Arik
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Arik Air Limited (In Receivership)
Annual Report and Financial Statements
for the year ended 31 December 2015

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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	
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

Oluseun Oludimu

Registered office

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

Independent auditors

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

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Report of the Receiver Manager

The receiver manager submits his report together with the audited financial statements for the year ended 31 December 2015, which disclose the state of affairs of the company.

Incorporation

Arik Air Limited (In Receivership) 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 twenty (22) aircraft, with eight (8) others 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 11 in the statement of profit or loss and other comprehensive income. The loss after taxation for the year of N56.2 billion (2014:N4.4 billion) has been transferred to reserves. No dividend is proposed by the directors (2014:Nil).

	31 December 2015	Restated 31 December 2014
	N '000	N '000
Revenue	61,788,869	83,176,361
Operating (loss)/profit	(26,586,726)	9,057,622
Loss before taxation	(45,495,353)	(6,466,451)
Loss after taxation	(45,495,353)	(5,648,748)

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	
Engr. Olubiyi Sangowawa	Non-executive Director

Appointed by AMCON

Oluseye Opasanya (SAN)	Receiver Manager	(Appointed 7 February 2017; Resigned 6 June 2019)
Capt. Roy Ilegbodu	Managing Director	(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 and as notified by the directors 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 2015	2014
Sir Johnson Arumemi-Ikhide ('000)	1,200,000	1,200,000

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Report of the Receiver Manager

Shareholding

According to the register of members at 31 December 2015, 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 physically challenged employee.

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.

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Report of the Receiver Manager

Donations and gifts

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

	N'000
Cedio Rural Outreach Ministry	15,500
Green Oak International Secondary School	6,000
Government College Ughelli	5,000
Catholic Diocese of Ijebu Ode	8,621

The company did not make any donation to any political organisation during the year (2014: 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:

Oluseun Oludimu
Company secretary

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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 is responsible 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 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 has pleasure in presenting these annual reports and audited financial statement for the year ended 31st December 2015.

Incidentally, this financial statements for the year ended relate to one of the financial periods before the receivership, i.e pre-Asset Management Corporation of Nigeria (AMCON) takeover of Arik Air Limited on 9th February 2017. It was really challenging given the state of the books to get the financial statements prepared and audited. Some of the challenges to mention just a few includes paucity of available information due to lack of documentation and inability to validate some of the numbers carried in the books of Arik.

It is my pleasure therefore, to report that we were able to work around most of these challenges and eventually able to present these financial statements for the year ended 31st December 2015. However, as a result of the significant information gaps which are part of the aforementioned challenges, The Receiver Manager cannot be held responsible for the financial statement for the year ended 31st December, 2015 because of his limited visibility on the operations and financial transactions during this period. The Receiver Manager also cannot comment on whether the available information gives a true and fair view of the financials for the year ended 31st December 2015.

Kamilu Alaba Omokide (FCA)

Receiver Manager

24/12/2019

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REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ARIK AIR LIMITED (IN RECEIVERSHIP)

Report on the financial statements

We were engaged to audit the accompanying financial statements of Arik Air Limited (in Receivership) ("the company"). These financial statements comprise the statement of financial position as at 31 December 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies and Allied Matters Act and for such internal control, as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

The company's accounting records do not provide sufficient evidence supporting some transactions and balances within expenses, other operating income, cash and bank and other receivables related to international operations as well as accounts payables, deferred revenue and revenue. There were no satisfactory audit procedures that we could have performed to obtain reasonable assurance that the above financial statement lines are correctly stated. As a result, we were unable to determine whether any adjustments would be required in respect of the financial statement lines and the corresponding entries to other financial statement line items. In addition to the above, the receiver manager has also disclaimed his responsibilities over the financial statements for the year as he cannot comment on the adequacy of the accounting records and information.

Disclaimer of opinion

Because of the significance of the matter described in the basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Emphasis of Matter

We draw attention to Note 2.3.1 to these financial statements, which states that Arik Air Limited (in Receivership) incurred a net loss of N45.5 billion during the year ended 31 December 2015 and, as of that date, the company's total liabilities exceeded its total assets by N54.0 billion. This, along with other matters as described in Note 2.3.1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of Arik Air Limited (in Receivership) to continue as a going concern. Our opinion is not qualified in respect of this matter

Report on other legal 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:

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

iii) the company's statements of financial position and comprehensive income are not in agreement with the books of account.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0728236

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

31 December 2019

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 2015

In thousands of naira	Note	31 December 2015	Restated * 31 December 2014
Passengers	4	40,766,937	55,754,455
Cargo and surcharge revenue	4	21,021,932	27,421,906
Revenue		**61,788,869**	**83,176,361**
Aviation fuel and oil expense		(19,368,849)	(27,721,462)
Aircraft maintenance expense		(11,746,752)	(9,602,884)
Depreciation and amortisation expenses	14 & 15	(8,166,620)	(6,228,472)
Employee benefit expenses	7	(6,091,861)	(5,326,808)
Landing, navigation and other charges	5	(14,046,173)	(6,375,934)
Other operating expenses	6.1	(12,660,074)	(6,087,843)
Aircraft lease expenses	6.2	(4,172,853)	(4,144,393)
Aircraft handling and catering charges	8	(4,970,981)	(4,609,674)
Accomodation and hotel expenses		(1,042,563)	(1,065,989)
Insurance expenses	9	(1,584,113)	(1,073,595)
Administrative expenses	10	(3,975,698)	(1,604,174)
Information technology related expenses		(549,058)	(277,510)
Total expenses		**(88,375,595)**	**(74,118,739)**
Operating (loss)/profit		**(26,586,726)**	**9,057,622**
Finance cost	11	(24,190,008)	(19,404,829)
Finance income	11	10,498	27,177
Finance costs-net		**(24,179,510)**	**(19,377,652)**
Other income	12	5,359,683	4,105,261
Minimum tax charge	13	(88,800)	(251,682)
Loss before tax		**(45,495,353)**	**(6,466,451)**
Income tax credit	13	-	817,703
Loss after tax		**(45,495,353)**	**(5,648,748)**
Total comprehensive loss for the year, net of tax		**(45,495,353)**	**(5,648,748)**

*See Note 35 for details regarding the restatement of prior year amounts.

The notes on pages 13 to 42 and other national disclosures on pages 44 and 45 form part of these financial statements.

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Statement of financial position
as at 31 December 2015

In thousands of naira	Note	31 December 2015	Restated * 31 December 2014	Restated * 1 January 2014
Assets				
Non-current assets				
Property, plant and equipment	14	158,854,970	162,024,674	147,558,806
Intangible assets	15	10,583,307	10,593,916	10,560,242
Deposit for aircraft	16	7,730,556	8,007,141	7,677,963
Other receivables		-	-	57,935
Total non-current assets		**177,168,833**	**180,625,731**	**165,854,946**
Current assets				
Inventories	18	1,821,711	2,364,253	925,825
Other receivables	17	5,026	3,765	5,214
Trade receivables	19	2,043,419	4,958,851	4,048,817
Prepayments	19	108,883	2,719,212	1,345,813
Other assets	20	25,923,281	13,498,781	6,649,568
Cash and cash equivalents	21	4,301,396	3,282,519	4,292,707
Total current assets		**34,203,716**	**26,827,381**	**17,267,944**
Total assets		**211,372,549**	**207,453,112**	**183,122,890**
Equity and liabilities				
Equity				
Share capital	28	2,000,000	2,000,000	2,000,000
Retained earnings		(56,097,364)	(10,602,011)	(4,953,263)
Total equity		**(54,097,364)**	**(8,602,011)**	**(2,953,263)**
Non-current liabilities				
Loans and borrowings	23	49,232,616	27,076,778	28,119,208
Deferred income	25	5,294,340	10,715,833	12,959,524
Deferred tax liability	13	-	-	870,335
Total non-current liabilties		**54,526,956**	**37,792,611**	**41,949,067**
Current liabilities				
Trade payables	22	36,356,142	14,251,596	15,440,839
Loans and borrowings	23	134,584,841	130,423,094	96,824,324
Other current liabilities	24	12,346,715	7,656,913	5,539,702
Deferred income	25	2,807,433	1,431,125	968,433
Deferred revenue	26	1,946,166	1,106,923	2,165,242
Deposit for shares	27	21,600,000	21,600,000	21,600,000
Income tax payable	13	1,301,660	1,792,860	1,588,546
Total current liabilities		**210,942,957**	**178,262,512**	**144,127,086**
Total equity and liabilities		**211,372,549**	**207,453,112**	**183,122,890**

*See Note 35 for details regarding the restatement of prior year amounts.

The notes on pages 13 to 42 and other national disclosures on pages 44 and 45 form part of these financial statements.

The financial statements on pages 9 to 44 were approved and authorised for issue by the Receiver Manager on 24/12/19 and were signed on his behalf by:

Kamilu Alaba Omokide (FCA)
Receiver Manager

Capt. Roy Ilegbodu
Chief Executive Officer

Statement of changes in equity
for the year ended 31 December 2015

In thousands of naira	Note	Share capital	Retained earnings	Total equity
As at 1 January 2014		2,000,000	16,026,975	18,026,975
Restatement*	**35**	-	(20,980,238)	(20,980,238)
Restated total equity at 1 January 2014		2,000,000	(4,953,263)	(2,953,263)
Loss for the year		-	(5,648,748)	(5,648,748)
As at 31 December 2014		2,000,000	(10,602,011)	(8,602,011)
Loss for the year		-	(45,495,353)	(45,495,353)
As at 31 December 2015		2,000,000	(56,097,364)	(54,097,364)

*See Note 35 for details regarding the restatement of prior year amounts.

The notes on pages 13 to 42 and other national disclosures on pages 44 and 45 form part of these financial statements.

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Statement of cash flows
for the year ended 31 December 2015

In thousands of naira	Note	2015	*Restated 2014
Operating activities			
Loss before tax		(45,495,353)	(6,466,451)
Non-cash adjustment:			
Depreciation of property, plant and equipment	14	8,152,192	6,223,127
Amortisation of intangible assets	15	14,428	5,345
Impairment on trade and other receivable		4,370,779	(347,270)
Foreign exchange difference		1,794,207	1,322,559
Loss on loan restructure		1,575,488	-
Government grant	12	(4,045,185)	(3,576,577)
Minimum tax	13	88,800	251,682
Finance income	11	(10,498)	(27,177)
Finance cost	11	24,190,008	19,404,829
Working capital adjustments:			
Changes in trade and other receivables		(6,587,990)	(9,402,441)
Changes in inventory		542,542	(1,438,428)
Changes in trade payables		20,694,296	(1,189,243)
Changes in other liabilities		4,689,802	2,117,211
Changes in deferred revenue		839,243	(1,058,319)
Cash flow from operations		10,812,760	5,818,846
Income tax paid		(580,000)	(100,000)
Net cash flows generated from operating activities		**10,232,760**	**5,718,846**
Investing activities			
Acquisition of property, plant and equipments	14	(4,982,488)	(20,688,995)
Acquisition of intangible assets	15	(3,819)	(39,019)
Deposit for aircraft		-	(329,178)
Interest received		10,498	27,177
Net cash flows used in investing activities		**(4,975,809)**	**(21,030,016)**
Financing activities			
Proceeds from borrowings		26,498,954	37,347,908
Repayments of borrowings		(14,003,853)	(20,731,623)
Interest paid		(13,257,946)	(5,621,892)
Net cash flows (used in)/generated from financing activities		**(762,845)**	**10,994,393**
Net increase/(decrease) in cash and cash equivalents		4,494,106	(4,316,776)
Cash and cash equivalent at beginning of the year		(4,691,942)	(375,166)
Cash and cash equivalent at end of the year	21	**(197,836)**	**(4,691,942)**

The notes on pages 13 to 42 and other national disclosures on pages 44 and 45 form part of these financial statements.

1 THE COMPANY

The financial statements of Arik Air Limited (In Receivership) for the year ended 31 December 2015 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 judgement or complexity, or areas where assumptions and estimates are significant to the consolidated 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 and trade 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 ticket that remains 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.

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 Tax Act (TET).

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 assets 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.

2.2.10 **Financial instruments (continued)**

Financial liabilities (continued)

Subsequent measurement

Other liabilities

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

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

Derecognition

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

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.

Judgements

In the process of applying the Company's accounting policies, management has exercised judgement and estimates in determining the amounts recognized in the financial statements. The most significant uses of judgement and estimates are as follows:

2.3.1 Going concern

The financial statements have been prepared on a going concern basis although the company incurred a loss after tax of N45.5 billion during the year ended 31 December 2015 (2014: N5.6 billion). The company was at a net liability position of N54.1 billion as at 31 December 2015 (2014: N8.6 billion). These create a material uncertainty relating to the ability of the company 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 17 domestic routes and 4 West coast regions. The airline is still the largest airline by fleet size and operations in Nigeria. The cancellation of international operations significantly decreased the operating costs of the airline such as landing fees, fuel costs and crew wages. The company is still in existence and management believes that the company will continue to exist in the nearest future.

The company is currently undergoing negotiations with AMCON, other financial and non-financial institution creditors in order to restructure the terms of the loans so as to align with the operating cash flows of the company. Once this is achieved, it would reduce the impact of interest costs on the operating profits.

Management has also set up an internal audit unit and has introduced tighter controls around its process. They have also employed a Chief Financial Officer to lead and strengthen the finance function.

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 Significant accounting judgements, estimates and assumptions (continued)

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.

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, such as transactions carried out in foreign countries. 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.

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.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

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

The following standards have been adopted by the company for the first time for the financial year beginning on or after 1 January 2015 and have a material impact on the company:

Annual Improvements to IFRSs – 2010-2012 Cycle and 2011 – 2013 Cycle

Annual Improvements to IFRSs 2012-2014 Cycle

Disclosure Initiative: Amendments to IAS 1

As these amendments merely clarify the existing requirements, they do not affect the company's accounting policies or any of the disclosures.

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 2015, 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 not is 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	2015	2014
Scheduled flight revenue	38,796,401	52,150,788
Charter revenue	796,465	2,480,336
Interline revenue	1,174,071	1,123,331
Passenger revenue	**40,766,937**	**55,754,455**
Cargo revenue	652,117	1,197,891
Surchage revenue	20,369,815	26,224,015
Cargo and other revenue	**21,021,932**	**27,421,906**
Total revenue	**61,788,869**	**83,176,361**

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

5 Landing, navigation and other charges

In thousands of naira	2015	2014
Navigation cost	4,575,334	3,163,310
Airport charges	624,787	915,259
Landing and parking fees	8,846,052	2,297,365
Total landing, navigation and other charges	**14,046,173**	**6,375,934**

Included in navigation costs and landing and parking fees are amounts of N10.5 billion and N10.7 billion respectively payable to the Federal Airports Authority of Nigeria (FAAN), the Nigerian Airspace Management Agency (NAMA) and the Nigerian Civil Aviation Authority (NCAA). These invoices were not recognised by management in prior period as there were disputes between management and the relevant authorities and no reconciliation had been performed to arrive at a final position. However, in the current period, management has decided to recognise these invoices as outstanding liabilities. See note 22.

6.1 Other operating expenses

In thousands of naira	2015	2014
Marketing expenses	4,406,039	3,397,011
Ferry flight	8,578	26,309
Charter expenses	186,765	140,320
Collection charges	214,688	253,908
Licence expenses	800	336
Postal expenses	1,187	1,099
Transport cost	120,702	140,076
Donation	51,680	35,121
Security charges	92,084	78,128
Non-aircraft fueling expenses	195,452	176,012
Advertisement	325,853	424,204
Vehicle maintenance	65,614	37,360
Repairs and maintenance expenses	107,168	128,971
Electricity, water and similar expenses	36,612	68,085
Foreign exchange loss	1,421,831	725,002
Allowance for doubtful debt	4,370,779	-
Other expenses	1,054,242	455,901
Total other operating expenses	**12,660,074**	**6,087,843**

6.2 Aircraft lease expenses

In thousands of naira	2015	2014
Lease rental expense for A330	3,049,000	2,226,990
Lease rental expense for A340	1,123,853	1,917,403
	4,172,853	**4,144,393**

7 Staff numbers and costs

In thousands of naira	2015	2014
Salaries and wages	4,624,801	3,717,886
Defined contribution plan	196,266	167,656
Other short term benefits	85,451	98,957
Staff rotation cost	80,793	119,070
Pilot training and simulation cost	220,245	323,626
Out of station and local allowances	460,714	537,132
Medical expenses	81,675	109,520
Other staff expenses	341,916	252,961
Total employee benefit expenses	**6,091,861**	**5,326,808**

	Number 2015	Number 2014
Senior staff	175	189
Supervisory and junior staff	1,816	1,860
Total	**1,991**	**2,049**

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

N		N	2015 Number	2014 Number
300,001	-	500,000	321	350
500,001	-	600,000	384	366
600,001	-	700,000	18	19
700,001	-	800,000	215	261
800,001	-	900,000	59	68
900,001	-	1,000,000	25	23
1,000,001	-	1,200,000	409	415
1,200,001	-	1,400,000	131	148
1,400,001	-	1,600,000	78	65
1,600,001	-	1,800,000	58	60
1,800,001	-	2,000,000	15	13
2,000,001	-	2,200,000	32	26
2,200,001	-	2,400,000	12	8
2,400,001	-	3,000,000	59	78
3,000,001	-	4,000,000	21	17
4,000,001	-	6,000,000	19	48
6,000,001	-	8,000,000	78	21
8,000,001	-	10,000,000	41	47
10,000,001	-	12,000,000	4	8
12,000,001	-	16,000,000	9	5
16,000,001 and above			3	3
Total			**1,991**	**2,049**

8 **Aircraft handling and catering charges**

In thousands of naira	2015	2014
Catering expenses	1,459,445	1,169,842
Airline handling cost	3,511,536	3,439,832
Total aircraft handling and catering charges	**4,970,981**	**4,609,674**

9 **Insurance expenses**

In thousands of naira	2015	2014
Insurance expenses - aircraft	1,512,823	999,292
Insurance expenses - vehicles	8,267	5,674
Insurance expenses - others	63,023	68,629
Total insurance expenses	**1,584,113**	**1,073,595**

10 **Administrative expenses**

In thousands of naira	2015	2014
Professional fees	2,833,924	772,378
Auditors' renumeration	125,000	170,435
Printing, stationery and other assesories	67,729	136,877
Telephone expenses	4,120	1,103
Rents and rates expenses	856,222	415,490
Other administrative expenses	88,703	107,891
Total administrative expenses	**3,975,698**	**1,604,174**

11 **Finance cost**

In thousands of naira	2015	2014
Bank charges	997,205	1,055,174
Interest on loans and borrowings	23,192,803	18,349,655
Total finance cost	**24,190,008**	**19,404,829**

Finance income

	2015	2014
Interest income	**10,498**	**27,177**
Finance costs-net	**24,179,510**	**19,377,652**

12 **Other income**

In thousands of naira	2015	Restated 2014
Deferred income (Note 25)	4,045,185	3,576,577
Recovery of excess bank charges	-	203,793
Insurance claims	2,896	-
Refund of fees	-	238,542
Others	1,311,602	86,349
Total other income	**5,359,683**	**4,105,261**

13 Taxation

13a Income tax

The major components of income tax expense are:

Statement of profit or loss

In thousands of naira	2015	2014
Minimum tax charge	(88,800)	(251,682)
Education tax charge	-	(52,632)
Deferred tax credit	-	870,335
Total income tax credit	-	**817,703**

A reconciliation between tax expense and the product of accounting profit multiplied by the domestic tax rate for the years ended 31 December 2013 and 31 December 2014 is as follows:

In thousands of naira	2015	2014
Accounting loss before income tax	45,406,553	6,214,769
At Nigeria's statutory income tax rate of 30% (2014: 30%)	13,621,966	1,864,431
Utilised tax losses	-	710,524
Effect of non-deductible expenses for tax purposes	(6,272,375)	(2,181,209)
Carried forward tax losses	(10,562,072)	-
Current income tax	(3,212,481.00)	393,745.50000
Education tax	-	(52,632)
Deferred tax	-	870,335
Income tax (expense)/credit reported in the statement of profit or loss	(3,212,481)	1,211,449

Movement in current tax payable

In thousands of naira	31 December 2015	*Restated 31 December 2014	*Restated 1 January 2014
At beginning of the year	1,792,860	1,588,546	1,432,031
Tax paid	(580,000)	(100,000)	(94,112)
Minimum tax charge	88,800	251,682	250,627
Education tax tax charge	-	52,632	-
At end of the year	**1,301,660**	**1,792,860**	**1,588,546**

13b Deferred tax liability

In thousands of naira	31 December 2015	*Restated 31 December 2014	*Restated 1 January 2014
At beginning of the year	-	870,335	2,852,680
Credit for the year	-	(870,335)	(1,982,345)
At end of the year	-	-	**870,335**

As at 31 December 2015, the company had a deferred tax asset balance of N13.3 billion (2014 : N0.3 billion) arising from untilised tax losses. Management has not receognised 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 2014	166,840,331	1,436,583	800,394	761,667	2,870,935	948,160	950,000	174,608,070
Additions	19,065,512	-	516	17,053	27,924	46,765	1,531,225	20,688,995
At 31 December 2014	185,905,843	1,436,583	800,910	778,720	2,898,859	994,925	2,481,225	195,297,065
Additions	1,866,288	-	-	24,241	28,274	84,739	2,978,946	4,982,488
Disposal	-	-	-	(298)	(2,966)	(62,830)	-	(66,094)
Write off of C-check and overhual	(361,304)	-	-	-	-	-	-	(361,304)
At 31 December 2015	187,410,827	1,436,583	800,910	802,663	2,924,167	1,016,834	5,460,171	199,852,155
Accumulated depreciation:								
At 1 January 2014	24,573,705	-	57,482	206,371	1,511,746	699,960	-	27,049,264
Depreciation charge for the year	5,763,090	-	12,002	78,334	327,700	42,001	-	6,223,127
At 31 December 2014	30,336,795	-	69,484	284,705	1,839,446	741,961	-	33,272,391
Disposal	-	-	-	(298)	(2,966)	(62,830)	-	(66,094)
Write off of C-check and overhual	(361,304)	-	-	-	-	-	-	(361,304)
Depreciation charge for the year	7,711,726	-	13,681	78,141	301,909	46,735	-	8,152,192
At 31 December 2015	37,687,217	-	83,165	362,548	2,138,389	725,866	-	40,997,185
Net book value:								
At 31 December 2015	149,723,610	1,436,583	717,745	440,115	785,778	290,968	5,460,171	158,854,970
At 31 December 2014	155,569,048	1,436,583	731,426	494,015	1,059,413	252,964	2,481,225	162,024,674
At 1 January 2014	142,266,626	1,436,583	742,912	555,296	1,359,189	248,200	950,000	147,558,806

Technical equipment include in-flight entertainment and aircraft parts.

Total cost of aircraft, aircraft engines and parts of the company includes an amount of N174.2 billion (2014: N174.2 billion) in respect of assets provided as security agaiinst 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 2015. The facility is financed by a third party in a common arrangement.

The amount of borrowing costs capitalised during the year ended 31 December 2015 was N16.4 million (2014: N16.4 million). The rate used to determine the amount of borrowing costs eligible for capitalisation was 16.98%, which is the effective interest rate of the borrowing.

15 Intangible assets

In thousands of naira	Computer software	Landing & take-off slots	Total
Cost:			
At 1 January 2014	42,636	10,547,717	10,590,353
Addition	39,019	-	39,019
At 31 December 2014	**81,655**	**10,547,717**	**10,629,372**
Addition	3,819	-	3,819
At 31 December 2015	**85,474**	**10,547,717**	**10,633,191**
Accumulated amortisation and impairment:			
At 1 January 2014	30,111	-	30,111
Amortisation for the year	5,345	-	5,345
At 31 December 2014	**35,456**	-	**35,456**
Amortisation for the year	14,428	-	14,428
At 31 December 2015	**49,884**	-	**49,884**
Net book value:			
At 31 December 2015	**35,590**	**10,547,717**	**10,583,307**
At 31 December 2014	**46,199**	**10,547,717**	**10,593,916**
At 1 January 2014	**12,525**	**10,547,717**	**10,560,242**

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.

16 Deposit for aircraft

In thousands of naira	2015	2014
Deposit Boeing	7,455,457	7,605,161
Deposit Airbus	-	167,480
Deposit DAE	275,099	234,500
	7,730,556	**8,007,141**

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

17 Other receivables

In thousands of naira	2015	2014
Current		
Staff advance	5,026	3,765

18 Inventories

In thousands of naira	2015	2014
Consumables	1,324,561	1,275,783
Diesel and lubricants	580	4,826
Catering items	465,595	1,056,158
Other inventory	30,975	27,486
Total inventories	**1,821,711**	**2,364,253**

19 a Trade receivables

In thousands of naira	2015	2014
Current		
Trade receivable	2,904,343	5,882,394
Impairment on trade receivables	(860,924)	(923,543)
Total trade receivables	**2,043,419**	**4,958,851**

In thousands of naira	Individually impaired	Total impairment
At 1 January 2014	1,270,813	1,270,813
Write-back during the year	(347,270)	(347,270)
At 31 December 2014	**923,543**	**923,543**
Write-back during the year	(62,619)	(62,619)
At 31 December 2015	**860,924**	**860,924**

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.
- errors due to differences identified when capturing sales.

19 b Prepayments

In thousands of naira	2015	2014
Advance payment to suppliers	17,974	1,057,604
Rent	81,037	1,400,357
Insurance	436	-
Others	9,436	261,251
	108,883	**2,719,212**

20 Other assets

In thousands of naira	2015	2014
Deposit for aircraft maintenance	8,698,356	6,426,082
Advance payment to suppliers	16,766,761	3,168,783
Due from related parties	3,779,173	734,606
Refundable excess fuel charges	-	1,000,000
Work advances	505,829	447,881
Others	439,060	1,721,429
Gross other receivable	30,189,179	13,498,781
Impairment on other assets	(4,265,898)	-
Net other receivable	**25,923,281**	**13,498,781**

Impairment for other consists of impairment for related parties receivable and other advance payments made to suppliers.

21 Cash and cash equivalents

In thousands of naira	2015	2014
Cash in hand	36,841	18,122
Cash at bank	4,264,555	3,264,397
	4,301,396	**3,282,519**

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

In thousands of naira	2015	2014
Cash at bank and in hand	4,301,396	3,282,519
Bank overdrafts (Note 23)	(4,499,232)	(7,974,461)
Cash and cash equivalents	**(197,836)**	**(4,691,942)**

22 Trade payables

In thousands of naira	2015	2014
Landing, navigation and other charges	21,305,250	10,687,196
Other trade payables	15,050,892	3,564,401
Trade payables	**36,356,142**	**14,251,597**

Included in navigation costs and landing and parking fees are amounts payable to the Federal Airports Authority of Nigeria (FAAN), the Nigerian Airspace Management Agency (NAMA) and the Nigerian Civil Aviation Authority (NCAA). These invoices were not recognised by management in prior period as there were disputes between management and the relevant authorities and no reconciliation had been performed to arrive at a final position.

23 Loans and borrowings

In thousand	2015	Restated* 2014
Current		
Bank overdrafts	4,499,232	7,974,461
Loans	130,085,609	122,448,633
	134,584,841	130,423,094
Non-current		
Loans	49,232,616	27,076,778
Total loans and borrowings	**183,817,457**	**157,499,872**
Loans analysed as follows (excluding overdraft):		
Loans from Nigerian institutions	160,398,312	130,572,627
Loans from non-Nigerian institutions	18,919,913	18,952,784
	179,318,225	149,525,411

The loans from Nigerian insitutions have tenor ranging between 6 - 160 months with interest rate of between 7% - 22% 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 loans from non-Nigerian insitutions have tenor ranging between 75 - 108 months with interest rate of between Libor + 1.6% - 3.25%, and up to 8.9% per annum. The loans are secured on aircraft and aircraft parts, and lien on domiciled collections.

24 Other current liabilities

In thousands of naira	2015	2014
Accrued expense	3,514,220	766,075
PAYE liabilities	1,322,396	1,249,005
Due to related parties	56,070	525,817
Pension liabilities	1,788,272	1,435,173
Other tax liabilities	2,779,334	1,361,677
Provision for lease	1,102,003	1,102,003
Other payables	1,784,420	1,217,163
Total other current liabilities	**12,346,715**	**7,656,913**

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.

25 Deferred income

In thousands of naira	2015	Restated* 2014
As at 1 January	12,146,958	13,927,957
Received during the year	-	1,795,578
Released to the statement of profit or loss	(4,045,185)	(3,576,577)
As at 31 December	**8,101,773**	**12,146,958**

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 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.

In thousands of naira	2015	2014
Current	2,807,433	1,431,125
Non-current	5,294,340	10,715,833
	8,101,773	12,146,958

26 Deferred revenue

In thousands of naira	2015	2014
Advanced ticket sales	1,946,166	1,106,923

27 Deposit for shares

In thousands of naira	2015	2014
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	2015	2014
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 2015				
Liabilities				
Interest-bearing loans and borrowings	179,318,225	-	80,014,152	-

		Fair Value		
In thousands of naira	**Carrying value**	**Level 1**	**Level 2**	**Level 3**
31 December 2014				
Liabilities				
Interest-bearing loans and borrowings	149,525,411	-	53,410,947	-

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 include 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.

30 Risk management framework (continued)

30.1 Market risk (continued)

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.

In thousands of naira	31 December 2015		31 December 2014	
	Increase/ (decrease) in price (%)	Effect on profit before tax	Increase/ (decrease) in price (%)	Effect on profit before tax
Aircraft fuel expenses	+50%	9,684,425	+50%	13,860,731
Aircraft fuel expenses	-50%	(9,684,425)	-50%	(13,860,731)

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.

65-75% 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 before tax:

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

In thousands of naira	31 December 2015		31 December 2014	
	Increase/ (decrease) in rate (%)	Effect on profit before tax	Increase/ (decrease) in rate (%)	Effect on profit before tax
US $	+10%	(2,324,382)	+10%	(1,614,885)
	-10%	2,324,382	-10%	1,614,885
Euro €	+10%	(359,754)	+10%	21,699
	-10%	359,754	-10%	(21,699)

The table below summarises the Company's exposure to foreign currency exchange risk as at 31 December 2015. Included in the table are the Company's financial instruments at their carrying amounts categorised by currency.

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
Financial assets						
Cash and cash equivalents	4,268,555	9,794	644	-	22,403	4,301,396
Trade receivable	1,639,804	4	-	-	403,611	2,043,419
Financial liabilities						
Trade payables	29,446,148	3,121,536	3,598,183	58,926	104,848	36,329,641
Loans and borrowings	163,685,375	20,132,082	-	-	-	183,817,457

(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.

Borrowing

In thousands of naira	2015	2014
Effect 5% increase in interest rate	(1,209,500)	(970,241)
Effect 5% decrease in interest rate	1,209,500	970,241

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 consists of trade receivables stood at N2.9 billion as at 31 December 2015 (2014: N5.9 billion) 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 Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the company's Board of Directors. 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 2015**	**31 December 2014**
Trade receivables	2,043,419	4,958,851
Other assets	25,923,281	13,498,781
Cash and bank balances	4,301,396	3,282,519
Financial assets bearing credit risk	**32,268,096**	**21,740,151**

30 Risk management framework (continued)

30. 2 Credit risk (continued)

31 December 2015 *In thousands of naira*	Trade receivables	Other assets	Cash and bank balances	Total
Neither past due nor impaired	1,894,280	25,923,281	4,301,396	32,118,957
Past due but not impaired	149,139	-	-	149,139
Impaired	860,924	4,265,898	-	5,126,822
Gross	**2,904,343**	**30,189,179**	**4,301,396**	**37,394,918**
Provisions for doubtful debts	(860,924)	(4,265,898)	-	(5,126,822)
	2,043,419	**25,923,281**	**4,301,396**	**32,268,096**

31 December 2014 *In thousands of naira*	Trade receivables	Other assets	Cash and bank balances	Total
Neither past due nor impaired	4,958,851	13,498,781	3,282,519	21,740,151
Impaired	923,543	-	-	923,543
Gross	**5,882,394**	**13,498,781**	**3,282,519**	**22,663,694**
Provisions for doubtful debts	(923,543)	-	-	(923,543)
	4,958,851	**13,498,781**	**3,282,519**	**21,740,151**

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 2015**	**31 December 2014**
Cash at bank		
A	628,711	794,686
A+	2	-
B	2,011,951	1,093,195
B-	462,165	-
B+	1,060,816	1,376,516
Not rated	137,751	18,122
	4,301,396	**3,282,519**

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 the treasury department 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 2015	On demand N'000	Less than 3 months N'000	3 to 12 months N'000	1 - 5 years N'000	Over 5 years N'000	Total N'000
Financial assets						
Other receivables	-	25,923,281	-	-	-	25,923,281
Trade receivables	-	2,043,419	-	-	-	2,043,419
Cash and cash equivalents	-	4,301,396	-	-	-	4,301,396
Total assets	**-**	**32,268,096**	**-**	**-**	**-**	**32,268,096**

	On demand N'000	Less than 3 months N'000	3 to 12 months N'000	1 - 5 years N'000	Over 5 years N'000	Total N'000
Financial liabilities						
Trade payables	-		36,329,641	-	-	36,329,641
Loans and borrowings	129,747,627	1,978,207	24,307,488	30,837,886	25,164,125	212,035,333
Total liabilities	**129,747,627**	**1,978,207**	**60,637,129**	**30,837,886**	**25,164,125**	**248,364,974**
Total liquidity gap	**(129,747,627)**	**30,289,889**	**(60,637,129)**	**(30,837,886)**	**(25,164,125)**	**(216,096,878)**

Restated*

31 December 2014	On demand N'000	Less than 3 months N'000	3 to 12 months N'000	1 - 5 years N'000	Over 5 years N'000	Total N'000
Financial assets						
Other receivables	13,498,781	-	-	-	-	13,498,781
Trade receivables	-	-	4,958,851	-	-	4,958,851
Cash and cash equivalents	3,282,519	-	-	-	-	3,282,519
Total assets	**16,781,300**	**-**	**4,958,851**	**-**	**-**	**21,740,151**
Financial liabilities						
Trade payables	-	-	14,251,596	-	-	14,251,596
Loans and borrowings	116,410,483	6,499,098	19,208,464	18,730,151	14,752,696	175,600,892
Total liabilities	**116,410,483**	**6,499,098**	**33,460,060**	**18,730,151**	**14,752,696**	**189,852,489**
Total liquidity gap	**(99,629,183)**	**(6,499,098)**	**(28,501,209)**	**(18,730,151)**	**(14,752,696)**	**(168,112,337)**

31 Contingent liabilities, commitments and operating lease arrangements

Contingent liabilities

The company has ongoing litigations with claims totalling N17.6 billion (2104 : 14.3 billion). Management is however of the opinion that these claims would not materialise and hence no contingent liability exists.

Commitments

Amount committed to aircraft acquisition as at 31 December 2015 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	2015	2014
Within one year	4,480,436	3,819,201
After one year but not more than five years	22,402,179	19,096,005
More than five years	4,480,436	7,638,402
	31,363,051	**30,553,608**

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 loans and borrowings less cash and cash equivalents.

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	2015	2014
Total equity (N'000)	(54,097,364)	(8,602,011)
Net debt (N'000) (a)	179,516,061	154,217,353
Total capital (N'000) (b)	125,418,697	145,615,342
Gearing ratio (%) (a)/ (b)	143%	106%

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

33 **Related party disclosure (continued)**

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

(a) **Receivables from related parties**

In thousands of naira	2015	2014
Ojemai Investment Limited	-	479,836
Ojemai Farms Limited	900	-
Rockson International	516,370	-
Rockson Engineering	1,469,090	-
Hansworth Limited	11,871	-
Arik Air International Limited	1,780,942	254,770
	3,779,173	734,606

A full impairment (N3.8 billion) has been made for the receivables from related parties as these balances have been long outstanding and management considers the collectibility of these balances to be highly doubtful.

(b) **Payables to related parties**

In thousands of naira	2015	2014
Ojemai Investment Limited	25,975	-

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	2015	2014
Ojemai Investment Limited	276,599	276,599

(d) **Loan from key management**

In thousands of naira	2015	2014
Directors current account	539,364	525,817

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	2015	2014
Salaries and other short-term employee benefits	48,226	37,440
Post-employment benefits (gratuity and pension)	3,968	2,808
	52,194	**40,248**

(f) **Directors emoluments**

	2015	2014
Salaries and fees	48,226	37,440
Other emoluments	3,968	2,808
	52,194	**40,248**

Salaries and other emoluments are analysed as follows:		
Chairman	-	-
Emoluments of highest paid director	34,863	20,011

The emoluments of directors are analysed into the following categories:

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

Three directors did not receive any emoluments in 2015 (2014: Nil)

33 Related party disclosure (continued)

(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. Lease expense on the agreement is recognised in the statement of profit or loss and other comprehensive income.

34 Events after the reporting date

On 9 February 2017, the company was taken over by the Asset Management Corporation of Nigeria due to its inability to repay its outsanding loans. The company is in receivership as at the date of this report. Refer to the statement of receiver manager's responsibilities.

35 Correction of error in accounting for borrowings

a Arik Air Limited erroneously misstated the interest and principal amounts of the loans from AMCON. The misstatement arose from the use of the interest rate of 7% for the N70 billion facility which was subject to an approval by the Central bank of Nigeria (CBN). The approval was however not received. The company also accounted for the loans using 7% as the market rate rather than market rate for other similar loans (ranging between 15% to 17%).

The Company has now done a recomputation using the interest rates as stated in the loan agreements and has made a fair value adjustment for the difference in the market rate as reflected in the restatements to deferred income balances.

The impact of this error led to the restatement of the loan liabilities, deferred income, current and deferred tax liabilities and retained earnings for 2013 and 2014.

The impact of this restatement on the financial statements is as disclosed below:

b Arik Air Limited erroneously misstated the amounts payable to Cleanserve Integrated Energy Solutions Limited in 2013. The misstatment arose due to price differentials reconciliation adjustments that was inaccurately done. In 2018, a meeting was held between Arik Air Limited and Cleanserve Intergrated Energy Solutions Limited another reconicliation was carried out and the outcome agreed on which clearly presents the amount payable to Cleanserve Intergrated Energy Solutions Limited.

c Arik Air Limited did not properly account for liabilities related to FAAN, NAMA and NCAA in the years ended 31 December 2013 and 2014 respectively. Management has provided a list of the invoices for FAAN and NAMA and has now recognized them in the proper periods. They were posted to trade payables and retained earnings.

Statement of financial position (extract)

In thousands of naira	31 December 2014	Increase/ (Decrease)	31 December 2014 (Restated)	31 December 2013	Increase/ (Decrease)	1 January 2014 (Restated)
Borrowings	144,038,506	13,461,366	157,499,872	120,936,937	4,006,595	124,943,532
Deferred income	4,490,341	7,656,617	12,146,958	4,610,410	9,317,547	13,927,957
Deferred tax liability	2,886,042	(2,886,042)	-	2,852,680	(1,982,345)	870,335
Income tax payable	3,656,136	(1,863,276)	1,792,860	2,616,528	(1,027,982)	1,588,546
Trade payables	3,580,374	10,764,865	14,345,239	6,082,100	9,452,381	15,534,481
Other current liabilities	6,442,872	1,214,041	7,656,913	4,325,661	1,214,041	5,539,702
Net assets	**165,094,271**	**28,347,572**	**193,441,842**	**141,424,316**	**20,980,237**	**162,404,553**
Retained earnings	17,745,562	(28,347,573)	(10,602,011)	16,026,975	(20,980,238)	(4,953,263)
Total equity	**17,745,562**	**(28,347,573)**	**(10,602,011)**	**16,026,975**	**(20,980,238)**	**(4,953,263)**

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

In thousands of naira	31 Decemebr 2014	Loss (Increase)/ Decrease	31 December 2014 (Restated)
Landing, navigation and other charges	(5,063,450)	(1,312,484)	(6,375,934)
Finance cost	(9,630,788)	(9,774,041)	(19,404,829)
Other income	2,125,061	1,980,200	4,105,261
Minimum tax charge	-	(251,682)	(251,682)
Loss before tax	**(12,569,177)**	**(9,358,007)**	**(21,927,184)**
Income tax expense	(1,172,971)	1,990,674	817,703
Loss after tax	**(13,742,148)**	**(7,367,333)**	**(21,109,481)**
Total comprehensive loss for the year, net of tax	**(13,742,148)**	**(7,367,333)**	**(21,109,481)**

Arik

WINGS OF NIGERIA

Statement of value added
For the year ended 31 December 2015

In thousands of Naira	31 December 2015	%	Restated* 31 December 2014	%
Revenue	61,788,869		83,176,361	
Other income	5,359,683		4,105,261	
Finance income	10,498		27,177	
Bought in goods and services:				
Local	(44,523,548)		(37,689,085)	
Foreign	(29,682,366)		(25,126,057)	
Value (consumed)/added	**(7,046,864)**	**100%**	**24,493,658**	**100%**
Applied as follows:				
Pay salaries, wages and other entitlements	6,091,861	(86)	5,326,808	22
Pay interest on funds provided	24,190,008	(343)	19,404,829	79
Provide for depreciation and amortisation of assets	8,166,620	(116)	6,228,472	25
Pay income and education taxes	-	-	(817,703)	(3)
Consumed in the business	(45,495,353)	645	(5,648,748)	(23)
Value (consumed)/added	**(7,046,864)**	**100**	**24,493,658**	**100**

Value added represents the additional wealth the Company has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth between employees, capital providers, government and that retained for future creation of wealth.

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WINGS OF NIGERIA

Five Year Financial summary
For the year ended 31 December 2015

Statement of financial position

In thousands of Naira	IFRS				NGAAP
	2015	2014 Restated*	2013 Restated*	2012	2011
Non-current assets	177,168,833	180,625,731	165,854,946	178,568,030	177,405,898
Current assets	34,203,716	26,827,381	17,267,944	11,811,802	8,923,156
Current liabilities	(210,942,957)	(178,262,512)	(144,127,086)	(62,519,886)	(51,410,535)
Non-current liabilities	(54,526,956)	(37,792,611)	(41,949,067)	(108,400,534)	(116,508,685)
Net (liabilities)/assets	(54,097,364)	(8,602,011)	(2,953,263)	19,459,412	18,409,834
Capital and reserves					
Share capital	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Reserves	(56,097,364)	(10,602,011)	(4,953,263)	17,459,412	16,409,834
Shareholders' funds	(54,097,364)	(8,602,011)	(2,953,263)	19,459,412	18,409,834

Statement of profit or loss and other comprehensive income

In thousands of Naira	IFRS			NGAAP	
	2015	2014 Restated*	2013 Restated*	2012	2011
Revenue	61,788,869	83,176,361	87,638,232	79,989,751	63,013,608
(Loss)/profit before taxation	(45,495,353)	(6,466,451)	2,605,208	2,121,335	(2,393,125)
Tax (charge)/credit	-	817,703	(1,372,250)	(1,071,758)	(336,633)
(Loss)/profit after taxation	(45,495,353)	(5,648,748)	1,232,958	1,049,577	(2,729,758)