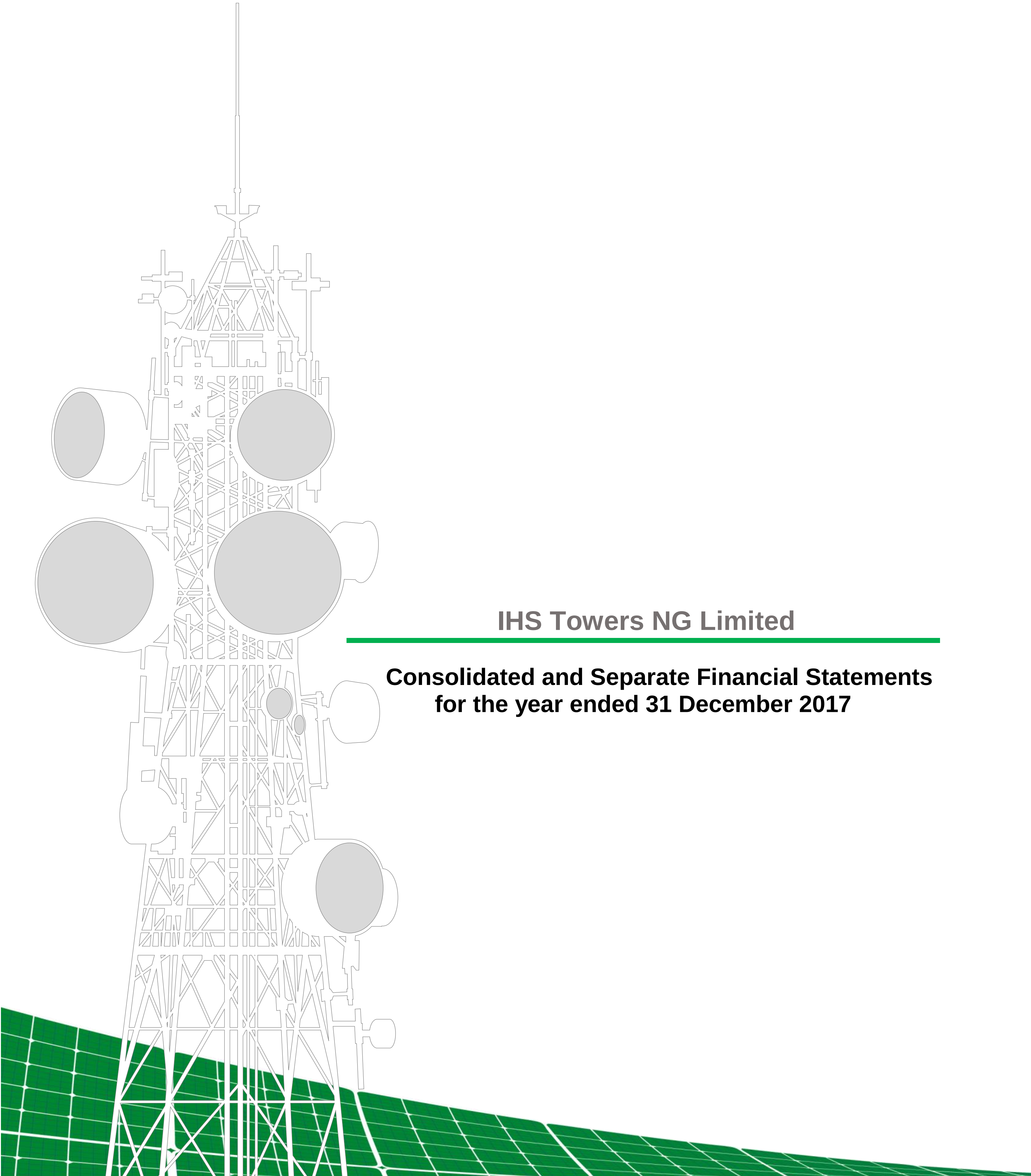

IHS Towers NG Limited

Consolidated and Separate Financial Statements for the year ended 31 December 2017

Table of Contents

Corporate Information

Company registration number	RC 448308
Registered office	9 Alfred Rewane Road Ikoyi Lagos
Board of Directors	Mohamad Darwish — Director David Ordman — Director Jimoh Umoru — Director
Auditor	PricewaterhouseCoopers Chartered Accountants Landmark Towers Plot 5B Water Corporation Road Victoria Island, Lagos
Bankers	Stanbic IBTC Bank Nigeria Limited Ecobank Nigeria Standard Chartered Bank Nigeria Limited United Bank for Africa Plc First City Monument Bank Limited Citi Bank Europe Plc (The Netherlands)
Company Secretary	Jimoh Umoru Plot 934 Idejo Street Victoria Island, Lagos
Key Solicitor	Templars (Barristers & Solicitors) The Octagon (5th Floor) 13A, A. J. Marinho Drive Victoria Island

Directors' Report

The Directors present their annual report on the affairs of IHS Towers NG Limited (the "Company") and its subsidiaries, Tower Infrastructure Company Limited and IHS Towers Netherlands FinCo NG B.V. (together referred to as the "Group"), with the audited financial statements for the year ended 31 December 2017, to the members of the Company. This report discloses the state of the Company and the Group.

Incorporation and Address

The Company was incorporated as a private limited liability Company in 2002. The registered address of the Company is 9 Alfred Rewane Road, Ikoyi, Lagos.

Principal Activities

The Company is a telecom infrastructure service provider engaged in turnkey infrastructure deployment (construction of tower and tower equipment) and infrastructure sharing and leasing (colocation services).

Results and Dividends

The Group and Company's results for the year ended 31 December 2017 are set out on page 8. The summarized results are presented below.

	Group		Company	
	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
	₦'000	**₦'000**	**₦'000**	**₦'000**
Revenue	22,892,169	19,706,993	17,519,750	15,465,605
Operating profit/(loss)	5,740,077	(7,014,876)	2,947,404	(4,988,836)
Total comprehensive loss for the year	(12,165,949)	(41,562,614)	(14,775,613)	(39,602,037)

The Directors did not recommend the payment of dividend in the current and prior year.

Directors' Shareholding

The Directors who served during the year and their interest in the shares of the Company for the purposes of sections 275 and 276 of the Companies and Allied Matters Act. were as follows:

31-Dec-2017

Director	***Number of ordinary shares of 50k each***
Mohamad Darwish	Nil
David Ordman	Nil
Jimoh Umoru	Nil

The Directors of the Company were the same as at 31 December 2016.

Analysis of Shareholding

The shareholding structure of the Company as at 31 December 2017 is as follows:

31 December 2017	**Number of Ordinary shares of 50k each**	**Amount ₦**	**% Holding**
IHS Netherlands NG2 B. V.	70,772,329	35,386,164	100.00%
IHS Nigeria Limited	1	1	0.00%
	70,772,330	35,386,165	100.00%

The shareholding structure of the Company was the same as at 31 December 2016.

Directors' Interest 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.

Directors' Report (continued)

Property, Plant, and Equipment

Information relating to changes in property, plant & equipment is disclosed in note 14 to these financial statements.

Employment of Physically Challenged Persons

The Group has a policy of fair consideration of job applications by disabled persons having regard to their abilities and aptitude. The Group's policy prohibits discrimination against disabled persons in the recruitment, training, and career development process.

Employee Health, Safety, and Welfare

The safety and health of employees is of paramount importance at IHS Towers NG Limited. Managers, team leaders and employees are involved in the development and implementation of health and safety procedures. The Group complied with the health and safety legislation and also embarked on a continuous campaign for elimination of hazards in the work place.

The Group's employees are covered by Workmen's Compensation. Medical costs of employees are insured by the Company as considered appropriate.

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

Employee Training and Involvement

Management and staff relations in the Group are very cordial. Regular joint consultative meetings are held where employees are involved in discussing issues that affect them and also provide avenue for discussing other issues of mutual benefits.

The intellectual capacity of employees constitutes the most valued assets of the Group. Our non-discriminatory recruitment process is structured to attract and retain the best talents who, through proper induction and acculturation, embrace the culture of building quality into whatever they do.

As part of our capability building strategy, all categories of staff attended carefully planned training courses and seminars to update their skills in line with job requirements. This is in addition to the regular on-the-job training across all operational sites.

Donation and Gifts

The Group did not make any charitable donation during the year (2016: nil).

Auditor

PricewaterhouseCoopers have indicated their willingness to continue in office as the auditor of the Company in accordance with section 357(2) of the Companies and Allied Matters Act of Nigeria.

BY ORDER OF THE BOARD

Jimoh Umoru
Company Secretary
Lagos, Nigeria
19 April 2018

Statement of Directors' Responsibilities

The Companies and Allied Matters Act requires the Directors 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 responsibilities include ensuring that the Company:

a) 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) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, and are consistently applied.

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

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit or loss. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least 12 months from the date of this statement.

David Ordman Director 19 April 2018	Mohamad Darwish Director 19 April 2018

pwc

Independent auditor's report

To the Members of IHS Towers NG Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of IHS Towers NG Limited ("the company") and its subsidiaries (together "the group") as at 31 December 2017, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

What we have audited

IHS Towers NG Limited's consolidated and separate financial statements comprise:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The directors are responsible for the other information. The other information comprises *the Directors Report, Statement of Directors' Responsibilities, Statement of value added and Five Year Financial Summary* but does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the consolidated and separate financial statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on other legal and regulatory requirements

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

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

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

iii) the company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Edafe Erhie

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A1518719

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

23 April 2018

Engagement Partner: Edafe Erhie
FRC/2013/ICAN/00000001143

Statements of profit or loss and other comprehensive income

		Group		Company	
	Note	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Revenue	5	22,892,169	19,706,993	17,519,750	15,465,605
Cost of sales	6	(10,863,617)	(15,742,239)	(8,229,763)	(10,519,525)
Gross profit		12,028,552	3,964,754	9,289,987	4,964,080
Administrative expenses	7	(6,648,960)	(10,988,658)	(6,469,812)	(9.943,944)
Other income	9	360,485	9,028	127,229	9,028
Operating profit/(loss)		5,740,077	(7,014,876)	2,947,404	(4,988,836)
Finance income	10	2,762,626	152,169	2,762,626	152,169
Finance costs	11	(22,898,090)	(39,135,111)	(23,144,144)	(39,207,908)
Fair value through profit or loss	12	3,761,192	3,379,640	3,761,192	3,379,640
Foreign exchange (loss)/gain	13	(1,254,699)	47,886	(1,076,734)	47,886
Loss before taxation		(11,888,894)	(42,570,292)	(14,749,656)	(40,617,049)
Tax (expense)/credit	27	(454,968)	721,507	(25,957)	1,015,012
Loss for the year		**(12,343,862)**	**(41,848,785)**	**(14,775,613)**	**(39,602,037)**
Attributable to:					
Owners of the parent		(12,343,862)	(41,848,785)	(14,775,613)	(39,602,037)
		(12,343,862)	(41,848,785)	(14,775,613)	(39,602,037)
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of foreign operations	31	177,913	286,171	-	-
Other comprehensive income for the year, net of income tax		**177,913**	**286,171**	**-**	**-**
Attributable to:					
Owners of the parent		177,913	286,171	-	-
		177,913	**286,171**	**-**	**-**
Total comprehensive loss for the year		**(12,165,949)**	**(41,562,614)**	**(14,775,613)**	**(39,602,037)**
Attributable to:					
Owners of the parent		(12,165,949)	(41,562,614)	(14,775,613)	(39,602,037)
		(12,165,949)	**(41,562,614)**	**(14,775,613)**	**(39,602,037)**

The accompanying notes on pages 12 to 49 are an integral part of these financial statements.

Statements of financial position

		Group		Company	
	Note	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Assets					
Non-current assets					
Property, plant and equipment	14	17,323,379	18,903,830	14,991,483	15,677,075
Intangible assets	15	32,669	6,138	32,669	6,138
Investments in subsidiaries	16	-	-	467,125	467,125
Prepaid land rent	17	1,045,427	783,649	1,045,427	783,649
Derivative financial instrument	19	4,161,408	238,986	4,161,408	238,986
Total non-current assets		22,562,883	19,932,603	20,698,112	17,172,973
Current assets					
Derivative financial instrument	19	1,197,647	-	1,197,647	-
Prepaid land rent	17	479,521	525,642	479,521	525,642
Inventories	18	715,681	539,677	715,681	539,677
Trade and other receivables	20	6,903,759	9,007,758	6,872,373	9,007,238
Amounts due from related parties	28	35,448	72,514	2,937,170	6,142,423
Cash and cash equivalents	21	5,388,602	2,931,183	5,191,642	2,915,885
Total current assets		14,720,658	13,076,774	17,394,034	19,130,865
Total assets		**37,283,541**	**33,009,377**	**38,092,146**	**36,303,838**
Liabilities					
Current liabilities					
Trade and other payables	26	4,557,629	3,432,885	4,542,691	3,241,774
Amounts due to related parties	28	4,138,054	3,959,988	4,153,993	4,119,461
Borrowings	24	184,919	1,393,859	-	-
Current tax liabilities	27	579,535	409,347	151,992	126,035
Decommissioning and site restoration provision	25	1,192,922	1,058,138	418,590	285,469
Total Current Liabilities		10,653,059	10,254,217	9,267,266	7,772,739
Non-current liabilities					
Amounts due to related parties	28	86,438,955	72,181,909	92,275,720	77,037,066
Borrowings	24	4,670,989	2,687,672	-	-
Decommissioning and site restoration provision	25	57,869	256,961	21,252	190,512
Total non-current liabilities		91,167,813	75,126,542	92,296,972	77,227,578
Total liabilities		**101,820,872**	**85,380,759**	**101,564,238**	**85,000,317**
Capital and reserves					
Share capital	22	35,386	35,386	35,386	35,386
Share premium	23	17,274,663	17,274,663	17,274,663	17,274,663
Retained losses		(84,468,364)	(72,124,502)	(82,939,041)	(68,163,428)
Other capital reserves	31	2,620,984	2,443,071	2,156,900	2,156,900
Total equity		**(64,537,331)**	**(52,371,382)**	**(63,472,092)**	**(48,696,479)**
Total equity and liabilities		**37,283,541**	**33,009,377**	**38,092,146**	**36,303,838**

The financial statements on pages 8 to 51 were approved and authorized for issue by the Board of Directors on 19 April 2018 and were signed on its behalf by

David Ordman
Director
19 April 2018

Mohamad Darwish
Director
19 April 2018

The accompanying notes on pages 12 to 49 are an integral part of these financial statements.

Statements of changes in equity

Group	**Share capital ₦'000**	**Share premium ₦'000**	***Other capital reserves ₦'000**	**Retained earnings/(losses) ₦'000**	**Total ₦'000**
Balance at 1 January 2016	35,386	17,274,663	408,794	(30,684,511)	(12,965,668)
Loss for the year	-	-	-	(41,848,785)	(41,848,785)
Other comprehensive income for the year	-	-	286,171	-	286,171
Transactions with owners:					
Related party loan fair value adjustment (net of taxes)	-	-	2,156,900	-	2,156,900
Reclassification	-	-	(408,794)	408,794	-
Balance at 31 December 2016	**35,386**	**17,274,663**	**2,443,071**	**(72,124,502)**	**(52,371,382)**
Balance at 1 January 2017	35,386	17,274,663	2,443,071	(72,124,502)	(52,371,382)
Loss for the year	-	-	-	(12,343,862)	(12,343,862)
Other comprehensive income for the year	-	-	177,913	-	177,913
Balance at 31 December 2017	**35,386**	**17,274,663**	**2,620,984**	**(84,468,364)**	**(64,537,331)**

Company	**Share capital ₦'000**	**Share premium ₦'000**	***Other capital reserves ₦'000**	**Retained earnings/(losses) ₦'000**	**Total ₦'000**
Balance at 1 January 2016	35,386	17,274,663	408,794	(28,970,185)	(11,251,342)
Loss for the year	-	-	-	(39,602,037)	(39,602,037)
Transactions with owners:					
Related party loan fair value adjustment (net of taxes)	-	-	2,156,900	-	2,156,900
Reclassification	-	-	(408,794)	408,794	-
Balance at 31 December 2016	**35,386**	**17,274,663**	**2,156,900**	**(68,163,428)**	**(48,696,479)**
Balance at 1 January 2017	35,386	17,274,663	2,156,900	(68,163,428)	(48,696,479)
Loss for the year	-	-	-	(14,775,613)	(14,775,613)
Balance at 31 December 2017	**35,386**	**17,274,663**	**2,156,900**	**(82,939,041)**	**(63,472,092)**

* Other capital reserves are shown in note 31

The accompanying notes on pages 12 to 49 are an integral part of these financial statements.

Statements of cash flows

		Group		Company	
Cash flows from operating activities	**Note**	**31-Dec-17 ₦'000**	**31-Dec-16 ₦'000**	**31-Dec-17 ₦'000**	**31-Dec-16 ₦'000**
Cash generated from operations	29	13,383,922	8,841,334	12,969,968	7,937,589
Income taxes paid	27	(281,895)	(60,870)	-	-
Payment for land lease	17	(955,943)	(509,983)	(955,943)	(509,983)
Net cash flows generated from operating activities		**12,146,084**	**8,270,481**	**12,014,025**	**7,427,606**
Cash flows from investing activities					
Acquisition of property plant and equipment	14	(1,282,264)	(1,784,323)	(1,282,264)	(1,784,323)
Proceeds from disposal of property plant and equipment	14	252	18,220	252	18,220
Acquisition of intangible assets	15	(48,905)	(20,424)	(48,905)	(20,424)
Restricted cash deposits	20	(1,007,429)	-	(1,007,429)	-
Insurance claim received	9	960	5,357	960	5,357
Finance income received	10	64,276	152,169	64,276	152,169
Net cash used in investing activities		**(2,273,110)**	**(1,629,001)**	**(2,273,110)**	**(1,629,001)**
Cash flows from financing activities					
Loan receipts - related party	28	-	77,587,202	-	77,587,202
Transaction costs paid	28	(112,670)	(2,003,114)	(112,670)	(2,003,114)
Principal paid - related party	28	-	-	-	(72,265,175)
Interest paid - related party	28	(6,979,877)	-	(7,333,843)	(6,704,407)
Principal paid - external borrowing	24	-	(72,265,175)	-	-
Interest paid - external borrowing	24	(334,331)	(7,531,984)	-	-
Profits earned on non-deliverable forwards	19	1,463,196	-	1,463,196	-
Margin deposits paid	20	(1,319,642)	-	(1,319,642)	-
Margin deposits received	20	486,951	-	486,951	-
Premiums paid on non-deliverable forwards	11	(60,013)	-	(60,013)	-
Loan premium on early redemption	11	-	(3,608,023)	-	(3,608,023)
Loss on foreign currency purchase		(618,656)	-	(618,656)	-
Net cash used in financing activities		**(7,475,042)**	**(7,821,094)**	**(7,494,677)**	**(6,993,517)**
Net increase/(decrease) in cash and cash equivalents		2,397,932	(1,179,614)	2,246,238	(1,194,912)
Cash and cash equivalents, beginning of the year		2,931,183	4,105,371	2,915,885	4,105,371
Effect of movements in exchange rates on cash		59,487	5,426	29,519	5,426
Cash and cash equivalents, end of the year	21	**5,388,602**	**2,931,183**	**5,191,642**	**2,915,885**

The accompanying notes on pages 12 to 49 are an integral part of these financial statements.

Notes to the Financial Statements

1. General information

These financial statements are the financial statements of IHS Towers NG Limited (the "Company") and its subsidiaries, Tower Infrastructure Company Limited and IHS Towers Netherlands FinCo NG B.V. (together referred to as the "Group").

IHS Towers NG Limited (the "Company") was incorporated in Nigeria under the Companies and Allied Matters Act in 2002 but did not commence operations until November 2005. The registered address of the Company is 9 Alfred Rewane Road, Ikoyi, Lagos.

The principal activities of the Group continues to be the managing and infrastructure sharing and leasing (colocation) of telecommunications infrastructure to telecommunications and other service providers.

IHS Towers NG Limited is a subsidiary of IHS Netherlands NG2 B.V. and controlled by IHS Holding Limited (ultimate parent). IHS Holding Limited has the right to appoint Board members, controls the day to day activities and major financial decisions of IHS Towers NG Limited.

1.1. Going concern

The Directors have reasonable expectations that the Group has adequate resources to continue in operational existence for the foreseeable future. The results of management review of the Company's market, operations and financial performance in the past 12 months and a forecast for the next few years provides a sound basis for the appropriateness of using the going concern assumption in the preparation of the Company's financial statements for the period ended 31 December 2017. The following further form the basis of management's use of going concern:

- The market is growing and the business continues to retain its share of the overall market.
- The business has grown its revenues, gross profit margins, EBITDA margins and operational cash flows in the last 12 months.
- The business maintains a high level of business ethics and regulatory compliance and there is no indication of any foreseeable adverse change in the regulatory landscape.
- The business has a strong investor base that has the ability and willingness to inject additional funding where necessary.

2. Summary of significant accounting policies

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

2.1. Basis of preparation

The consolidated and separate financial statements comprise the statements of profit or loss and other comprehensive income, the statements of financial position, the statements of changes in equity, the statements of cash flows, and the notes, comprising of a summary of significant accounting policies and other explanatory notes.

Compliance with IFRS

The consolidated and separate financial statements of IHS Towers NG Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The consolidated and separate financial statements have been prepared on a historical cost basis, except for financial assets and liabilities measured at fair value.

Functional currency

The consolidated and separate financial statements are presented in the functional currency, Nigerian Naira (₦), rounded to the nearest thousands, except where otherwise stated.

Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed.

The Directors believe that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly.The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The consolidated and separate financial statements were authorized for issue by the Board of Directors on 19 April 2018.

Notes to the financial statements (continued)

2.1.1. Changes in accounting policies and disclosures

a) New standards, amendments and interpretations adopted by the Group

A number of new or amended standards became effective in the current year. Those that are applicable to the Group are as follows:

i. Disclosure initiative: Amendments to IAS 7.

ii. Recognition of Deferred Tax Assets for Unrealized Losses – Amendments to IAS 12.

The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities (see note 30). The Group did not have to change its accounting policies and disclosures, or make retrospective adjustments as there were no transactions that would be affected by these new amendments.

b) New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

Title of standard	**IFRS 9 Financial Instruments**
Nature of change	IFRS 9, 'Financial instruments,' addresses the classification, measurement and recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
Impact	The Group has reviewed the impact of this new standard and has concluded that the impact is limited. IFRS 9 contains three classification categories: 'measured at amortised cost', 'fair value through other comprehensive income' (FVTOCI) and 'fair value through profit and loss' (FVTPL). The standard eliminates the existing IAS 39 categories: 'loans and receivables', 'held to maturity' and 'available-for-sale'. For the Group, there is no significant change from the new classification requirement. The Group does not currently apply any hedge accounting so does not expect any impact from the new hedging rules. The Group does not expect any material impact on its impairment provisions under the new rules. The Group does not expect to be impacted by IFRS 9 renegotiation guidance, as the Group has not historically renegotiated borrowings.
Date of adoption	The standard is effective for accounting periods beginning on or after 1 January 2018.
Title of standard	**IFRS 15 Revenue from Contracts with Customers**
Nature of change	IFRS 15 "Revenue from contracts with customers" requires an entity to recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the transfer of promised goods or services to customers. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue and IAS 11 Construction Contracts. The standard permits the use of either the retrospective or cumulative effect transition method, and the Group will apply the cumulative effect transition method at the date of initial application. Under the cumulative effect transition method, an entity applies the new standard as of the date of initial application, with no restatement of comparative period amounts. It records the cumulative effect of initially applying the new standard, which affects revenue and costs, as an adjustment to the opening balance of equity at the date of initial application.
Impact	The revenue to which the Group must apply this standard is generally limited to services revenue, certain power and fuel charges that are not leases and other fees charged to customers. Revenue from leases is not included in the scope of IFRS 15. The Group does not expect changes in the timing of revenue recognition to be material to its financial statements. The Group's impact assessment has taken into account the following key factors: • Revenues from services will typically be recognized evenly over the period the services are provided as the services are a series of distinct services recognized over time. This is consistent with the current accounting policy. • Where payments for services include variable consideration (such as service level credits and other similar variable pricing terms that depend on events in future service periods) the Group has concluded that they should be allocated to each future service period and recognized when the variability is resolved. As such, changes to the transaction price arising from service credits and

Notes to the financial statements (continued)

2.1.1. Changes in accounting policies and disclosures (continued)

	similar items will not be anticipated, but recognized as a reduction in revenue in the relevant future service period. This is consistent with the current accounting policy. • Where multiple goods and services are provided to customers, the allocation of the transaction price will not be significantly different to the current allocation to components based on fair value and will not significantly affect the timing of revenues as the components (performance obligations) are typically performed and recognized over the same service period.
Date of adoption	The standard is effective for accounting periods beginning on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognized in retained earnings as of 1 January 2018 and that comparatives will not be restated.
Title of standard	**IFRS 16 Leases**
Nature of change	IFRS 16 “Leases” was issued in January 2016. It specifies the recognition, measurement, presentation, and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
Impact	The Group carries some assets on the consolidated statement of financial position in relation to land rental paid several years in advance. The Group expects the guidance to have a material impact on its consolidated statement of financial position due to the recording of the right of use assets and lease liabilities for leases in which it is a lessee and which it currently treats as operating leases. The Group also expects a material impact on its consolidated statement of income due to changes in both timing of recognition of costs as well as changes in income statement classification. This may have a further impact on its consolidated statement of cash flow. The Group continues to evaluate the impact of the new guidance.
Date of adoption	Mandatory for financial years commencing on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2. Consolidation

a) Subsidiaries

The consolidated financial statements include the financial information and results of the Company and those entities in which it has a controlling interest. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are all entities (including structured entities) over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases. Investments in entities that the Company does not control are accounted for using the equity or cost method, depending upon the Company’s ability to exercise significant influence over operating and financial policies. All intercompany balances and transactions have been eliminated.

b) Business Combinations

For acquisitions that meet the definition of a business combination, the Group applies the acquisition method of accounting where assets acquired and liabilities assumed are recorded at fair value at the date of each acquisition, and the results of operations are included with those of the Group from the dates of the respective acquisitions. Any excess of the purchase price paid by the Group over the amounts recognized for assets acquired and liabilities assumed is recorded as goodwill and any acquisition related costs are expensed as incurred. The Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the recognized amounts of acquiree’s identifiable net assets.

The consideration transferred for the acquisition comprises the fair value of the assets transferred, liabilities incurred, equity interests issued by the Group and any contingent consideration. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

If the Group gains control in a business combination achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is re measured to fair value at the acquisition date; any gains or losses arising from such re measurement are recognized in the statement of income and comprehensive income.

Notes to the financial statements (continued)

2.3. Foreign currency translation

a) Functional and presentation currency

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Group’s financial statements are presented in Naira which is the Group’s functional currency.

b) Existence of multiple official exchange rates

During the year ended December 31, 2017, the Central Bank of Nigeria introduced a new foreign exchange window, which includes the NAFEX (Nigerian Autonomous Foreign Exchange Rate Fixing). This has resulted in a situation where there are several different official exchange rates in the market, thereby requiring the Company to monitor and evaluate which exchange rate is most appropriate to apply in translating foreign currency transactions.

Where multiple official exchange rates exist, the Group assesses the appropriate rate to use and takes into account relevant factors. In the case of translating foreign transactions, such factors include access to those rates in the future to meet payments or dividends. In determining whether it is appropriate to move from one official rate to another, the Group considers the available rates in official markets for settlement of transactions. Refer to note 4 for further information.

c) Transactions and balances

Foreign currency transactions are translated into Naira using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss and other comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss and other comprehensive income within 'finance cost'. Other foreign exchange gains and losses are presented separately within 'foreign exchange gains or losses' in the statement of profit or loss and other comprehensive income.

The Company translated their foreign currency transactions into the functional currency; Nigerian Naira, at the Central Bank of Nigeria (“CBN”) prevailing rate at the date of the transaction and translated monetary items and liabilities denominated in foreign currencies at the Nigerian Autonomous Foreign Exchange Fixing (“NAFEX”) rate at December 31, 2017. The CBN rate was between 303.4 and 305.9 during the year and ended the year at 305.55. The NAFEX rate at 31 December 2017 was 360. Refer to note 4 for further information.

d) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
ii. income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
iii. all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings, are taken to other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4. Revenue

Revenue is derived from fees paid by customers for services from colocation business and its ancillary managed services.

The colocation business involves the lease of space on owned and leased towers, which are shared by various operators and data service providers. Revenue is generated on towers either from anchor tenants (original tenants on towers) or colocation tenants (subsequent tenants) when they install equipment on towers. A portion of colocation arrangements for the rental of space on the towers and other assets on tower sites, on which the use of space is dependent, is within the scope of IAS 17 Leasing. A portion of colocation arrangements for the provision of services and energy charges is within the scope of IAS 18 Revenue as a provision of service.

a) Colocation services revenue for which the Group is a lessor

The portion of colocation revenues, for which the Group is the lessor, are treated as operating leases. Revenue from leasing arrangements, including fixed escalation clauses present in non-cancellable lease agreements is recognized on a straight-line basis over the current lease term of the related lease agreements, when collectability is reasonably assured. The duration of these lease arrangements is typically between 5 and 10 years. Escalation clauses tied to the Consumer Price Index (“CPI”) or other inflation based indices, are excluded from the straight-line calculation, however, any fixed increases are included.

Notes to the financial statements (continued)

2.4. Revenue (continued)

a) Colocation services revenue for which the Group is a lessor (continued)

Revenue is recognized in the accounting period in which the rental income is earned and services are rendered. Amounts billed or received for services prior to being earned are deferred and reflected in deferred revenue until the criteria for recognition have been met.

b) Colocation services revenue and other managed services revenue

Revenue from the sale of goods and services is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of qualifying discounts, rebates and sales related taxes and income from the provision of technical services and agreements. Revenue is recognized when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

The Group offers ancillary services to manage tenant operations of existing customers on a limited basis. Revenue is recognized in the accounting period in which the services are rendered by reference to the stage of completion based on the terms of each contract. Services revenues are derived under contracts or arrangements with customers that provide for billings either on a fixed price basis or a variable price basis, which includes factors such as time and expenses. Revenues are recognized as services are performed, and include estimates for percentage completed. Amounts billed or received for services prior to being earned are deferred and reflected in deferred revenue in the accompanying statement of financial position until the criteria for recognition have been met.

2.5. Property, plant and equipment

These are mainly base stations and other equipment that are used by the Group in its towers for providing managed and colocation services, or for administrative purposes. The assets are carried at historical cost less accumulated depreciation and accumulated impairment losses. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Property plant and equipment under construction are disclosed as capital work-in-progress.

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 associated with the item will flow to the Group and the cost can be measured reliably. On disposal or retirement of the asset, the carrying amount of the replaced asset is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Capital work-in-progress and freehold land is not depreciated. For capital work-in-progress, the attributable cost of each asset is transferred to the relevant asset category immediately the asset is ready for use and depreciated accordingly. Depreciation on all other assets is calculated using the straight-line method to allocate their cost to their residual values over their useful lives as follows:

	Years
Base station towers (including civil costs and overheads)	20
Base station equipment (other equipment)	15 - 20
Base station equipment (Alarms & batteries)	5
Base station equipment (generators)	3
Office Complex	40
Furniture & fittings & office equipment	3
Motor vehicles	4

Assets residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting date.

Where an indication of impairment exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss for the period.

2.6. Intangible assets

a) Licenses

Separately acquired licenses are shown at historical cost. Licenses acquired in a business combination are recognized at fair value at the acquisition date. Licenses have a finite useful life determined primarily by reference to the term of the license and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated useful lives of 3 - 15 years (2016: 3 - 15 years).

Notes to the financial statements (continued)

2.6. Intangible assets (continued)

b) Computer software

Costs associated with maintaining computer software programmes are recognized as expenses as incurred. Acquired computer software licenses are capitalized at the cost incurred to acquire and bring into use the software. Amortization is calculated using the straight-line method over their estimated useful lives of 3 - 5 years.

2.7. Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8. Long term advances

This represents amount paid to suppliers/contractors in respect of projects related to capital expenditures or other advances which are recoverable and exceeding a period of 12 months.

2.9. Inventories

Inventories are stated at the lower of cost and estimated net realizable value. Cost comprises direct materials costs and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. If the carrying value exceeds net realizable amount, a write down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer to exist. In other instances where the net realizable value of an inventory item is not readily determinable, management assesses the age and the risk of obsolescence of such items in determining net realizable value of such item using an appropriate age/obsolescence factor model.

2.10. Long term prepayments

Pre-paid land rent

Amount paid in respect of long-term rent is capitalized and amortised over the rental period.

2.11. Financial assets

2.11.1. Classification

The Group classifies its financial assets in the following categories: loans and receivables and fair value through profit and loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) 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 are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'amounts due from related parties' and 'cash and cash equivalents' in the statement of financial position.

i. Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

The Group reviews trade receivables at least annually and when there is any indication that the receivables might be impaired. The Group has estimated the recoverable amount using models that require assumptions about future cash flows, cash flow dates and discount rates.

Notes to the financial statements (continued)

2.11. Financial assets (continued)

2.11.1. Classification (continued)

a) Loans and receivables (continued)

ii. Amounts due from related parties

These are amounts due from related parties for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets; if not, they are presented as non-current assets.

iii. Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand, funded forwards plus short-term deposits. Short-term deposits have a maturity of less than three months from the date of investment. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

b) Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss comprise of derivative financial instruments in the statement of financial position. Derivatives are financial instruments that derive their value from an underlying price or index. A derivative instrument gives one party a contractual right to exchange financial assets and financial liabilities with another party under conditions that are potentially favorable or financial liabilities with another party under conditions that are potentially unfavorable. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period with changes reported in the statement of profit or loss and other comprehensive income.

i. Embedded derivative options

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract. An embedded derivative causes some or all of the cashflows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates or other variable (provided in the case of a non-financial variable that the variable is not specific to a party to the contract).

An embedded derivative is only separated and reported at fair value with gains and losses being recognized in the profit or loss component of the statement of comprehensive income when the following requirements are met:

- where the economic characteristics and risks of the embedded derivative are not clearly and closely related to those of the host contract;
- the terms of the embedded derivative are the same as those of a stand-alone derivative; and
- the combined contract is not held for trading or designated at fair value through profit or loss.

The fair values of the options are determined using an option pricing model that is commonly used by market participants to value such options and makes maximum use of market inputs, relying as little as possible on the entity's specific inputs and making reference to the fair value of similar instruments in the market. Thus, it is considered a level 2 financial instrument in the fair valuation hierarchy of IFRS 13 *Fair Value Measurement*. The resultant gains or losses are accounted for under fair value through profit or loss (note 12).

ii. Non-deliverable forwards

These are cash-settled, short-term non-deliverable forward contracts entered into by the Group for the purchase of an agreed upon notional amount of funds in foreign exchange at agreed future dates. The fair value at the end of each reporting period is based on the difference between the contract exchange rate and the spot exchange rate obtained from a regulated over-the-counter fixed income securities exchange at the relevant reporting date. The fair values are categorized as level 2 in the fair valuation hierarchy of IFRS 13 *Fair Value Measurement*. The related net fair value gain is included in finance income in note 10.

The Group deposits between 5% to 10% of the underlying value of the non-deliverable forward contract as collateral to the bank that provides the contract. These deposits are held in a margin account which must be maintained at certain levels based on the cumulative gain or loss on the foreign exchange movements. The deposits are maintained separately as they do not form part of the initial investment and are reported as other receivables.

2.11.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Notes to the financial statements (continued)

2.11. Financial assets (continued)

2.11.2. Recognition and measurement (continued)

Financial assets designated at fair value through profit and loss are initially recognized at fair value and subsequently revalued at the end of the reporting period. The resulting gains or losses are recognized in the statement of profit or loss and other comprehensive income.

Non-deliverable forwards are measured at each month end based on spot NAFEX exchange rate obtained from FMDQ OTC securities exchange, this is the source that will be used by the bank (counter party) on the maturity of the contract. This implies that, on a monthly basis any fair value gain or loss on an individual contract will be charged to profit or loss and/or financial asset and financial liability as the case may be.

2.11.3. Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the customer will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of asset since the initial recognition of those assets, although the decrease cannot yet financial assets be identified with the individual financial assets in the portfolio, including:
    i. adverse changes in the payment status of borrowers in the portfolio; and
    ii. national or local economic conditions that correlate with defaults on the assets in the portfolio.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the profit or loss. If a loan or receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of profit or loss and other comprehensive income.

2.12. Financial liabilities

2.12.1. Classification

The Group's financial liabilities are classified at amortised cost. Financial liabilities are recognized initially at fair value and inclusive of directly attributable transaction costs. The Group's financial liabilities are borrowings, trade and other payables and amounts due to related parties.

a) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the statement of income and comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized 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 capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Day 1 gain or loss on below/above-market interest rate on related party loans are recognized within equity.

Notes to the financial statements (continued)

2.12. Financial liabilities (continued)

2.12.1. Classification (continued)

a) Borrowings (continued)

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of profit or loss and other comprehensive income as other income or finance costs.

b) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

c) Amounts due to related parties

These are amounts due to related parties for services received in the ordinary course of business. If payment is expected to transfer in one year or less (or in the normal operating cycle of the business if longer), they are classified as current liabilities; if not, they are presented as non-current liabilities.

2.13. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.14. Derecognition of financial instruments

All financial instruments are initially measured at fair value. Financial assets and liabilities are derecognized when the rights to receive cash flows from the investments or settle obligations have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.15. Taxation

a) Deferred tax

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

b) Current tax

Tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Notes to the financial statements (continued)

2.15. Taxation (continued)

b) Current tax (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Income tax expenses/credits is the aggregate of the charges or credits recognized in the profit and loss account in respect of current income tax, education tax and deferred tax.

2.16. Employee benefits

a) Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as other payables in the balance sheet.

b) Post-employment benefits

Defined Contribution scheme

The Group operates a defined contribution plan in line with the provisions of Pension Reform Act 2014. The Group and its employees contribute a minimum of 10% and 8% of the employees qualifying emoluments respectively. The amount contributed by the Group is recognized as employee benefit expense and is charged to the statement of profit or loss and other comprehensive income.

The Group has no further payment obligation once the contributions have been paid. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payment is available.

c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.17. Decommissioning and site restoration provision

The Group makes provision for the future cost of decommissioning of its telecommunication towers on the leasehold land. These costs are expected to be incurred within 5 to 15 years depending on the term of the leasehold. The Group estimates this provision using existing technology at current prices as quoted by decommissioning experts, escalated at the relevant inflation factor. The inflated decommissioning provision is subsequently discounted to present value using the pre-tax discount rate that reflects the current market assessments of the time value of money and the specific risk to the decommissioning liability. The timing of each decommissioning will depend on whether or not the lessor intends to renew the rent.

A corresponding amount is recognized as an asset under tower equipment in property, plant and equipment This is subsequently amortised as part of the leasehold land. Other than the unwinding discount on the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding item of property, plant and equipment.

2.18. Interest income

Interest income is recognized in the statement of income and comprehensive income and is calculated using the effective interest method as set out in IAS 39.

2.19. Leases

a) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

Notes to the financial statements (continued)

2.19. Leases (continued)

a) Operating leases (continued)

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place. The Group has various leasehold land under operating lease agreements with lease terms ranging from 5 to 15 years.

3. Introduction and overview of Group's risk management

The Group's activities expose it to a variety of financial risks including market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the strategic and finance planning committee, who is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly by the executive management to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's management use derivative financial instruments as part of its risk management strategies. The Group does not designate the derivatives as hedging instrument. Thereby, fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognized in profit or loss when the changes arise.

The Board oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board is supported by various management functions that checks and undertakes both regular and ad hoc reviews of compliance with established controls and procedures.

Derivative financial instruments

The Group has the following derivative financial instruments at the end of the reporting period.

a) Cash-settled, short-term non-deliverable forward contracts (NDFs) where the gain or loss at the settlement date is calculated by taking the difference between the agreed upon contract exchange rate and the spot rate at the time of settlement, for an agreed upon notional amount of funds. The gain or loss is then settled at settlement date in the contract currency. The non-deliverable forwards are most frequently quoted in US Dollars and settled in Naira.

   The non-deliverable forward contracts are remeasured to their fair value at the end of each reporting period based on the difference between the contract exchange rate and the spot exchange rate at the relevant reporting date. The spot exchange rate at each period end is not easily determined as this is an unusual instrument and there is limited market liquidity in Nigeria. The spot exchange rate is obtained from the FMDQ OTC securities exchange.

b) Embedded derivative on the Group's redemption options in its related party loan with IHS Netherlands Holdco B.V. which is recognized in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

The derivative instruments have been classified as held for trading and accounted for at fair value through profit or loss. The instruments are measured at fair value (marked-to-market) with the resultant gains or losses recognized in profit or loss. The related net fair value gain is included in finance income in note 10.

a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group manages market risks by keeping costs low through various cost optimization programs. Moreover, market developments are monitored and discussed regularly, and mitigating actions are taken where necessary.

i. Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures other than the Nigerian Naira. Foreign exchange risk arises from future commercial transactions as well as recognized assets and liabilities and net investments in foreign operations.

The Group is exposed to risks resulting from fluctuations in foreign currency exchange rates. A material change in the value of any such foreign currency could result in a material adverse effect on the Group's cash flow and future profits. The Group holds the majority of its cash and cash equivalents in Naira. However, the Group does maintain deposits in other currencies in order to fund ongoing commercial activity and other expenditure incurred in these currencies.

Notes to the financial statements (continued)

3. Introduction and overview of Group's risk management (continued)

a) Market risk (continued)

i. Foreign exchange risk (continued)

In managing foreign exchange risk, the Group aims to reduce the impact of short-term fluctuations on earnings. The Group has no export sales but it has clients that are invoiced in Naira but with foreign exchange indexation. The Group's significant exposure to currency risk relates to its loan facilities that are mainly in US Dollars. Although the Group has various measures to mitigate exposure to foreign exchange rate movement over the longer term, the gains/losses on foreign exchange balances impact on the profit or loss. The Group manages foreign exchange risk through the use of derivative financial instruments such as non-deliverable forward contracts. The Group monitors the movement in the currency rates on an ongoing basis.

Currency exposure arising from assets and liabilities denominated in foreign currencies is managed primarily by setting limits on the percentage of net assets that may be invested in such deposits.

The summary of quantitative data about the Group's exposure to foreign exchange risk is as follows:

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Cash and cash equivalents	205,198	105,899	8,261	90,602
Trade and other receivables	300,023	2,022,225	265,881	2,022,225
Derivative financial instrument	11,315,561	-	11,315,561	-
Trade and other payables	(111,403)	(20,215)	(106,169)	(20,215)
Borrowings	(4,888,125)	(4,134,435)	-	-
Loans from related parties	(89,416,142)	(75,380,856)	(95,473,675)	(80,448,391)
Net exposure	(82,594,888)	(77,407,382)	(83,990,141)	(78,355,779)

Sensitivity analysis

The table below shows the impact on the Group and Company's profit and equity if the exchange rate between the Naira and the following currencies had increased or decreased with all other variables held constant.

Group	(Decrease) / increase in profit		(Decrease) / increase in profit	
	31-Dec-17		31-Dec-16	
	Effect on US Dollar ₦'000	Effect on Euro ₦'000	Effect on US Dollar ₦'000	Effect on Euro ₦'000
Effect of 20% percent strengthening (2016: 30%)	(16,524,759)	(5,781)	(23,222,215)	(2,348)
Effect of 20% percent weakening (2016: 30%)	16,524,759	5,781	23,222,215	2,348

Company	(Decrease) / increase in profit		(Decrease) / increase in profit	
	31-Dec-17		31-Dec-16	
	Effect on US Dollar ₦'000	Effect on Euro ₦'000	Effect on US Dollar ₦'000	Effect on Euro ₦'000
Effect of 20% percent strengthening (2016: 30%)	(16,798,028)	-	(23,506,734)	-
Effect of 20% percent weakening (2016: 30%)	16,798,028	-	23,506,734	-

Foreign denominated balances were translated using exchange rates between 304.5 and 360 during year. The Group has therefore used 20% (2016: 30%) for the sensitivity analysis.

ii. Interest rate risk

The Group's long-term loans and borrowings are issued at fixed rates. The Group is therefore not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from clients and related parties. The carrying amount of financial assets represents the maximum credit exposure.

Notes to the financial statements (continued)

3. Introduction and overview of Group's risk management (continued)

b) Credit risk (continued)

The maximum exposure to credit risk at the reporting date was:

		Group		Company	
	Note	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
		₦'000	₦'000	₦'000	₦'000
Trade receivables	20	7,832,349	8,807,717	7,832,349	8,807,717
Other receivables	20	1,940,893	110,844	1,921,604	110,844
Derivative financial instruments	19	5,359,055	238,986	5,359,055	238,986
Amounts due from related parties	28	35,448	72,514	2,937,170	6,142,423
Cash and cash equivalents	21	5,388,602	2,931,183	5,191,642	2,915,885
		20,556,347	12,161,244	23,241,820	18,215,855

The financial assets are further broken down into:

Group 2017	Trade receivables	Other receivables	Amounts due from related parties	Cash and cash equivalents	Derivative financial instruments	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Neither past due nor impaired	777,927	1,927,393	35,448	5,388,602	5,359,055	13,488,425
Past due but not impaired	3,631,893	13,500	-	-	-	3,645,393
Impaired	3,422,529	-	-	-	-	3,422,529
	7,832,349	1,940,893	35,448	5,388,602	5,359,055	20,556,347
Group 2016						
Neither past due nor impaired	598,434	81,090	72,514	2,931,183	238,986	3,922,207
Past due but not impaired	7,532,707	13,500	-	-	-	7,546,207
Impaired	676,576	16,254	-	-	-	692,830
	8,807,717	110,844	72,514	2,931,183	238,986	12,161,244

Company 2017	Trade receivables	Other receivables	Amounts due from related parties	Cash and cash equivalents	Derivative financial instruments	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Neither past due nor impaired	777,927	1.908,104	2,937,170	5,191,642	5,359,055	16,173,898
Past due but not impaired	3,631,893	13,500	-	-	-	3,645,393
Impaired	3,422,529	-	-	-	-	3,422,529
	7,832,349	1,921,604	2,937,170	5,191,642	5,359,055	23,241,820
Company 2016						
Neither past due nor impaired	598,434	81,090	6,142,423	2,915,885	238,986	9,976,818
Past due but not impaired	7,532,707	13,500	-	-	-	7,546,207
Impaired	676,576	16,254	-	-	-	692,830
	8,807,717	110,844	6,142,423	2,915,885	238,986	18,215,855

i. Concentration of credit risk

The Group utilizes data analysis and market knowledge to determine the concentration of its risks by reference to independent and internal ratings of customers. The assessment of the concentration risk are consistent with the overall risk appetite as established by the Group. The Group's credit concentration is based on internal ratings from the finance department. The finance department classifies customers as mega or non-mega based on sales revenue from each customer during the period.

Notes to the financial statements (continued)

3. Introduction and overview of Group's risk management (continued)

b) Credit risk (continued)

i. Concentration of credit risk (continued)

Below is the credit concentration for trade receivables at the reporting date:

Trade receivables

	Group		Company	
	31-Dec-17 **₦'000**	**31-Dec-16** **₦'000**	**31-Dec-17** **₦'000**	**31-Dec-16** **₦'000**
Mega customers	5,708,751	7,751,918	5,708,751	7,751,918
Non-mega customers	2,123,598	1,055,799	2,123,598	1,055,799
	7,832,349	8,807,717	7,832,349	8,807,717

Mega customers - Customers who individually account for more than 10% of sales revenue.

Non-mega customers - Customers who individually account for less than 10% of sales revenue.

ii. Credit quality of financial assets

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

An analysis of the credit quality of financial assets that are neither past due nor impaired is presented as follows:

Cash and cash equivalents

	Group		Company	
	31-Dec-17 **₦'000**	**31-Dec-16** **₦'000**	**31-Dec-17** **₦'000**	**31-Dec-16** **₦'000**
AAA	3,170,728	-	3,170,728	-
A	196,960	-	-	-
A+	1,668,861	130,769	1,668,861	115,471
B+	-	2,341	-	2,341
B	4	4	4	4
B-	351,103	2,795,231	351,103	2,795,231
Not rated (cash at hand)	946	2,838	946	2,838
	5,388,602	2,931,183	5,191,642	2,915,885

Ratings are based on Fitch ratings as at year end date.

Trade receivables

As at 31 December 2017 trade receivables of ₦777.93 million for the Group and Company (2016: ₦598.43 million) were neither past due nor impaired. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to internal rating provided by the credit department. The credit ratings of these trade receivables is as follows:

	Group		Company	
	31-Dec-17 **₦'000**	**31-Dec-16** **₦'000**	**31-Dec-17** **₦'000**	**31-Dec-16** **₦'000**
Group 1	761,128	476,161	761,128	476,161
Group 2	16,799	122,273	16,799	122,273
	777,927	598,434	777,927	598,434

Trade receivables are categorized by the Credit Control Unit team. This classification is based on the net worth of the customers and level of occupancy at the Company's sites and revenue during the period.

Group 1 – Mega customers with less than or equal to 3 months credit days
Group 2 – Non-mega customers with less than or equal to 3 months credit days

Notes to the financial statements (continued)

3. Introduction and overview of Group's risk management (continued)

b) Credit risk (continued)

ii. Credit quality of financial assets (continued)

Other receivables

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
A+	183,988	-	183,988	-
B	1,656,132	-	1,656,132	-
Not rated	87,273	81,090	67,984	81,090
	1,927,393	81,090	1,908,104	81,090

Ratings are based on Fitch rating as at year end date. Other receivables not rated comprises of short term advances.

Derivative financial instrument (Non - deliverable forwards)

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
B	1,197,647	-	1,197,647	-
	1,197,647	-	1,197,647	-

Rating is based on Fitch rating as at year end date.

Definition of Fitch ratings

AAA: Highest credit quality - 'AAA' ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

A: High credit quality - 'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

B: Highly speculative - 'B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

The modifier “+” or “-” is appended to a rating to denote relative status within major rating categories.

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

iii. Maturity analysis of financial assets that are past due but not impaired:

As at 31 December 2017, trade receivables of ₦3.63 billion (2016: ₦7.53 billion) for the Group and Company were past due but not impaired. This relates to a number of independent customers from whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
0 – 30 days	73,815	194,503	73,815	194,503
31 - 60 days	336,124	266,298	336,124	266,298
61 – 90 days	1,081,697	2,954,845	1,081,697	2,954,845
Over 90 days	2,140,257	4,117,061	2,140,257	4,117,061
	3,631,893	7,532,707	3,631,893	7,532,707

Notes to the financial statements (continued)

3. Introduction and overview of Group's risk management (continued)

b) Credit risk (continued)

iv. Financial assets that are impaired

During the year, trade receivables of ₦2.73 billion (2016: ₦562.99 million) were impaired for the Group and Company. The Group does not secure any collateral for trade and other receivables

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Balance, as at 1 January	692,830	712,920	692,830	712,920
Impairment charges	2,729,699	562,997	2,729,699	562,997
Impairment losses written-off	-	(579,699)	-	(579,699)
Impairment reversals	-	(3,388)	-	(3,388)
Balance, as at 31 December	3,422,529	692,830	3,422,529	692,830

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance is a specific loss component that relates to individually significant exposures.

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the credit terms with clients are more favorable compared to payment terms to its vendors in order to help provide sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below analyses the Group's financial liabilities including estimated interest payments and excluding the impact of netting agreements into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group	**Carrying amount**	**Contractual cashflows**	**Within 1 year**	**1-2 years**	**2-5 years**	**5-10 years**
As at 31 December 2017	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Trade and other payables	3,753,364	3,753,364	3,753,364	-	-	-
Amounts due to related parties	90,577,009	126,485,109	10,899,333	8,231,122	101,072,917	6,281,737
Borrowings	4,855,908	5,491,220	393,910	5,097,310	-	-
	99,186,281	135,729,693	15,046,607	13,328,432	101,072,917	6,281,737
As at 31 December 2016						
Trade and other payables	2,826,329	2,826,329	2,826,329	-	-	-
Amounts due to related parties	76,141,897	114,412,887	9,684,428	6,962,157	92,452,999	5,313,303
Borrowings	4,081,531	4,991,722	337,810	337,810	4,316,102	-
	83,049,757	122,230,938	12,848,567	7,299,967	96,769,101	5,313,303

Company	**Carrying amount**	**Contractual cashflows**	**Within 1 year**	**1-2 years**	**2-5 years**	**5-10 years**
As at 31 December 2017	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Trade and other payables	3,738,426	3,738,426	3,738,426	-	-	-
Amounts due to related parties	96,429,713	133,113,508	11,133,933	13,341,723	102,356,115	6,281,737
	100,168,139	136,851,934	14,872,359	13,341,723	102,356,115	6,281,737
As at 31 December 2016						
Trade and other payables	2,635,218	2,635,218	2,635,218	-	-	-
Amounts due to related parties	81,156,527	120,345,628	10,028,853	7,306,582	97,696,890	5,313,303
	83,791,745	122,980,846	12,664,071	7,306,582	97,696,890	5,313,303

Notes to the financial statements (continued)

3. Introduction and overview of Group's risk management (continued)

d) Capital risk management

The Group’s objectives when managing capital are to safeguard its 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.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the statement of financial position plus net debt.

The Group's gearing ratios are shown in the table below:

	Notes	Group		Company	
		31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Borrowings	24	4,855,908	4,081,531	-	-
Loans from related parties	28	87,908,798	73,419,626	93,934,103	78,434,256
Less: Cash and cash equivalents	21	(5,388,602)	(2,931,183)	(5,191,642)	(2,915,885)
Net debt		**87,376,104**	**74,569,974**	**88,742,461**	**75,518,371**
Total equity		(64,537,331)	(52,371,382)	(63,472,092)	(48,696,479)
Total capital employed		22,838,773	22,198,592	25,270,369	26,821,892
Gearing ratio		**383%**	**336%**	**351%**	**282%**

e) Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

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

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

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

	Group		Company	
Level 2	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Embedded derivatives	4,161,408	238,986	4,161,408	238,986
Non-deliverable forwards	1,197,647	-	1,197,647	-
	5,359,055	238,986	5,359,055	238,986

Financial assets in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Instruments included in level 2 comprise of options embedded within the terms of the IHS Netherlands HoldCo B.V. listed bond and non-deliverable forwards (NDFs). The fair values of the options are determined using Bloomberg's implementation of the Hull-White option pricing model. The fair values of non-deliverable forwards are determined based on marked to market values provided by the FMDQ OTC Securities Exchange (FMDQ).

Fair value estimation

Except for long term borrowings and loans from related parties (measured at amortised cost), the carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their fair values.

Notes to the financial statements (continued)

3. Introduction and overview of Group's risk management (continued)

Fair value estimation (continued)

	Notes	Group		Company	
Borrowings		**31-Dec-17 ₦'000**	**31-Dec-16 ₦'000**	**31-Dec-17 ₦'000**	**31-Dec-16 ₦'000**
Carrying amount	24	4,855,908	4,081,531	-	-
Fair value		4,866,965	4,135,974	-	-
Loans from related parties					
Carrying amount	28	87,908,798	73,419,626	93,934,103	78,434,256
Fair value		96,098,933	76,780,362	102,085,649	81,844,274

The fair values of the IHS Netherlands Holdco B.V. $236.94 million 9.5% Senior Notes and IHS Towers Netherlands FinCo NG B.V. $13.065 million 8.375% Guaranteed Senior Notes have been determined with reference to their respective traded prices. Their fair values fall under level 1 of the fair value hierarchy.

The fair values of other related party loans are based on cash flows discounted using the Group's borrowing rate of 9.5% (2016: 9.5%). These fair values are within level 2 of the fair value hierarchy.

Financial instruments by category

The Group's financial instruments are categorized as follows:

Group 2017 **Financial Assets**	**Notes**	**Fair value through profit or loss ₦'000**	**Loans and receivables ₦'000**	**Total ₦'000**
Trade receivables	20	-	7,832,349	7,832,349
Other receivables	20	832,691	1,108,202	1,940,893
Amounts due from related parties	28	-	35,448	35,448
Cash and cash equivalents	21	-	5,388,602	5,388,602
Derivative financial asset	19	5,359,055	-	5,359,055
		6,191,746	14,364,601	20,556,347

Group 2017 **Financial liabilities**		**Fair value through profit or loss ₦'000**	**Amortised Cost ₦'000**	**Total ₦'000**
Borrowings	24	-	4,855,908	4,855,908
Amounts due to related parties	28	-	90,577,009	90,577,009
Trade and other payables	26	-	3,753,364	3,753,364
		-	99,186,281	99,186,281

Group 2016 **Financial Assets**	**Notes**	**Fair value through profit or loss ₦'000**	**Loans and receivables ₦'000**	**Total ₦'000**
Trade receivables	20	-	8,807,717	8,807,717
Other receivables	20	-	110,844	110,844
Amounts due from related parties	28	-	72,514	72,514
Cash and cash equivalents	21	-	2,931,183	2,931,183
Derivative financial asset	19	238,986	-	238,986
		238,986	11,922,258	12,161,244

Financial liabilities		**Fair value through profit or loss ₦'000**	**Amortised Cost ₦'000**	**Total ₦'000**
Borrowings	24	-	4,081,531	4,081,531
Amounts due to related parties	28	-	76,141,897	76,141,897
Trade and other payables	26	-	2,826,329	2,826,329
		-	83,049,757	83,049,757

Notes to the financial statements (continued)

3. Introduction and overview of Group's risk management (continued)

Financial instruments by category (continued)

Company 2017

Financial Assets	Notes	Fair value through profit or loss ₦'000	Loans and receivables ₦'000	Total ₦'000
Trade receivables	20	-	7,832,349	7,832,349
Other receivables	20	832,691	1,088,913	1,921,604
Amounts due from related parties	28	-	2,937,170	2,937,170
Cash and cash equivalents	21	-	5,191,642	5,191,642
Derivative financial asset	19	5,359,055	-	5,359,055
		6,191,746	17,050,074	23,241,820

Financial liabilities		Fair value through profit or loss ₦'000	Amortised Cost ₦'000	Total ₦'000
Amounts due to related parties	28	-	96,429,713	96,429,713
Trade and other payables	26	-	3,738,426	3,738,426
		-	100,168,139	100,168,139

Company 2016

Financial Assets	Notes	Fair value through profit or loss ₦'000	Loans and receivables ₦'000	Total ₦'000
Trade receivables	20	-	8,807,717	8,807,717
Other receivables	20	-	110,844	110,844
Amounts due from related parties	28	-	6,142,423	6,142,423
Cash and cash equivalents	21	-	2,915,885	2,915,885
Derivative financial asset	19	238,986	-	238,986
		238,986	17,976,869	18,215,855

Company 2016

Financial liabilities		Fair value through profit or loss ₦'000	Amortised Cost ₦'000	Total ₦'000
Amounts due to related parties	28	-	81,156,527	81,156,527
Trade and other payables	26	-	2,635,218	2,635,218
		-	83,791,745	83,791,745

4. Critical accounting estimates and judgements

The preparation of financial statements requires management to make certain judgements, accounting estimates and assumptions that affect the amounts reported to the assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. The nature of the estimation means that actual outcomes could differ from those estimates. The key source of estimation uncertainty that have a risk of causing adjustments to the carrying amounts of assets and liabilities are discussed below.

a) Assessment of appropriate foreign exchange rate

The Group has been using the relevant central bank rate, being the relevant official rate in each jurisdiction for foreign currency translation. On April 24, 2017, the Central Bank of Nigeria (CBN) introduced a special foreign exchange window for investors and exporters, known as the NAFEX market. By introducing the NAFEX window, the CBN created a situation where there are multiple differing official rates in the market. This resulted in a need for the Group to consider the appropriate exchange rates for translating foreign denominated transactions and balances.

The Group considered the requirements of IAS 21 *The Effects of Changes in Foreign Exchange Rates* and also performed an assessment of the availability of the NAFEX rate in the market. The Group's analysis concluded that access to US Dollar in Nigeria in the future to meet payments or dividends is expected to be obtained via the more liquid NAFEX market.

Management applied their judgement in determining when it was most appropriate to switch from CBN rates to NAFEX rates. This judgement was based around whether the Group had sufficient access to the NAFEX market.

Notes to the financial statements (continued)

4. Critical accounting estimates and judgements (continued)

a) Assessment of appropriate foreign exchange rate (continued)

Based on this judgement, management determined that it was appropriate to switch at December 31, 2017. On this basis, the NAFEX rate should be used for the translation of USD denominated balances and for consolidation purposes at 31 December 2017. The CBN rate continued to be applied to income and expenses until 31 December 2017. The NAFEX rate will be adopted for balances and classes of transactions from January 1, 2018.

b) Impairment of property, plant and equipment

The Group assesses its property plant and equipment for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least at every reporting date. Such indicators include changes in the Group's business plans, changes in prices, evidence of physical damage and technological changes and impacts of obsolescence.

If there are rapid changes in technology of the existing telecommunication infrastructure, the Group may need to recognize significant impairment charges. The assessment for impairment entails comparing the carrying value of the assets with its recoverable amount, that is, the higher of the value in use and fair value less costs to sell. Value in use is usually determined on the basis of discounted estimated future net cash flows. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future prices of telecommunication towers equipment, the effects of inflation on operating expenses, discount rates, etc.

Impairment losses of ₦256.98 million and ₦156.64 million (2016: ₦3.67 billion and ₦1.32 billion) has been recognized by the Group and Company respectively to write down the carrying amount of the assets to its recoverable amount.

c) Decommissioning and site restoration provision

Provisions are made for decommissioning and site restoration costs for the telecommunication towers constructed on the Group's leased land. These estimates are based on current construction requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in government legislation, prices when the obligation crystallizes. The following critical judgements have been made:

i. Probability factor of 2% (2016: 2%) which represents a percentage of the estimated number of sites expected to be decommissioned to the total number of sites on leased land.

ii. Inflation rate of 15.9% (2016: 12%).

iii. Discount rate of 17% (2016: 17%) reflecting the pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the decommissioning liability. The cash flows used to arrive at the present value of the decommissioning liability were unadjusted.

Sensitivity analysis

Based on the simulation performed, the impact on post tax loss of a 5% shift in discount rate is given below:

	(Decrease) / increase in profit		(Decrease) / increase in profit	
	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Effect of 5% increase in discount rate on profit or loss	(1,658)	(42,694)	(1,180)	(33,069)
Effect of 5% decrease in discount rate on profit or loss	1,658	42,694	1,180	33,069

d) Deferred taxation

A certain level of judgement is required for recognition of the deferred tax assets. Management is required to assess the ability of the Company to generate future taxable economic earnings that will utilize the deferred tax assets. Assumptions over the generation of future taxable profits depends on management's estimates of future cashflows and applicability of withholding taxes on earned and collected revenue. The estimates are based on the future cash flow from operations taking into consideration the rental income for colocation, growth in tenancy rates, maintenance income and likely diesel variations.

Deferred tax assets amounting to amounting to ₦28.93 billion and ₦27.73 billion (2016: ₦31.21 billion and ₦29.67 billion) have not been recognized by the Group and Company respectively due to uncertainties relating to the timing and amount of future taxable profits.

Notes to the financial statements (continued)

4. Critical accounting estimates and judgements (continued)

e) Impairment of withholding tax assets

The Group's management has determined that the utilization of withholding taxes against future tax liabilities may be in doubt due to uncertainties of immediate future taxable profit position of the entity. Impairment loss of ₦3.06 billion (2016: ₦6.63 billion) has been recognized by the Group and Company during the year.

f) Impairment of trade receivables

The Group reviews trade receivables at least annually and when there is any indication of impairment. Based on the current economic environment and other factors affecting some customers, management expects that the ability of these customers to settle amounts owed to the Company have deteriorated. Impairment losses amounting to ₦2.73 billion (2016: ₦562.99 million) has been recognized by the Group and Company due to uncertainties in the recoverability of outstanding receivables from these customers.

g) Estimation of asset useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment on an annual basis

h) Estimation of asset useful lives of intangible assets

The Group's management determines the estimated useful lives and related amortization charge for its intangible assets with finite lives based on the period of the contractual or other legal rights. Useful lives do not exceed the period of those rights, but may be shorter depending on the period over which the asset is expected to be in use. Intangible assets with indefinite useful lives are not amortised, but are reviewed at each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

i) Valuation of options embedded in IHS Netherlands B.V. listed bond

The Group has analyzed the listed bond issued by IHS Netherlands Holdco B.V. in October 2016 (which the Group is a guarantor to) and notes issued by IHS Netherlands FinCo NG B.V. (formerly Helios Towers Finance Netherlands B.V.) in July 2014 in accordance with IAS 39 and has identified free standing call and put options embedded that required separate valuation.

The Group employed valuation techniques commonly used by market participants to evaluate bonds with embedded options, including discounted cashflow and option pricing models, and make maximum reference to market inputs. The techniques adopted include the major factors that market participants would consider in setting a price and are consistent with accepted economic methodologies for pricing financial instruments. The options are priced using interest-rate option pricing models such as the Hull-White model.

5. Revenue

	Group		Company	
	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
	₦'000	**₦'000**	**₦'000**	**₦'000**
Owned	21,488,439	16,960,461	16,103,044	12,719,073
Managed services	1,403,730	2,746,532	1,416,706	2,746,532
	22,892,169	19,706,993	17,519,750	15,465,605

The Group's revenue accrues from providing telecommunications support services. The Group provides infrastructure sharing and leasing (colocation) and to a limited extent, managed services. Revenue from colocation arrangements includes colocation rental revenue and colocation services. The Group leases out its towers under operating leases over period ranging between 5 and 15 years.

Contingent rents recognized as income were ₦2.52 billion in 2017 (2016: nil).

Notes to the financial statements (continued)

5. Revenue (continued)

The lease component of future minimum rental receipts expected from tenants under non-cancellable colocation operating lease agreements in effect were as follows:

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Within 1 year	6,585,582	10,055,481	4,560,354	7,788,545
Later than 1 year but not later than 5 years	10,357,031	13,849,173	7,171.990	10,726,976
Later than 5 years	-	-	-	-
	16,942,613	23,904,654	11,732,344	18,515,521

Certain customer contracts allow for the cancellation of a proportion of colocation sites during the contract term without payment of termination penalties. The minimum lease payments in the table above assumes that each customer will fully utilize this churn available to them under the contract. Where rentals are denominated in US Dollars, they have been included in the above table at the exchange rate at the reporting date.

6. Cost of sales

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Fuel and diesel	4,460,478	4,870,510	3,442,212	3,772,236
Depreciation (note 14)	2,636,352	3,714,743	1,841,835	2,697,663
Regulatory permits and fees	812,736	174,647	576,556	120,437
Rent	767,958	837,505	641,408	577,545
Repairs and maintenance	650,478	571,274	495,650	442,358
Staff costs (note 8)	641,862	825,075	641,862	825,075
Security	541,095	656,395	354,111	452,652
Impairment loss on property, plant and equipment (note 14)	256,986	3,669,046	156,644	1,318,433
Impairment loss on prepaid land lease (note 17)	43,035	68,923	43,035	68,923
Insurance	34,453	33,452	23,858	23,069
Professional fees	9,365	210,981	6,485	145,493
Other expenses	1,366	56,473	946	38,944
Public power	7,453	53,215	5,161	36,697
	10,863,617	15,742,239	8,229,763	10,519,525

7. Administrative expenses

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Impairment of withholding tax receivable *	3,062,507	6,630,476	3,062,507	6,630,476
Impairment loss on trade receivables (note 20)	2,729,699	562,997	2,729,699	562,997
Staff costs (note 8)	381,743	1,228,121	381,743	1,228,121
One-off decommissioning provision (note 25) **	-	1,058,138	-	285,469
Other expenses	133,613	543,891	78,635	402,187
Professional fees	94,968	625,069	38,055	567,630
Repairs and maintenance	60,816	17,991	36,450	13,380
Rent	54,416	117,163	32,614	78,342
Audit fees	39,040	31,775	24,568	28,000
Travel expenses	16,253	68,493	9,741	50,941
Depreciation (note 14)	29,344	54,880	29,344	54,880
Amortization (note 15)	22,374	20,770	22,374	20,770
Bank charges	17,875	28,894	17,770	20,751
Loss on disposal of property, plant, and equipment (note 14)	6,312	-	6,312	-
	6,648,960	10,988,658	6,469,812	9,943,944

Notes to the financial statements (continued)

7. Administrative expenses (continued)

* This relates to withholding tax credit notes which in management's opinion, cannot be utilised against income tax liabilities in the nearest future.

** This represents a one-off provision for restoring leased sites which were earmarked for decommissioning by management.

8. Staff costs

a) Staff cost comprise:

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Salaries, wages, and allowances	820,898	1,271,559	820,898	1,271,559
Pension costs	75,090	43,754	75,090	43,754
Redundancy costs	-	472,040	-	472,040
Other benefits	127,617	265,843	127,617	265,843
	1,023,605	2,053,196	1,023,605	2,053,196

b) Staff cost was classified as:

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Cost of sales (note 6)	641,862	825,075	641,862	825,075
Administrative expenses (note 7)	381,743	1,228,121	381,743	1,228,121
	1,023,605	2,053,196	1,023,605	2,053,196

c) Employees of the Company, whose duties were wholly or mainly discharged in Nigeria received remuneration (excluding pension contributions and certain benefits) during the period in the following ranges:

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
₦ 200,001 - ₦1,000,000	-	2	-	2
₦ 1,000,001 - ₦ 2,000,000	57	78	57	78
₦ 2,000,001 - ₦ 3,000,000	21	33	21	33
₦ 3,000,001 - ₦4,000,000	24	31	24	31
₦ 4,000,001 - ₦5,000,000	19	20	19	20
₦ 5,000,001 - ₦ 6,000,000	4	5	4	5
Above ₦ 6,000,001	19	26	19	26
	144	195	144	195

9. Other income

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Reversal of decommissioning provision (note 25) *	164,001	-	126,269	-
Insurance claims	960	5,357	960	5,357
Gain on disposal of property, plant, and equipment (note 14)	-	283	-	283
Reversal of impairment loss on trade receivables (note 20)	-	3,388	-	3,388
Reversal of unutilized provisions **	195,524	-	-	-
	360,485	9,028	127,229	9,028

*This represents a one-off reversal of provisions made to decommission and restore leased sites in which Towers equipment are constructed to their original states which are no longer required.

**This represents a one-off reversal of excess provisions which are no longer required.

Notes to the financial statements (continued)

10. Finance income

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Fair value gains on non-deliverable forwards	2,660,843	-	2,660,843	-
Interest income - bank deposits	64,276	152,169	64,276	152,169
Interest income - short term investments	37,507	-	37,507	-
	2,762,626	152,169	2,762,626	152,169

11. Finance cost

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Interest expense - borrowings (see note 24)	354,831	6,681,914	-	-
Interest expense - loans from related parties (see note 28)	7,635,583	1,323,722	8,066,741	8,109,760
Interest expense - decommissioning liability (see note 25)	33,162	145,158	23,599	112,433
Other finance costs *	60,013	3,608,023	60,013	3,608,023
Net foreign exchange losses - unrealized **	14,814,501	27,376,294	14,993,791	27,377,692
	22,898,090	39,135,111	23,144,144	39,207,908

* ₦3.61 billion was paid in 2016 as early redemption premium to certain noteholders of the $250 million 8.375% Guaranteed Senior Notes due 2019 issued by IHS Towers Netherlands FinCo NG B.V. (formerly Helios Towers Finance Netherlands B.V.).

** This relates to unrealized losses from fluctuations in monetary assets and liabilities denominated in foreign currency which were revalued at the end of the year in accordance with IAS 21 The effect of changes in foreign exchange rates.

12. Fair value through profit & loss

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Fair value gains on embedded derivative instruments	3,761,192	3,379,640	3,761,192	3,379,640
	3,761,192	3,379,640	3,761,192	3,379,640

In accordance with IAS 39 Financial Instruments Recognition and Measurement, embedded derivative assets have been measured at fair value through profit or loss. As such, changes in fair value are shown as a separate line item in the statement of profit or loss and other comprehensive income.

13. Foreign exchange gain or losses

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Foreign exchange (loss)/gain	(1,254,699)	47,886	(1,076,734)	47,886
	(1,254,699)	47,886	(1,076,734)	47,886

This relates to net realised gains and losses recognized on settlement of transactions.

Notes to the financial statements (continued)

14. Property, plant and equipment

Group

Cost	Land ₦'000	Buildings ₦'000	Towers and tower equipment ₦'000	Furniture, fittings & equipment ₦'000	Motor Vehicles ₦'000	Work-in-progress ₦'000	Total ₦'000
Balance as at 1 January 2017	72,140	100,236	43,680,049	396,143	311,155	297,952	44,857,675
Additions	58,833	-	66,531	4,618	-	1,218,813	1,348,795
Reclassification	-	-	1,262,862	-	-	(1,262,862)	-
Disposals	-	-	(11,873)	-	-	-	(11,873)
Balance as at 31 December 2017	130,973	100,236	44,997,569	400,761	311,155	253,903	46,194,597
Accumulated depreciation and impairment losses							
Balance as at 1 January 2017	4,151	97,209	25,188,784	381,887	281,814	-	25,953,845
Depreciation	-	3,027	2,636,352	12,174	14,143	-	2,665,696
Impairment	-	-	256,986	-	-	-	256,986
Disposals	-	-	(5,309)	-	-	-	(5,309)
Balance as at 31 December 2017	4,151	100,236	28,076,813	394,061	295,957	-	28,871,218
Net book value as at 31 December 2017	126,822	-	16,920,756	6,700	15,198	253,903	17,323,379
Cost							
Balance as at 1 January 2016	64,541	100,236	41,835,379	396,558	380,028	356,573	43,133,315
Additions	7,599	-	30,963	-	-	1,776,724	1,815,286
Reclassification	-	-	1,835,345	-	-	(1,835,345)	-
Disposals	-	-	(21,638)	(415)	(68,873)	-	(90,926)
Balance as at 31 December 2016	72,140	100,236	43,680,049	396,143	311,155	297,952	44,857,675
Accumulated depreciation and impairment losses							
Balance as at 1 January 2016	3,208	43,022	17,924,173	316,435	301,327	-	18,588,165
Depreciation	943	54,187	3,610,485	65,583	38,425	-	3,769,623
Impairment	-	-	3,669,046	-	-	-	3,669,046
Disposals	-	-	(14,920)	(131)	(57,938)	-	(72,989)
Balance as at 31 December 2016	4,151	97,209	25,188,784	381,887	281,814	-	25,953,845
Net book value as at 31 December 2016	67,989	3,027	18,491,265	14,256	29,341	297,952	18,903,830

Notes to the financial statements (continued)

14. Property, plant and equipment (continued)

Company	**Land**	**Buildings**	**Towers and tower equipment**	**Furniture, fittings & equipment**	**Motor Vehicles**	**Work-in-progress**	**Total**
Cost	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Balance as at 1 January 2017	72,140	100,236	34,934,418	396,143	311,155	297,949	36,112,041
Additions	58,833	-	66,531	4,618	-	1,218,813	1,348,795
Reclassification	-	-	1,262,862	-	-	(1,262,862)	-
Disposals	-	-	(11,873)	-	-	-	(11,873)
Balance as at 31 December 2017	130,973	100,236	36,251,938	400,761	311,155	253,900	37,448,963
Accumulated depreciation and impairment losses							
Balance as at 1 January 2017	4,151	97,209	19,669,905	381,887	281,814	-	20,434,966
Depreciation	-	3,027	1,841,835	12,174	14,143	-	1,871,179
Impairment	-	-	156,644	-	-	-	156,644
Disposals	-	-	(5,309)	-	-	-	(5,309)
Balance as at 31 December 2017	4,151	100,236	21,663,075	394,061	295,957	-	22,457,480
Net book value as at 31 December 2017	126,822	-	14,588,863	6,700	15,198	253,900	14,991,483
Cost							
Balance as at 1 January 2016	64,541	100,236	33,089,748	396,558	380,028	356,570	34,387,681
Additions	7,599	-	30,963	-	-	1,776,724	1,815,286
Reclassification	-	-	1,835,345	-	-	(1,835,345)	-
Disposals	-	-	(21,638)	(415)	(68,873)	-	(90,926)
Balance as at 31 December 2016	72,140	100,236	34,934,418	396,143	311,155	297,949	36,112,041
Accumulated depreciation and impairment losses							
Balance as at 1 January 2016	3,208	43,022	15,772,987	316,435	301,327	-	16,436,979
Depreciation	943	54,187	2,593,405	65,583	38,425	-	2,752,543
Impairment	-	-	1,318,433	-	-	-	1,318,433
Disposals	-	-	(14,920)	(131)	(57,938)	-	(72,989)
Balance as at 31 December 2016	4,151	97,209	19,669,905	381,887	281,814	-	20,434,966
Net book value as at 31 December 2016	67,989	3,027	15,264,513	14,256	29,341	297,949	15,677,075

Work-in-progress comprises mainly of tower equipment still under construction and not yet available for use. The Group transfers such assets to the appropriate asset class once they are available for use. There were no qualifying borrowing costs to be capitalized.

During the year, a total of 18 sites (2016: 278 sites) were earmarked for decommissioning by management and the assets relating to these sites were tested for impairment. Impairment losses of ₦256.99 million and ₦156.64 million (2016: ₦3.67 billion and ₦1.32 billion) has been recognized by the Group and Company respectively to write down the carrying amount of the assets to its recoverable amount. These sites are not live and therefore have no value in use. The recoverable amounts of the assets have been determined with reference to their fair value less cost to sell. Fair values of the assets were based on prices offered by third party vendors. Since this is an unobservable input, the fair value of the assets is classified as level 3 fair value. The impairment loss is included in cost of sales in the statement of profit or loss (see note 6).

Notes to the financial statements (continued)

14. Property, plant and equipment (continued)

14.1. Analysis of depreciation into cost of sales and administrative expenses

	Group		Company	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	₦'000	₦'000	₦'000	₦'000
Cost of sales (note 6)	2,636,352	3,714,743	1,841,835	2,697,663
Administrative expenses (note 7)	29,344	54,880	29,344	54,880
	2,665,696	3,769,623	1,871,179	2,752,543

14.2. Analysis of additions to property, plant and equipment

	Group		Company	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	₦'000	₦'000	₦'000	₦'000
Additions through cash	1,282,264	1,784,323	1,282,264	1,784,323
Additions through increase in decommissioning estimates	66,531	30,963	66,531	30,963
	1,348,795	1,815,286	1,348,795	1,815,286

14.3. Proceeds from sale of property, plant and equipment

	Group		Company	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	₦'000	₦'000	₦'000	₦'000
Cost of the asset	11,873	90,926	11,873	90,926
Accumulated depreciation	(5,309)	(72,989)	(5,309)	(72,989)
(Loss)/gain on disposal of property, plant, and equipment	(6,312)	283	(6,312)	283
Net proceeds from sale of assets	252	18,220	252	18,220

15. Intangible assets

Group and Company

	Software	Licenses	Total
Cost	₦'000	₦'000	₦'000
At 1 January 2017	128,307	2,301	130,608
Additions	48,905	-	48,905
At 31 December 2017	177,212	2,301	179,513
Accumulated amortization			
At 1 January 2017	122,501	1,969	124,470
Charge for the year	22,155	219	22,374
At 31 December 2017	144,656	2,188	146,844
Net book value as at 31 December 2017	32,556	113	32,669
At 1 January 2016	108,243	1,941	110,184
Additions	20,064	360	20,424
At 31 December 2016	128,307	2,301	130,608
Accumulated amortization			
At 1 January 2016	101,961	1,739	103,700
Charge for the year	20,540	230	20,770
At 31 December 2016	122,501	1,969	124,470
Net book value as at 31 December 2016	5,806	332	6,138

Amortization charge is included in administrative expense (note 7).

Notes to the financial statements (continued)

16. Investments in subsidiaries

	Type of Investment	Country of Incorporation	% Holding	₦'000
IHS Towers Netherlands FinCo NG B.V.	Direct	Netherlands	100.00	466,125
Tower Infrastructure Company Limited	Direct	Nigeria	100.00	1,000
				467,125

IHS Towers Netherlands FinCo NG B.V. is a special purpose vehicle registered in the Netherlands for the issuance of the Company's bonds.

The principal activity of Tower Infrastructure Company Limited is the acquisition and leasing of telecommunications infrastructure to telecommunications and other service providers.

17. Prepaid land rent

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Balance, as at 1 January	1,309,291	1,451,523	1,309,291	1,451,523
Additions	955,943	509,983	955,943	509,983
Amortization	(697,251)	(583,292)	(697,251)	(583,292)
Impairment (note 7)	(43,035)	(68,923)	(43,035)	(68,923)
Balance, as at 31 December	1,524,948	1,309,291	1,524,948	1,309,291
Due within 12 months	479,521	525,642	479,521	525,642
Due after 12 months	1,045,427	783,649	1,045,427	783,649
	1,524,948	1,309,291	1,524,948	1,309,291

The Group leases land on which its towers are situated under long-term operating leases with rentals paid in advance for periods of over 5 years. The minimum lease payments on leasehold land are as follows:

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Within 1 year	853,635	384,776	853,635	384,776
Later than 1 year but not later than 5 years	1,332,267	2,333,073	1,332,267	2,333,073
Later than 5 years	3,480,912	3,462,425	3,480,912	3,462,425
	5,666,814	6,180,274	5,666,814	6,180,274

18. Inventories

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Stock of materials	715,681	539,677	715,681	539,677

The cost of inventories recognized as cost of sales for the Group and Company during the year was ₦4.46 billion and ₦3.44 billion respectively (2016: Group ₦4.87 billion, Company ₦3.77 billion)

19. Derivative financial instruments

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Embedded options (see (a) below)	4,161,408	238,986	4,161,408	238,986
Non-deliverable forwards (see (b) below)	1,197,647	-	1,197,647	-
	5,359,055	238,986	5,359,055	238,986

Notes to the financial statements (continued)

19. Derivative financial instruments (continued)

Movement in embedded options:

	Group		Company	
	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
	₦'000	**₦'000**	**₦'000**	**₦'000**
Balance, as at 1 January	238,986	-	238,986	-
Initial value of options	-	(191,503)	-	(191,503)
Fair value adjustments	3,761,192	430,175	3,761,192	430,175
Revaluation gains	161,230	314	161,230	314
Balance, as at 31 December	4,161,408	238,986	4,161,408	238,986

This represents the fair value of the put and call options embedded within the terms of the IHS Netherlands Holdco B.V. listed bond. The call options give the Group the right to redeem the bond instruments at a date prior to the maturity date (27 October 2021), under certain conditions and at a premium over the initial notional amount. The put option provides the holders with the right (and the group with an obligation) to settle the bonds before their redemption date in the event of a change in control or major asset sale, and at a premium over the initial notional amount.

The key assumptions in determining the fair value are, the initial fair value of the bond (assumed to be priced at 100% on issue date), the credit spread (derived using Bloomberg analytics at issuance and based on credit market data thereafter), the yield curve and the probabilities of a change in control (20% assumed) and a major asset sale, as defined in the terms of the Holdco Notes, (0% assumed). The probabilities relating to change of control and major asset sale represent a reasonable expectation of those events occurring that would be held by a market participant.

The fair values are categorised as level 2 in the fair valuation hierarchy of IFRS 13 and classified as current assets.

Movement in non-deliverable forwards:

	Group		Company	
	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
	₦'000	**₦'000**	**₦'000**	**₦'000**
Balance, as at 1 January	-	-	-	-
Fair value changes on underlying notional value (note 10)	2,660,843	-	2,660,843	-
Realised profits	(1,463,196)	-	(1,463,196)	-
Balance, as at 31 December	1,197,647	-	1,197,647	-

These are short term forward contracts entered into by the Group for the purchase of foreign exchange at agreed future dates. They are measured at fair values (marked-to-market) at each reporting period by reference to the spot exchange rate at the relevant reporting date with the resultant gains recognized in profit or loss under finance income. The spot exchange rate is obtained from the FMDQ OTC Securities Exchange which is a regulated over-the-counter fixed income securities exchange in Nigeria.

The fair values are classified as current assets.

20. Trade and other receivables

	Group		Company	
	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
	₦'000	**₦'000**	**₦'000**	**₦'000**
Trade receivables	7,832,349	8,807,717	7,832,349	8,807,717
Other receivables *	1,108,202	110,844	1,088,913	110,844
Less: impairment allowance	(3,422,528)	(692,830)	(3,422,528)	(692,830)
Net trade and other receivables	**5,518,023**	**8,225,731**	**5,498,734**	**8,225,731**
Margins on financial derivatives **	832,691	-	832,691	-
Advance payments	494,376	-	494,376	-
Prepaid expenses	43,761	91,300	46,572	81,507
Withholding tax receivable	14,908	690,727	-	700,000
	6,903,759	9,007,758	6,872,373	9,007,238

* Other receivables includes ₦1.01 billion (2016: nil) relating to amounts held in bank accounts which the Group is not currently able to access and consequently they no longer meet the criteria of “cash and cash equivalents”. This relates to certain “post no debit” instructions in respect of some of our accounts, received by our banks from the Economic and Financial Crimes Commission (EFCC), with whom the Group is currently co-operating with in relation to certain information requests.

To our knowledge, no formal allegation or investigation against the Group has been notified to us as part of the EFCC’s inquiries, and we continue to fully co-operate with the EFCC’s information requests, while working constructively with them to understand the basis of their actions in respect of our accounts.

Notes to the financial statements (continued)

20. Trade and other receivables (continued)

As at 31 December 2017 there are also amounts of ₦1.2 billion related to derivative financial instruments and ₦832.69 million relating to margin deposit receivables, the cash flows for which will flow into restricted bank accounts.

The Group currently expects that the “post no debit” on the affected accounts will be released once the EFCC’s enquiries are completed. It is however not possible at this time to predict the matter's likely duration or outcome.

**These are initial margin deposits on the outstanding non-deliverable forward contracts purchased by the Group analyzed as follows:

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Gross initial margins deposited	1,319,642	-	1,319,642	-
Margins received on settlement	(486,951)	-	(486,951)	-
Balance, as at 31 December	832,691	-	832,691	-

The movement in the allowance for impairment in respect of trade and other receivables during the year is as follows:

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Balance, as at 1 January	692,830	712,920	692,830	712,920
Impairment charges recognized (note 7)	2,729,699	562,997	2,729,699	562,997
Impairment losses written-off	-	(579,699)	-	(579,699)
Impairment reversals (note 9)	-	(3,388)	-	(3,388)
Balance, as at 31 December	3,422,529	692,830	3,422,529	692,830

21. Cash and cash equivalents

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Bank and cash balances	2,892,657	2,931,183	2,695,697	2,915,885
Short term investments *	2,495,945	-	2,495,945	-
	5,388,602	2,931,183	5,191,642	2,915,885

* This represents investments in treasury bill securities with tenors less than 90 days.

22. Share capital

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Authorized:				
112,000,000 ordinary shares of 50k each	56,000	56,000	56,000	56,000
Issued and fully paid:				
70,772,330 ordinary shares of 50k each	35,386	35,386	35,386	35,386

Ordinary shares have a par value of 50 kobo and rank equally pari passu. They entitle the holder to one vote per share at meetings of the Company, to participate in dividends as declared from time to time, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

23. Share premium

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Balance as at beginning and end of year	17,274,663	17,274,663	17,274,663	17,274,663

Notes to the financial statements (continued)

24. Borrowings

a) Group

	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Balance, as at 1 January	4,081,531	49,246,762
Interest expense (note 11)	354,831	6,681,914
Repayments – principal	-	(72,265,175)
Repayments – interest	(334,331)	(7,531,984)
Effect of changes in exchange rate	753,877	27,950,014
Balance, as at 31 December	4,855,908	4,081,531

	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Due within 12 months	184,919	1,393,859
Due after 12 months	4,670,989	2,687,672
	4,855,908	4,081,531

This represents the outstanding $13.065 million Guaranteed Senior Notes due 2019 issued through IHS Towers Netherlands FinCo NG B.V. The facility attracts interest at an annual rate of 8.375% payable semi-annually. Principal is repayable at the maturity date (15 July 2019).

The Notes constitute senior unsecured obligations of IHS Towers Netherlands FinCo NG B.V. and rank pari passu in right of payment with all existing and future indebtedness that is not subordinated in right of payment to the Notes (including the guarantee of the $120 million revolving credit facility of IHS Holding Limited entered on 25 August 2016, as amended (the 'IHS Holding RCF').

The Notes are unconditionally guaranteed jointly and severally by IHS Towers Nigeria Limited and Tower Infrastructure Company Limited (the ''Guarantors''). The guarantees will rank pari passu in right of payment with all existing and future Indebtedness of each Guarantor that is not subordinated in right of payment to such guarantee (including each Guarantor's guarantee of the IHS Holding RCF).

25. Decommissioning and site restoration provision

This relates to the probable obligation that the Group and Company may incur on the land in which its Towers equipment are constructed. The amount recognized initially is the present value of the estimate of the amount that will be required to decommission and restore the leased sites to the original states, discounted using the effective borrowing rate of the Group. The amount provided for each site has been discounted based on the respective lease terms attached to each site.

The provisions have been created based on the decommissioning experts, estimates and management's experience of the specific situations. Assumptions based on the current economic environment have been made, and management believes they are a reasonable basis upon which to estimate the future liability.

These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend on future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time.

Furthermore, the timing of decommissioning is likely to depend on when the lease term is terminated without renewal. This, in turn, will depend on technological changes in local and international telecommunication industry which are inherently uncertain.

The discount rate used in the calculation of the provision is 17% (2016: 17%). Sensitivity analysis has been performed in note 4

The movement in the account during the year is as follows:

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Balance, as at 1 January	1,315,099	80,840	475,981	47,116
Unwinding of interest (note 11)	33,162	145,158	23,599	112,433
Additions and other changes in estimates	66,531	30,963	66,531	30,963
One-off provision (note 7)	-	1,058,138	-	285,469
Reversal of provisions no longer required (note 9)	(164,001)	-	(126,269)	-
Balance, as at 31 December	1,250,791	1,315,099	439,842	475,981
Due within 12 months	1,192,922	1,058,138	418,590	285,469
Due after 12 months	57,869	256,961	21,252	190,512
	1,250,791	1,315,099	439,842	475,981

Notes to the financial statements (continued)

26. Trade and other payables

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Trade creditors and accruals	3,217,674	2,198,553	3,212,439	2,007,442
Other creditors	535,690	627,776	525,987	627,776
Withholding tax	166,539	155,557	166,539	155,557
Value added tax	637,726	450,999	637,726	450,999
	4,557,629	3,432,885	4,542,691	3,241,774

27. Taxation

a) The movement in the current income tax liability is as follows:

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Balance, as at 1 January	409,347	176,712	126,035	126,035
Charge for the year (see (b) below)	454,968	293,505	25,957	-
Payments made during the year	(281,895)	(60,870)	-	-
Tax offsets	(2,885)	-	-	-
Balance, as at 31 December	579,535	409,347	151,992	126,035

b) Charge for the year

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Company income tax	360,195	248,814	-	-
Tertiary education tax	94,773	44,691	25,957	-
Total current taxes on income	454,968	293,505	25,957	-
Deferred taxes (see note 31) *	-	(1,015,012)	-	(1,015,012)
Total current tax on income statement	454,968	(721,507)	25,957	(1,015,012)

* This relates to the deferred tax liability arising from day one gains recognized on related party loans received at below market rates. The charge is recognized directly in equity (see note 31).

c) Reconciliation of effective tax

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Loss before tax	(11,888,894)	(42,570,292)	(14,749,656)	(40,617,049)
Tax charge at 32%	(3,804,446)	(13,622,493)	(4,719,890)	(12,997,456)
Tax effects of:				
Expenses not subjected to tax	1,122,495	2,799,678	1,196,987	2,242,105
Tax losses and other temporary differences	3,136,919	10,101,308	3,548,860	9,740,339
	454,968	(721,507)	25,957	(1,015,012)

- Provision for income tax is computed on the basis Company's income tax rate of 30% in accordance with the provisions of Companies Income Tax Act.
- Education tax represents 2% of assessable profit in accordance with the provisions of the Education Tax Act.
- The Company has applied a tax rate of 32% (2016: 32%) which reflects the Company's effective tax rate as a result of using the applicable tax rates to compute its various tax liabilities.

d) Deferred tax

The Group and Company have unrecognized net deferred tax assets amounting to ₦35.36 billion and ₦34.41 billion (2016: ₦31.21 billion and ₦29.67 billion) respectively arising from unutilized tax losses, unutilized capital allowances and unrealized exchange differences. No deferred tax asset has been recognized due to uncertainties relating to the timing and amount of future taxable profits.

Notes to the financial statements (continued)

28. Related party disclosure

IHS Holding Limited is the ultimate parent of the Company. It holds 100% of the ordinary shares in issue as at 31 December 2017 through a special purpose vehicle entity IHS Netherlands NG2 B.V. It has the right to appoint the Board members and controls the day to day activities and major financial decisions.

IHS Towers Netherlands FinCo NG B.V. (100%) and Tower Infrastructure Company Limited (100%) are subsidiaries of IHS Towers NG Limited.

IHS Nigeria Limited, INT Towers Limited, IHS Netherlands Holdco B.V. and IHS Netherlands Cooperatief U.A. are subsidiaries of IHS Holding Limited.

On 23 February 2017, MTN Group exchanged its 51% interest in Nigeria Tower InterCo B.V., the parent Company of INT Towers Limited for an additional shareholding in IHS Holding Limited (IHS Group) ("the transaction"). As a result of the transaction, the economic interest of MTN Group in IHS Group increased to approximately 29% comprising class A voting shares and class B non-voting shares. The original IHS Group shareholders' agreement however remains in place allowing IHS Group retain its independence as an operator. IHS Group has the right to decide what strategic, financial, and operational information is shared with MTN Group. The transaction also does not allow MTN Group appoint a board member to IHS Group. MTN Group therefore has no significant influence over the financial and operating policy decisions of IHS Group and consequently, MTN Nigeria Communications Limited (a subsidiary company of MTN Group) ceased to be a related party of the Group.

The following transactions were carried out with related parties:

a) Sale of goods and services

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Sales to MTN Nigeria Communications Limited	1,534,750	4,180,094	1,197,429	3,226,416

Services are delivered based on the price lists in force and terms that would be available to third parties.

b) Purchase of goods and services

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Purchases from MTN Nigeria Communications Limited	453	-	453	-

Goods and services are bought on normal commercial terms and conditions.

c) Year-end balances arising from expenses/recharges incurred on behalf of related parties

Amounts due from:	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Tower Infrastructure Company Limited	-	-	2,851,439	6,069,909
IHS Holding Limited	35,448	72,514	85,731	72,514
MTN Nigeria Communications Limited *	-	2,160,886	-	2,160,886
	35,448	2,233,400	2,937,170	8,303,309

Amounts due from related parties are repayable on demand and have been classified as current assets.

*Year-end balances arising from transactions with MTN Nigeria Communications Limited are presented as part of trade receivables.

Amounts due to:	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
IHS Nigeria Limited	1,368,720	2,271,208	1,377,024	2,271,208
INT Towers Limited	1,103,122	451,063	1,103,122	451,063
IHS Netherlands Holdco B.V.	178,883	-	-	-
IHS Netherlands Cooperatief U.A.	17,486	-	-	-
IHS Towers Netherlands FinCo NG B.V.	-	-	15,464	-
	2,668,211	2,722,271	2,495,610	2,722,271

Amounts due to related parties are repayable on demand and have been classified as current liabilities.

Notes to the financial statements (continued)

28. Related party disclosure (continued)

d) Loans from related parties

(i) IHS Netherlands Holdco B.V.

	Group		Company	
	31-Dec-17 **₦'000**	**31-Dec-16** **₦'000**	**31-Dec-17** **₦'000**	**31-Dec-16** **₦'000**
Balance, as at 1 January	71,238,804	-	71,238,804	-
Advanced during the year	-	72,265,175	-	72,265,175
Transaction costs paid	(112,670)	(2,003,114)	(112,670)	(2,003,114)
Transaction costs recharged	161,711	-	161,711	-
Fair value of embedded derivative	-	(191,189)	-	(191,189)
Amortised interest	7,427,875	1,286,876	7,427,875	1,286,876
Repayments – interest	(6,979,877)	-	(6,979,877)	-
Effects of changes in exchange rate	13,349,704	(118,944)	13,349,704	(118,944)
Balance, as at 31 December	85,085,547	71,238,804	85,085,547	71,238,804

On 27 October 2016, the Company received $236.94 million from the $800 million 9.5% Senior Notes due 2021 issued by IHS Netherlands Holdco B.V. The facility attracts interest at an annual interest rate of 9.5% plus a margin of 0.15% payable semi-annually. The principal is repayable at maturity date (27 October 2021).

The proceeds were used to, among other things, settle principal amounts due to holders that tendered outstanding $250 million 8.375% Guaranteed Senior Notes due 2019 issued by IHS Towers Netherlands FinCo NG B.V. $236.94 million in principal amount of the $250m bond was repaid on 27 October 2016.

The Notes are fully and unconditionally guaranteed jointly and severally on a senior basis by IHS Netherlands NG1 B.V., IHS Nigeria Limited, IHS Netherlands NG2 B.V., IHS Towers NG Limited, Tower Infrastructure Company Limited and IHS Towers Netherlands FinCo NG B.V. The Guarantees will rank equal in right of payment with all of each Guarantor's existing and future senior indebtedness.

Maintenance covenants of the Notes, amongst other things, restricts each of the Guarantors to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- make certain restricted payments and investments, including dividends or other distributions;
- create or incur certain liens;
- enter into agreements that restrict the ability of restricted subsidiaries to pay dividends;
- transfer or sell certain items;
- merge or consolidate with other entities; and
- enter into certain transactions with affiliates.

(ii) IHS Holding Limited

	Group		Company	
	31-Dec-17 **₦'000**	**31-Dec-16** **₦'000**	**31-Dec-17** **₦'000**	**31-Dec-16** **₦'000**
Balance, as at 1 January	2,180,822	-	2,180,822	-
Advanced during the year	-	5,322,027	-	5,322,027
Fair value adjustments	-	(3,171,912)	-	(3,171,912)
Amortised interest	207,708	36,846	207,708	36,846
Effects of changes in exchange rate	434,721	(6,139)	434,721	(6,139)
Balance, as at 31 December	2,823,251	2,180,822	2,823,251	2,180,822

On 27 October 2016, the Company received $17.45 million from IHS Holding Limited. The facility has a tenor of 8 years from issue date and principal is repayable in full at the maturity date (26 October 2026). The proceeds were used to amongst other things, settle interest and premiums due to holders that tendered outstanding $250 million 8.375% Guaranteed Senior Notes due 2019 issued by IHS Towers Netherlands FinCo NG B.V.

(iii) IHS Towers Netherlands FinCo NG B.V.

	Company	
	31-Dec-17 **₦'000**	**31-Dec-16** **₦'000**
Balance, as at 1 January	5,014,630	49,246,762
Amortised interest	431,158	6,786,038
Repayments – principal	-	(72,265,175)
Repayments – interest	(353,966)	(6,704,407)
Effects of changes in exchange rate	933,483	27,951,412
Balance, as at 31 December	6,025,305	5,014,630

Notes to the financial statements (continued)

28. Related party disclosure (continued)

d) Loans from related parties (continued)

(iii) IHS Towers Netherlands FinCo NG B.V. (continued)

This represents the outstanding $13.065 million 8.375% Guaranteed Senior Notes due 2019 issued by the Group through IHS Towers Netherlands FinCo NG B.V. (see note 24 Borrowings). The outstanding notes attract interest at an annual interest rate of 8.375% plus a margin of 0.164% payable semi-annually. Principal is repayable at the maturity date (15 July 2019).

All loans are interest bearing and are recognized at amortised costs. No loans were advanced to key management staff during the year.

Summary of loan from related parties

	Group		Company	
	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
Current	**₦'000**	**₦'000**	**₦'000**	**₦'000**
IHS Netherlands Holdco B.V.	1,468,843	1,237,717	1,469,843	1,237,717
IHS Towers Netherlands FinCo NG B.V.	-	-	188,540	159,473
	1,468,843	1,237,717	1,658,383	1,397,190
Non-current				
IHS Netherlands Holdco B.V.	83,615,704	70,001,087	83,615,704	70,001,087
IHS Holding Limited	2,823,251	2,180,822	2,823,251	2,180,822
IHS Towers Netherlands FinCo NG B.V.	-	-	5,836,765	4,855,157
	86,438,955	72,181,909	92,275,720	77,037,066

e) Key management compensation

Key management includes Directors (executive and non-executive), and the Company Secretary. There was no compensation paid or payable to key management for employee services in the current year.

	Group		Company	
	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
	₦'000	**₦'000**	**₦'000**	**₦'000**
Salaries and other short-term benefits	-	167,374	-	167,374

Directors' remuneration

	Group		Company	
	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
	₦'000	**₦'000**	**₦'000**	**₦'000**
Fees and remuneration	-	140,241	-	140,241
Other emoluments	-	27,133	-	27,133
	-	167,374	-	167,374

Directors remuneration disclosed includes:

	Group		Company	
	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
	₦'000	**₦'000**	**₦'000**	**₦'000**
Chairman	-	2,550	-	2,550
Highest paid director	-	82,927	-	82,927
	-	85,477	-	85,477

Notes to the financial statements (continued)

28. Related party disclosure (continued)

e) Key management compensation (continued)

The remuneration of all other directors fell in the ranges below:

	Group		Company	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	Number	Number	Number	Number
₦500,001 - ₦2,000,000	-	5	-	5
₦2,000,001 - ₦10,000,000	-	1	-	1
₦10,000,000 and above	-	2	-	2
	-	8	-	8

29. Cash generated from operations

		Group		Company	
	Note	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Reconciliation:					
Loss before taxation		(11,888,894)	(42,570,292)	(14,749,656)	(40,617,049)
Adjustments:					
Depreciation on property, plant and equipment	14	2,665,696	3,769,623	1,871,179	2,752,543
Amortization of intangible assets	15	22,374	20,770	22,374	20,770
Amortization of prepaid land rent	17	697,251	583,292	697,251	583,292
Net impairment charge on trade receivables	20	2,729,699	559,609	2,729,699	559,609
Write-off of withholding tax assets	7	3,062,507	6,630,476	3,062,507	6,630,476
Impairment loss on property, plant and equipment	7	256,986	3,669,046	156,644	1,318,433
Insurance claims	9	(960)	(5,357)	(960)	(5,357)
Impairment loss on prepaid land lease	17	43,035	68,923	43,035	68,923
One-off decommissioning provision	7	-	1,058,138	-	285,469
Reversal of decommissioning provision	25	(164,001)	-	(126,269)	-
Loss/(gain) on disposal of property, plant and equipment	14	6,312	(283)	6,312	(283)
Fair value gains on foreign exchange derivatives	10	(2,660,843)	-	(2,660,843)	-
Interest income - bank deposits	10	(64,276)	(152,169)	(64,276)	(152,169)
Finance costs	11	22,898,090	39,135,111	23,144,144	39,207,908
Fair value through profit or loss	12	(3,761,192)	(3,379,640)	(3,761,192)	(3,379,640)
Realised loss on foreign currency purchase		618,656	-	618,656	-
		14,460,440	**9,387,247**	**10,988,605**	**7,272,925**
Changes in working capital:					
Increase in inventories		(176,004)	(225,675)	(176,004)	(225,675)
Increase in trade and other receivables net of impairment charges		(2,366,861)	(3,550,265)	(2,302,826)	(3,504,350)
Decrease in due from related parties		47,959	69,616	3,216,146	2,247,670
Decrease/(increase) in due to related parties		285,564	3,008,442	(64,950)	2,722,271
Increase/(decrease) in trade and other payables		1,132,824	151,969	1,308,997	(575,252)
Decrease/(increase) in working capital		(1,076,518)	(545,913)	1,981,363	664,664
Cash generated from operations		**13,383,922**	**8,841,334**	**12,969,968**	**7,937,589**

30. Net debt reconciliation

	Group		Company	
	31-Dec-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Cash and cash equivalents	5,388,602	2,931,183	5,191,642	2,915,885
Borrowings - repayable within one year	(184,919)	(1,393,859)	-	-
Related party loans - repayable within one year	(1,469,843)	(1,237,717)	(1,658,383)	(1,397,190)
Borrowings - repayable after one year	(4,670,989)	(2,687,672)	-	-
Related party loans - repayable after one year	(86,438,955)	(72,181,909)	(92,275,720)	(77,037,066)
Net debt	**(87,376,104)**	**(74,569,974)**	**(88,742,461)**	**(75,518,371)**

Notes to the financial statements (continued)

30. Net debt reconciliation (continued)

Group	Cash and cash equivalents	Related party loans	Borrowings	Total
	₦'000	₦'000	₦'000	₦'000
Net debt, beginning of the year	2,931,183	(73,419,626)	(4,081,531)	(74,569,974)
Cash flows	2,397,932	7,092,547	334,331	9,824,810
Foreign exchange adjustments	59,487	(13,784,425)	(753,877)	(14,478,815)
Other non-cash movements	-	(7,797,294)	(354,831)	(8,152,125)
Net debt, end of the year	5,388,602	(87,908,798)	(4,855,908)	(87,376,104)

Company	Cash and cash equivalents	Related party loans	Total
	₦'000	₦'000	₦'000
Net debt, beginning of the year	2,915,885	(78,434,256)	(75,518,371)
Cash flows	2,246,238	7,446,513	9,692,751
Foreign exchange adjustments	29,519	(14,717,908)	(14,688,389)
Other non-cash movements	-	(8,228,452)	(8,228,452)
Net debt, end of the year	5,191,642	(93,934,103)	(88,742,461)

31. Other capital reserves

Group	Related party loans fair value adjustment	Foreign exchange translation reserve	Share based payment reserve	Total
	₦'000	₦'000	₦'000	₦'000
Balance, as at 1 January 2016	-	-	408,794	408,794
Other comprehensive income for the year	-	286,171	-	286,171
Related party loan fair value adjustment	3,171,912	-	-	3,171,912
Deferred tax (see note 27)	(1,015,012)			(1,015,012)
Reclassification to retained earnings	-	-	(408,794)	(408,794)
Balance, as at 31 December 2016	2,156,900	286,171	-	2,443,071
Balance, as at 1 January 2017	2,156,900	286,171	-	2,443,071
Other comprehensive income for the year	-	177,913	-	177,913
Balance, as at 31 December 2017	2,156,900	464,084	-	2,620,984

Company	Related party loans fair value adjustment	Share based payment reserve	Total
	₦'000	₦'000	₦'000
Balance, as at 1 January 2016	-	408,794	408,794
Related party loan fair value adjustment	3,171,912	-	3,171,912
Deferred tax (see note 27)	(1,015,012)	-	(1,015,012)
Reclassification to retained earnings	-	(408,794)	(408,794)
Balance, as at 31 December 2016	2,156,900	-	2,156,900
Balance, as at 1 January 2017	2,156,900	-	2,156,900
Other comprehensive income for the year	-	-	-
Balance, as at 31 December 2017	2,156,900	-	2,156,900

Related party loans fair value gain

It is a non-distributable reserve which relates to the difference between the fair value and actual proceed of related party loans.

Foreign exchange translation reserve

It is a non-distributable reserve that harbors the exchange movement in the translation of IHS Towers Netherlands FinCo NG B.V. which is a foreign subsidiary.

Notes to the financial statements (continued)

31. Other capital reserves (continued)

Share based payment reserve

It is a non-distributable reserve which relates to the share option plan for former key management staff of the Company. Awards of shares of Helios Towers Mauritius Holdings Limited are granted under the plan in the form of conditional rights to receive shares on fulfilment of performance obligations set. No payment is made for awards.

In 2016, all outstanding obligations settled by the former shareholders (Helios Towers Plc) and the balance in the reserve written back to retained earnings.

32. Events after reporting date

There are no events after the reporting date that need to be disclosed in accordance with IAS 10 Events after the reporting period.

33. Contingent liabilities and capital commitments

There are law suits pending against the Company in various courts of law. The law suits are being handled by external counsel. The contingent liabilities in respect of litigations and claims amounted to ₦1.15 billion (2016: ₦459.42 million). Based on legal advice received, the Directors are of the view that the Company's liability is not likely to crystallize, thus no provisions have been made in these financial statements.

The Group and Company were committed to the supply of property, plant and equipment of about ₦235.86 million (2016: Nil) as at the reporting date.

34. Changes in presentation

Changes were made to the presentation of certain items in the financial statements for prior year to enhance the inter-period comparability of information. Details of the changes are as shown below:

Statement of Profit or Loss and Other Comprehensive Income

Group 2016	**Prior presentation ₦'000**	**Reclassification * ₦'000**	**Current presentation ₦'000**
Cost of sales	12,004,270	3,737,969	15,742,239
Administrative expenses	14,726,627	(3,737,969)	10,988,658
	26,730,897	-	26,730,897

Company 2016	**Prior presentation ₦'000**	**Reclassification * ₦'000**	**Current presentation ₦'000**
Cost of sales	9,132,169	1,387,356	10,519,525
Administrative expenses	11,331,300	(1,387,356)	9,943,944
	20,463,469	-	20,463,469

* This represents the sum of impairment charges on property plant and equipment (Group: ₦3.67 billion, Company ₦1.32 billion) and prepaid land lease (Group and Company ₦68.92 million) previously classified as administrative expenses. These impairment charges relate to towers, tower equipment, and unexpired leases on non-live sites which were earmarked for decommissioning. The impaired assets are core to the business operations of the Group and directly attributable to revenues generated. As a result, impairment charges on these assets have been classified as cost of sales in the current year.

Other National Disclosures

Statement of Value Added

Group	**31-Dec-17**		**31-Dec-16**	
	₦'000		**₦'000**	
Revenue	22,892,169		19,706,993	
Other income	360,485		9,028	
Finance income	2,762,626		152,169	
	26,015,280		19,868,190	
Purchase of goods and services (All local)	(26,202,085)		(22,536,685)	
Value added	**(186,805)**		**(2,668,495)**	
Distribution				
	31-Dec-17		**31-Dec-16**	
Employees	**₦'000**	**%**	**₦'000**	**%**
Salaries and benefits	1,023,605	(548)	2,053,196	(77)
Provider of funds				
Interest	7,990,414	(4,277)	34,058,208	(1,276)
Government				
Taxation	454,968	(244)	(721,507)	27
Retained for the future				
Replacement of PPE	2,665,696	(1,427)	3,769,623	(141)
Replacement of intangible asset	22,374	(12)	20,770	(1)
Reserves	(12,343,862)	6,608	(41,848,785)	1,568
	(186,805)	**100**	**(2,668,495)**	**100**

Company	**31-Dec-17**		**31-Dec-16**	
	₦'000		**₦'000**	
Revenue	17,519,750		15,465,605	
Other income	127,229		9,028	
Finance income	2,762,626		152,169	
	20,409,605		15,626,802	
Purchase of goods and services (All local)	(24,175,362)		(13,899,866)	
Value added	**(3,765,757)**		**1,726,936**	
Distribution				
	31-Dec-17		**31-Dec-16**	
Employees	**₦'000**	**%**	**₦'000**	**%**
Salaries and benefits	1,023,605	(27)	2,053,196	119
Provider of funds				
Interest	8,066,741	(214)	35,487,452	2,055
Government				
Taxation	25,957	(1)	1,015,012	59
Retained for the future				
Replacement of PPE	1,871,179	(50)	2,752,543	159
Replacement of intangible asset	22,374	(1)	20,770	1
Reserves	(14,775,613)	393	(39,602,037)	(2,293)
	(3,765,757)	**100**	**1,726,936**	**100**

Other National Disclosures

Financial Summary

Group	**2017**	**2016**	**2015**	**2014**	**2013**
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Revenue	**22,892,169**	**19,706,993**	**14,676,436**	**11,462,974**	**15,359,541**
Results from operating activities	8,246,570	(3,587,350)	5,972,378	695,076	7,634,050
Net finance expense	(20,135,464)	(38,982,942)	(8,010,049)	(14,339,202)	(4,864,322)
Profit/(loss) on ordinary activities before taxation	(11,888,894)	(42,570,292)	(2,037,671)	(13,644,126)	2,769,728
Taxation	(454,968)	721,507	(97,072)	(523,300)	(195,058)
Profit/(loss) for the year	(12,343,862)	(41,848,785)	(2,134,743)	(14,167,426)	2,574,670
Assets employed:					
Non-current assets	22,562,883	19,932,603	31,172,094	32,025,717	33,256,861
Current assets	14,720,658	13,076,774	11,555,391	6,318,379	5,837,463
Total assets	37,283,541	33,009,377	42,727,485	38,344,096	39,094,324
Financed by:					
Equity	(64,537,331)	(52,371,382)	(12,965,668)	(10,830,925)	3,336,501
Non-current liabilities	91,167,813	75,126,542	50,401,548	45,119,866	23,195,174
Current liabilities	10,653,059	10,254,217	5,291,605	4,055,155	12,562,649
Total equity and liabilities	37,283,541	33,009,377	42,727,485	38,344,096	39,094,324

Company	**2017**	**2016**	**2015**	**2014**	**2013**
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Revenue	**17,519,750**	**15,465,605**	**11,732,491**	**9,350,884**	**14,743,129**
Results from operating activities	5,631,862	(1,561,310)	6,623,943	1,403,207	7,964,401
Net finance expense	(20,381,518)	(39,055,739)	(8,082,842)	(14,208,694)	(4,864,322)
Profit/(loss) on ordinary activities before taxation	(14,749,656)	(40,617,049)	(1,458,899)	(12,805,487)	3,100,079
Taxation	(25,957)	1,015,012	-	(523,300)	(195,058)
(Loss)/profit for the year	(14,775,613)	(39,602,037)	(1,458,899)	(13,328,787)	2,905,021
Assets employed:					
Non-current assets	20,698,112	17,172,973	25,091,166	26,688,650	26,901,874
Current assets	17,394,034	19,130,865	19,802,354	13,160,053	12,522,801
Total assets	38,092,146	36,303,838	44,893,520	39,848,703	39,424,675
Financed by:					
Equity	(63,472,092)	(48,696,479)	(11,251,342)	(9,792,443)	3,666,852
Non-current liabilities	92,296,972	77,227,578	50,367,824	45,119,866	23,195,174
Current liabilities	9,267,266	7,772,739	5,777,038	4,521,280	12,562,649
Total equity and liabilities	38,092,146	36,303,838	44,893,520	39,848,703	39,424,675