(1,631,789)</b>
Finance Cost	12b	(56,011)	(58,438)
<b>Profit/(Loss) Before Tax</b>	13	<u>(2,554,036)</u>	<u>(1,690,228)</u>
Taxation	14	207,925	310,509
<b>Loss for the year</b>		<u>(2,346,111)</u>	<u>(1,379,719)</u>
Other Comprehensive Income (Net of Taxes)		-	-
<b>Total Comprehensive Income</b>		<u><u>(2,346,111)</u></u>	<u><u>(1,379,719)</u></u>
<b>Loss Per Share (kobo)</b>		<b>(29)</b>	<b>(17)</b>

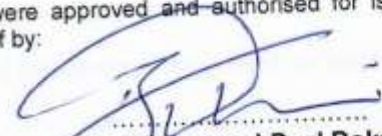
*The accounting policies and the accompanying notes on pages 17 to 70 form an integral part of these Financial Statements.*


**DAAR COMMUNICATIONS PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020**  
**Statement of Financial Position**

	Notes	2020 ₦'000	2019 ₦'000
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	15	8,486,467	9,087,730
Intangible Assets	16	29,027	33,211
Investment	17	166,172	140,353
Deferred Tax Assets	14	3,653,692	4,333,017
		<u>12,335,358</u>	<u>13,594,310</u>
<b>Current Assets</b>			
Trade Receivables	18	2,420,283	2,189,444
Other Receivables & Prepayments	19	129,744	93,119
Cash and Cash Equivalents	20	58,563	246,281
<b>Total Current Assets</b>		<u>2,608,590</u>	<u>2,528,844</u>
<b>Total Assets</b>		<u>14,943,948</u>	<u>16,123,155</u>
<b>Equity and Liabilities</b>			
<b>Capital and Reserves</b>			
Share Capital	21	4,000,000	4,000,000
Share Premium	22	13,411,541	13,411,541
Retained Earnings	23	(13,770,776)	(11,424,666)
<b>Total Equity</b>		<u>3,640,765</u>	<u>5,986,875</u>
<b>Current Liabilities</b>			
Sub-ordinated Loan	24	1,039,131	1,197,327
Payables	25	983,423	1,085,859
Other Payables	26	8,859,301	7,405,025
Taxation	14	421,328	448,069
<b>Total Current Liabilities</b>		<u>11,303,183</u>	<u>10,136,280</u>
<b>Total Liabilities</b>		<u>11,303,183</u>	<u>10,136,280</u>
<b>Total Equity and Liabilities</b>		<u>14,943,948</u>	<u>16,123,155</u>

The Financial Statements were approved and authorised for issue by the Board of Directors on 31<sup>st</sup> March, 2021 and were signed on its behalf by:

  
 Tony A. Akiotu  
 GMD/CEO  
 FRC/2014/NIM/00000006895

  
 Chief Raymond Paul Dokpesi, Jr.  
 Chairman  
 FRC/2020/IOD/00000020977

  
 Stanley Sagboje  
 ED, Finance & Accounts/CFO  
 FRC/2014/ICAN/00000015580

The accounting policies and the accompanying notes on pages 17 to 70 form an integral part of these Financial Statements.

**DAAR COMMUNICATIONS PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020**  
**Statement of Changes in Equity**

	Share Capital ₦'000	Share Premium ₦'000	Retained Earnings ₦'000	Total ₦'000
Balance as at January 1, 2019	4,000,000	13,411,541	(10,044,947)	7,366,594
Profit for the year	-	-	(1,379,719)	(1,379,719)
Other Comprehensive Income				
<b>Total Comprehensive Income for the year</b>	-	-	(1,379,719)	(1,379,719)
<b>Balance as at 31 December 2019</b>	<u>4,000,000</u>	<u>13,411,541</u>	<u>(11,424,666)</u>	<u>5,986,875</u>
Balance as at January 1, 2020	4,000,000	13,411,541	(11,424,666)	5,986,875
Profit for the year			<b>(2,346,111)</b>	<b>(2,346,111)</b>
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income for the Year</b>	-	-	<b>(2,346,111)</b>	<b>(2,346,111)</b>
<b>Balance as at December 31, 2020</b>	<u><u>4,000,000</u></u>	<u><u>13,411,541</u></u>	<u><u>(13,770,776)</u></u>	<u><u>3,640,765</u></u>

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**Statement of Cash flows**

	Notes	2020 N'000	2019 N'000
<b>Cash Flows from Operating Activities</b>			
Loss for the period		(2,554,036)	(1,690,228)
<b>Adjustments for:</b>			
Depreciation	15	827,067	887,695
Amortization of Intangible Assets	16	104,184	96,826
Write down of deferred tax assets	14	913,423	-
Finance Cost	12	56,011	58,438
		<u>(653,351)</u>	<u>(647,269)</u>
<b>Changes in Assets &amp; Liabilities</b>			
Change in Trade Receivables	18	(230,839)	1,289,315
Change in Prepayments and Other Receivables	19	(36,625)	56,698
Change in Trade and Other Payables	25	1,351,839	189,904
<b>Cash Generated from Operating Activities</b>		<b>431,024</b>	<b>888,647</b>
Tax Paid		(52,913)	(80,952)
<b>Net Cash from Operating Activities</b>		<b><u>378,111</u></b>	<b><u>807,695</u></b>
<b>Cash flows from Investing Activities</b>			
Acquisition of Intangible Assets	16	(100,000)	(108,000)
Acquisition of Property, Plant and Equipment	15	(225,804)	(412,982)
Investment in DAAR Global Limited	17	(25,818)	(43,353)
<b>Net cash from in Investing Activities</b>		<b><u>(351,622)</u></b>	<b><u>(564,335)</u></b>
<b>Cash Flows from Financing Activities</b>			
Repayment of Subordinate loan	26	(158,195)	(24,363)
Interest Paid	12	(56,011)	(58,438)
<b>Net Cash from Financing Activities</b>		<b><u>(214,206)</u></b>	<b><u>(82,801)</u></b>
<b>Net Decrease in Cash and Cash Equivalents</b>		<b>(187,718)</b>	<b>160,560</b>
Cash and Cash Equivalents at January 1		<u>246,281</u>	<u>85,720</u>
<b>Cash and Cash Equivalents at December 31</b>		<b><u><u>58,563</u></u></b>	<b><u><u>246,281</u></u></b>
<b>Represented by</b>			
<b>Cash and Bank Balances</b>		<u>58,563</u>	<u>246,281</u>
		<b><u><u>58,563</u></u></b>	<b><u><u>246,281</u></u></b>

The accounting policies and the accompanying notes on pages 17 to 70 form an integral part of these Financial Statements.

**DAAR COMMUNICATIONS PLC**  
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**Notes to the Financial Statements**

**1. Corporate Information**

DAAR Communications Plc. is the foremost independent broadcast organization in Nigeria. The Company was incorporated on August 31, 1988, as a limited liability company and converted into a public liability Company on April 23, 2007.

The Company pioneered private/independent broadcasting with the establishment of Raypower 100.5 FM radio station in September 1994 upon the deregulation of the broadcast sector in 1993 by the Federal Government of Nigeria. The organization also pioneered global satellite broadcasting in 1996 with the establishment of African Independent Television (AIT).

**2. Composition of Financial Statements**

The Financial Statements are drawn up in naira, the functional currency of DAAR Communications Plc. In accordance with IFRS accounting presentation, the Financial Statements comprise:

- Statement of Profit or Loss and other comprehensive income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cashflows
- Notes to the Financial Statements including accounting policies.

**2.1 Statement of Compliance**

The Company's full financial statements for the year ended 31st December 2020 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together "IFRS") that are effective at 31st December 2020 and requirements of the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council (FRC) Act of Nigeria.

**2.2. Basis of Presentation**

These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS"), being standards and interpretations issued by the International Accounting Standards Board ("IASB"), in force on 31 December 2020.

**2.3. Measurement Bases**

The financial statements have been prepared under the historical cost convention unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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. When measuring the fair value of an asset or a liability, the Company uses market observable data to the extent possible.

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If the fair value of an asset or a liability is not directly observable, it is estimated by the Company (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account

Fair values are categorized into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Company at the end of the reporting period during which the change occurred.

#### **2.4. Financial Period**

These Financial Statements cover the financial years ended 31st December 2020 and comparative, 31<sup>st</sup> December 2019.

#### **3. Application of new and revised International Financial Reporting Standards (IFRSs) effective for an accounting period that begins on or after January 1, 2020.**

For the preparation of these financial statements, the following new or amended standards are mandatory for the first time for the financial year beginning 1 January 2020.

##### **3.1 Amendments to References to the Conceptual Framework in IFRS Standards**

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quote from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing (the IASC framework adopted by the IASB in 2001,

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the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

Issued: 29 March 2018

Effective Date: Annual periods beginning on or after 1 January 2020.

The Company's financial statement is not impacted by these amendments as it does not rely on the framework in determining the accounting policies for transactions.

### **3.2 Definition of a Business (Amendments to IFRS 3)**

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only.

They:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Issued: 22 October 2018

Effective Date: Business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

This amendment does not have an impact on the Company's financial statements as there has been no change in the Company's structure within the period.

### **3.3 Definition of Material (Amendments to IAS 1 and IAS 8)**

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

The amendments to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors, and consequential amendments to other IFRSs:

- i use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- ii clarify the explanation of the definition of material; and
- iii incorporate some of the guidance in IAS 1 about immaterial information.

#### **The amended definition is:**

'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

**Notes to the Financial Statements**

The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole.

The amendment also clarifies the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors that must rely on general-purpose financial statements for much of the financial information they need.

The amendments clarify the definition of material and make IFRSs more consistent, but are not expected to have a significant impact on the preparation of financial statements.

An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2020. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

Issued: 31 October 2018

Effective Date: Annual reporting periods beginning on or after 1 January 2020.

**3.4 Interest Rate Benchmark Reform-Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)**

The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

Issued: 26 September 2019

Effective Date: Annual reporting periods beginning on or after 1 January 2020.

The adoption of phase 1 of the IBOR reform did not lead to a change in the Company's accounting policies and do not have any interest hedge accounting.

**3.5 Covid-19-Related Rent Concessions (Amendment to IFRS 16)**

On 28 May 2020, the IASB published 'Covid-19-Related Rent Concessions (Amendment to IFRS 16). The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

This was issued 28 May 2020 with an effective Date for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

The Company had no covid-19 rent concession leases and therefore not impacted by the adoption of this amendment.

**3.6. Annual Improvements to IFRS Standards 2018–2020 Cycle**

**These annual improvements were issued on May 14<sup>th</sup>, 2020. The pronouncement contains amendments to four International Financial Reporting Standards.**

**IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41, Agriculture and IFRS 16 Leases.**

**The Annual Improvements include amendments to four Standards.**

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**IFRS 1 First-time Adoption of International Financial Reporting Standards**

Subsidiary as a first-time adopter:

The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

**IFRS 9 Financial Instruments**

Fees included in the '10 per cent' test for derecognition of financial liabilities:

The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

**IAS 41 Agriculture**

Taxation in fair value measurements:

The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

**IFRS 16 Leases** (Illustrative Examples accompanying IFRS 16 Leases)

Lease incentives:

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

All the amendments are effective for annual periods beginning on or after 1 January 2022 and generally require a prospective application. Earlier application is permitted.

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

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**4. New and Revised IFRS Standards in issue but not yet effective**

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

**4.1 IFRS 17 Insurance Contracts**

The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*.

The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

The implementation of the Standard is likely to bring significant changes to an entity's processes and systems and will require much greater co-ordination between many functions of the business, including finance, actuarial and IT.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard and the transition date is the beginning of the period immediately preceding the date of initial application. The directors of the Company do not anticipate that the application of the Standard in the future will have an impact on an entity's financial statements.

**Amendments to IFRS 17**

Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are:

- Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023
- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk

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- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination
- Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level
- Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements
- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives
- Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held
- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach

Issued: 25 June 2020

Effective Date: Annual reporting periods beginning on or after 1 January 2023

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

**4.2 Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)**

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

Issued: 27 August 2020

Effective Date: Annual reporting periods beginning on or after 1 January 2021

The Company is yet to carry out an assessment of the impact of the IBOR reform phase 2 amendments.

**4.3 Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)**

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an

**Notes to the Financial Statements**

uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

On 23 January 2020, the IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendment requires the following:

- Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights, since loans are rarely unconditional (for example, because the loan might contain covenants).
- The assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect classification.
- The right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.
- 'Settlement' is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

Issued: 23 January 2020.

Effective Date: Annual reporting periods beginning on or after 1 January 2023.

The application of this Standard may affect the classification of certain liabilities on the Company's financial statements.

**4.4 IFRS 1 — First-time Adoption of International Financial Reporting Standards**

IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.

Effective for interim and annual financial statements relating to financial years beginning on or after January 1, 2011, earlier application is permitted.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

The directors anticipate that the implementation of this amendment will not have significant impact on the company's financial statements.

**4.5 IFRS 3 — Business Combinations**

IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.

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Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The standard will not impact on the financial statements of the Company as there has not been any business combination during the period.

**4.6 Reference to the Conceptual Framework (Amendments to IFRS 3)**

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

Issued: 14 May 2020.

Effective Date: Annual reporting periods beginning on or after 1 January 2022

No impact is envisaged on the financial statements of the Company.

**4.7 Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)**

The amendments specify that the 'cost of fulfilling a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Issued: 14 May 2020.

Effective Date: Annual reporting periods beginning on or after 1 January 2022.

There is no contracts as at the reporting date to which the amendments apply.

**4.8 Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Issued: 14 May 2020

Effective Date: Annual reporting periods beginning on or after 1 January 2022. Application of this amendment will not affect the Company's financial statements.

**4.9 IAS 1 — Presentation of Financial Statements**

IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.

Effective January 1, 2011, earlier application is permitted.

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**Notes to the Financial Statements**

The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

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

**4.10 IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors**

IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.

Effective January 1, 2011, earlier application is permitted.

The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

The company has included the amended definitions and guides in preparation of its financial statements.

**5. Significant Accounting Policies**

**(a) Going Concern**

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

**(b) Fair Value**

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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**(c) Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any recognized impairment losses. Costs include expenditures that are directly attributable to the

acquisition of assets. Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Where an asset retirement obligation exists, this will be included within the initial assessment of cost. Borrowing costs directly attributable to a qualifying asset, (that takes a substantial period to make ready for the intended use) are added to the cost of such as sets until they are ready for their intended use.

All other repair and maintenance expenditures are charged to the Income Statement during the financial period in which they are incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

**(d) Depreciation**

Depreciation is calculated on the depreciable amount which is the cost of an asset, or other amount substituted for cost, less its residual value on a straight-line basis.

Each part of an item of PP&E with a cost that is significant in relation to the whole is depreciated separately over its expected useful life.

Expected useful life is the period of use by the enterprise, not the asset's economic life, which could be appreciably longer. The depreciable amount takes account of the expected residual value of the assets. Both the useful life and the residual value are reviewed annually and the estimates revised as necessary.

The depreciation is recognized in the income statement on a straight-line basis over the estimated useful lives of an item of property, plant and equipment as follows:

Property Plant and Equipment	Range of Years
Building	10-50 years
Plant & Equipment	4-10 years
Motor Vehicles	4-5 years
Furniture and Fittings	10 years
Records and Discs	10 years

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No depreciation is provided on freehold land, although, in common with all long-lived assets, it is subject to impairment testing, if deemed appropriate.

Construction cost and improvements in respect of offices are carried at cost as capital work-in-progress. On completion of construction or improvements, the related amounts are transferred to the appropriate category of property and equipment.

Payments in advance for items of property and equipment are included as Prepayments in "Other Assets" and upon delivery are reclassified as additions in the appropriate category of property and equipment.

**(e) Impairment of Property, Plant and Equipment**

Where an item of Property, Plant and Equipment has become impaired, the carrying amount of the Property, Plant and Equipment is restated at the recoverable amount if it is lower than the carrying amount and the difference is recognized in the Statement of Comprehensive Income as an impairment loss. The revised carrying amount is amortised on a straight-line basis over the remaining life of the asset. Where there is no recoverable amount, the carrying amount is written off to the profit and loss account and recognized as an impairment loss.

Impairment is tested for when there is an indication of impairment such as:

- Decline in the market value of an asset;
- Changes in the technological, economic or legal environment resulting in an adverse effect on our activities;
- Obsolescence or damage of assets;
- Worsening performance of assets.

Where the asset does not generate cash flows that are independent of other assets, the recoverable amount of the cash-generating unit to which the asset belongs is determined, and impairment losses for the cash-generating units are allocated first against the goodwill of the unit (if any) and then pro-rata amongst the other assets of the unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

**(f) Intangible Assets**

**License Fees**

License fees are stated at historical cost less accumulated amortization. The amortization period is determined primarily by reference to the unexpired license period. Amortization is charged to the income statement on a straight-line basis over the estimated useful life of the license.

Acquired computer software licenses are capitalised based on the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives. Costs associated with maintaining software programmes are recognised as an expense as incurred.

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**Computer Software**

Computer Software with finite lives is amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortisation method for an intangible asset with a finite useful life are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates on a prospective basis. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from the derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss when the asset is derecognized.

For intangible assets with finite useful lives, amortization is calculated to write off the cost of the asset, less its estimated residual value, over its useful economic life as follows:

Licenses	License period
Computer Software	20% straight line

**(g) Financial Instruments**

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

**Financial Assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**Classification of Financial Assets**

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

**i. Amortised Cost and Effective Interest Method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

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

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below).

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For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognised in profit or loss and is included in the "finance income – interest income".

**ii. Debt Instruments Classified as at FVTOCI**

The corporate bonds held by the Company are classified as at FVTOCI. The corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

**iii. Equity Instruments Designated as at FVTOCI**

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally to sell it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9 unless the dividends clearly represent a recovery of part of the cost of the investment. The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI on the initial application of IFRS 9.

**iv. Financial Assets at FVTPL**

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so-called ‘accounting mismatch’) that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship).

**Foreign Exchange Gains and Losses**

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the ‘other gains and losses’ line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the ‘other gains and losses. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;

**Notes to the Financial Statements**

- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

**Impairment of Financial Assets**

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

**i. Significant Increase in Credit Risk**

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relates to the Company's core operations.

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In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- a. The financial instrument has a low risk of default,
- b. The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- c. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has an external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since the initial recognition of a financial guarantee contract, the Company considers the changes in the risk that the specified debtor will default on the contract.

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The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

**ii. Definition of Default**

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

**iii. Credit-Impaired Financial Assets**

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a) significant financial difficulty of the issuer or the borrower;
- b) a breach of contract, such as a default or past due event (see (ii) above);
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- e) the disappearance of an active market for that financial asset because of financial difficulties.

**iv. Write-off policy**

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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**v. Measurement and Recognition of Expected Credit Losses**

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the debtor or any other party.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

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**Derecognition of Financial Assets**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. Also, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

**Financial Liabilities and Equity**

**Classification as Debt or Equity**

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

**Equity Instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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**Compound Instruments**

The component parts of convertible loan notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to [share premium/other equity [describe]]. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to [retained profits/other equity [describe]]. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity.

Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

**Financial Liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

**Financial Liabilities at FVTPL**

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

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A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Company's financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Companying is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of a liability is recognised in profit or loss.

Changes in fair value attributable to a financial liability's credit risk that is recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Company that are designated by the Company as at FVTPL are recognised in profit or loss.

**Financial Liabilities Measured Subsequently at Amortised Cost**

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through

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the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of financial liability.

**Financial Guarantee Contract Liabilities**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined under IFRS 9 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

**Foreign Exchange Gains and Losses**

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses, for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

**Derecognition of Financial Liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees, paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the

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original financial liability. If the modification is not substantial, the difference between (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

**(h) Inventory**

Inventories are stated at the lower of cost and net realizable value. The cost of finished goods and work-in-progress include raw materials, translations, printing and production costs. Raw materials are valued at purchase cost on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Provisions are made for slow-moving and obsolete inventory. Reversals of previous write-downs to net realizable value are recorded when there is a subsequent increase in the value of the inventory.

**(i) Borrowing Costs**

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

**(j) Foreign Currency Transactions and Translation**

Functional and presentation currency- Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in naira, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss and other comprehensive income.

Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the transaction date.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates prevailing at the dates the fair value was determined.

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**(k) Revenue Recognition**

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it satisfies its performance obligations and transfers control over services to a customer.

Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Company. The Company recognized revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the Company and when the significant risks and rewards of ownership of the goods and services have been transferred to the customer. The amount is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The revenue is booked upon the airing of the advertisement or sponsorship programme and after it is confirmed by the advert traffic department. Month-end cut-off procedures are performed and pro-rata income is recorded. The cost incurred to earn revenue is measured reliably. The cost comprises salaries, depreciation, transportation, etc.

**Product Sales**

Sales relate mainly to decoders and are recognized upon delivery of products and customer acceptance, net of sales taxes, VAT and discounts, and after eliminating sales within the Company. Sales of goods are recognized when the Company has delivered products to the retailer, the retailer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the retailer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the retailer, and either the retailer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

**Sponsorship Revenues**

Sponsorship revenue is recognized at the time sponsored programs are broadcast. Amount paid in respect of programs not yet broadcasted is treated as a deposit by customers and recognized according to the stage of completion at the reporting date. (That is when an obligation is carried out by the company).

However, when the outcome of the transaction cannot be estimated reliably, recoverable contract costs will determine the extent of revenue recognition.

**Advertising Expenses**

Advertising expenses are expensed in the financial period in which they are incurred.

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**(l) Programme and Film Rights**

Purchased programme and film rights are stated at acquisition costs less accumulated amortisation. Programme material rights, which consist of the rights to broadcast programmes, series and films, are recorded at the date the rights come into license at the spot rates on the purchase date. The rights are amortised based on contracted screenings or expensed where management has confirmed that they intend that no further screenings will occur.

Programme material rights contracted by the reporting date in respect of programmes, series and films not yet in license are disclosed as commitments.

**Programme Production Costs**

Programme Production Costs, which consist of all costs necessary to produce and complete a programme to be broadcast, are recorded at the lower of direct cost and net realisable value. Net realisable value is set at the average cost of programme material rights. Where a prepayment has been made on a right, the right will be recorded at the spot rate on prepayment date for the portion of the right prepaid and the spot rate on licence date for the portion of the licence not prepaid. Programme production costs are amortised based on contracted screenings or expensed where management has confirmed that they intend that no further screenings will occur.

All programme production costs above the expected net realisable value of the production on completion, are expensed when contracted.

**Sports Event Rights**

Sports events rights are recorded at the date that the period to which the events relate commences, at the rate of exchange ruling at that date. These rights are expensed over the period to which the events relate or where management has confirmed that it intends that the event will not be screened.

Payments made to negotiate and secure the broadcasting of sports events are expensed as incurred.

Rights to future sports events contracted by the reporting date, but which have not yet commenced, are disclosed as commitments, except where payments have already been made, which are shown as prepaid expenses.

**(m) Deferred Income (Contract Asset)**

Deferred income represents the part of the amount invoiced to customers that have not yet met the criteria for revenue recognition and thus still has to be earned as revenues through the delivery of goods and services in the future. Deferred income is recognized at its nominal value.

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**(n) Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Managing Director.

**(o) Employee Benefits**

**Defined Contribution Scheme**

The Company operates a defined contribution based retirement benefits scheme for its staff, in accordance with the Pension Reform Act of 2014; each employee contributes 8% while the employer contributes 10% of each of the employee's relevant emoluments. Obligations for contributions to the scheme are recognized as an expense in the income statement in the period in which they arise.

**Defined Benefit Scheme**

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on more than one factors such as age, years of service and compensation. The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the date of the Statement of Financial Position less the fair value of plan assets.

**(p) Taxes**

Tax expense comprises current and deferred tax. Tax expense is recognized in the Statement of Comprehensive Income unless it relates to items recognized outside the statement of income. Tax expense relating to items recognized outside of the Statement of Comprehensive Income is recognized in correlation to the underlying transaction in either other comprehensive income or equity.

**Current Income Tax**

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

**Deferred Tax**

Deferred tax is provided using the liability method for temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax assets and liabilities are measured using substantively enacted tax rates and laws at the reporting date that are expected to be in effect when the temporary differences arise on initial recognition of assets and liabilities other than in a business combination.

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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 sufficient taxable profit will be available against which they can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

**(q) Provisions**

Provisions are recognized if the Company has a present legal or constructive obligation as a result of past events if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation as of the date of the Statement of Financial Position, taking into account the risks and uncertainties surrounding the obligation.

Provisions are discounted and measured at the present value of the expenditure expected to be required to settle the obligation, using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

**(r) Share Capital and Share Premium**

Ordinary shares are recognized at par value and classified as share capital in equity. Any amounts received from the issue of shares in excess of the par value are classified as share premium in equity.

**(s) Earnings Per Share**

Basic and diluted earnings per share are presented even if the amounts are negative (a loss per share). Diluted earnings per share also are presented even if it equals basic earnings per share and this may be accomplished by the presentation of basic and diluted earnings per share in one line item. The calculation of basic earnings per share is based on the profits attributable to ordinary shareholders using the weighted average number of shares outstanding during the year after deduction of the average number of treasury shares held over the period. The calculation of diluted earnings per share is consistent with the calculation of basic earnings per share while giving effect to all dilutive potential ordinary shares that were outstanding during the period, that is:

**Notes to the Financial Statements**

- The net profit for the period attributable to ordinary shares is increased by the after-tax amount of dividends and interest recognized in the period in respect of the dilutive potential ordinary shares and adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares.
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares increases the weighted average number of ordinary shares outstanding.

**(t) Investments in Subsidiaries, Joint Ventures and Associated Companies**

Investments in subsidiaries, joint ventures and associated companies are carried at cost, less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, joint ventures and associated companies, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

**6. Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

In the application of the Company's accounting policies, which are described in note 5, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**6.1. Critical Judgments in applying the Company's Accounting Policies**

The following are the critical judgments, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

**Estimated useful lives of property, plant and equipment**

Management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment are less than the original estimated useful lives due to changes in the commercial and technological environment, such difference will impact the depreciation charge for the remaining period. As at 31st December 2020, the carrying amount of property, plant and equipment of the Company amounted to ₦8.5 billion (2019: ₦9.1 billion).

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**Estimated Impairment of Accounts Receivables**

The Management determined the carrying amount of accounts receivables by considering the credit history including default or delay in payments, settlement records, subsequent settlement and ageing analysis of the accounts receivables. The amount of the allowance for doubtful debts is measured as the difference between the asset's carrying amount and the estimated future cash flows based on the above consideration. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December 2020, the carrying amounts of accounts receivables was ₦2.42 billion, net of allowance for lost and doubtful debts of about ₦691.5 million.

**6.2. Key Sources of Estimation Uncertainty**

**Valuation of Financial Liabilities**

Financial liabilities have been measured at amortised cost in line with the guidance provisions of IAS 39. The effective interest rate used in determining the amortised cost of the individual liability amounts has been estimated using the contractual cash flows on the loans. IAS 39 requires the use of the expected cash flows but also allows for the use of contractual cashflows in instances where the expected cash flows cannot be reliably determined. However, the effective interest rate has been determined to be the rate that effectively discounts all the future contractual cash flows on the loans including processing, management fees and other fees that are incidental to the different loan transactions.

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<b>7 Revenue</b>	<b>2020</b>	<i>2019</i>
	<b>₦'000</b>	<i>₦'000</i>
Television	<b>3,197,102</b>	<i>4,709,754</i>
Radio	<b>356,424</b>	<i>442,694</i>
	<b><u>3,553,526</u></b>	<i><u>5,152,448</u></i>

The Company earns a major part of its revenue from providing media services.

## **7.2 Segment information**

### **7.2.1 Products and services from which reportable segments derive their revenues**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses whose operating results are regularly reviewed by the entity's chief operating decision-maker to make decisions about resources to be allocated and assess its performance for which discrete financial information is available.

DAAR's business structure is divided among the following segments:

1. Raypower FM
2. AIT / Television
3. DAAR News

Each of these businesses is managed separately by its designated Managing Director and the team, with a different set of accounts prepared for each of these. However, Property, Plant & Equipment (PP&E) for each of the segments are not separately identifiable.

**The 'AIT / Television'** is the predominant segment of DAAR, as the same contributes about 90% of the total revenue.

**The 'Raypower FM'** contributes about 10% of the revenue. No information available on PP&E separately for segments.

The Company also has operations in the United Kingdom and Sierra Leone (closed down in 2013), while having bureau office in the United States of America and Ghana. However, operations, except Sierra Leone, are managed under the AIT /Television segment. Based on previous years information, the management believes UK operations to be very insignificant. US and Ghana operations serve as news collection agencies and hence, are not significant considering DAAR's size of operations.

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**7.2.3 Segment Revenue and Result**

The following is an analysis of the Company's revenue and results by reportable segment for the year ended 31 December 2020:

	Segment Revenue #’000	Cost of Sales #’000	Segment Gross Profit #’000
Television	3,197,102	1,926,005	1,271,096
Radio	356,424	394,581	(38,157)
	<u>3,553,526</u>	<u>2,320,586</u>	<u>1,232,940</u>
Selling and Administration Cost			(3,878,397)
Other Income			147,433
<b>Operating Loss before Interest</b>			<u>(2,498,025)</u>
Finance Cost			(56,011)
<b>Loss Before Tax</b>			<u>(2,554,036)</u>
Provision for Tax			207,925
<b>Loss for the year</b>			<u><u>(2,346,111)</u></u>

The following is an analysis of the Company's revenue and results by reportable segment for the year ended 31 December 2019:

	Segment Revenue #’000	Cost of Sales #’000	Segment Gross Profit #’000
Television	4,709,754	2,121,474	2,588,280
Radio	442,694	414,989	27,705
	<u>5,152,448</u>	<u>2,536,463</u>	<u>2,615,985</u>
Selling and Administration Cost			(4,299,419)
Other Income			51,644
Operating Profit before Interest			<u>(1,631,790)</u>
Finance Cost			(58,438)
Loss Before Tax			<u>(1,690,227)</u>
<b>Provision for Tax</b>			310,509
Loss for the year			<u><u>(1,379,719)</u></u>

The segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year.

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The accounting policies of the reportable segments are the same as the Company's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs, investment revenue, other gains and losses, finance costs and income tax expense. The business segments are determined by management based on the Company's internal reporting structure.

**7.2.4 Segment Assets and Liabilities**

The Managing Director does not make use of information on segment assets and segment liabilities for resource allocation and assessment of segment performance.

**7.2.5 Revenues from Major Products and Services**

The Company's revenues from its major services for the year ended 31 December 2020 were as follows:

	<b>Television</b>	<b>RayPower</b>	<b>Total</b>
	<b>₦'000</b>	<b>₦'000</b>	<b>₦'000</b>
<b>Personal Paid Advert</b>	<b>133,799</b>	<b>69,762</b>	<b>203,562</b>
<b>Programme Sponsorship-Local</b>	<b>26,760</b>	<b>52,852</b>	<b>79,612</b>
<b>Programme Sponsorship-National</b>	<b>715,126</b>	<b>6,585</b>	<b>721,711</b>
<b>Agency Sales</b>	<b>1,398,183</b>	<b>209,724</b>	<b>1,607,908</b>
<b>Dedicated Media Coverage</b>	<b>262,031</b>	<b>98</b>	<b>262,128</b>
<b>Outside Broadcast</b>	<b>401,035</b>	<b>-</b>	<b>401,035</b>
<b>In House Program</b>	<b>57,249</b>	<b>13,482</b>	<b>70,731</b>
<b>Events Promotion</b>	<b>181</b>	<b>-</b>	<b>181</b>
<b>Scroll message</b>	<b>7,507</b>	<b>-</b>	<b>7,507</b>
<b>Special Project Documentary</b>	<b>143,397</b>	<b>-</b>	<b>143,397</b>
<b>National Spot</b>	<b>-</b>	<b>690</b>	<b>690</b>
<b>News Mention</b>	<b>61,517</b>	<b>4,170</b>	<b>65,686</b>
<b>Total</b>	<b>3,206,785</b>	<b>357,363</b>	<b>3,564,148</b>
<b>Less: Sales Refund</b>	<b>(9,684)</b>	<b>(939)</b>	<b>(10,622)</b>
<b>Total</b>	<b>3,197,102</b>	<b>356,424</b>	<b>3,553,526</b>

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The Company's revenues from its major services for the year ended 31 December 2019 were as follows:

	<i>Television</i>	<i>RayPower</i>	<i>Total</i>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Personal Paid Advert	659,909	104,590	764,499
Programme Sponsorship-Local	43,566	50,614	94,180
Programme Sponsorship-National	850,693	4,930	855,623
Equipment Rentals	-	95	95
Agency Sales	1,189,606	255,240	1,444,846
Dedicated Media Coverage	222,078	726	222,804
Outside Broadcast	1,161,235	-	1,161,235
In House Program	169,032	3,284	172,316
Events Promotion	2,835	227	3,061
Scroll message	18,486	-	18,486
Special Project Documentary	212,259	-	212,259
National Spot	4,252	6,557	10,809
News Mention	182,900	17,279	200,179
Total	<u>4,716,851</u>	<u>443,543</u>	<u>5,160,393</u>
Less: Sales Refund	(7,097)	(849)	(7,946)
<b>Total</b>	<u><u>4,709,754</u></u>	<u><u>442,694</u></u>	<u><u>5,152,448</u></u>

**7.2.6 Geographical**

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Nigeria	<u><b>3,553,526</b></u>	<u>5,152,448</u>
	<u><b>3,553,526</b></u>	<u>5,152,448</u>

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	2020	2019
	N'000	N'000
<b>8 Direct Cost</b>		
Programme Cost	237,707	229,778
Satellite Expenses	85,301	304,213
News Services	79,409	6,981
Salary And Wages	743,525	548,502
Internet Access	42,460	60,003
Website Cost	1,636	4,882
Equipment Repairs	52,743	83,068
Plant Repairs	17,952	21,561
Diesel & Oil	374,744	318,050
NBC Annual Operating Levy	53,303	77,287
Depreciation	527,373	783,344
BON Expenses	250	-
Amortisation	104,184	96,826
Plant Hire	-	1,718
Licence Fees	-	250
	<u>2,320,586</u>	<u>2,536,464</u>
<b>9 Other Income</b>		
Foreign Exchange Gain/Miscellaneous Income	144,681	65
Profit on disposal of assets	-	150
Write back of debts previously written off	-	15,000
Write back on NBC Payable on Written off Receivables	-	36,429
Discount Received	2,752	-
Total Other Income	<u>147,433</u>	<u>51,644</u>

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	2020 #’000	2019 #’000
<b>10 Selling/Distribution Expenses</b>		
Salary & Wages Marketing	-	2
Sales Commission	71,358	157,400
Discount Allowed	56,401	-
Selling Expenses	<u>127,760</u>	<u>157,402</u>
<b>10b Impairment and Provisions</b>		
Specific Bad Debt Written Off	1,060	1,077,586
Allowance for Impairment of Receivables	690,436	868,602
Provision for Gratuity	57,017	51,970
Allowance for Impairment of Deferred Tax Assets*	913,423	-
	<u>1,661,936</u>	<u>1,998,158</u>
*A provision of 20% has been made on the impairment of deferred tax assets in line with the requirement of IAS 12 Income Taxes		
<b>11 Administrative Expenses</b>		
Salaries	747,136	947,769
Other Admin Expenses	1,334,027	1,189,491
Bank Charges	7,538	6,599
	<u>2,088,701</u>	<u>2,143,858</u>
<b>12 Finance Cost</b>		
Subordinated Loan Interest	56,011	58,438
	<u>56,011</u>	<u>58,438</u>
<b>13 Profit Before Taxation</b>		
The profit before taxation is stated after charging/Crediting:		
Depreciation	827,067	887,695
Amortisation	104,184	96,826
Provision for Gratuity	57,017	51,970
Audit Fee	15,000	15,000
Impairment Allowance on Receivables and Bad debts	691,496	1,946,188

Apart from the audit service, the external auditors of DAAR Communications Plc, SIAO does not offer any other professional service to the company.

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	2020 N'000	2019 N'000
<b>14 Taxation</b>		
<b>14.1 Per Profit or Loss Account:</b>		
Company Income Tax(Minimum Tax)	26,173	34,819
Education Tax	-	5,516
Deferred Tax Income	<u>(234,098)</u>	<u>(350,844)</u>
	<u><u>(207,925)</u></u>	<u><u>(310,509)</u></u>
<b>14.2 Per Statement of Financial Position</b>		
Balance Brought Forward	448,069	488,686
Tax Provision for the Year	26,173	40,335
Tax payment during the year.	<u>(52,913)</u>	<u>(80,952)</u>
	<u><u>421,328</u></u>	<u><u>448,069</u></u>
The taxation charges were computed in accordance with the provision of the Finance Act, 2020.		
<b>14.3 Deferred Tax Assets</b>		
As at January 1	4,333,017	3,982,173
Movement	234,098	350,844
Reversal of Temporary Difference	<u>(913,423)</u>	<u>-</u>
Balance as at December 31	<u><u>3,653,692</u></u>	<u><u>4,333,017</u></u>
A provision of 20% has been made on The deferred tax assets in line with the requirement of IAS 12 Income Taxes		
<b>14.4 Effective Tax</b>		
<b>Income tax relating to Continuing Operations:</b>		
	2020 N'000	2019 N'000
Education Tax Payable	-	5,516
Company Income Tax Payable	26,173	34,819
Deferred Tax expenses recognized in the period	<u>(234,098)</u>	<u>(350,844)</u>
<b>Total Income Tax Expenses relating to current period</b>	<u><u>(207,925)</u></u>	<u><u>(310,509)</u></u>
<b>Tax Expense Computation Reconciliation</b>		
Profit for the year before tax	<u>(2,554,036)</u>	<u>(1,690,228)</u>
Tax Income /Charge	207,925	310,509
	<u>(2,346,111)</u>	<u>(1,379,719)</u>
Expected Income Tax expense calculated at 30% (2019:	<u>(766,211)</u>	<u>(507,068)</u>
Education Tax expense at 2% (2019: 2%) of assessable	-	5,516
<b>Adjusted for:</b>		
Expenses not deductible for tax purposes (at 30%)	520,415	589,809
Tax incentive recognised (at 30%)	163,872	(55,164)
Deferred Tax	<u>(234,098)</u>	<u>(350,844)</u>
Additional tax paid due to minimum tax provision	<u>108,096</u>	<u>7,241</u>
<b>Income Tax Expenses For The Year</b>	<u><u>(207,925)</u></u>	<u><u>(310,509)</u></u>
Effective Tax Rate %	8	18

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**15. Property, Plant and Equipment as at 31 December 2020**

	Land & Building	Plant & Equipment	Furniture & Fittings	Records & Discs	Motor Vehicles	Capital Work-In-Progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
<b>Cost/Valuation:</b>							
As at 1 January, 2020	4,183,766	24,644,669	505,538	378,313	587,453	2,124,905	32,424,643
Disposal		(3,500)					(3,500)
Additions	3,505	149,964	21,908	-	51,428	-	226,805
<b>As at 31 December, 2020</b>	<b>4,187,271</b>	<b>24,791,133</b>	<b>527,446</b>	<b>378,313</b>	<b>638,881</b>	<b>2,124,905</b>	<b>32,647,948</b>
<b>Depreciation:</b>							
As at 1 January, 2020	1,806,422	18,513,982	361,238	378,313	575,574	-	21,635,530
Disposal		(3,500)					(3,500)
Charge for the year	252,853	527,373	33,290		13,552	-	827,067
<b>Impairment</b>							
As at 1 January 2020		1,702,384					1,702,384
Charge for the year	-	-	-	-	-	-	-
<b>As at 31 December, 2020</b>	<b>2,059,275</b>	<b>20,740,240</b>	<b>394,528</b>	<b>378,313</b>	<b>589,126</b>	<b>-</b>	<b>24,161,481</b>
<b>Carrying Amount</b>							
<b>As at 31 December, 2020</b>	<b>2,127,996</b>	<b>4,050,894</b>	<b>132,918</b>	<b>(0)</b>	<b>49,755</b>	<b>2,124,905</b>	<b>8,486,467</b>
<i>As at 31 December, 2019</i>	<i>2,377,344</i>	<i>4,429,302</i>	<i>144,300</i>	<i>-</i>	<i>11,879</i>	<i>2,124,905</i>	<i>9,087,730</i>

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**15b Property, Plant and Equipment as at 31 December 2019**

	<i>Land &amp; Building</i>	<i>Plant &amp; Equipment</i>	<i>Furniture &amp; Fittings</i>	<i>Records &amp; Discs</i>	<i>Motor Vehicles</i>	<i>Capital Work- In-Progress</i>	<i>Total</i>
	<i>₦'000</i>	<i>₦'000</i>	<i>₦'000</i>	<i>₦'000</i>	<i>₦'000</i>	<i>₦'000</i>	<i>₦'000</i>
<i>Cost/Deemed cost:</i>							
<i>At 1 January, 2019</i>	4,153,321	24,305,776	466,393	378,313	582,953	2,124,905	32,011,661
<i>Additions</i>	30,445	338,893	39,145	-	4,500	-	412,982
<i>At 31 December, 2019</i>	<u>4,183,766</u>	<u>24,644,669</u>	<u>505,538</u>	<u>378,313</u>	<u>587,453</u>	<u>2,124,905</u>	<u>32,424,643</u>
<i>Depreciation</i>							
<i>At 1 January, 2019</i>	1,723,548	17,729,639	341,612	378,313	573,723	-	20,746,835
<i>Charge for the year</i>	82,874	783,344	19,626	-	1,851	-	887,695
<i>Impairment</i>							
<i>At 1 January 2019</i>		1,702,384					1,702,384
<i>Charge for the year</i>	-	-	-	-	-	-	-
<i>Disposal</i>							
<i>At 31 December, 2019</i>	<u>1,806,422</u>	<u>20,215,367</u>	<u>361,238</u>	<u>378,313</u>	<u>575,574</u>	<u>-</u>	<u>23,336,914</u>
<i>Carrying Amount</i>							
<i>At 31 December, 2019</i>	<u>2,377,344</u>	<u>4,429,302</u>	<u>144,300</u>	<u>-</u>	<u>11,879</u>	<u>2,124,905</u>	<u>9,087,730</u>
<i>At 31 December, 2018</i>	<u>2,429,773</u>	<u>4,873,753</u>	<u>124,781</u>	<u>-</u>	<u>9,230</u>	<u>2,124,905</u>	<u>9,562,442</u>

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**15.1 Impairment Test**

Asset impairment refers to a sudden decline in the usability of non-current assets. The impairment could be triggered by such issues as asset damage, obsolescence or legal restrictions on asset use.

The regulations for the conduct of impairment tests are summarized by the International Accounting Standards Board especially in International Accounting Standard (IAS) 36 Impairment of Assets. Impairment testing is carried out to bring the carrying value of an entity in line with its recoverable value; this is the higher of the fair value less cost to sell and the value in use.

Indicators of possible impairment include an increase in the cost of borrowing and the carrying amount of the net assets of an entity exceeding its market capitalization. Significant adverse changes in the business climate may also be an indicator of impairment.

Significant judgment is required by management in determining the impairment PPE, which constitutes a material portion of the Company's assets. The result showed that the PPEs were not impaired. However, the Company analysed and reviewed the non-current assets for the year 2020 for impairment and found no indicator for impairment of non-current assets. With this observation, the Company believes that the level of impairment charge as applied in 2019 is adequate as at December 31, 2020, and does not see any need for a further charge for the year 2020.

**15.2 Land and Buildings**

Management has elected to adopt the cost model as its accounting policy. Land and Buildings are carried at cost less any accumulated depreciation and any accumulated impairment loss.

**15.3 Plant and Equipment**

The cost model was used in recognition of Plant and Machinery under the Nigerian Statement of Accounting Standards (SAS) and is retained on the transition to IFRS.

**15.4 Furniture and Fittings/Motor Vehicles**

The cost model was used in recognition of Furniture and Fittings/Motor Vehicles under the Nigerian Statement of Accounting Standards (SAS) and is retained on the transition to IFRS.

**15.5 Lien on Property Plant and Equipment**

The Subordinated loan was secured against all existing assets of the company as at September 30, 2008, and future assets of the company.

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<b>16 Intangible Assets</b>	<b>2020</b>	<i>2019</i>
	<b>₦000</b>	<b>₦000</b>
<b>TV &amp; Radio License and Accounting Software</b>		
At 1 January,1	<b>2,031,250</b>	<i>1,923,250</i>
Addition	<b>100,000</b>	<i>108,000</i>
Total	<b><u>2,131,250</u></b>	<i><u>2,031,250</u></i>
<b>Accumulated Amortisation</b>	<b>1,998,039</b>	<i>1,901,213</i>
Amortisation Charge for the year	<b>104,184</b>	<i>96,826</i>
Total Accumulated Amortisation	<b><u>2,102,223</u></b>	<i><u>1,998,039</u></i>
Carrying Amount December 31	<b><u><u>29,027</u></u></b>	<i><u><u>33,211</u></u></i>

Amortization of intangible assets with finite useful lives is calculated to write off the cost of the asset, less its estimated residual value, over its useful economic life as follows:

Licenses: License period  
Computer Software: 20% straight line

	<b>2020</b>	<i>2019</i>
	<b>₦000</b>	<b>₦000</b>
<b>17 Available-for-sale investments</b>		
Investment in MTS	<b>97,000</b>	<i>97,000</i>
DAAR Music Global	<b><u>69,172</u></b>	<i><u>43,353</u></i>
	<b><u><u>166,172</u></u></b>	<i><u><u>140,353</u></u></i>

National Broadcasting Commission recently flagged off the digitization regime which will usher in a Digital Terrestrial Television (DTT) in Nigeria consequent upon a global transition from the analogue transmission of television signals to digital mode of transmission. This migration will change the structure of television broadcasting fundamentally with the separation of content carriers from signal distributors/carriers. This means that two categories of players will now be recognized in the television industry viz. content providers and signal distributors. The legal regime is that companies who were licensed to distribute contents will not be allowed to distribute signals.

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Pursuant to a new policy, all television stations in Nigeria, whether private or state-owned shall lose rights to operate their masts, transmitters and any other transmission equipment and services, except by a licence from the NBC. The NBC in actualizing this mandate called for bids from interested parties to operate the DTT.

The Nigerian Television Authority (NTA) was given an automatic licence while other operators were directed to go and apply, individually or in partnership for a Network licence to operate DDT. Considering the enormity of issues at stake, the stakeholders under the auspices of Independent Broadcasters Association of Nigeria (IBAN) and Broadcasting Organisation of Nigeria (BON), agreed to jointly apply for a licence under the name-MTS Communications Limited (Media Transmission Service).

Based on the decision, MTS Communications Limited was duly registered. The NBC policy is to license any two signal distribution carriers and an unlimited number of content distributors. To this end, the NTA had an automatic award of a license while MTS Communications Limited went through a bid process that was eventually approved. All stakeholders as a matter of urgency must contribute their equity in terms of equipment and financial contribution as a working and operational capital for the newly created company. All owners of broadcasting infrastructures who do not join MTS or are unable to produce a signal distribution licence to operate the same shall be required to sell them outright to NBC or forfeit them, as it will amount to a crime to own any broadcasting equipment without a licence to operate same.

The balance represents the initial investment of DAAR Communications Plc in MTS Communications Limited.

	<b>2020</b>	2019
	<b>₦000</b>	₦000
<b>18 Trade Receivables</b>		
Account Receivables	<b>4,203,378</b>	5,831,101
Specific Receivable written Off on Impact Assessment of IFRS 9	<b>(31,890)</b>	(2,550,058)
	<b><u>4,171,488</u></b>	<u>3,281,043</u>
Less: Provisions for Doubtful Debts	<b>(1,751,205)</b>	(1,091,599)
	<b><u>2,420,283</u></b>	<u>2,189,444</u>
Movement in Provision for Doubtful Receivables		
As at January 1	<b>1,091,599</b>	1,299,357
Associated Provision on Receivable written Off on Impact Assessment of IFRS 9	<b>(30,830)</b>	(1,076,359)
Addition During the year	<b>690,436</b>	868,602
	<b><u>1,751,205</u></b>	<u>1,091,599</u>

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

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	2020	2019
	N000	N000
<b>19 Other Receivables and Prepayment</b>		
Staff Loans and Advances	5,118	50,305
Prepayment	70,094	(3,043)
Staff Housing Allowance & Withholding Tax	<u>54,532</u>	<u>45,857</u>
	<u><u>129,744</u></u>	<u><u>93,119</u></u>

**20 Cash and Cash Equivalents**

For the purpose of Statement of Cash Flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalent at the end of the reporting period as shown in the Statement of Cash Flows can be reconciled to the related items in the statement of financial positions as follows:

	2020	2019
	N000	N000
<b>Cash and Bank Balances</b>		
Cash in Hand	13,703	65,698
Bank Balances	<u>44,860</u>	<u>180,583</u>
	<u>58,563</u>	<u>246,281</u>
	<u><u>58,563</u></u>	<u><u>246,281</u></u>
<b>21 Share Capital</b>	<b>2020</b>	<b>2019</b>
	<b>N000</b>	<b>N000</b>
<b>Authorised</b>		
8,000,000,000 Ordinary Shares of N 0.50 each	<u>4,000,000</u>	<u>4,000,000</u>
<b>Issued and Fully Paid</b>		
8,000,000,000 Ordinary Shares of N 0.50 each	<u>4,000,000</u>	<u>4,000,000</u>
<b>22 Share Premium</b>	<u><u>13,411,541</u></u>	<u><u>13,411,541</u></u>

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	2020	2019
	N'000	N'000
<b>23 Retained Earnings</b>		
As at 1 January	(11,424,666)	(10,044,947)
Profit/(Loss) for the year	<u>(2,346,111)</u>	<u>(1,379,719)</u>
As at 31 December	<u>(13,770,776)</u>	<u>(11,424,666)</u>
<b>24 Subordinated Loan</b>		
Subordinated Loan	<u>3,664,010</u>	<u>3,664,010</u>
Balance as at 1 January	1,197,327	1,221,690
Liquidation/repayment	<u>(158,196)</u>	<u>(24,363)</u>
Balance as at 31 December	<u>1,039,131</u>	<u>1,197,327</u>

DAAR Investment Limited, parent company of DAAR Communications Plc, provided N4,200,000,000 (Four billion, two hundred million naira) subordinated loan facility to DAAR Communications Plc during the year 2008 at an interest rate of 5% per annum. The tenor of the loan is 5 years. The interest was not required to be paid until the year 2011. The interest rate charged by the parent company is below the interest rate prevailing in the market for a company of similar size & risk characteristics and for a similar amount and tenor to that of DAAR Communications Plc.

The original maturity date of the loan was 31 December 2013 but on 30 September 2013, the maturity date of the loan with a principal balance of N3,220,715,000 (Three billion, two hundred and twenty million, seven hundred and fifteen thousand naira) was extended to December 31, 2015, based on the original terms and conditions. Repayment of N158,196,000 (One Hundred and Fifty-Eight Million, One Hundred and Ninety-Six Thousand Naira) was made in 2020.

The balance of N 1,039,131,000.00 (One billion, and thirty-nine million, one hundred and thirty-one thousand Naira) represents the unpaid portion of the loan as at December 31, 2020.

	2020	2019
	N'000	N'000
<b>25 Trade Payable</b>		
Suppliers' Account	<u>983,423</u>	<u>1,085,859</u>
	<u>983,423</u>	<u>1,085,859</u>

Trade payable comprises the amount outstanding for trade purchases. For supplies, no interest is charged on the trade payables. The directors consider that the carrying amount of trade payables approximates their fair value.

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	2020	2019
	₦000	₦000
<b>26 Other Payables</b>		
Accrued Salary	2,057,773	1,614,273
PAYE	558,588	472,576
Pension Fund	1,622,350	1,487,386
Exited Staff Terminal Benefit	822,340	906,656
NHF	52,658	44,970
NHIS	300,574	254,449
Customer Deposits and deferred receipts	76,750	168,100
ITF Accrued	79,783	70,233
NSITF Accrued	80,190	70,640
Audit Fee	6,000	31,300
VAT Payable	996,048	796,052
Cooperative Society	14,636	14,636
Withholding Tax Payable	66,838	50,997
NBC Charges *	341,395	287,507
Accrued Expenses	298,310	320,160
Directors Fee	41,000	-
DAAR Investment Holdings Ltd**	156,523	117,478
Accrued Staff Rent	16,841	-
Accrued Gratuity	732,633	675,616
Union Dues	9,894	21,997
Deferred Receipts & Other Commitments***	528,177	-
	<b><u>8,859,301</u></b>	<b><u>7,405,025</u></b>

**\*NBC Charges:** Section 14 paragraph 2(a) of the Nigerian Broadcasting Commission (NBC) Act empowers the Commission to impose a levy on the annual income of licensed broadcasting stations. Consequently, NBC imposed a levy of 2.5% on revenue of broadcasting stations as operating levy. However, with effect from January 1, 2012, the levy was reduced from 2.5 per cent to 1.5 per cent. The balance on the account represents a provision for the levy.

**\*\*DAAR Investments Holding:** This represents accrued interest on Subordinate Loan. The balance as at December 2020 represents accrued interest less payments made to DAAR Investments.

**\*\*\*Deferred Receipts and Other Commitments** represent those services already enjoyed by the company for which no invoice had been received for processing of payment as well as amounts received in advance from clients for services and obligations yet to be discharged by the company as of December 31, 2020.

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	<b>2020</b>	2019
	<b>₦000</b>	₦000
<b>Staff Gratuity</b>		
Balance as at January 1	<b>675,617</b>	648,905
Payment to staff during the year	-	(25,258)
Addition during the year	<b>57,017</b>	51,970
Balance as at December 31	<b><u>732,634</u></b>	<u>675,617</u>

**27. Earnings Per Share**

The earnings and weighted average number of ordinary share used in the calculation of Basic earnings per share are presented below;

	<b>2020</b>	2019
	<b>₦000</b>	₦000
Net Profit or loss for the year attributable to equity shareholders	<b>(2,346,111)</b>	(1,379,719)
Number of ordinary shares outstanding during the period	<b><u>8,000,000</u></b>	<u>8,000,000</u>
Basic Earnings Per Share	<b><u>(29)</u></b>	<u>(17)</u>

**28. Related Party Transaction**

The Company carried out transactions with the parent company DAAR Investments Limited. DAAR Investments provided the Company with a loan at a rate that is below the market rate (See note 24). The balance on DAAR Investments current account with DAAR Communications was shown in note 26.

	<b>2020</b>	2019
	<b>₦000</b>	₦000
<b>28.1 Balance Due to Related Party</b>		
<b>Subordinated Loan</b>		
Subordinated Loan	<b><u>3,664,010</u></b>	<u>3,664,010</u>
Balance as at 31 December 2019	<b>1,197,327</b>	1,221,690
Liquidation/repayment	<b><u>(158,196)</u></b>	<u>(24,363)</u>
Balance as at 31 December 2020	<b><u>1,039,131</u></b>	<u>1,197,327</u>

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**28.2 Remuneration of Key Management Personnel**

The remuneration of the Directors who are the key Management personnel of the Company is set below in the aggregate for each of the categories specified in IAS 24, Related Party Disclosures. Further information about the remuneration of individual directors is also provided.

	<b>2020</b>	<i>2019</i>
	<b>₦000</b>	<b>₦000</b>
<b>28.3 Remuneration of Key Management Personnel</b>		
<b>Director Emoluments</b>		
Chairman's Fee	<b>18,000</b>	<i>18,000</i>
Non-Executive Directors Fee	-	-
Executive Director Emoluments	<b>125,070</b>	<i>125,070</i>
Total	<b>143,070</b>	<i>143,070</i>

**The Number of Directors excluding the Chairman whose emoluments were within the following ranges:**

	<b>2020</b>	<i>2019</i>
	<b>Number</b>	<i>Number</i>
Less Than 1,000,000	-	-
1,000,001 - 5,000,000	-	-
5,000,001 - 10,000,000	<b>10</b>	<i>11</i>
10,000,001 - 20,000,000	<b>1</b>	-
Above 20,000,001	-	-

The highest-paid Director received N8,428,424 in 2020 (***N8,428,424 in 2019***)

**29. Employees Costs**

**29.1** The related staff costs including Directors' emoluments are as follows

	<b>2020</b>	<i>2019</i>
	<b>₦000</b>	<b>₦000</b>
Staff Salaries and Allowances	<b>1,347,591</b>	<i>1,353,201</i>
Directors' Emoluments	<b>143,070</b>	<i>143,070</i>
Other staff costs (Medical, welfare, training & dev)	<b>118,623</b>	<i>112,701</i>
	<b>1,609,284</b>	<i>1,608,972</i>

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**29.2.** The Number of employees excluding Directors with gross emoluments within the bands stated below are:

		<b>2020</b>	2019
N	N	<b>Number</b>	<i>Number</i>
200000	- 400,000	-	-
400,001	- 600,000	<b>3</b>	3
600,001	- 800,000	<b>38</b>	38
800,001	- 1,000,000	<b>44</b>	45
1,000,001	- Above	<b>455</b>	486
		<b>540</b>	572

**29.3 Number of persons employed at the end of the year were:**

Managerial	<b>28</b>	28
Senior	<b>104</b>	114
Junior	<b>408</b>	430
	<b>540</b>	572

**30 Notes to the Statement of Cash Flow**

The Cash Flow Statement has been drawn up using the indirect method. Working capital comprises inventories, receivables and current liabilities. Cash flows from investing activities relate to the net amount of investments and disposals. The cash flows from financing activities relate to the net amount of payments made for financing business activities in the year and changes in short term borrowings. The net cash position consists of cash in hand, cash at bank and overdraft.

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**31 Contingent Liability**

Some service providers and individuals lodged claims separately against DAAR Communications Plc for breach of contractual agreements in the ordinary course of business. The suites were in various stages of litigations.

The total amount of claims against the Company is estimated at N60.24 billion (December 31, 2019: N14.6 billion). The actions are being contested and the Directors are of the opinion that none of the aforementioned cases is likely to have a material adverse effect on the Company and are not aware of any other pending or threatened claims and litigations.

No provision has been made in these financial statements for these contingent liabilities in respect of litigations against the Company.

**32 Capital Risk Management**

The company manages its capital by ensuring an adequate mix of debt and equity resulting in the maximum return on capital and going concern of the business. This is reviewed periodically to accommodate changes in the economic forces, the operations of the company.

The capital structure of the company is made up of net debt (borrowings net of cash and bank balances) and equity (issued shares and retained earnings) as detailed below:

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	2019	2019
	#000	#000
Net Debt	980,568	951,045
Equity	3,640,765	5,986,875

**33.1. Debt to Equity Ratio**

The company's debt to equity ratio is reported below;

Subordinated Loan (note 24)	1,039,131	1,197,327
<b>Total Debt</b>	<b>1,039,131</b>	<b>1,197,327</b>
Cash and Cash Equivalents (note 20)	<u>(58,563)</u>	<u>(246,281)</u>
<b>Net Debt</b>	<u><b>980,568</b></u>	<u><b>951,045</b></u>
<b>Equity</b>	<u><b>3,640,765</b></u>	<u><b>5,986,875</b></u>
<b>Net Debt to Equity</b>	<b>27%</b>	<b>16%</b>

**33.2 Financial Instruments**

As at 31 December 2020	Loans and Receivables	Total Carrying amount
<b>Financial Assets</b>	#000	#000
Cash and Cash Equivalents	58,563	58,563
Trade and Other Receivables **	<u>2,550,027</u>	<u>2,550,027</u>
<b>Total Financial Assets</b>	<u><b>2,608,590</b></u>	<u><b>2,608,590</b></u>
	Amortised cost	Total Carrying amount
<b>Financial Liabilities</b>	#000	#000
Borrowings (Subordinated Loan)	1,039,131	1,039,131
Trade and Other Payables **	<u>3,502,028</u>	<u>3,502,028</u>
<b>Total Financial Liabilities</b>	<u><b>4,541,159</b></u>	<u><b>4,541,159</b></u>

\*\* Other Receivables and Payables exclude non-contractual assets and liabilities.

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<i>As at 31 December 2019</i>	<i>Loans and Receivables</i>	<i>Total Carrying amount</i>
<i>Financial Assets</i>	<b>₦000</b>	<b>₦000</b>
<i>Cash and Cash Equivalents</i>	246,281	246,281
<i>Trade and Other Receivables</i>	<u>2,282,563</u>	<u>1,984,925</u>
<i>Total Financial Assets</i>	<u><u>2,528,844</u></u>	<u><u>2,231,206</u></u>
	<i>Amortised cost</i>	<i>Total Carrying amount</i>
<i>Financial Liabilities</i>	<b>₦000</b>	<b>₦000</b>
<i>Bank Loans</i>	-	-
<i>Borrowings (Subordinated Loan)</i>	1,197,327	1,197,327
<i>Trade and Other Payables **</i>	3,169,069	3,169,069
<i>Overdraft</i>	<u>-</u>	<u>-</u>
<i>Total Financial Liabilities</i>	<u><u>4,366,396</u></u>	<u><u>4,366,396</u></u>

\*\* Other Receivables and Payables exclude non-contractual assets and liabilities.

### **33.3 Fair Valuation of Financial Instruments**

The carrying amounts of Cash and Cash Equivalents, Trade and other Receivables, Trade and other Payables approximate their fair values. Their carrying amounts are valued at amortised cost.

### **34 Financial Risk Management**

The company has a risk management structure that identifies and manages the impact of its risk exposure. The financial risks faced by the company are credit risk, liquidity risk and market risk (interest rate risk and foreign currency risk).

#### **34.1 Credit Risk**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises primarily from the company's receivables from clients and other related parties. However, the company manages its credit risks by ensuring that a large percentage of its sales are on a cash basis, and when credit sales transactions are carried out, the company ensures that only customers with a good and clean credit record are transacted with. The company's carrying amount of financial assets represents the maximum credit exposure at the reporting date.

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<b>34.1.1 Maximum Exposure to Credit Risk</b>	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>A'000</b>
Cash and Cash Equivalents	<b>58,563</b>	246,281
Trade and Other Receivables	<b>2,550,027</b>	2,282,563
	<b>2,608,590</b>	2,528,844

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities. However, the Company manages its liquidity risks by ensuring that liabilities are within the scope of the Company's projected cash outflows, by maintaining adequate banking and borrowing facilities.

**34.2.1 Liquidity Maturity Table**

The contractual maturities of financial liabilities, including estimated interest payments are as follows;

<b>As at 31st December 2020</b>	<b>&lt; 1 year</b>	<b>1 - 3years</b>	<b>3 - 5years</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
<b>Borrowings (Subordinated Loan)</b>	<b>1,039,131</b>	-	-
<b>Trade and Other Payables</b>	<b>3,502,028</b>	-	-
	<b>4,541,159</b>	-	-

<i>As at 31st December 2019</i>	<i>&lt; 1 year</i>	<i>1 - 3years</i>	<i>3 - 5years</i>
	<i>A'000</i>	<i>A'000</i>	<i>A'000</i>
<i>Bank Loans</i>	-	-	-
<i>Borrowings (Subordinated Loan)</i>	1,197,327	-	-
<i>Trade and Other Payables</i>	3,169,069	-	-
<i>Overdraft</i>	-	-	-
	<b>4,366,396</b>	-	-

**DAAR COMMUNICATIONS PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020**  
**Notes to the Financial Statements**

**34.3 Market Risk**

Market risk is the risk that changes in market prices (foreign exchange rates, interest rates, and equity prices) will result in a fluctuation in the value of financial instruments in terms of fair value or future cash flows. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return. The company manages its market risks (foreign exchange rates and interest rates risks) by frequent monitoring of the market developments, thereby controlling costs exposed to the market risk.

**34.4 Currency Risk**

Since the Company operates internationally (United Kingdom), the business is exposed to foreign currency fluctuations risk. The company undertakes transactions that are denominated in foreign currencies particularly, the pound sterling. In respect of its monetary assets which are denominated in foreign currencies, the company mitigates the exposure risks by buying or selling foreign currencies at spot rates when necessary.

**34.5 Interest Rate Risk**

The company's exposure to interest rate risk covers its fixed-rate financial liabilities (Bank Loan and Subordinated Loan), as well as interest rate risk from Bank Overdrafts.

The carrying amount reflects the fair values of the instruments and the company's exposure to interest rate risk as at the reporting date.

	<b>2020</b>	<i>2019</i>
	<b>₦000</b>	<i>₦000</i>
<b>Financial Liabilities</b>		
Borrowings (Subordinated Loan)	<b>1,039,131</b>	<i>1,197,327</i>
Overdraft	<b>-</b>	<i>-</i>
	<b><u>1,039,131</u></b>	<i><u>1,197,327</u></i>

**DAAR COMMUNICATIONS PLC**  
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**Notes to the Financial Statements**

**35. Going Concern**

The financial state of the Company as of December 31 2020, raises the issue of the ability of the company to continue in business in the nearest future. Some of the going concern indicators are as follow:

- The company incurred a loss of ~~₦~~2.34billion in 2020, (2019: 1.37 billion).
- As at 31 December 2020, the company's current liabilities exceeded its current assets by ~~₦~~8.67 billion.
- Accrued staff salary as at 31 December 2020 was ~~₦~~2.06 billion.
- Accrued Statutory Charges; Pension, Payee, VAT etc. as at 31 December 2020 was ~~₦~~6.8 billion.

As a result, there is significant uncertainty whether the Company will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements.

**36 Capital Commitments**

There are no material commitments for capital expenditure not provided for in these financial statements.

**37 Events after Reporting Date**

No events or transactions have occurred since the balance sheet date, which would have a material effect upon the financial statements at that date or which need to be mentioned in the financial statements in order not to make them misleading as to the financial position or result of operations at the balance sheet date.

**38 Approval of Financial Statements**

The Financial Statements were approved by the Board of Directors on 31<sup>st</sup> March, 2021.

**DAAR COMMUNICATIONS PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020**  
**Other National Disclosures**

**Statement of Value Added**

	<b>2020</b>		<b>2019</b>	
	<b>₦000</b>	%	<b>₦000</b>	%
<b>Turnover</b>	<b>3,553,526</b>		5,152,448	
Other Income	<b>147,433</b>		51,644	
	<b>3,700,959</b>		5,204,092	
Bought in materials and services:				
Local	<b>(1,495,361)</b>		(1,940,018)	
Foreign	<b>(85,301)</b>		(304,213)	
<b>Value Added</b>	<b>2,120,296</b>	<b>100</b>	<b>2,959,861</b>	<b>100</b>
<b>Distributed as follows:</b>				
<b>Employees</b>				
Salaries, Pension and Welfare	<b>1,609,284</b>	<b>76</b>	1,608,972	54
<b>Provider of Capital</b>				
Finance Cost	<b>56,011</b>	<b>3</b>	58,438	2
<b>To Government</b>				
Taxation	<b>207,925</b>	<b>10</b>	(310,509)	(10)
<b>Provided for Asset Replacement</b>				
Depreciation of Property Plant and Equipment	<b>827,067</b>	<b>39</b>	887,695	30
Amortization, Impairments and Provisions	<b>1,766,120</b>	<b>83</b>	2,094,984	71
Retained Profit for the year	<b>(2,346,111)</b>	<b>(111)</b>	(1,379,719)	(47)
	<b>2,120,296</b>	<b>100</b>	<b>2,959,861</b>	<b>100</b>

**DAAR COMMUNICATIONS PLC**  
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**Five Year Financial Summary**

	<b>2020</b>	2019	2018	2017	2016
	<b>₦000</b>	₦000	₦000	₦000	₦000
<b>Assets Employed</b>					
Property, Plant & Equipment	<b>8,486,467</b>	9,087,730	9,562,443	9,986,952	10,962,801
Intangible Assets	<b>29,027</b>	33,211	22,037	23,798	29,748
Investment	<b>166,172</b>	140,353	97,000	97,000	97,000
Deferred tax assets	<b>3,653,692</b>	4,333,017	3,982,173	3,982,173	3,725,300
Net Current Assets	<b>(8,694,593)</b>	(7,607,436)	(5,855,632)	(6,297,060)	(3,533,010)
Net Assets	<b>3,640,765</b>	5,986,876	7,808,023	7,792,864	11,281,839
<b>Funds Employed</b>					
Share Capital	<b>4,000,000</b>	4,000,000	4,000,000	4,000,000	4,000,000
Share Premium	<b>13,411,541</b>	13,411,541	13,411,541	13,411,541	13,411,541
General Reserve	<b>(13,770,776)</b>	(11,424,666)	(9,603,518)	(10,044,947)	(6,129,703)
Shareholders' Fund	<b>3,640,765</b>	5,986,876	7,808,023	7,792,864	11,281,839
<b>Turnover</b>	<b><u>3,553,526</u></b>	<u>5,152,448</u>	<u>4,637,217</u>	<u>3,712,390</u>	<u>3,732,527</u>
Loss Before Tax	<b>(2,554,036)</b>	(1,690,228)	(2,007,127)	(718,950)	(3,001,230)
Tax provision	<b><u>207,925</u></b>	<u>310,509</u>	<u>(162,453)</u>	<u>237,365</u>	<u>861,641</u>
Loss After Tax	<b><u>(2,346,111)</u></b>	<u>(1,379,719)</u>	<u>(2,169,580)</u>	<u>(481,585)</u>	<u>(2,139,589)</u>
Loss Per Share (Kobo)	<b>(29)</b>	(17)	(27)	(6)	(27)

**FOR MANAGEMENT USE ONLY**

**DAAR COMMUNICATIONS PLC**  
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**Management Information**

**Detailed Profit and Loss Account for the Year Ended 31 December 2020**

	<b>2020</b>	2019
	<b>₦000</b>	₦000
<b>Turnover</b>		
Television	<b>3,197,102</b>	4,709,754
Radio	<b>356,424</b>	442,694
	<b><u>3,553,526</u></b>	<u>5,152,448</u>
<b>Direct Cost</b>		
Programme Cost	<b>237,707</b>	229,778
Satellite Expenses	<b>85,301</b>	303,746
News Services	<b>79,409</b>	6,981
Salary And Wages	<b>743,525</b>	548,502
Internet Access	<b>42,460</b>	60,003
Website Cost	<b>1,636</b>	4,882
Equipment Repairs	<b>52,743</b>	83,068
Plant Repairs	<b>17,952</b>	21,561
Diesel & Oil	<b>374,744</b>	318,050
International Operations	-	467
NBC Annual Operating Levy	<b>53,303</b>	77,287
Depreciation	<b>527,373</b>	783,344
BON Expenses	<b>250</b>	-
Amortisation	<b>104,184</b>	96,826
Plant Hire	-	1,718
Outside Broadcast	-	250
	<b><u>2,320,586</u></b>	<u>2,536,464</u>
<b>Gross Profit</b>	<b><u>1,232,940</u></b>	<u>2,615,985</u>
<b>Other Income</b>		
Miscellaneous income	<b>147,433</b>	51,644
	<b><u>147,433</u></b>	<u>51,644</u>
<b>Gross Income</b>	<b><u>1,380,373</u></b>	<u>2,667,629</u>

**Management Information**

**DAAR COMMUNICATIONS PLC****ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020**

	2020	2019
	#000	#000
<b>Gross Income</b>	<b>1,380,373</b>	<b>2,667,629</b>
<b>Selling Expenses</b>	<b>127,760</b>	<b>157,402</b>
<b>Administrative Expenses</b>		
Salaries And Wages	747,136	947,769
Telephone/Recharge Card	12,981	13,462
Printing & Stationery	30,751	35,040
Entertainment	20,539	19,365
Donation	6,050	2,500
Advert & Publicity	941	866
Transport & Travels	130,965	211,462
Rent	13,612	10,628
Fuel/Motor Running	88,458	78,909
Dues and subscription	11,464	7,265
Vehicles Repairs	48,909	65,102
Legal Fee	51,963	61,018
Board Expenses	154,327	181,308
Annual General Meeting	9,946	44,372
Security	49,017	39,066
Newspapers & Periodicals	6,878	6,804
Staff Training And Development	9,170	11,811
Office Maintenance	51,717	27,216
Furniture Repairs	1,200	6,434
Staff Welfare	85,455	82,170
Postage	1,457	1,790
Regulatory Fees	37,236	1,172
Medical	23,998	18,719
Building Repairs	35,870	26,791
Consultancy	74,050	35,818
Audit Expenses	2,653	1,005
Audit Fees	15,000	15,000
Depreciation Of Assets	299,694	104,351
Specific Bad debt Written off	1,060	1,077,586
Fines & Penalty	1,185	5,878
Public Relations Expenses	4,963	17,149
Plant/Vehicle Hire	2,225	344
Bank Charges	7,538	6,599
Insurance	1,113	3,339
NHIS	31,140	32,903
Industrial Training Fund	9,263	10,216
Provision For Staff Gratuity	57,017	51,970
NSITF	9,837	10,216
Allowance for Impairment of Receivables	690,436	868,602
Allowance for Impairment of Deferred Tax Assets	913,423	-
	<b>3,750,637</b>	<b>4,142,017</b>
<b>Finance Charges: Subordinate Loan Interest</b>	<b>56,011</b>	<b>58,438</b>
<b>(Loss)/Profit for the year</b>	<b>(2,554,036)</b>	<b>(1,690,227)</b>

**Management Information**

**DAAR COMMUNICATIONS PLC****ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020**

	2020	2019
	#000	#000
<b>1 Cash &amp; Bank Balances</b>		
United Bank of Africa	263	263
Guaranty Trust Bank Pool A/C	2,570	331
Guaranty Trust Bank-Operation	937	1,503
Sterling Bank (ETB) Ikeja	95	117
Cheque in Transit	916	(22)
FCMB Account 1	-	65
Fidelity Bank Domiciliary A/C	16,750	1,061
Fidelity Bank Plc-Operations TV	(2,628)	-
Zenith Bank Statutory	19	599
Zenith Bank-Subscription	2,506	1,871
Zenith Bank-Operations	66	11,410
Fidelity Master	3,032	(218)
Fidelity Capital Dev	290	32
Fidelity Satellite Exp	725	1,997
Fidelity Operations	1	128,191
Fidelity AIT Internal Sales	0	1
Fidelity Scroll & Text Messages	1,150	-
Fidelity Direct Sales	900	(0)
Fidelity Agency Sales	(174)	(174)
Fidelity Staff Cost	9,682	12,868
Fidelity Engineering	5,402	14,007
Fidelity Legal Regulatory & Insurance	(130)	-
Fidelity VAT	461	467
Fidelity News Gathering	(0)	(0)
Zenith Master A/C	3	1
Zenith Subordinated Loan	4	4
Zenith FIRS	8	8
Zenith Corporate Governance	1	1
Zenith Satellite Expenses	10	10
Zenith VAT	24	1
Zenith NBC Licence	1	1
Zenith Revenue Reserve	10	10
Zenith Staff Cost	64	1,925
Zenith Income	385	3,068
Zenith Legal, Regulatory & Insurance	2	21
Zenith Diesel & Electricity	2	2
Zenith Capital Development	26	26
Fidelity Operations Old	1,489	368
	<b>44,860</b>	<b>180,583</b>

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**Management Information**

	2020	2019
	#000	#000
<b>2 Cash Balance</b>		
Main Cash	11,780	19,072
Cash Control Account-cash in transit	1,484	45,716
Petty Cash	439	910
	<u>13,703</u>	<u>65,698</u>
<b>3 Other Administrative Expenses</b>		
Telephone	12,981	13,462
Printing & Stationery	30,751	35,040
Office Entertainment	20,539	19,365
Donations	6,050	2,500
Advert & Publicity	941	866
Transport & Travelling	130,965	211,462
Dues and subscription	11,464	7,265
Rent and Service Charges	13,612	10,628
Fuel / Motor Running Expenses	88,458	78,909
Vehicle Repairs	48,909	65,102
Legal Fees	51,963	61,018
Board Expenses	154,327	181,308
AGM Expenses	9,946	44,372
Security Expenses	49,017	39,066
Newspapers & Periodicals	6,878	6,804
Staff Training & Development	9,170	11,811
Office Maintenance	51,717	27,216
Furniture Repairs	1,200	6,434
Staff Welfare	85,455	82,170
Postages	1,457	1,790
Regulatory Fees	37,236	1,172
Fines & Penalty	1,185	5,878
Medical	23,998	18,719
Building Repairs	35,870	26,791
Consultancy	74,050	35,818
Audit Expenses	2,653	1,005
Audit Fees	15,000	15,000
Depreciation	299,694	104,351
NHIS	31,140	32,903
Plant/Vehicle Hire	2,225	344
Insurance	1,113	3,339
NSITF	9,837	10,216
Public Relations Expense	4,963	17,149
Industrial Training Fund	9,263	10,216
	<u>1,334,027</u>	<u>1,189,491</u>