BRICLINKS AFRICA PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2020

General Information

Country of incorporation and domicile	Nigeria
Company registration number	RC 1277173
Board of Directors	Mohammed Buhari - Executive Director Aisha Umar - Director Ademola Abideen Lawal - Director Ahmed Galadanci - Director
Company Secretary	Olushola Oguntimehin Suite 27, Hiltop Plaza Wuse Zone 4 Abuja
Registered Head Office	No 8 Justice Lawal Uwais Street Off Frederick Chiluba Close, Behind Lagos State Govt Lodge, Asokoro, Abuja.
Auditors	MHOA & Co (Chartered Accountants) Suite C05, Peace Park Plaza Ajose Adeogun Street, Utako District Abuja, FCT
Bankers	Fidelity Bank Zenith Bank
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004.

Contents

Published

May 7, 2021

Director's Report

1. **Accounts**

The Directors have the pleasure to present their reports together with the Company's audited financial statements for the year ended December 31, 2020.

2. **Result**

	2020	2019 ₦
Turnover	215,860,000	165,600,000
Profit/(Loss) Before Taxation	1,598,569	(7,316,716)
Taxation Provision	500,000	-
Profit/(Loss) Before Taxation	1,098,569	(7,316,716)
Other Comprehensive Income	-	-
Loss for the year	1,098,569	**(7,316,716)**
Earnings per Share	₦0.11k	₦(0.73)k

3. **Legal Form**

The company was incorporated as a private limited liability company with registration number **RC:1277173.**

4. **Principal Activities**

The principal activities of the company during the year are the provision of Telecommunication, Internet service provider and installation service.

5. **Results & Dividend**

The results for the year are set out in the financial statements on pages 9-28. The Directors do not recommend payment of dividend for the year.

6. **Future Prospects**

The directors are confident that the company is appropriately placed to continue its current business and to explore new business opportunities.

7. **Directors**

The names of the Director who served during the year and up to the date of this report are as follows:

Mohammed Buhari - Executive Director
Aisha Umar - Director
Ademola Abideen Lawal - Director
Ahmed Galadanci - Director

During the period, Mr. Saheed Adesegun Okubena and Mr. Sulaiman Ayoade relinquished their shares on the 28th October, 2019 which was accepted and allotted to Ms. Aisha Umar, Mr. Ademola Abiodun Lawal and Mr. Ahmed Galadanci who also became the directors of the company from that date effective.

Pursuant to Sections 275 and 276 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the direct and indirect interest of the Directors in the shares of the Company as notified by them and recorded in the Register is as follows:

	31/12/2020 No of Shares of ₦ 1 each
Mr. Mohammed Buhari	5,000,000
Ms. Aisha Umar	1,000,000
Ademola Abideen Lawal	500,000
Ahmed Galadanci	500,000

9. Directors' Interest in Contracts

None of the Company's directors has notified the Company for the purpose of Section 277 of the Companies and Allied Matters Act 2004 as amended of any declarable interest in contracts in which the Company is involved as at 31st December, 2019.

10. Analysis of Shareholding

According to the Register of Members, the following shareholders held more than 5% of the Issued Share Capital of the Company as at the reporting date.

	2020 Number of shares	% Holding
Mr. Mohammed Buhari	5,000,000	50%
Mr. Aisha Umar	1,000,000	10%
Mr. Hilda Khavere Luchinga	1,000,000	10%
Others	3,000,000	30%

11. Donations

There was no donation & charitable gift made during the year.

12. Fraud

The Company did not witness any case of fraud during the period.

13. Post Balance Sheet Events

Since 31st December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. Across the globe, businesses are being forced to cease or limit operations for long or indefinite periods of time. In an effort to contain the spread of the virus, various measures have been put in place including travel bans, quarantines, social distancing, and closures of non-essential services which has resulted in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening.

The Company directors has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31st December 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

14. **Human Resources Policy.**

a) **Employment of Physically Challenged Persons**

It is the policy of the Company that there will be no discrimination in considering applications for employment including those from disabled persons. All employees whether disabled or not are given equal opportunities to develop their experience and knowledge and to qualify for promotion in furtherance of their career. As at 31 December 2020, no disabled person was employed by the Company.

b) **Health, Safety and Welfare**

The Company maintains business premises and work environment that guarantee the safety and health of its employee and other stakeholders.

c) **Employment Involvement and Training**

The Company is committed to keeping employees fully informed as much as possible regarding the Company's performance and progress. Views of employees are sought where practicable on matters that particularly affect them as employees. Incentive schemes designed to meet changing circumstances of employees are implemented whenever appropriate and some of these schemes include bonus, promotion and salary review. The Company places a high premium on the training & development of its staff; hence the Company sponsored its employee for various training courses.

15. **Format of Financial Statements**

The financial statements of Bricklinks Africa Plc have been prepared in accordance with the reporting and presentation requirements of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

16 Corporate Governance

The Company maintains corporate policies and standards designed to encourage good and transparent corporate governance, avoid potential conflicts of interest and promote ethical business practices. The business of the Company is conducted with integrity which pays due regard to the legitimate interests of all stakeholders.

16. Directors Responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the company at the end of each financial period and of the profit or loss for that period in compliance with the provisions of the Companies and Allied Matters Act CAP C20 LFN2004, to ensure that:

- Proper accounting books and records are maintained.
- Applicable accounting standards are followed.
- Suitable accounting policies are adopted and consistently applied.
- The going concern basis is used, unless it is inappropriate to presume that the company will continue in business.
- Internal control procedures are instituted which will reasonably safeguard the assets, prevent and detect fraud and other irregularities

17. Auditors

The Auditors, Messrs Emmanuel Osuagwu & Co. were appointed to act as the company's auditor in accordance with section 357 of the Companies and Allied Matters Act 2004 as amended.

A resolution will be passed, authorizing the directors to determine their remuneration.

BY ORDER OF THE BOARD

....

COMPANY SECRETARY
ABUJA, NIGERIA.

Directors' Responsibilities and Approval

The directors are required in terms of the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is his responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the director to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to December 31, 2020 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on page 7.

The financial statements set out on pages 9 to 28 which have been prepared on the going concern basis, were approved by the board of directors on ...., 2021 and were signed on their behalf by:

Approval of financial statements

Director
Mr. Mohammed Buhari

Director
Mr. Ahmed Galadanci

Mhoa & Co.
(Chartered Accountants/Consultants)

CAC BN: [illegible]
FIRS TIN: [illegible]
[illegible]

INDEPENDENT AUDITORS REPORT

TO THE MEMBERS OF BRICLINKS AFRICA PLC

Report on the Audited Financial Statements

Opinion

We have audited the financial statements of **BRICLINKS AFRICA PLC**, which comprise the statement of financial position as at December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of **BRICLINKS AFRICA PLC** as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and the requirements of the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004, the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of **BRICLINKS AFRICA PLC**. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Going Concern

The company financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. As part of our audit of the company financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the company financial statements is appropriate.
Management has not identified a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, and accordingly none is disclosed in the financial statements. Based on our audit of the financial statements, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the Company's ability to continue as going concern.

Information Other than the Financial Statements and Audit Report thereon

The Directors are responsible for the other information. The other information comprises the information included in [the directors' report as required by the Companies and Allied Matters Act 2004 as amended, Value added statement and financial summary but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 and Those Charged with Governance for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and requirements of the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004, the Financial Reporting Council of Nigeria Act, 2011 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, 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 has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

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.

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ILORIN OFFICE
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Opposite Stadium Complex,
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TEL: 08050742201

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

Figures in Naira	Note(s)	2020	2019
Revenue	18	215,860,000	165,600,000
Cost of sales	19	(181,076,500)	(140,211,976)
Gross profit		34,783,500	25,388,024
Operating expenses	22	(33,184,931)	(32,704,740)
Profit/(Loss) before taxation		**1,598,569**	**(7,316,716)**
Taxation		(500,000)	-
Profit/(Loss) After for the year		**1,098,569**	**(7,316,716)**
Other comprehensive income		-	-
Total Comprehensive Profit for the year		**1,098,569**	**(7,316,716)**
Retained Profit/(Loss) brought forward		(7,316,716)	-
Retained Profit/(Loss) carried forward		**(6,218,147)**	**(7,316,716)**
Earnings per share		**₦0.11k**	**(₦0.73)k**

Statement of Changes in Equity

FOR THE PERIOD ENDED 31ST DECEMBER,2020

	Share Capital ₦	Retained Earnings ₦	Total Equity ₦
Balance as at 1 January 2020	10,000,000	(7,316,716)	10,000,000
Changes in equity for 2020			
Loss for the period	-	1,098,569	(7,316,716)
Additions during the year	-	-	-
Remeasurement loss on available for sales assets	-	-	-
Foreign currency translation differences	-	-	-
Total transactions with business owner	10,000,000	(6,218,147)	3,781,853
As at 31 December 2020	**10,000,000**	(6,218,147)	3,781,853

Statement of Cash Flows

Figures in Naira	Note(s)	2020	2019
Cash flows from operating activities			
Profit/(Loss) before taxation and other operating gains		1,598,569	**(7,316,716)**
Adjustments for:			
Depreciation and amortization		24,553,060	24,465,000
Changes in working capital:			
Trade and other receivables		(244,500)	(305,500)
Trade and other payables		(2,296,000)	27,585,000
Cash generated from operations		**23,611,129**	**44,427,784**
Tax received (paid)		-	-
Net cash from operating activities		**23,611,129**	**44,427,784**
Cash flows from investing activities			
Purchase of Investment		-	-
Purchase of non-current asset		(880,600)	(437,950,000)
Purchase of Intangible Assets		-	(415,000,000)
Proceeds from Sale of asset		-	-
Net cash from investing activities		**(880,600)**	**(852,950,000)**
Cash flows from financing activities			
Share Capital		-	10,000,000
Directors current account		(22,628,567)	799,439,726
Net cash from financing activities		**(22,628,567)**	**809,439,726**
Total cash movement for the year		**101,962**	**917,510**
Cash at the beginning of the year		917,510	917,510
Total cash at end of the year		**1,019,472**	**917,510**

Notes to the Financial Statements

1. General Information

1.1 Reporting Entity

These financial statements are for Bricklinks Africa Plc ("Bricklinks" or "the Company").

BRICLINKS AFRICA Plc was incorporated as a public limited liability company in Nigeria on 30th July, 2015 under the Companies and Allied Matters Act of Nigeria. It was licensed by the Nigeria Communication Commission to operate as an Internet Service Provider Nigeria on the 1st of July, 2018 and commenced business operation on 1st January, 2019.

The principal activities of the Company are providing internet service and installation services to subscribers.

2. Summary of Significant accounting policies

2.1 Introduction

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

2.2 Basis of Accounting

Statement of compliance

The financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria to the extent that they do not conflict with the requirements of IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies

This is the first financial statements where IFRS 1 was adopted in the preparation of the company's financial statements.

2.3 Functional and Presentation Currency

The financial statements are presented in Naira, which is the Company's functional currency. The figures shown in the financial statements are actual amounts.

2.4 Basis of Measurement and Classification

The financial statements have been prepared under the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value.
- available-for-sale financial assets are measured at fair value.
- loans and receivables and held to maturity financial assets and financial liabilities are measured at amortized cost

2.5 Use of Estimates and Judgment

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Useful life of assets.
- Allowance for receivables
- Impairment of financial and non-financial instruments.

3. New standards, amendments and interpretations issued and effective on January 1, 2019

Standards issued and effective as at the date of issuance of the financial statements are stated below which have been adopted in the preparation of these financial statement.

IAS 12 (Income Taxes): Recognition of Deferred Tax Assets for Unrealized Losses

This standard was amended to clarify the following aspects of income taxes:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes will give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The Company has adopted this amendment in the year ending 31 December 2019.

IAS 7 (Statement of Cash flow): Disclosure Initiative

IAS 7 (Statement of Cash Flows) was amended to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The IASB requires that the following changes in liabilities arising from financing activities are disclosed:

- Changes from financing cash flows
- Changes arising from obtaining or losing control of subsidiaries or other businesses
- The effect of changes in foreign exchange rates
- Changes in fair values and
- Other changes.

New standards and interpretations not yet adopted by the Company
A number of standards, interpretations and amendments are effective for annual period beginning after 1 January 2019 and earlier application permitted; however, the company has not early applied the following new or amended standards in preparing these financial statements.

IFRS 15 - Revenue from contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. IFRS 15 supersedes the current revenue recognition guidance including IAS 18 Revenue and IAS 11Construction Contracts and the related interpretations when it becomes effective.

Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue to depict the transfer of goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

The five-step model introduced by the standard is as follows;

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligation in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2020 with early adoption permitted. The company shall assess the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 9, 'Financial instruments'

A finalized version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments Recognition and Measurement. The completed standard comprises guidance to classification and measurement, impairment, hedge accounting and derecognizing.

I. IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the assets is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorized as "fair value through other comprehensive income" in certain circumstances. The requirement for financial liabilities remains unchanged from IAS 39.

II. The new model introduces a single impairment model applicable to all financial instruments, as well as an "expected credit loss" model for the measurements of financial assets.

III. IFRS 9 contains a new model for the hedge accounting that align the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements.

IFRS 9 requirements on derecognition of financial assets and liabilities remains unchanged from IAS 39.

The Company is yet to assess the full impact of IFRS 9 and it intends to adopt IFRS 9 in the future years not later than the accounting period beginning on or after 1 January, 2020.

IFRS 16: LEASES

New or amended standards	*Summary of the requirements*	*Possible impact on financial statements*
IFRS 16 Leases	IFRS 16 was issued in January 2018 effective for annual periods beginning on or after 1 January 2019, the standard replaces IAS 17 and its interpretations. The biggest change introduced is that all leases are classified as finance lease implying that leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of low value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained.	The company shall assess the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

IAS 19: Employee Benefits (Plan Amendment, Curtailment or Settlement)

On 7 February 2018, the IASB published Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) to harmonise accounting practices and to provide more relevant information for decision-making. An entity applies the amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019.
The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

IFRIC 23: Uncertainty Over Income Tax Treatments

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

Annual Improvements to IFRS Standards 2015-2017 Cycle

The IASB has issued 'Annual Improvements to IFRS Standards 2015–2017 Cycle'. The pronouncement contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project.

These amendments made during the 2015–2017 cycle effective for annual periods beginning on or after 1 January 2019 are as follows:

- *IFRS 3 Business Combinations*
  A company remeasures its previously held interest in a joint operation when it obtains control of the business.

- *IFRS 11 Joint Arrangements*

A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- *IAS 12 Income Taxes*
  A company accounts for all income tax consequences of dividend payments in the same way.

- *IAS 23 Borrowing Costs*
  A company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

3.1 Revenue

Revenue from sale of bandwidths (data) and voice (telephone) is recognized net of discount and taxes at a point in time when control of services has been transferred to the customers.

Revenue is measured based on the considerations specified in a contract with a customer and excluded the amount collected on behalf of third parties. The company recognizes revenue when it transfers control over a product or service.

For bundled packages, the company accounts for individual products and services separately if they are distinct i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundled package if a customer can benefit from it. The stand-alone selling prices are determined based on the list proceed at which the company sells networks services separately.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of thegoods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by.

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
  - to the extent that it is probable that they will result in revenue; and
  - they are capable of being reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

3.2 Management expenses

Management expenses include depreciation expenses and other expenses. They are accounted for on an accrual basis.

3.3 Financial assets and liabilities

(i) Classification

The classification of financial assets depends on the purpose for which the investments were acquired (management's intention) or originated. The Company classifies its financial assets into the following categories in line with IAS 39:

- loans and receivables, and
- available-for-sale financial assets
- Fair value through profit or loss

The Company's financial assets include cash and short term deposits, trade and other receivables, commercial loans, quoted and unquoted equity instruments, bonds and debt notes.

The Company's, financial liabilities are classified as other financial liabilities. They include: creditors and accruals.

(ii) **Recognition**

The company recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

(iii) **Measurement**

(i) Initial measurement

Loans and receivables and financial liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(ii) **Subsequent measurement**

Subsequent measurement of financial instruments depends on their classification. Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification:

3.4 Loans and receivables

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Company as at fair value through profit or loss or available-for-sale.

Loans and advances consist primarily of staff loans, other debtors. These are managed in accordance with a documented policy.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans granted at below market rates are fair valued by reference to expected future cash flows and current market interest rates for instruments in a comparable or similar risk class and the difference between the historical cost and fair value is accounted for as employee benefits under staff costs.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial instruments, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts as the case may be.

3.5 Available-for-sale

Available for sale financial investments include equity and debt securities. The Company classifies as available-for-sale those financial assets that are generally not designated as another category of financial assets, and strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale financial assets are carried at fair value, with the exception of investments in equity instruments where fair value cannot be reliably determined, which are carried at cost. Fair values are determined in the same manner as for investments at fair value through profit or loss. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income while the investment is held, and are subsequently transferred to the income statement upon sale or de-recognition of the investment.

Dividends received on available-for-sale instruments are recognised in income statement when the Company's right to receive payment has been established.

3.6 Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current

fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.