Arik

WINGS OF NIGERIA

Arik Air Limited (In Receivership)
Annual Report and Financial Statements
for the year ended 31 December 2017

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Corporate information

Board of directors

Sir Johnson Arumemi-Ikhide	- Chairman	
Dr. Michael Arumemi-Ikhide	- Group CEO	
Mr. Chris Ndulue	- Managing Director	
Capt. Ado Sanusi	- Deputy Managing Director	(Resigned 7 February 2017)
Engr. Olubiyi Sangowawa	- Non-executive Director	

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

Company secretary

Seun Oludimu

Registered office

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

Independent auditors

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

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Report of the Receiver Manager

The receiver manager report together with the audited financial statements for the year ended 31 December 2017, which disclose the state of affairs of the company.

Incorporation

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

Principal activities

The principal activities of the company are the provision of scheduled and chartered flight services to members of the general public, corporations and government establishments. As at the balance sheet date, the company owned a fleet of thirteen (13) aircraft, while one (1) is on lease.

Appointment of Receiver Manager

In February 2017, the Asset Management Company of Nigeria (AMCON) served Arik Air Limited with a court order appointing a Receiver Manager (Mr Oluseye Opasanya, SAN) to oversee the daily affairs of the company. AMCON is a creditor to the company. This appointment is subsequent to the period covered by these financial statements.

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

Results and dividend

Details of the company's results for the year are set out on page 12 in the statement of profit or loss and other comprehensive income. The loss after taxation for the year of N41.5 billion (2016: N85.2 billion) has been transferred to reserves. No dividend is proposed by the directors (2016:Nil).

	31 December 2017	31 December 2016
	N '000	N '000
Revenue	28,433,731	61,857,010
Operating loss	(23,483,383)	(66,735,271)
Loss before taxation	(41,901,884)	(85,201,946)
Loss after taxation	(41,901,884)	(85,201,946)

Directors

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

Sir Johnson Arumemi-Ikhide	Chairman	
Dr. Michael Arumemi-Ikhide	Group CEO	
Mr. Chris Ndulue	Managing Director	
Capt. Ado Sanusi	Deputy Managing Director	(Resigned 7 February 2017)
Engr. Olubiyi Sangowawa	Non-executive Director	

Appointed by AMCON:

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

Directors' shareholding

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

	Number of shares held as at 31 December 2017	2016
Sir Johnson Arumemi-Ikhide ('000)	1,200,000	1,200,000

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Report of the Receiver Manager

According to the register of members at 31 December 2017, the following shareholders of the Company held more than 10% of the issued share capital of the Company:

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

Status of the board of directors

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

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

Directors' interests in contracts

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

Suppliers and technical agreements

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

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

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

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

Employment of disabled persons

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

Employee health, safety and welfare

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

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

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

Report of the Receiver Manager

Donations and gifts

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

	N'000
National Emergency Management Agency (Internally Displaced Persons Camps)	623
Ministry of Defence (emblem appeal launch)	200

The company did not make any donation to any political organisation during the year (2016: Nil).

Property, plant and equipment

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

Auditors

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

By order of the Board:

Seun Oludimu
Company secretary

8 November 2021

Statement of Receiver Manager's Responsibilities

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

a) ensuring that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act;

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

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

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

The receiver manager is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit or loss. The receiver manger further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.
Nothing has come to the attention of the receiver manager to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

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

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

Overview of the Nigerian Economy

In the year 2017, Nigeria's economic fundamentals strengthened progressively and this momentum dragged some of the leading economic indicators high thus affirming Nigeria's exit from a recession in Q2 after five consecutive quarters of contraction. Inflation during this period dropped consistently from 18.75% in January, 2017 to 15.37% in December, 2017. Nigeria's Gross Domestic Products (GDP) figure which was at -1.73% in Q4, 2016 rose to 1.40% in the third quarter of 2017. However, the country's foreign reserves which was $25.84bn at the beginning of 2017 rose to $37.35bn from the third quarter of 2017.

Overview of the Transport and Aviation sector of the Economy

The transport sector which aviation is an arm of is perhaps one of Nigeria most challenging sectors, especially in the light of the massive need for infrastructure in rail, road, sea and air transport to ensure seamless movement of people and cargo. The transport sector is a catalyst for the economic development of many nations. It is the wheel that drives economic activities, particularly the air transport sector, which facilitates trade, tourism, boosts productivity in the economy, improves efficiency in the supply chain, it is an enabler for investment which can spur innovation, facilitate commercial activities and provide fast and reliable delivery of cargos and services.

Statement of Receiver Manager's Responsibilities

Overview of the Transport and Aviation sector of the Economy (continued)

The aviation arm of the transport sector of the economy witnessed one of the most significant developments, which occurred on 28th May, 2017, when Vice President Yemi Osinbajo initiated one of the greatest reforms to affect the nation's aviation sector - the signing of the Executive Order on Ease of Doing Business in Nigeria. This order has enhanced safety, security and passenger facilitation within and around Nigeria airports.

Also, Nigeria invited key global industry players to the country when it hosted the International Civil Aviation Organisation (ICAO) World Aviation forum in November, 2017.

Nigeria's passenger traffic for inbound and outbound destinations soared to about 18 million in 2017, surpassing that of 2016 by more than 20 percent.

Arik's challenges with creditors under Receivership

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

Future prospects – Stabilizing Arik's operations

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

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

In order to also reduce the enormous portfolio of litigation, Arik Air have also taken a proactive decision to settle some cases out of court thereby curtailing or reducing cost and expenses on litigation.

So far, we now have better visibility on the financial and operations of Arik Air, particularly for the reporting year ended 31 December 2017.

Receiver manager view on qualified balances

The representations of directors, explanations and clarifications are necessary inputs for the preparation of financial records. At the resumption of the receivership, attempts to engage the major shareholder/director of the company to obtain explanations on some issues were rebuffed. Secondly, the winding down of Arik Air International by its shareholders meant that the new management could not access documents utilised for intercompany transactions. Notwithstanding our best efforts at independent audit circularisation, we were unable to reconcile or place reliance on the completeness, validity and accuracy of some balances on Account Payable, Account Receivable, and Intercompany balances with similar or related ownership as Arik Air Limited (in Receivership). This includes Arik Air International Limited, Ojemai Farms Limited, Rockson International, Hansworth Limited, etc.

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Statement of Receiver Manager's Responsibilities

Receiver manager view on qualified balances (continued)

Further to the commencement of the receivership, the receiver manager has taken decisions to deal with the cashflow challenges of the company, exit unprofitable relationships and preserve the operational stability of the airline. A critical part of this has been the immediate suspension of the unprofitable international operations of the airline and cancellation of lease arrangements dedicated to such operations.

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

a) Trade Receivables: This includes the sum of N1.7 billion representing receivables from Rockson Engineering Limited. The company could not confirm the existence, accuracy and completeness of the balance as at the time of the audit.
b) Intercompany Receivables: This includes the sum of N2.3 billion representing receivable from Ojemai Farms Limited, Rockson International, Hansworth Limited and Arik Air International Limited. The company could not confirm the existence, accuracy and completeness of the balance as at the time of the audit.
c) Trade Payables: This includes aggregate net receivable of N10.2 billion, comprising of N9.1 billion from foreign vendors and N1.1 billion from local vendors. Under the receivership, we have taken several steps to reconcile these balances. This includes:
   i) Circularisation of the creditors to confirm the existence and accuracy of the balances captured on our books. Under this scenario, we sent letters to local and foreign vendors with the objective of reconciling their balances with that of Arik Air Limited. We should however note that this did not yield the required result as only few creditors responded to our letters while we did not receive feedback from a substantial number of creditors. The balances remain largely unreconciled as we could not access financial records on some of the vendor due to the commencement of the receivership and the winding down of Arik Air International Limited by the company's shareholders.
   ii) We have also held reconciliation meetings with key creditors immediately relevant to the operations of the business of the company covering maintenance, fuelling activities, ground handling, hotels, etc. We negotiated discounts on the outstanding obligations and agreed repayment terms in line with the cash flow capabilities of the company. These have been duly communicated to the auditors and recognised accordingly.

d) Intercompany Payables: This includes the sum of N13.3 billion which is payable to Ojemai Investments Limited and Arik Air International Limited. The company could not confirm the existence, accuracy and completeness of the balance as at the time of the audit.
e) Other Receivables: This comprise the sum of N9.1 billion which is represents our maintenance reserve and receivable from Standard Chartered Bank (aircraft lessors) on two leased aircraft named Squa and Night Jar. These payments were made alongside the monthly lease payments made by Arik to the lessors. The vendor was circularised by PWC and they confirmed a counter claim that Arik was indebted to them to the tune of N7.7 billion. We have reached out to the lessor at several times with a view to reconciling the position but the situation remained unreconciled as we disagreed with the claim at the time of the audit.

AMCON Exit plan

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

Kamilu Alaba Omokide (FCA)

Receiver Manager

Nov 8, 2021

Independent auditor's report

To the Members of Arik Air Limited (In Receivership)

Report on the audit of the financial statements

Our qualified opinion

In our opinion, except for the effects of the matters described in the Bases for qualified opinion section of our report, the financial statements give a true and fair view of the financial position of Arik Air Limited (In Receivership) (the "company") as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

What we have audited

Arik Air Limited's (In Receivership) financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 December 2017;
- the statement of financial position as at 31 December 2017;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Bases for qualified opinion

Included in trade receivables is a balance of N1.7 billion which is receivable from a related party. The company has not substantiated the existence, accuracy and completeness of this asset. In the absence of evidence to support this balance, we are unable to determine whether any adjustments to this amount and related balances were necessary.

Included in trade payables are net receivable balances amounting to N10.2 billion, comprising N9.1 billion net receivable from foreign vendors and N1.1 billion net receivable from local vendors. No reconciliation has been carried out regarding these balances. The company has not provided any information on the existence, accuracy and completeness of these assets; hence we are unable to determine whether any adjustments to these amounts and related balances and disclosures were necessary.

Also, included in intercompany payables balance is N13.3 billion which is payable to related parties. The company has not substantiated the existence, accuracy and completeness of this liability. In the absence of evidence to support this balance, we are unable to determine whether any adjustments to this amount and related balances were necessary.

Included in other assets balance is N2.3 billion which is receivable from related parties. The company has not substantiated the existence, accuracy and completeness of this receivable. In the absence of evidence to support this balance, we are unable to determine whether any adjustments to this amount and related balances were necessary.

Included in the other assets balance in the financial statements is N9.1 billion which is receivable from aircraft lessors and maintenance service providers. The lessors and aircraft maintenance service providers did not confirm the other assets balance of N9.1 billion. Furthermore, they confirmed that the company is indebted to them in the amount of N7.7 billion. The company has not reconciled its balances with the lessors and maintenance service providers. In the absence of reconciled balances, we were unable to determine whether any adjustments to these amounts and related balances were necessary.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Material Uncertainty Relating to Going Concern

We draw attention to Note 2.3.1 in the financial statements, which indicates that the Company incurred a net loss of N41.9 billion during the year ended 31 December 2017 and, as of that date, the Company's total liabilities exceeded its total assets by N177.4 billion. As stated in Note 2.3.1, these events or conditions, along with other matters as set forth in Note 2.3.1, 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.

Other information

The receiver manager is responsible for the other information. The other information comprises the Corporate information, Report of the Receiver Manager, Statement of Receiver Manager's Responsibilities, Statement of Value Added and Five-Year Financial Summary, but 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 identified above 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.

As described in the Bases for qualified opinion section above, we were unable to obtain sufficient evidence about the balances stated above. We are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Responsibilities of the receiver manager and those charged with governance for the financial statements

The receiver manager is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, and for such internal control as the receiver manager determines 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 receiver manager is 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 receiver manager either intends to liquidate the company or to cease operations, or have 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the receiver manager.
- Conclude on the appropriateness of the receiver manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we

conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

The Companies and Allied Matters Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that except for the limitation identified above:

i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) The company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;

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.

Oladele Oladipo

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

15 November 2021

Engagement Partner: Oladele Oladipo
FRC/2013/ICAN/00000002951

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Statements of profit or loss and other comprehensive income for the year ended 31 December 2017

In thousands of naira	Note	2017	2016
Passengers	4	17,630,325	44,452,002
Cargo and surcharge revenue	4	10,803,406	17,405,008
Revenue		**28,433,731**	**61,857,010**
Aviation fuel and oil expense		(9,428,684)	(19,999,180)
Aircraft maintenance expense		(4,115,307)	(11,175,453)
Depreciation and amortisation expenses	14 & 15	(4,992,292)	(7,367,602)
Employee benefit expenses	7	(7,548,951)	(7,430,447)
Landing, navigation and other charges	5	(1,789,490)	(12,821,046)
Other operating expenses	6.1	(1,701,662)	(20,910,339)
Aircraft lease expenses	6.2	(685,492)	(3,823,087)
Aircraft handling and catering charges	8	(1,942,964)	(5,893,129)
Accomodation and hotel expenses		(177,214)	(1,044,011)
Insurance expenses	9	(1,439,855)	(1,719,318)
Administrative expenses	10	(948,339)	(3,892,855)
Information technology related expenses		(216,889)	(393,354)
Impairment of aircrafts and related technical equipment	14	(6,382,258)	(32,122,460)
Impairment of landing and take-off slots	15	(10,547,717)	-
Total expenses		**(51,917,114)**	**(128,592,281)**
Operating loss		**(23,483,383)**	**(66,735,271)**
Finance cost	11	(20,541,824)	(22,141,907)
Finance income	11	66,652	29,367
Finance costs-net		**(20,475,172)**	**(22,112,540)**
Other income	12	2,174,479	3,782,323
Minimum tax charge	13	(117,808)	(136,458)
Loss before tax		**(41,901,884)**	**(85,201,946)**
Income tax charge	13	-	-
Loss after tax		**(41,901,884)**	**(85,201,946)**
Total comprehensive loss for the year, net of tax		**(41,901,884)**	**(85,201,946)**

The notes on pages 17 to 48 form part of these financial statements.

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Statement of financial position
as at 31 December 2017

In thousands of naira	Note	2017	Restated * 31 December 2016	Restated * 1 January 2016
Assets				
Non-current assets				
Property, plant and equipment	14	110,583,691	119,952,241	158,854,970
Intangible assets	15	140,954	10,574,492	10,583,307
Deposit for aircraft	16	12,878,648	10,883,213	7,730,556
Total non-current assets		**123,603,293**	**141,409,946**	**177,168,833**
Current assets				
Inventories	18	1,597,520	1,432,630	1,821,711
Other receivables	17	-	11,335	5,026
Trade receivables	19	2,634,430	1,808,062	3,512,509
Prepayments	19	90,299	108,065	108,883
Other assets	20	12,003,327	15,346,058	28,233,363
Cash and cash equivalents	21	2,942,811	4,011,364	4,301,396
Total current assets		**19,268,387**	**22,717,514**	**37,982,888**
Total assets		**142,871,680**	**164,127,460**	**215,151,721**
Equity and liabilities				
Equity				
Share capital	28	2,000,000	2,000,000	2,000,000
Retained earnings		(179,422,020)	(137,520,136)	(52,318,190)
Total equity		**(177,422,020)**	**(135,520,136)**	**(50,318,190)**
Non-current liabilities				
Deferred income	25	1,082,646	2,812,370	5,294,340
Total non-current liabilties		**1,082,646**	**2,812,370**	**5,294,340**
Current liabilities				
Trade payables	22	44,931,360	56,140,379	36,356,141
Loans and borrowings	23	215,579,765	197,480,270	183,817,457
Other current liabilities	24	33,208,456	18,643,221	12,346,715
Deferred income	25	1,725,455	1,820,995	2,807,433
Deferred revenue	26	1,376,563	454,850	1,946,165
Deposit for shares	27	21,600,000	21,600,000	21,600,000
Income tax payable	13	789,455	695,511	1,301,660
Total current liabilities		**319,211,054**	**296,835,226**	**260,175,571**
Total equity and liabilities		**142,871,680**	**164,127,460**	**215,151,721**

The notes on pages 17 to 48 form part of these financial statements.

The financial statements on pages 13 to 50 were approved and authorised for issue by the Receiver Manager on Nov 8, 2021 and were signed on his behalf by:

Capt. Roy Ilegbodu
Chief Executive Officer

Kamilu Alaba Omokide (FCA)
Receiver Manager

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Statement of changes in equity
for the year ended 31 December 2017

In thousands of naira	Note	Share capital	Retained earnings	Total equity
As at 1 January 2016		2,000,000	(56,097,363)	(54,097,363)
Restatement*	**34**		3,779,173	3,779,173
Restated total equity at 1 January 2016		2,000,000	(52,318,190)	(50,318,190)
Loss for the year		-	(85,201,946)	(85,201,946)
As at 31 December 2016		2,000,000	(137,520,136)	(135,520,136)
Loss for the year		-	(41,901,884)	(41,901,884)
As at 31 December 2017		2,000,000	(179,422,020)	(177,422,020)

The notes on pages 17 to 48 form part of these financial statements.

Arik
WINGS OF NIGERIA

Statement of cash flows
for the year ended 31 December 2017

In thousands of naira	Note	2017	2016
Operating activities			
Loss before tax		(41,901,884)	(85,201,946)
Non-cash adjustment:			
Depreciation of property, plant and equipment	14	4,967,343	7,354,135
Amortisation of intangible assets	15	24,949	13,467
Impairment of landing and take-off slots		10,547,717	-
Impairment of aircrafts and related technical equipment	14	6,382,258	32,122,460
Foreign exchange difference		2,777,914	16,383,078
Government grant	12	(1,825,263)	(3,468,408)
Minimum tax	13	117,808	136,458
Finance income	11	(66,652)	(29,367)
Finance cost	11	20,541,824	22,141,907
Working capital adjustments:			
Changes in trade and other receivables		2,545,464	11,101,567
Changes in inventory		(164,890)	389,081
Changes in trade payables		(11,209,019)	14,445,783
Changes in other liabilities		14,565,235	5,633,508
Changes in deferred revenue		921,713	(1,491,315)
Cash flow from operations		8,224,517	19,530,406
Income tax paid		(23,864)	(742,607)
Net cash flows generated from operating activities		**8,200,653**	**18,787,799**
Investing activities			
Acquisition of property, plant and equipments	14	(1,981,051)	(573,866)
Acquisition of intangible assets	15	(139,128)	(4,652)
Interest received		66,652	29,367
Net cash flows used in investing activities		**(2,053,528)**	**(549,151)**
Financing activities			
Proceeds from borrowings		12,343,868	4,700,000
Repayments of borrowings		(6,860,897)	(12,303,386)
Interest paid	11	(20,541,824)	(9,587,305)
Net cash flows (used in)/generated from financing activities		**(15,058,853)**	**(17,190,691)**
Net increase in cash and cash equivalents		(8,911,728)	1,047,957
Exchange difference arising from translation of cash and cash equivalent		93,786	43,153
Cash and cash equivalent at beginning of the year		893,275	(197,836)
Cash and cash equivalent at end of the year	21	**(7,924,667)**	**893,275**

The notes on pages 17 to 48 form part of these financial statements.

1 THE COMPANY

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

The financial statements of Arik Air Limited (In Receivership) for the year ended 31 December 2017 were authorised for issue by the receiver manager. Arik Air Limited, "the Company" or "Arik Air", is a limited liability company incorporated on 2 July 2004 and domiciled in Nigeria. The Company commenced business operations and commercial flight operations on 30 October 2006. The registered office is located at Arik Air Aviation Center on the grounds of Murtala Muhammed International Airport in Ikeja, Lagos State, Nigeria.

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

2 ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretation Committee.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.3.

Basis of measurement

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

2.2 Summary of significant accounting policies

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

2.2.1 Foreign currency transactions

The financial statements are presented in Naira, which is also the functional currency.

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

2.2.2 Fair value measurements

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability,
- the principal or the most advantageous market must be accessible to by Arik Air.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.2.2 Fair value measurements (continued)

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

2.2.3 Revenue recognition

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

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

Aviation services

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

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

Interest income

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

2.2.4 Taxation

(a) Income tax

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

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

2.2.4 Taxation (continued)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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

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

2.2.5 Property, plant and equipment

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

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

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

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

2.2.5 Property, plant and equipment (continued)

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

Componentisation

Arik Air componentizes its aircraft into:

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

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

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

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

2.2.6 Borrowing costs

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

2.2.7 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

2.2.8 Intangible assets

Intangible assets in Arik Air comprises of computer software and landing slots.

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

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

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

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

2.2.8 Intangible assets (continued)

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

Computer software development costs

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

Landing slots

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

2.2.9 Impairment of non-financial assets

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

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

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

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

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

2.2.10 Financial instruments

Initial recognition and measurement

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

Financial assets

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

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

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

Subseqent measurement

Loans and receivables

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

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

Derecognition

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

Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

Other liabilities

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

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

Derecognition

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

2.2.10 Financial instruments (continued)

Financial liabilities (continued)

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

Impairment of financial assets
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if; there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset. Evidence of impairment may include:

- Indications that the debtors or a group of debtors is experiencing significant financial difficulty;
- Default or delinquency in interest or principal payments;
- The probability that they will enter bankruptcy or other financial reorganisation; and
- Where observable data indicate that there is a measurable decrease in the estimated future cash flow such as changes in national or local economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

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

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

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

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

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

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

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

2.2.14 Employee benefits

Wages, salaries, annual leave and sick leave

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

Post-employment benefit

Defined contribution plan

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

2.2.15 Deferred income

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

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

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

2.2.16 Share capital

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

2.2.17 Trade payable

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

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

2.2.18 Borrowings

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

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

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The most significant uses of judgement and estimates are as follows:

2.3.1 Going concern

The company incurred a loss after tax of N41.9 billion during the year ended 31 December 2017 (2016: N85.2 billion). The company was also at a net liability position of N177.4 billion as at 31 December 2017 (2016: N135.5 billion). The company also did not settle its liabilities that were due in the year and in prior years and was subsequently taken over by the Asset Management Corporation of Nigeria (AMCON) on 9 February 2017. The company also cancelled its international flights.

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

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

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

Management is also re-negotiating existing obligations with non-financial institutions.

The company is still in existence and management believes that the company will continue to exist in the nearest future.

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

2.3.2 Impairment losses on trade receivables

The Company reviews its trade receivables at each reporting date to assess whether an impairment loss should be recorded in the statement of profit or loss. In particular, management judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation.

These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

2.3.3 Income taxes

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

2.3.4 Impairment of non-financial assets

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

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

2.3.5 ***Residual value and useful lives of assets***

The Company exercises judgement to determine useful lives and residual values of property, plant and equipment. The assets are depreciated down to their residual values over their estimated useful lives. Further details are provided in note 2.2.5 and 14.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

3 Changes in accounting policy and disclosures

3.1 Standards and interpretation adopted by the company

3.2 Standards issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company,except the following set out below:

IFRS 9 Financial Instruments

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit and loss account.

Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is not permitted. The company is yet to assess IFRS 9's full impact on its financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application not is permitted.

The company is yet to assess the impact of the new standard on its financial statements.

IFRS 16 Leases

This standard eliminates the classification of leases as either operating or finance leases for a lessee. All leases are treated in a similar way to finance leases under IAS 17. Leases are capitalised by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. IFRS 16 does not require a lessee to recognise assets and liabilities for short term leases and leases of low-value assets. The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is not permitted. The company is yet to assess the full impact of IFRS 16 and intends to adopt IFRS 16 no later than 1 January 2019.

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

4 Revenue

In thousands of naira	2017	2016
Scheduled flight revenue	15,120,556	42,072,121
Charter revenue	2,509,229	1,032,858
Interline revenue	540	1,347,023
Passenger revenue	**17,630,325**	**44,452,002**
Cargo revenue	198,426	335,949
Surchage revenue	10,604,980	17,069,059
Cargo and other revenue	**10,803,406**	**17,405,008**
Total revenue	**28,433,731**	**61,857,010**

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

5 Landing, navigation and other charges

In thousands of naira	2017	2016
Navigation cost	1,220,932	3,429,361
Airport charges	89,815	598,926
Landing and parking fees	478,743	8,792,759
Total landing, navigation and other charges	**1,789,490**	**12,821,046**

6.1 Other operating expenses

In thousands of naira	2017	2016
Marketing expenses	294,420	2,589,224
Ferry flight	23,748	18,888
Charter expenses	61,445	68,107
Collection charges	105,582	250,710
Licence expenses	776	949
Postal expenses	422	2,839
Transport cost	125,903	184,908
Donation	823	13,496
Security charges	34,426	41,491
Non-aircraft fueling expenses	158,210	176,023
Advertisement	73,216	149,956
Vehicle maintenance	41,141	46,265
Repairs and maintenance expenses	119,386	161,945
Electricity, water and similar expenses	50,423	25,664
Foreign exchange translation loss	659,717	15,787,461
Write (back)/off of trade receivables	(268,636)	329,664
Other expenses	220,660	1,062,749
Total other operating expenses	**1,701,662**	**20,910,339**

6.2 Aircraft lease expenses

In thousands of naira	2017	2016
Lease rental expense for A330	685,492	3,823,087

7 Staff numbers and costs

In thousands of naira	2017	2016
Salaries and wages	3,637,078	4,281,859
Defined contribution plan	208,859	219,075
Other short term benefits	97,006	72,752
Staff rotation cost	192,250	109,400
Pilot training and simulation cost	378,147	328,090
Out of station and local allowances	2,820,959	2,076,150
Medical expenses	101,866	55,154
Other staff expenses	112,786	287,967
Total employee benefit expenses	**7,548,951**	**7,430,447**

	Number 2017	Number 2016
Senior staff	44	125
Supervisory and junior staff	1,705	1,799
Total	**1,749**	**1,924**

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

N		N	2017 Number	2016 Number
300,001	-	500,000	-	291
500,001	-	600,000	35	413
600,001	-	700,000	30	16
700,001	-	800,000	149	194
800,001	-	900,000	196	54
900,001	-	1,000,000	142	30
1,000,001	-	1,200,000	73	417
1,200,001	-	1,400,000	37	121
1,400,001	-	1,600,000	44	71
1,600,001	-	1,800,000	34	55
1,800,001	-	2,000,000	58	13
2,000,001	-	2,200,000	32	39
2,200,001	-	2,400,000	211	10
2,400,001	-	3,000,000	339	75
3,000,001	-	4,000,000	186	19
4,000,001	-	6,000,000	97	44
6,000,001	-	8,000,000	21	20
8,000,001	-	10,000,000	3	29
10,000,001	-	12,000,000	1	3
12,000,001	-	16,000,000	17	7
16,000,001 and above			44	3
Total			**1,749**	**1,924**

8 Aircraft handling and catering charges

In thousands of naira	2017	2016
Airline handling cost	1,337,579	3,749,977
Catering expenses	605,385	2,143,152
Total aircraft handling and catering charges	**1,942,964**	**5,893,129**

9 Insurance expenses

In thousands of naira	2017	2016
Insurance expenses - aircraft	1,427,771	1,575,698
Insurance expenses - vehicles	291	1,014
Insurance expenses - others	11,793	142,606
Total insurance expenses	**1,439,855**	**1,719,318**

10 Administrative expenses

In thousands of naira	2017	2016
Professional and management fees	154,863	3,331,260
Auditors renumeration	100,000	125,000
Printing, stationery and other assesories	51,986	39,778
Telephone expenses	450	763
Rents and rates expenses	590,767	353,773
Other administrative expenses	50,373	42,281
Total administrative expenses	**948,339**	**3,892,855**

11 Finance cost

In thousands of naira	2017	2016
Bank charges	283,122	1,036,680
Interest on loans and borrowings	20,258,702	21,105,227
Total finance cost	**20,541,824**	**22,141,907**
Finance income		
Interest income	**66,652**	**29,367**
Finance costs-net	**20,475,172**	**22,112,540**

12 Other income

In thousands of naira	2017	2016
Deferred income (see Note 25)	1,825,263	3,468,408
Insurance claims	-	460
Others	349,216	313,455
Total other income	**2,174,479**	**3,782,323**

13 Taxation

13a Income tax

The major components of income tax expense are:

Statement of profit or loss

In thousands of naira	2017	2016
Minimum tax charge	117,808	136,458
Education tax	-	-
Deferred tax charge	-	-
Total income tax expense	-	-

A reconciliation between tax expense and the product of accounting profit multiplied by the domestic tax rate for the years ended 31 December 2017 and 31 December 2016 is as follows:

In thousands of naira	2017	2016
Accounting loss before income tax	41,784,076	85,065,488
At Nigeria's statutory income tax rate of 30% (2016: 30%)	12,535,223	25,524,898
Effect of non-deductible expenses for tax purposes	(9,254,532)	(19,215,325)
Carried forward tax losses	(4,725,317)	(6,309,573)
Current income tax	(1,444,626)	-
Minimum tax charge	117,808	136,458
Education tax	-	-
Deferred tax	-	-
Income tax expense reported in the statement of profit or loss	(1,326,818)	136,458

In line with IFRIC 21, N118 million (2016: 136 million) arising from minimum tax computations is included in the charge for the year on the statement of financial position but above the line in the statement of profit or loss and other comprehensive income for the year.

Movement in current tax payable

In thousands of naira	2017	2016
At beginning of the year	695,511	1,301,660
Tax paid	(23,864)	(742,607)
Income tax charge	117,808	136,458
At end of the year	789,455	695,511

As at 31 December 2017, the company had a deferred tax asset balance of N47.9 billion (2016: N42.7 billion) arising from untilised tax losses. Management has not recognised this balance as it is not certain if taxable profits would be available against which these assets can be utilised in the near future.

14 Property, plant and equipment

In thousands of naira	Aircraft and technical equipment	Land	Buildings	Furniture & fittings	Computer, office & ground equipment	Motor vehicles	Capital work-in-progress	Total
Cost:								
At 1 January 2016	**187,410,827**	**1,436,583**	**800,910**	**802,663**	**2,924,167**	**1,016,834**	**5,460,171**	**199,852,155**
Additions	383,347	-	55,112	2,885	111,509	21,013	-	573,866
At 31 December 2016	**187,794,174**	**1,436,583**	**856,022**	**805,548**	**3,035,676**	**1,037,847**	**5,460,171**	**200,426,021**
Additions	1,855,877	-	-	22,926	101,798	450	-	1,981,051
At 31 December 2017	**189,650,051**	**1,436,583**	**856,022**	**828,473**	**3,137,474**	**1,038,297**	**5,460,171**	**202,407,072**
Accumulated depreciation:								
At 1 January 2016	**37,687,217**	-	**83,165**	**362,548**	**2,138,389**	**725,866**	-	**40,997,185**
Depreciation charge for the year	6,930,898	-	14,423	74,845	286,705	47,264	-	7,354,135
Impairment charge	32,122,460	-	-	-	-	-	-	32,122,460
At 31 December 2016	**76,740,574**	-	**97,588**	**437,393**	**2,425,094**	**773,130**	-	**80,473,780**
Depreciation charge for the year	4,668,730	-	14,671	60,039	175,597	48,307	-	4,967,343
Impairment charge	6,382,258	-	-	-	-	-	-	6,382,258
At 31 December 2017	**87,791,562**	-	**112,259**	**497,431**	**2,600,691**	**821,437**	-	**91,823,381**
Net book value:								
At 31 December 2017	**101,858,489**	**1,436,583**	**743,763**	**331,042**	**536,783**	**216,860**	**5,460,171**	**110,583,691**
At 31 December 2016	**111,053,600**	**1,436,583**	**758,433**	**368,155**	**610,582**	**264,717**	**5,460,171**	**119,952,241**

Due to a perceived reduction in the market value and reduction in the economic performance. The aircrafts were not operational and were on ground. An independent valuation of the company's aircrafts was carried out by valuers (McLarens Aviation) to determine the fair value of aircrafts. Included in the income statement is an impairment of N6.4 billion (2016: N32.1 billion) representing the difference between the carrying value of the aircrafts and the net realizable amount per the valuation.

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

Technical equipment include in-flight entertainment and aircraft parts.

The net book amount of aircraft, aircraft engines and parts and the real estate of the company includes an amount of N22.6 billion (2016: N95.1 billion) in respect of assets provided as security against term loans.

14 Property, plant and equipment (continued)

Capitalised borrowing costs

Property, plant and equipment

The Company renovated land and building acquired in 2013 which is still under renovation as at 31 December 2017. The facility is financed by a third party in a common arrangement.

The amount of borrowing costs capitalised during the year ended 31 December 2017 was Nil (2016: N16.5 million).

15 Intangible assets

In thousands of naira	Computer software	Landing & take-off slots	Total
Cost:			
At 1 January 2016	85,474	10,547,717	10,633,191
Addition	4,652	-	4,652
At 31 December 2016	**90,126**	**10,547,717**	**10,637,843**
Addition	139,128	-	139,128
At 31 December 2017	**229,254**	**10,547,717**	**10,776,971**
Accumulated amortisation and impairment:			
At 1 January 2016	49,884	-	49,884
Amortisation for the year	13,467	-	13,467
At 31 December 2017	**63,351**	**-**	**63,351**
Amortisation for the year	24,949	-	24,949
Impairment loss	-	10,547,717	10,547,717
At 31 December 2017	**88,300**	**10,547,717**	**10,636,017**
Net book value:			
At 31 December 2017	**140,954**	**-**	**140,954**
At 31 December 2016	**26,775**	**10,547,717**	**10,574,492**

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

16 Deposit for aircraft

In thousands of naira	2017	2016
Deposit Boeing	12,878,648	10,883,213
Deposit DAE	-	-
	12,878,648	**10,883,213**

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

17 Other receivables

In thousands of naira	2017	2016
Current		
Staff advance	-	11,335

18 Inventories

In thousands of naira	2017	2016
Consumables	1,508,021	1,389,168
Diesel and lubricants	4,756	4,756
Catering items	5,363	-
Other inventory	79,380	38,706
Total inventories	**1,597,520**	**1,432,630**
Amount of inventory charged to cost of sales	1,188,326	1,065,671
Amount of inventory written off during the period	409,194	366,959

19 Trade and other receivables

a Trade receivables

In thousands of naira	2017	Restated* 2016
Current		
Trade receivable	1,871,231	1,529,560
Due from related parties	1,685,151	1,469,090
Impairment on trade receivables	(921,952)	(1,190,588)
Total trade receivables	**2,634,430**	**1,808,062**

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

In thousands of naira	2017	2016
At 1 January	1,190,588	860,924
Additions	-	329,664
Write-back during the year	(268,636)	-
At 31 December	**921,952**	**1,190,588**

Impairment of trade and other assets

The trade receivables and other asset portfolio impairment loss relates to:
- defaulting Billing and Settlement Plan (BSP) and chartered sales that have exceeded credit days.
- debtors in dispute which are provided for when they become known.

b Prepayments

In thousands of naira	2017	2016
Advance payment to suppliers	17,974	17,974
Rent	62,712	79,006
Insurance	519	519
Others	9,094	10,566
	90,299	**108,065**

20 Other assets

In thousands of naira	2017	Restated * 2016
Deposit for aircraft maintenance	9,087,524	10,161,447
Advance payment to suppliers	-	712,241
Due from related parties	2,279,913	2,310,082
Work advances	625,700	548,825
Others	108,486	2,100,188
Impairment on other assets	(98,295)	(486,725)
	12,003,327	**15,346,058**

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

Included in the other assets balance is N9.1 billion which is receivable from aircraft lessors and maintenance service providers. This balance represents pre-receivership transactions that remain unreconciled at year end. Management is still in the process of reconciling the balance with the providers.

21 Cash and cash equivalents

In thousands of naira	2017	2016
Cash in hand	-	56,598
Cash at bank	2,942,811	3,954,766
	2,942,811	**4,011,364**

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

In thousands of naira	2017	2016
Cash at bank and in hand	2,942,811	4,011,364
Bank overdrafts (Note 23)	(10,867,478)	(3,118,089)
Cash and cash equivalents	**(7,924,667)**	**893,275**

22 Trade payables

In thousands of naira	2017	2016
Regulatory payable to aviation regulators	30,263,648	28,986,971
Other trade payables	14,667,712	27,153,408
Trade payables	**44,931,360**	**56,140,379**

Included in trade payables is a net debit balance N10.2 billion relating to foreign and local operations with several vendors. Management took steps to reconcile the balances with the vendors by sending out letters to its vendors to confirm amounts due to/from Arik. From the responses received, vendors with balances due to the company amounting to N53 million confirmed that amounts due to the company from them was N1.9 million. This remain unreconciled as at year end.

23 Loans and borrowings

In thousand	2017	2016
Current		
Bank overdrafts	10,867,478	3,118,089
Loans	204,712,287	194,362,181
	215,579,765	197,480,270
Loans analysed as follows (excluding overdraft):		
Loans from Nigerian institutions	178,575,440	169,823,704
Loans from non-Nigerian institutions	26,136,847	24,538,477
	204,712,287	194,362,181

Details of outstanding loan balances as at 31 December 2017 are as follows:

Source of loan	2017	2016
Asset Management Corporation of Nigeria	133,691,385	123,382,833
Zenith Bank Plc	24,484,234	22,466,724
Export Development Canada	18,215,786	15,830,726
Federal Government of Nigeria (FGN) Promissory Notes	13,587,533	14,418,731
African Export–Import Bank	7,921,061	8,713,767
Bank of Industry	5,927,911	6,317,065
Ecobank	884,378	3,232,335
Total loans	**204,712,287**	**194,362,181**

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

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

24 Other current liabilities

In thousands of naira	2017	Restated * 2016
Accrued expense	7,152,743	5,381,833
PAYE liabilities	2,785,821	2,628,717
Due to related parties	13,273,438	1,816,411
Pension liabilities	2,203,521	2,158,354
Other tax liabilities	4,846,265	4,336,875
Other payables	2,946,669	2,321,031
Total other current liabilities	**33,208,456**	**18,643,221**

Accrued expenses relate to accruals for insurance cost, rents and rates, professional fees and other short term expenses which are expected to be paid within the next 12 months.

Included in other current liabilities is a balance of N13.3 billion arising from transactions related parties. This balance mostly represents pre-receivership transactions that remain unreconciled at year end. Management has taken steps to reconcile the balances with the vendors but this remain unreconciled as at year end.

25 Deferred income

In thousands of naira	2017	2016
As at 1 January	4,633,364	8,101,773
Released to the statement of profit or loss	(1,825,263)	(3,468,408)
As at 31 December	**2,808,101**	**4,633,365**
Current	1,725,455	1,820,995
Non-ccurent	1,082,646	2,812,370
	2,808,101	**4,633,365**

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

26 Deferred revenue

In thousands of naira	2017	2016
Advanced ticket sales	1,376,563	454,850

27 Deposit for shares

In thousands of naira	2017	2016
Deposit from Director	21,600,000	21,600,000

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

28 Share capital

In thousand	2017	2016
Authorised ordinary shares at N1 each (units)	2,000,000	2,000,000
Authorised ordinary shares at N1 each (amount)	2,000,000	2,000,000
Shares issued and fully paid		
2 billion ordinary shares at N1 each	2,000,000	2,000,000

29 Fair value of financial instruments

(i) Financial instruments that are not carried at fair value:

Set out below is a comparison of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the financial statements.

		Fair Value		
In thousands of naira	**Carrying value**	**Level 1**	**Level 2**	**Level 3**
31 December 2016				
Liabilities				
Interest-bearing loans and borrowings	204,712,287	-	77,071,353	-

		Fair Value		
In thousands of naira	**Carrying value**	**Level 1**	**Level 2**	**Level 3**
31 December 2015				
Liabilities				
Interest-bearing loans and borrowings	204,712,287	-	80,014,152	-

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

(ii) Methodologies and assumptions used:

Assets for which fair value approximates carrying value

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

Financial liabilities measured at amortised cost

Interest bearing loans and borrowings

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

30 Risk management framework

(i) Overall risk management objectives

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

~ Provide an enterprise-wide definition of risk

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

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

(ii) Risk mitigation and control

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

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

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

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

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

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

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

(iii) Risk mitigation strategy

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

Risk response options include:

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

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

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

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

30 Risk management framework (Continued)

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

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

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

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

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

Risk management policies

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

30.1 Market risk

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

(i) Fuel price risk

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

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

	31 December 2017		31 December 2016	
In thousands of naira	Increase/ (decrease) in price (%)		Increase/ (decrease) in price (%)	Effect on profit before tax
Aircraft fuel expenses	+50%	4,714,342	+50%	9,999,590
Aircraft fuel expenses	-50%	(4,714,342)	-50%	(9,999,590)

30 Risk management framework (Continued)

30.1 Market risk (continued)

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

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

(ii) Foreign currency risk

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

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

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

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

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

	31 December 2017		31 December 2016	
In thousands of naira	Increase/ (decrease) in rate (%)	Effect on profit before tax	Increase/ (decrease) in rate (%)	Effect on profit before tax
US $	+10%	(4,277,721)	+10%	(2,324,382)
	-10%	4,277,721	-10%	2,324,382
Euro €	+10%	(1,209,623)	+10%	(359,754)
	-10%	1,209,623	-10%	359,754

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

	Naira	USD	Euro	GBP	Others	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Financial assets						
Cash and cash equivalents	2,797,743	133,303	518	433	10,814	2,942,811
Trade receivable	2,438,291	196,139	-	-	-	2,634,430

30 Risk management framework (Continued)

30.1 Market risk (continued)

	Naira	USD	Euro	GBP	Others	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Financial liabilities						
Trade payables	15,637,664	16,789,584	12,096,752	26,253	381,107	44,931,360
Loans and borrowings	189,262,692	26,317,073	-	-	-	215,579,765

(iii) Interest rate risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from long-term borrowings. The borrowings represent the major interest-bearing positions. The Company policy is to maintain part of its borrowings with international banks at reduced rates. The Company's borrowings are denominated in Nigerian Naira and US Dollars.

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

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

Borrowing

In thousands of naira	2017	2016
Effect 5% increase in interest rate	(1,027,091)	(1,107,095)
Effect 5% decrease in interest rate	1,027,091	1,107,095

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

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

30 Risk management framework (Continued)

30. 2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation.

Credit risk arises from cash and cash equivalents, and deposits into banks, as well as credit exposures to corporate clients, including outstanding receivables and future committed transactions like charters. Sales are settled in cash or using credit cards with direct payments into accounts by the collecting banks.

The Commercial team, along with Finance, is responsible for managing and analyzing the credit risk for each of the new corporate clients before they are registered; checking their credit quality and, taking into account their financial position, past experience and other factors to mitigate credit risk. Credit limits are set for these customers individually and each corporate customer is also mandated to make advance deposits before enjoying the services. Invoices are paid within a fortnight or a month as agreed. Full amortization has been recognized for the long outstanding receivables.

Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

The company's loans and receivables which consist of trade receivables stood at N 662 million as at 31 December 2017 (2017: N5 million) were individually assessed for impairments at the reporting date and impairments charged to the statements of profit or loss and other comprehensive income. The company assessed the carrying amount of trade receivables against what is expected to be recoverable at the end of the year.

Financial instruments and cash deposits

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

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

	Maximum exposure	
In thousands of naira	**31 December 2017**	**31 December 2015 2016**
Trade receivables	2,634,430	1,808,062
Other assets	12,003,327	15,346,058
Cash and bank balances	2,942,811	4,011,364
Financial assets bearing credit risk	**17,580,568**	**21,165,484**

30 Risk management framework (Continued)

30. 2 Credit risk (continued)

31 December 2017 *In thousands of naira*	Trade receivables	Other assets	Cash and bank balances	Total
Neither past due nor impaired	-	9,723,415	2,942,811	12,666,226
Past due but not impaired	2,634,430	2,279,913	-	4,914,343
Impaired	921,952	693,501	-	1,615,453
Gross	**3,556,382**	**12,696,829**	**2,942,811**	**19,196,022**
Provisions for doubtful debts	(921,952)	(693,501)	-	(1,615,453)
	2,634,430	**12,003,328**	**2,942,811**	**17,580,569**

31 December 2016 *In thousands of naira*	Trade receivables	Other assets	Cash and bank balances	Total
Neither past due nor impaired	189,833	13,035,976	4,011,364	17,237,173
Past due but not impaired	149,139	2,310,082	-	2,459,221
Impaired	1,190,588	486,725	-	1,677,313
Gross	**1,529,560**	**15,832,783**	**4,011,364**	**21,373,707**
Provisions for doubtful debts	(1,190,588)	(486,725)	-	(1,677,313)
	338,972	**15,346,058**	**4,011,364**	**19,696,395**

Credit quality of financial assets

The credit quality of the portfolio of insurance and other receivables that are neither past due nor impaired can be referenced to historical information about counterparty default rates.

30.2.1 *Financial assets that are neither past due nor impaired*

In thousands of naira	**31 December 2017**	**31 December 2016**
Cash at bank		
A	-	-
A+	1	36
AA-	-	-
B	289,386	2,217,776
B+	601,222	41,417
B-	397,713	1,061,695
Not rated	1,654,489	690,440
	2,942,811	**4,011,364**

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

30 Risk management framework (Continued)

30 Liquidity risk

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

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

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

The Company has not enjoyed tax holidays.

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

31 December 2017	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Financial assets						
Other receivables	-	12,003,328	-	-	-	12,003,328
Trade receivables	2,634,430	-	-	-	-	2,634,430
Cash and cash equivalents	-	2,942,811	-	-	-	2,942,811
Total assets	**2,634,430**	**14,946,139**	**-**	**-**	**-**	**17,580,569**

	On demand	**Less than 3 months**	**3 to 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Financial liabilities						
Trade payables	-	-	44,931,360	-	-	44,931,360
Loans and borrowings	215,579,765	-	-	-	-	215,579,765
Total liabilities	**215,579,765**	**-**	**44,931,360**	**-**	**-**	**260,511,125**
Total liquidity gap	**(212,945,335)**	**14,946,139**	**(44,931,360)**	**-**	**-**	**(242,930,556)**

31 December 2016	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Financial assets						
Other receivables	-	15,346,058	-	-	-	15,346,058
Trade receivables	-	338,972	-	-	-	338,972
Cash and cash equivalents	-	4,011,364	-	-	-	4,011,364
Total assets	**-**	**19,696,395**	**-**	**-**	**-**	**19,696,395**

	On demand	**Less than 3 months**	**3 to 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Financial liabilities						
Trade payables	-	-	56,140,379	-	-	56,140,379
Loans and borrowings	197,480,270	-	-	-	-	197,480,270
Total liabilities	**197,480,270**	**-**	**56,140,379**	**-**	**-**	**253,620,649**

31 Contingent liabilities, commitments and operating lease arrangements

Contingent liabilities

The company had no material contingent liabilities as at 31 December 2017 (2016:Nil).

Commitments

Amount committed to aircraft acquisition as at 31 December 2016 are as analysed in Note 16. There were no other capital expenditure contracted at the balance sheet date.

Operating lease arrangements

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

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

In thousands of naira	2017	2016
Within one year	8,333,839	6,942,965
After one year but not more than five years	33,335,354	34,714,827
More than five years	-	-
	41,669,193	**41,657,792**

32 Capital management

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

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

The Company is not subject to externally imposed capital requirements.
Total capital is defined as the total of capital, reserves and net debt.
The gearing ratios at each year end were as follows:

In thousands of naira	2017	2016
Total equity (N'000)	(177,422,020)	(135,520,136)
Net debt (N'000) (a)	212,636,954	193,468,906
Total Capital (N'000) (b)	35,214,934	57,948,770
Gearing ratio (%) (a)/ (b)	604%	334%

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

33 Related party disclosure

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

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

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

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

(a) Receivables from related parties

In thousands of naira	2017	Restated* 2016
Trade receivables	-	-
Rockson Engineering Limited	1,685,151	1,469,090
Other assets		
Ojemai Farms Limited	900	900
Rockson International	486,200	516,370
Hansworth Limited	11,871	11,871
Arik Air International Limited	1,780,942	1,780,942
	2,279,913	2,310,082
Total related party receivables	3,965,064	3,779,173

No impairment was recognised in 2017 (2016: Nil).

(b) Payables to related parties

In thousands of naira	2017	2016
Ojemai Investment Limited	518,468	548,564
Arik Air International Limited	12,754,970	1,267,847
	13,273,438	1,816,411

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

(c) Purchases from related parties

In thousands of naira	2017	2016
Ojemai Investment Limited	165,376	276,599

(d) Loan from key management

In thousands of naira	2017	2016
Directors current account	512,666	512,666

33 **Related party disclosure (continued)**

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

(e) **Key management compensation**

Key management includes directors (executive and non-executive), members of the Executive Committee. The compensation paid or payable to key management for employee services is shown below:

In thousands of naira	2017	2016
Salaries and other short-term employee benefits	102,432	56,712
Post-employment benefits (gratuity and pension)	10,243	4,253
	112,675	**60,965**

(f)

Directors emoluments	**2017**	**2016**
Salaries and fees	-	48,226
Other emoluments	-	3,968
	-	**52,194**

Salaries and other emoluments are analysed as follows:		
Chairman	-	-
Emoluments of highest paid director	-	34,863

The emoluments of directors are analysed into the following categories:

N	N		
		-	
15,000,000	20,000,000	-	1
20,000,000	25,000,000	-	-
25,000,000	30,000,000	-	-
30,000,000	35,000,000	-	1
		-	2

(g) **Operating lease**

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

34 Restatement

Statement of financial position (extract)

a Arik Air Limited decided to reverse related party receivable balances (Rockson Engineeering Limited, Rockson International, Hansworth Limited and Ojemai Farms Limited) and also map Rockson Engineering Limited balance as part of trade receivables initially mapped to other assets in the 2015 financials. The restatment arose due to the receiver management determining the receivable balance as recoverable.

b Management restated impairment of doubtful receivables has this was not recognised accurately in 2016. The impairment of long outstanding and doubtful receivables from customers in 2016 amounts to N0.3 billion.

c In prior year, Arik Air Limited did not present properly other liabilities balance. A total of N0.6 billion was presented as part of trade receivables in prior year.

In thousands of naira	**31 December 2016**	**Increase/ (Decrease)**	**31 December 2016 (Restated)**	**31 December 2015**	**Increase/ (Decrease)**	**1 January 2016 (Restated)**
Trade receivables	5,636	1,802,427	1,808,063	2,043,419	1,469,090	3,512,509
Other assets	13,035,976	2,310,082	15,346,058	25,923,281	2,310,082	28,233,363
Other current liabilities	(17,980,222)	(663,000)	(18,643,222)	12,346,715	-	12,346,715
Net assets	**(4,938,610)**	**3,449,509**	**(1,489,101)**	**40,313,415**	**3,779,173**	**44,092,588**
Retained earnings	(140,969,644)	(3,449,508)	(137,520,136)	(54,097,363)	3,779,173	(50,318,190)
Total Equity	**(140,969,644)**	**(3,449,508)**	**(137,520,136)**	**(54,097,363)**	**(3,779,173)**	**(50,318,190)**

Statements of profit or loss and other comprehensive income (extract)

In thousands of naira	**31 December 2016**	**Increase/ (Decrease)**	**31 December 2016 (Restated)**
Other operating expenses	20,580,674	329,665	20,910,339
Income tax expense	-	-	-
Loss after tax	(84,872,281)	(329,665)	(85,201,946)
Total comprehensive loss for the year, net of tax	**(84,872,281)**	**(329,665)**	**(85,201,946)**

35 Events after the reporting date

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

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

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

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

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

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

Statement of value added

In thousands of Naira	31 December 2017	%	31 December 2016	%
Revenue	28,433,731		61,857,010	
Other income	2,174,479		3,782,323	
Finance income	66,652		29,367	
Bought in goods and services:				
Local	(23,696,207)		(68,368,917)	
Foreign	(15,797,472)		(45,579,278)	
Value consumed	**(8,818,817)**	**100**	**(48,279,495)**	**100**
Applied as follows:				
Pay salaries, wages and other entitlements	7,548,951	(86)	7,430,447	(15)
Pay interest on funds provided	20,541,824	(233)	22,141,907	(46)
Provide for depreciation and amortisation of assets	4,992,292	(57)	7,367,602	(15)
Pay income and education taxes	-	-	-	-
Consumed in the business	(41,901,884)	475	(85,219,451)	177
Value consumed	**(8,818,817)**	**100**	**(48,279,495)**	**100**

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

Note: Statement of value added is a required disclosure of the Companies and Allied Matters Act (CAMA) and not a requirement of International Financial Reporting Standards (IFRS).

Arik
WINGS OF NIGERIA

Five Year Financial summary

Statement of financial position

In thousands of Naira	2017	Restated* 2016	Restated* 2015	Restated* 2014	2013
	IFRS				
Non-current assets	123,603,293	141,409,946	177,168,833	165,854,946	178,568,030
Current assets	19,268,387	22,717,514	34,203,716	17,267,944	11,811,802
Current liabilities	(319,211,054)	(296,835,226)	(210,942,957)	(133,647,767)	(62,519,886)
Non-current liabilities	(1,082,646)	(2,812,370)	(54,526,956)	(41,761,963)	(108,400,534)
Net (liabilities)/assets	(177,422,020)	(135,520,136)	(54,097,364)	7,713,160	19,459,412
Capital and reserves					
Share capital	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Reserves	(179,422,020)	(137,520,136)	(56,097,364)	5,713,160	17,459,412
Shareholders' funds	(177,422,020)	(135,520,136)	(54,097,364)	7,713,160	19,459,412

Statement of profit or loss and other comprehensive income

In thousands of Naira	2017	Restated* 2016	Restated* 2015	Restated* 2014	2013
	IFRS				NGAAP
Revenue	28,433,731	61,857,010	61,788,869	87,638,232	79,989,751
(Loss)/profit before taxation	(41,901,884)	(85,201,946)	(45,495,353)	2,605,208	2,121,335
Taxation	-	-	-	(1,372,250)	(1,071,758)
(Loss)/profit after taxation	(41,901,884)	(85,201,946)	(45,495,353)	1,232,958	1,049,577

Note: Five-year financial summary is a required disclosure of the Companies and Allied Matters Act (CAMA) and not a requirement of International Financial Reporting Standards (IFRS).