

GALAXY BACKBONE LIMITED

**FINANCIAL STATEMENTS
31 DECEMBER 2023**

GALAXY BACKBONE LIMITED

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GALAXY BACKBONE LIMITED

CORPORATE INFORMATION

Registration Number: 656992

Directors:

Mr. Boss Mustapha	- Chairman	-Replaced 1st June, 2023
Prof. Muhammed Bello Abubakar	- MD/CEO	-Tenure expired 22nd December, 2023
Mr. Adamu D. Umar Gokaru	- Executive Director	-Retired 18th August, 2023
Mr. Owoicho Igoji	- Executive Director	-Retired 17th September, 2023
Mr. Adeyemi Alexander Musa	- Director	-Retired 16th June, 2023
Mr. Aminu Ahmed Galadima	- Director	
Dr. Lawan Y. Danzomo	- Director	
Dr. Kalli Zannah	- Director	-Retired 16th June, 2023
Mr George Akume	- Chairman	-22nd June, 2023
Prof. Ibrahim Adepoju Adeyanju	- MD/CEO	-22nd February, 2024
Mohammed Sani Ibrahim	- Executive Director	-22nd February, 2024
Olusegun Olulade	- Executive Director	-22nd February, 2024
Olumbe Akinkugbe	- Executive Director	-22nd February, 2024
Armstrong Takang	-Director	-22nd February, 2024

Registered office:

61, Adetokunbo Ademola Crescent
Wuse 2,
Abuja.

Independent auditors:

PKF Professional Services
(Chartered Accountants)
5th Floor, Unity Bank House,
Plot 785, Herbert Macaulay Way,
Central Business District,
Abuja.

Company secretary:

Mrs. Adama Pindar

Principal bankers:

Central Bank of Nigeria
Stanbic IBTC Bank Plc

Solicitors

LE Premiere Solicitors
20 Road 6922 Abuja Model City,
Gwarinpa II,
Abuja

GALAXY BACKBONE LIMITED

RESULTS AT A GLANCE

	2023	2022	Change
	N'000	N'000	%
Revenue	10,554,614	8,807,090	20
(Loss)/Profit before tax	(52,976)	541,354	(110)
(Loss)/Profit after tax	(172,366)	776,777	(122)
Total comprehensive (Loss)/Profit for the year	(172,366)	776,777	(122)
Total assets	18,390,627	17,749,080	4
Authorized share capital	1,000,000	1,000,000	-
Share capital	1,000,000	1,000,000	-
Total equity	6,213,366	6,385,732	(3)
Per ₦1 ordinary share data: Basic profit per share (Naira)	(0.17)	0.78	

GALAXY BACKBONE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER, 2023

The directors present their annual report on the affairs of Galaxy Backbone Limited ("the Company"), together with the financial statements for the year ended 31 December, 2023.

Legal Form

The Company was incorporated by the Federal Government of Nigeria as a limited liability company on 15 June 2006 with the name Galaxy Backbone Plc and commenced business effectively in 2007. On 8 February 2013, the name of the company was formally changed to Galaxy Backbone Limited.

Principal Activities and Business Performance

The Company is wholly-owned by the Federal Government and Jigawa State Government. It was established principally to build and operate network infrastructure platform and provide shared Information and Communication Technology (ICT) services to Ministries, Departments and Agencies (MDAs) of the Federal Government.

The Company's revenue increased by 20% from N 8.807 billion in 2022 to N10.555 billion in 2023. Cost of sales increased by 10% while operating expenses increased by 44% over the prior year figures.

Operating Results

The following is a summary of the Company's operating results:

	31 Dec, 2023	31 Dec, 2022	
	N'000	N'000	%
Revenue	10,554,614	8,807,089	20
Results from operating activities	(52,976)	541,354	(110)
(Loss)/Profit before tax	(52,976)	541,354	(110)
(Loss)/Profit after tax	(172,366)	776,776	(122)
Other comprehensive income for the year	-	-	

Directors and Their Interests

The directors who served during the year were as follows:

Name	Nationality
Mr George Akume	Nigerian
Prof. Ibrahim Adepoju Adeyanju	Nigerian
Mohammed Sani Ibrahim	Nigerian
Olusegun Olulade	Nigerian
Olumbe Akinkugbe	Nigerian
Mr. Adeyemi Alexander Musa	Nigerian
Mr. Aminu Ahmed Galadima	Nigerian
Dr. Lawan Y. Danzomo	Nigerian
Dr. Kalli Zannah	Nigerian
Armstrong Takang	Nigerian

None of the Directors has interest in the shares of the Company.

In accordance with Section 303 of the Companies and Allied Matters Act of Nigeria, none of the directors has notified the Company of any declarable interests in contracts with the Company.

	31 Dec, 2023		31 Dec, 2022	
	N'000		N'000	
Shareholding Structure	No. of shares	%	No. of shares	%
Petroleum Technology Development Fund (PTDF)	550,000	55	550,000	55
Ministry of Finance Incorporated (MoFI)	350,000	35	350,000	35
Jigawa State Government	100,000	10	100,000	10
	<u>1,000,000</u>		<u>1,000,000</u>	

GALAXY BACKBONE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER, 2023

Property, Plant and Equipment

Information relating to changes in property, plant and equipment were mainly due to additions and transfers from construction work in progress in the ordinary course of business as shown in Note 14 to the financial statements. In the opinion of the directors, the value of the company's property, plant and equipment is not less than the value shown in the financial statements.

Employment of Physically Challenged Persons

The Company has no physically challenged persons in its employment (2023: Nil). However, applications for employment by physically challenged persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming physically challenged, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of physically challenged persons should, as far as possible, be identical with that of other employees.

Health, Safety and Welfare at Work

The Company places a high premium on the health, safety and welfare of its employees in their place of work. To this end, the Company has various forms of insurance policies, including workmen's compensation, to adequately secure and protect its employees.

Employee Consultation and Training

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

The Company has in-house training facilities complemented when and where necessary with additional facilities from educational institutions for the training of its employees.

Charitable Donations

No donations were made to charitable institutions and organizations during the period.

In compliance with Section 43(2) of the Companies and Allied Matters Act of Nigeria, the Company did not make any donation to any political party, political association or for any political purpose in the course of the year (2023: Nil)

Dividend

Dividend on the ordinary shares are appropriated from retained earnings and recognized as liability only when declared and approved by shareholders at the Annual General Meeting. The directors have proposed a dividend of N50,000,000 at a rate of 5k per share (2022: N50,000,000) from the retained earnings account as at 31 December 2023. This will be presented to the shareholders for approval at the next Annual General Meeting and shall become payable upon approval.

Independent Auditors

The Independent Auditors, Messrs. PKF Professional Services is the statutory auditors of Galaxy Backbone Limited and having expressed their willingness, will continue in office, in accordance with Section 401(2) of the Companies and Allied Matters Act, (CAP C20) LFN 2020.

BY ORDER OF THE BOARD



**Mrs Adama Pindar
Company Secretary
Abuja, Nigeria**

Dated: 26-11-2024

GALAXY BACKBONE LIMITED

STATEMENT OF CORPORATE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023

In compliance with the provision of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Managing Director and the Executive Director, Finance & Corporate Services of Galaxy Backbone Limited have reviewed the audited financial statements and accept responsibility for the financial and other information within the annual report. The following certifications and disclosures regarding the true and fair view of the financial statements as well as the effectiveness of the internal controls established within the Company are hereby provided below:

Financial statements

- a) We have reviewed the audited financial statements of the Company for the year ended 31 December 2023.
- b) The audited financial statements do not contain any untrue statement of material fact or omission to state a material fact which would make the statements misleading, in the light of the circumstances under which such statement was made.
- c) The audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for, the year ended 31 December 2023.


Effective internal controls

- a) Effective internal controls have been designed to ensure that material information relating to the Company is made known to us by authorised officers of the Company, during the year ended 31 December 2023.
- b) We have evaluated the effectiveness of the Company's internal controls within 90 days prior to 31 December 2023, and
- c) The Company's internal controls are effective as at 31 December 2023

Disclosures

- a) There were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective action with regard to significant deficiencies and material weaknesses.
- b) There is no fraud that involves management or other employees who have a significant role in the Company's internal control.
- c) There are no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data, and have discussed with the auditors any material weaknesses identified in internal controls.

Signed on behalf of Galaxy Backbone Limited by:


Professor Ibrahim A. Adeyanju
Managing Director
FRC/2024/PRO/DIR/003/294419

Date: 26-11-2024


Mohammed Sani Ibrahim
Executive Director Finance & Corporate Services
FRC/2024/PRO/DIR/003/750947

Date: 26-11-2024

GALAXY BACKBONE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023

The Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria, 2020 requires the Directors to prepare the financial statements of the Company that give a true and fair view of the state of the financial affairs of the Company at the year end and cash flows for the year. 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 CAP C20 Laws of the Federation of Nigeria 2020;
- (b) Establishes adequate internal controls to safeguard its assets and prevent and detect fraud and other irregularities; and
- (c) Prepares its financial statements using accounting policies supported by reasonable and prudent judgment and estimates, and are consistently applied.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with the International Financial Reporting Standards (IFRS) and the provisions of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria, 2020.

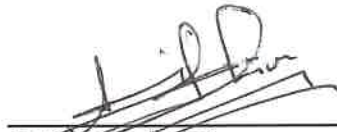
The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well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

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



Professor Ibrahim A. Adeyanju
Managing Director
FRC/2024/PRO/DIR/003/294419

Dated: 26-11-2024



Mohammed Sani Ibrahim
Executive Director Finance & Corporate Services
FRC/2024/PRO/DIR/003/750947

Dated: 26-11-2024



PKF Professional Services

Unity Bank House
5th Floor, Plot 785,
Herbert Macaulay Way,
CBD Abuja, Nigeria.

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abuja@pkf-ng.com
www.pkf-ng.com

**Report of the Independent Auditors
To the Members of Galaxy Backbone Limited**

Opinion:

We have audited the accompanying financial statements of Galaxy Backbone Limited (the Company) which comprise the statements of financial position as at 31 December, 2023, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December, 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in compliance with the Financial Reporting Council of Nigeria Act, No 42, 2023 (as amended) and with the requirements of the Companies and Allied Matters Act, CAP C20, LFN 2020. Law of the Federation of Nigeria 2020.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' (IESBA) Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' report, Corporate information, Result at a glance and directors responsibility but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the Directors and Those Charged With Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) in compliance with the Financial Reporting Council of Nigeria Act, No 42, 2023 (as amended) and the requirements of the Companies and Allied Matters Act, CAP C20, Law of the Federation of Nigeria 2020, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Offices In: Lagos, Kano

Partners/ Partner equivalent: TA Akande (Managing), NA Abdus-salaam, OO Ogundeyin, BO Adejayan, AA Agboola, ED Akintola, II Aremu, EA Akapo, FA Akande, SO Olaokun

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Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the fifth Schedule of the Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria, 2020. We expressly state that:

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



Najeeb A. Abdussalaam, FCA

FRC/2013/ICAN/00000000753

For: PKF Professional Services

(Chartered Accountants)

Abuja, Nigeria

Dated: 26 November 2024



GALAXY BACKBONE LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	31-Dec-2023 N'000	31-Dec-2022 N'000
Revenue	6a	10,554,614	8,807,089
Cost of sales	7	<u>(3,790,136)</u>	<u>(3,432,246)</u>
Gross profit / (loss)		6,764,478	5,374,843
Other income	6b	127,953	22,009
Selling and distribution cost	8	(1,184,795)	(884,100)
Administrative expenses	9	(5,697,118)	(3,961,051)
Impairment allowance	10	<u>(63,494)</u>	<u>(10,427)</u>
Results from operating activities		<u>(52,976)</u>	<u>541,354</u>
(Loss)/profit before tax		(52,976)	541,354
Income tax expenses	12(i)	<u>(119,390)</u>	<u>235,422</u>
(Loss)/profit for the year after taxation		<u>(172,366)</u>	<u>776,776</u>
Other Comprehensive Income			
Items that will not be reclassified to profit or loss		<u>-</u>	<u>-</u>
Total other comprehensive profit net of taxes		<u>-</u>	<u>-</u>
Total comprehensive profit for the year		<u>(172,366)</u>	<u>776,776</u>
Profit for the year attributable to:			
Owners of the Company		<u>(172,366)</u>	<u>776,776</u>
Total comprehensive profit for the year attributable to:			
Owners of the Company		<u>(172,366)</u>	<u>776,776</u>
Profit per share			
Basic (loss)/earnings per share		<u>(0.17)</u>	<u>0.78</u>

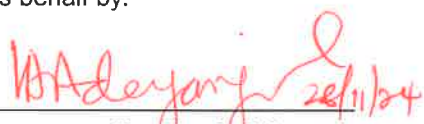
The accompanying explanatory notes and statement of significant accounting policies form an integral part of these financial statements.

GALAXY BACKBONE LIMITED

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2023

		31-Dec-2023	31-Dec-2022
	Notes	N'000	N'000
Non current assets			
Property, plant and equipment	14	10,336,435	9,036,287
Intangible assets	15	1,016	16,792
Deferred tax	12b	702,872	626,515
Total non-current assets		<u>11,040,323</u>	<u>9,679,594</u>
Current assets			
Inventory	16	1,409,100	-
Trade and other receivables	17	5,754,746	6,848,971
Cash and cash equivalents	18	186,458	1,220,515
Total current assets		<u>7,350,304</u>	<u>8,069,486</u>
Total assets		<u>18,390,627</u>	<u>17,749,080</u>
Equity			
Share capital	19	1,000,000	1,000,000
Share premium		411,436	411,436
Retained earnings		4,801,930	4,974,296
Total equity		<u>6,213,366</u>	<u>6,385,732</u>
Liabilities			
Total non-current liabilities		<u>-</u>	<u>-</u>
Current tax liabilities	12 (II)	322,359	126,612
Trade and other payables	20	11,854,902	11,236,736
Total current liabilities		<u>12,177,261</u>	<u>11,363,348</u>
Total liabilities		<u>12,177,261</u>	<u>11,363,348</u>
Total Equity and Liabilities		<u>18,390,627</u>	<u>17,749,080</u>

These financial statements were approved by the Board of Directors on 26-11-, 2024 and signed on its behalf by:



Professor Ibrahim A. Adeyanju
Managing Director/CEO

FRC/2024/PRO/DIR/003/294419

 26/11/24

Mohammed Sani Ibrahim
Executive Director, Finance

FRC/2024/PRO/DIR/003/750947

The accompanying explanatory notes and statement of significant accounting policies form an integral part of these financial statements.

GALAXY BACKBONE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital N'000	Share premium N'000	Retained earnings N'000	Total equity N'000
At 1 January 2023	1,000,000	411,436	4,974,296	6,385,732
(Loss)/Profit for the year	-	-	(172,366)	(172,366)
Other Comprehensive income				
Items that will not be reclassified subsequently to profit or loss	-	-	-	-
Total comprehensive profit for the year	-	-	(172,366)	(172,366)
At 31 December 2023	1,000,000	411,436	4,801,930	6,213,366
At 1 January 2022	1,000,000	411,436	4,197,520	5,608,956
Profit for the year	-	-	776,776	776,776
Items that will not be reclassified subsequently to profit or loss	-	-	-	-
Total comprehensive profit for the year	-	-	776,776	776,776
At 31 December 2022	1,000,000	411,436	4,974,296	6,385,732

The accompanying explanatory notes and statement of significant accounting policies form an integral part of these financial statements.

GALAXY BACKBONE LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 N'000	2022 N'000
Cash flows from operating activities:			
(Loss)/Profit for the year before taxation		(52,976)	541,354
Adjustments for:			
Depreciation & amortisation		1,564,354	390,192
Gain on exchange rate	6b	(124,747)	(22,089)
Impairment allowance	10	63,494	10,427
		<u>1,450,125</u>	<u>919,884</u>
Changes in assets and liabilities:			
Increase in inventory		(1,409,100)	-
Decrease/(Increase) in trade and other receivables		1,030,731	(2,464,908)
Increase/(decrease) in trade and other payables		618,166	(1,289,860)
Reclassification of work in progress technical to receivable		-	1,062,219
		<u>1,689,922</u>	<u>(1,772,665)</u>
Cash generated from operating activities		<u>1,689,922</u>	<u>(1,772,665)</u>
Income tax paid	12(ii)	-	(222,440)
Net cash from operating activities		<u>1,689,922</u>	<u>(1,995,105)</u>
Cash flows from investing activities:			
Acquisition of property, plant and equipment	14	(2,848,726)	(3,954,127)
Acquisition of intangible assets	15	-	(11,759)
Net cash used in investing activities		<u>(2,848,726)</u>	<u>(3,965,886)</u>
Cash flows from financing activities:			
Net cash used in financing activities		<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents		(1,158,804)	(5,960,991)
Cash and cash equivalents at 1 January		1,220,515	7,159,417
Effect of exchange rate movement on cash		124,747	22,089
Cash and cash equivalents at 31 December		<u>186,458</u>	<u>1,220,515</u>
Represented by:			
Cash and bank balances	18	<u>186,458</u>	<u>1,220,515</u>

The accompanying explanatory notes and statement of significant accounting policies form an integral part of these financial statements.

GALAXY BACKBONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. Reporting entity

The Company was incorporated by the Federal Government of Nigeria as a limited liability company on 15 June 2006 with the name Galaxy Backbone Plc and commenced business effectively in 2007. On 8 February 2013, the name of the company was formally changed to Galaxy Backbone Limited. The address of the Company's registered office is 61, Adetokunbo Ademola Crescent, Wuse, FCT, Abuja. The Company's principal activity is to build and operate network infrastructure platform and provide shared Information and Communication Technology (ICT) services to Ministries, Departments and Agencies (MDAs) of the Federal Government.

2. Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), and in compliance with Financial Reporting Council of Nigeria Act No. 6 2011. Additional information required by national regulation has been included where appropriate.

The financial statements comprise of the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes to the financial statements.

b) Going concern consideration

The financial statements have been prepared on a going concern basis, which assumes that the entity will be able to meet its financial obligations as at when they fall due. There are no significant financial obligations that will impact on the entity's resources which will affect the going concern of the entity. Management is satisfied that the entity has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the financial statements.

c) Basis of measurement

The financial statements have been prepared under the historical cost convention, except for the financial instruments and valuation of plan assets in defined benefit pension schemes. These financial statements are presented in Naira (N) and all values are rounded to the nearest thousands except when otherwise indicated.

d) Functional and presentation currency

The financial statements are presented in Nigerian Naira (NGN), which is the Company's functional currency for presentation. All financial information presented in Naira has been rounded to the nearest unit, except where otherwise indicated.

e) Shareholders

The immediate controlling party, throughout, and as at 31 December 2023 and 2022 were Petroleum Technology Development Fund (PTDF) 55%, Ministry of Finance Incorporated (MoFI) 35% and Jigawa State Government 10%.

f) Use of judgments and estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a going concern basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about assumptions and estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described below:

i) Recognition of deferred tax assets

The recognition of deferred tax assets requires an assessment of future taxable profit. Deferred tax assets are only recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. The availability of future taxable profits depend on several factors of the group's future financial performance and if necessary implementation of tax planning strategies.

GALAXY BACKBONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

ii) Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events. (See Note 22).

iii) Impairment of financial assets

The Company recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. Adoption of new and revised standards

3.1 New and amended IFRS Standards that are effective for the current year

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

3.1.1. IFRS 17 Insurance contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the Board issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

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

3.1.2. Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements — Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

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

3.1.3. Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors — Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty.

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

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

3.1.4. Amendments to IAS 12 Income Taxes — Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

GALAXY BACKBONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
- Right-of-use assets and lease liabilities
- Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset

The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

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

3.2 New and revised IFRS Standards in issue but not yet effective (but allow early application) for the year ending 31 December 2023

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

- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 - Non-current Liabilities with Covenants
- Amendments to IAS 16 - Property, Plant and Equipment—Proceeds before Intended Use
- Lease liability in a sale and leaseback -Amendments to IFRS 16
- Supplier finance arrangements -Amendments to IAS 7 and IFRS 7

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Amendments to IAS 1 Presentation of Financial Statements — Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023.

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

Lease liability in a sale and leaseback-Amendments to IFRS 16

The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

The amendments are effective for annual periods beginning on or after 1 January 2024.

Supplier finance arrangements -Amendments to IAS 7 and IFRS 7

The amendment to IAS 7 and IFRS 7 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

- The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.
- The carrying amount of the financial liabilities in (b) for which suppliers have already received payment from the finance providers.
- The range of payment due dates for both the financial liabilities that are part of SFAs and comparable trade payables that are not part of such arrangements.
- Non-cash changes in the carrying amounts of financial liabilities in (b)
- Access to SFA facilities and concentration of liquidity risk with finance providers.

The amendments are effective for annual periods beginning on or after 1 January 2024 with earlier application permitted.

The IASB has provided transition relief provided, including relief regarding comparative information and interim period information.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all the years presented in these financial statements.

a) Revenue

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, sales taxes, excise duties and similar levies. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company is acting as a principal in all of its revenue arrangements.

GALAXY BACKBONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Revenue from contract with customers

The Company applies the 5 step model in recognising revenue from contract with customers, which involves:

- i Identifying the contract with a customers
- ii Identifying the performance obligation in the contract
- iii Determining the transaction price
- iv Allocating the transaction price to the performance obligation in the contract
- v Recognising revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service).

Revenue from a valid contract with a customer is recognised when the following conditions are met:

- i The contract has been approved by the parties to the contract.
- ii The rights and obligations of the parties to the contract in relation to the goods and services to be transferred are identifiable.
- iii The payment terms for the goods and services to be transferred are identifiable.
- iv The contract has commercial substance.

It is probable that the consideration to which the Company is entitled to in exchange for the goods or services will be collected.

Revenue is measured at the fair value of the consideration received or receivable for goods or services invoiced to third parties, net of VAT, discounts and returns. The company derives revenue from data carrier services (Internet), hosted services, hardware and software revenues and other allied revenues. Generally, revenue is recognized at the fair value of consideration received or receivable when significant risks and rewards of ownership have been transferred, which is when title passes to the customer depending on the nature of service rendered and any other specific contractual terms.

Revenue recognition principles

Revenue recognition for invoiced services depends on the nature of service rendered and the type of contract. The company has two main contract types namely Mandate and Non-mandate services. The primary customers are Federal Government Ministries, Departments and Agencies (MDAs) who are covered by the Mandate services. These services are usually provided for in the Service Wide Vote of the annual Budget of the Federal Government. These MDAs can also enter into direct contracts with the company for additional services to complement the mandate services. In addition to the non-mandate contracts with MDAs, the company also has corporate and state governments as customers for the services.

Connectivity services, Business mails and Hosted services

These are mainly Mandate services budgeted for by Federal Government for services to its Ministries, Departments and Agencies for which quarterly payments are received in line with budget releases.

Receipts in respect of the Mandate services are accounted for as payments received in advance until revenue is recognized and the amount applied to settle the related invoice. Payments received in advance are included in Non-current liabilities.

Projects

Revenue is recognized when significant risks and rewards have passed to the buyer. Costs incurred in respect of projects are accounted for as Work-in-Progress (WIP) Technical and transferred to cost of sales when revenue is recognized.

Receipts in respect of invoices for non-mandate contracts are applied to settle the related invoice.

Hardware and software, Value-added services and Training services

Revenue is recognized in full at the time of invoicing for hardware and software while revenue is recognized for value-added and training services when they are delivered. If at the reporting date, the service has not been concluded, revenue is recognized based on the stage of completion at the reporting date.

b) Finance income and finance costs

Finance income comprises interest income on funds invested. Finance income is recognized as it accrues in profit or loss, using effective interest method.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Finance costs comprise interest expense on borrowings, bank charges and unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of that asset. The capitalization of borrowing costs commences from the date of incurring of expenditure relating to the qualifying asset and ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. The interest rate used to determine the amount of capitalized interest cost is the actual interest rate when there is a specific borrowing facility related to the qualifying asset or the Company's average borrowing interest rate. Borrowing costs relating to the period after acquisition, construction or production are expensed. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. The borrowing costs capitalized may not exceed the actual interest incurred by the Company.

c) Foreign currency transactions

Transactions in foreign currencies are translated to Naira at the exchange rate prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences are generally recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies are translated at historical exchange rates if measured based on historical cost.

Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the translation.

i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Property, plant and equipment under construction are disclosed as capital work-in-progress. The cost of self constructed assets include the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, borrowing costs on qualifying assets in accordance with the Company's accounting policy and the costs of dismantling and removing the items and restoring the site on which they are located if the Company has a legal or constructive obligation.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

When parts of an item of property, plant and equipment have different useful lives and are individually significant in relation to total cost of an item, they are accounted for as separate items (major components) of property, plant and equipment.

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

ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The cost of day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value. Depreciation is recognized in profit or loss depending on the utilization of the respective assets on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Leased assets held under finance lease are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case the assets are depreciated over their useful life on the same basis as owned assets.

The estimated useful lives for the year are as follows:

Asset class	Basis %	Estimated
Office computer and equipment	25	4 years
Office furniture and fittings	20	5 years
Building improvement	10	10 years
Network equipment	33	3 years
Motor vehicles	25	4 years
Plant and Machinery	25	4 years

Right of use assets lower of lease term or the useful life for the specified assets

Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review on an annual basis to take account of any change in circumstances.

When deciding on depreciation rates and methods, the principal factors the Company takes into account are the expected rate of technological developments and expected market requirements for, and the expected pattern of usage of the assets.

e) Intangible assets

These consist of licenses procured from Nigerian Communications (NCC) and software from other providers and Licensors, Intangible assets excluding goodwill is stated at cost, less accumulated amortization and impairment losses, if any. Subsequent costs are included in the asset's carrying amount of the intangible asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The cost of the software is capitalized and thereafter written off over three years irrespective of procurement time within the year, while the license fees is also capitalized and amortized over the license period.

f) Inventories

Inventories are measured at the lowers of cost and net realizable value. The cost of inventories is based on the first-in-first-out principle and includes expenses incurred in acquiring the inventories; production and conversion costs and other costs incurred in bring them to their existing locations and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

g) Financial instruments

i) Non-derivative financial assets

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss, if any) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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The Company has the following non-derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Short term receivables that do not attract interest are measured at original invoice amount where the effect of discounting is not material.

Staff receivables

It is the company's policy to grant its staff interest-free loans. The fair value of staff receivable is estimated as the present value of future cash flows, discounted at the market rate of interest at the measurement date. Fair value for short term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and for disclosure purpose, at each annual reporting date.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand; cash balances with banks and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of statement of cash flows.

ii) Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss, if any) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: loans and borrowings, trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Short term payables that do not attract interest are measured at original invoice amount where the effect of discounting is not material.

iii) Share capital

The Company has only one class of shares, namely ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve. The authorized, issued and fully paid share capital of the company was 1,000,000,000 as at 31 December, 2023.

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

h) Impairment

i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

GALAXY BACKBONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset where applicable continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Income tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. Using tax rates statutorily enacted at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

The Company is subject to the following types of current income taxes:

Company Income Taxes

This relates to tax on income and profit generated by the Company during the year that is taxed under the Companies Income Tax Act as amended to date.

Tertiary Education Tax

Tertiary education tax is tax based on the assessable profit of the Company and is governed by the Tertiary Education Trust Fund (Establishment) Act.

GALAXY BACKBONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

j) Employee benefits

The Company do not have any defined benefit schemes or other post (and other long term) employment liabilities requiring provision.

K) Pension fund scheme

In accordance with the provisions of the revised Pension Reform Act, 2014 the Company has instituted a Contributory Pension Scheme for its employees, where both the employees and the Company contribute 8% and 10% of the employee emoluments (basic salary, housing and transport allowances). The Company's contribution under the scheme is charged to the income statement while employee contributions are funded through payroll deductions.

L) Provisions and contingent liabilities

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

GALAXY BACKBONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Contingent liabilities are only disclosed and not recognized as liabilities in the statement of financial position. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

l) IFRS 16 - Leases

Right-of-use assets

The new standard supersedes IAS 17 and will result in almost all leases being recognised on the statement of financial position by lessees as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right of use asset) and a financial liability to pay rentals are recognised; the only exceptions are short-term leases that do not contain a purchase option and low-level leases. The right-of-use assets will be depreciated on a straight-line basis. The liability, recognised as part of borrowings, will be measured at a discounted value using the interest rate implicit in the lease (if that rate can be determined) or the incremental borrowing rate of the lease and any interest will be charged to finance costs in the income statement. Therefore, the charge to the income for the operating lease expense will be replaced with depreciation on the right-of-use asset and the interest charge inherent in the lease.

Lease payments

Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability and are initially measured using the index or rate as at the commencement date.

Amounts expected to be payable by the lessee under residual value guarantees are also included.

Variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss in the period in which the event or condition that triggers payment occurs, unless the costs are included in the carrying amount another asset under another standard.

The lease provides the lease option to buy the assets at the end of the lease term.

m) Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

5. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, both for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of the future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes. For short-term receivables, no disclosure of fair value is presented when the carrying amount is a reasonable approximation of fair value.

b) Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For non-derivative financial liabilities payable on demand, the fair value is not less than the face value.

GALAXY BACKBONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	N'000	N'000
6a Revenue		
Mandate	5,285,429	5,631,548
Non-Mandate	4,011,017	2,163,633
Consulting and professional service	1,258,168	1,011,908
	<u>10,554,614</u>	<u>8,807,089</u>
6b Other income		
Sundry income	3,206	-
Exchange Gain	124,747	22,089
	<u>127,953</u>	<u>22,089</u>
7 Cost of sales		
Infrastructure as a service	3,785,068	3,023,583
Platform as a service	1,068	77,527
Consulting and professional service	4,000	331,136
	<u>3,790,136</u>	<u>3,432,246</u>
8 Selling and distribution		
Marketing and promotional Expenses	939,013	751,865
Consultancy	245,782	132,236
	<u>1,184,795</u>	<u>884,100</u>

GALAXY BACKBONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 N'000	2022 N'000
9 Administrative expenses		
Salaries and allowances	1,531,926	1,107,358
Staff pension	84,555	56,834
Staff training	137,566	278,918
Staff welfare expenses	493,932	23,101
Medical expenses	233,632	148,884
Repairs and maintenance	211,939	464,577
Staff car expenses	245,963	234,976
License	108,258	96,875
Utility expenses	1,567	8,104
Stationary and printing	33,519	41,702
Courier and postages	7,560	7,358
Entertainment and refreshment	14,345	12,952
Office decoration and photographs	7,753	1,625
Rates, fines and taxes	8,276	1,800
Registration and tenders	4,323	430
Newspapers and magazines	744	4,056
Bank charges	4,388	5,229
Donations and subscription	83,941	2,634
Electricity, water and building expenses	182,159	217,813
Meeting expenses	82,706	37,831
Travel costs	489,786	580,459
Rent	-	61,591
Insurance and allied expenses	77,466	54,046
Telephone and communications	23,717	22,261
Fueling/diesel	67,245	91,922
Audit fee	9,406	7,525
Amortisation exps	1,868	90,794
Depreciation exps	1,548,578	299,399
	<u>5,697,118</u>	<u>3,961,051</u>
10 Impairment charge for doubtful debt	63,494	2,893
Impairment charge for obsolete Inventory	-	7,534
	<u>63,494</u>	<u>10,427</u>
11 (Loss)/Profit before tax		
(Loss)/Profit before tax is stated after charging the following:		
Depreciation and amortisation	1,550,446	390,192
Auditors' remuneration	9,406	7,525
Salaries and wages	1,531,926	1,107,358
Foreign exchange gain	(127,953)	(64,852)
	<u>(127,953)</u>	<u>(64,852)</u>

GALAXY BACKBONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

12 Taxation	2023	2022
i) Income tax recognised in profit or loss	N'000	N'000
Taxation on profit on ordinary activities	150,575	94,088
Education tax	45,172	23,522
Deferred tax write back	(76,357)	(359,826)
Information technology levy	-	5,414
National Agency for Science and Engineering Infrastructure (NASENI)	-	1,353
Police fund levy	-	27
Balance per income statement	<u>119,390</u>	<u>(235,422)</u>
ii) Current liabilities in the statement of financial position		
Taxation on profit on ordinary activities	150,575	94,088
Education tax	45,172	23,522
Information technology levy	-	5,414
National Agency for Science and Engineering Infrastructure (NASENI)	-	1,353
Police fund levy	-	27
Balance brought forward	<u>126,612</u>	<u>224,648</u>
Charge for the year	195,747	124,404
Payments during the year	-	(222,440)
Balance per statement of financial position	<u>322,359</u>	<u>126,612</u>
b) Deferred taxation		
At 1 January 2023	(626,515)	(266,689)
Write back to profit or loss	(76,357)	(359,826)
At 31 December 2023	<u>(702,872)</u>	<u>(626,515)</u>
c) Reconciliation of effective tax rate		
(Loss)/Profit for the year	<u>(52,976)</u>	541,354
Non-deductible Expenses	-	399,526
Capital allowance	-	(627,254)
Tax thereon at 30%	-	94,088
Effect of Education tax @ 2.5% of assessable profit	-	23,522
NASENI @ 0.25% of PBT	-	1,353
Effect of Police trust fund @ 0.005% of PBT	-	27
Effect of Deferred tax	-	(359,826)
Total tax expense	<u>-</u>	<u>(240,835)</u>
Effective tax rate	<u>0</u>	<u>(0.44)</u>

The charge for taxation has been computed in accordance with the provisions of the Companies Income Tax Act, CAP C21, LFN 2004 as amended to date and Education Tax Act CAP E4 LFN 2004. The Company has adopted the International Accounting Standard (IAS) 12 on the Income Taxes.

GALAXY BACKBONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

13. Earnings per share

Profit per share is based on profit attributable to ordinary shareholders of N1,000,000,000 (2023) N1,000,000,000 (2022) ordinary shares of N1 each, being the number of ordinary shares in issue as at year end. The Company has no potentially dilutive ordinary shares, hence diluted earnings per share is equal to basic earnings per share.

14. Property, plant and equipment	Work in progress (Technical)		Office		Buildings	Network Equipment	Plant & Machinery	Assets Under Construction	Total
	N'000	N'000	N'000	N'000					
Cost:									
Balance at 1 January 2022	1,062,219	94,210	3,121,998	71,402	219,275	5,288,774	60,763	4,629,636	15,147,834
Additions	-	338,986	326,940	-	12,524	193,319	87,883	2,500,372	3,954,127
Reclassification	(1,062,219)	-	-	-	-	-	-	-	(1,062,219)
Balance at 1 January 2023	-	433,196	3,448,938	71,402	231,799	5,482,093	148,646	7,130,008	18,039,742
Additions	-	72,214	250,995	-	1,305,288	102,633	690,421	-	2,848,726
Reclassification	-	136,153	-	-	6,727,108	-	266,747	(7,130,008)	-
Balance at 31 December 2023	-	1,520,835	3,699,933	71,402	8,264,195	5,584,726	1,105,814	-	20,888,468
Depreciation:									
Balance at 1 January 2022	-	86,096	2,950,898	-	39,434	5,264,467	60,763	-	8,704,056
Depreciation for the year	-	141,973	77,637	-	14,909	28,178	16,478	-	299,399
Balance at 1 January 2023	-	444,371	3,028,535	-	54,343	5,292,645	77,241	-	9,003,455
Depreciation for the year	-	255,316	145,778	-	751,874	106,862	184,357	-	1,548,578
Balance at 31 December 2023	-	699,687	3,174,313	-	806,217	5,399,507	261,598	-	10,552,033
CARRYING AMOUNTS:									
At 31 December 2023	-	821,148	430,852	71,402	7,457,978	185,219	844,216	-	10,336,435
At 31 December 2022	-	649,289	326,876	71,402	177,456	189,448	71,405	7,130,008	9,036,287

GALAXY BACKBONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

15 Intangible assets	Licence N'000	Software N'000	Total N'000
Cost:			
Balance at 1 January 2023	287,442	2,140,378	2,427,820
Additions	-	-	-
Adjustment	(287,442)	-	(287,442)
	<u>-</u>	<u>2,140,378</u>	<u>2,140,378</u>
Amortization:			
At 1 January 2023	273,534	2,137,494	2,411,028
Charge for the year	13,908	1,868	15,776
Adjustment	(287,442)	-	(287,442)
At 31 December 2023	<u>-</u>	<u>2,139,362</u>	<u>2,139,362</u>
Carrying amount:			
At December 2023	<u>-</u>	<u>1,016</u>	<u>1,016</u>
At December 2022	<u>13,908</u>	<u>2,884</u>	<u>16,792</u>
16 Inventory	2023 N'000	2022 N'000	
Cisco Routers/Fiber Optics	185,640	7,138	
VSAT Equipment	5,434	397	
Power Items	1,168,793	-	
Stationery	49,233	-	
	<u>1,409,100</u>	<u>7,534</u>	
Impairment charge for obsolete Inventory	-	(7,534)	
	<u>1,409,100</u>	<u>-</u>	
17 Trade and other receivables			
Trade receivables	1,674,035	1,940,384	
Prepayments	3,568,463	2,613,510	
Staff loans and advances	47,603	43,730	
GBB cooperative loan	329,167	350,000	
Other receivable	12,196	-	
Receivables from FGN (17.2)	647,500	2,362,071	
	<u>6,278,964</u>	<u>7,309,695</u>	
Impairment allowance for doubtful receivables (17.1)	(524,218)	(460,724)	
	<u>5,754,746</u>	<u>6,848,971</u>	
17.1 Impairment allowance for doubtful receivables			
Opening Balance	460,724	457,831	
Charge during the year	63,494	2,893	
Balance at 31 December 2023	<u>524,218</u>	<u>460,724</u>	
17.2 Payments received in advance (FGN)			
Opening Balance	2,362,071	962,071	
Amount received in the year	(7,000,000)	(4,200,000)	
Service rendered	5,285,429	5,600,000	
Balance at 31 December 2023	<u>647,500</u>	<u>2,362,071</u>	

This represent quarterly receipts from the Office of the Accountant General of the Federation on annual service contracts yet to be invoiced as at 31 December 2023.

GALAXY BACKBONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 N'000	2022 N'000
Cash and cash equivalents		
18 Petty cash	2,756	4,064
Central bank of Nigeria	182,826	1,215,575
Stanbic IBTC	876	876
	<u>186,458</u>	<u>1,220,515</u>

	2023 N'000	2022 N'000
Share capital		
19 Authorized ordinary shares		
a) 1,000,000,000 ordinary shares of ₦1 each (2022 : 1,000,000,000)	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid ordinary shares		
b) 1,000,000,000 ordinary shares of ₦1 each (2022 : 1,000,000,000)	<u>1,000,000</u>	<u>1,000,000</u>

The shareholding structure of the Company is as follows:

c) Shareholder	No. of ordinary shares issued	No. of ordinary shares issued
Petroleum Technology Development Fund (PTDF)	550,000	550,000
Ministry of Finance Incorporated (MoFI)	350,000	350,000
Jigawa State Government	100,000	100,000
	<u>1,000,000</u>	<u>1,000,000</u>

	2023 N'000	2022 N'000
20 Trade and other payables		
Trade payables	5,317,260	1,946,541
Withholding tax	52,614	164,013
Stamp duty payable	1,377	16,480
Unallocated receipts	41,909	41,909
Special Lan project	1,929,374	4,546,754
Employee payables	3,344	3,344
Accrued expenses	3,470,720	3,458,270
VAT payable	-	27,594
NICTIB FUND	36,847	18,456
Retention fee	-	11,918
Goods received/invoice	1,001,457	1,001,457
	<u>11,854,902</u>	<u>11,236,736</u>

GALAXY BACKBONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

21 Financial risk management and financial instruments

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Company's directors have overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies identify and analyze risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems will be reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's Board of Directors will oversee and monitor compliance with the Company's risk management policies and procedures, and will review the adequacy of the risk management framework in relation to the risks faced by the Company.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and other related parties.

The carrying amount of financial assets represents the maximum credit exposure.

	Carrying amount	
	2023	2022
	N'000	N'000
Trade and other receivables	5,754,746	6,848,971
Cash and cash equivalents	186,458	1,220,515
	<u>5,941,204</u>	<u>8,069,486</u>

Trade and other receivables

Management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Under the credit policies all customers requiring credit over a certain amount are reviewed and new customers analyzed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's credit assessment process includes specified cash deposits by new customers. Credit limits are established for qualifying customers and these limits are reviewed regularly by the Board. Customers that fail to meet the Company's benchmark credit worthiness may transact with the Company only on a prepayment basis.

The Board of Directors reviews each customers' credit limit in line with the customers performance in the preceding quarter and perceived risk factor assigned to the customer.

Majority of the Company's customers have been transacting with the Company for over two years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a small and medium scale, listed or high profiled customer, industry, aging profile, and existence of previous financial difficulties. Trade and other receivables relate mainly to the Company's high profiled customers. Customers with no trading activities for a period of up to one year are placed on a dormant customer list, and future sales are made on a prepayment basis only with approval of the Board.

The Company 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 are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

GALAXY BACKBONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of counterparty was:

	31-Dec-23	31-Dec-22
	N'000	N'000
Trade receivables	1,674,035	1,940,384
Impairment	<u>(524,218)</u>	<u>(460,724)</u>
	1,149,817	1,479,660
Staff loans and advances	47,603	43,730
Other receivables	<u>4,545,130</u>	<u>5,325,581</u>
	<u>5,742,550</u>	<u>6,848,972</u>

Cash and cash equivalents

The Company held cash and bank balances of N183 million as at 31 December 2023 (2022 : N1.221 billion), which represents its maximum credit exposure on these assets.

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company's reputation. The Company's general rule is to ensure that cash flow on its contracts is positive or less neutral.

Typically, the Company's credit terms with customers are more favourable 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.

GALAXY BACKBONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Non-derivative financial liabilities

	Carrying amount	Total	Contractual cash flows			
			1 year or less	1 - 2 years	2 - 5 years	Over 5 years
	N'000	N'000	N'000	N'000	N'000	N'000
At 31 December 2023						
Trade and other payables	11,854,902	11,854,902	11,854,902	-	-	-
	<u>11,854,902</u>	<u>11,854,902</u>	<u>11,854,902</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2022						
Trade and other payables	11,236,736	11,236,736	11,236,736	-	-	-
	<u>11,236,736</u>	<u>11,236,736</u>	<u>11,236,736</u>	<u>-</u>	<u>-</u>	<u>-</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts. The Company has not provided any guarantees as at year-end.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company'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, whilst optimizing the return.

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

d) Currency risk

The Company is exposed to currency risk on revenue and purchases that are denominated in a currency other than its functional currency, the Naira. The currency in which the transactions are primarily denominated is the US Dollar (USD). The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

In managing currency risk, the Company aims to reduce the impact of short-term fluctuations on earnings. The Company has no export sales. Thus the exposure to currency risk in that regard is non existence. The Company's significant exposure to currency risk relates to its importation of various materials and other property, plant and equipment. Although the Company has various measures to mitigate exposure to foreign exchange rate movement, over the longer term, however, permanent changes in exchange rates would have an impact on profit. The Company monitors the movement in the currency rates on an ongoing basis.

The following significant exchange rates applied during the year:

	Reporting rate	
	2023	2022
	N	N
USD	899.39	448.55

e) Sensitivity analysis

A weakening of the Naira, as indicated above, against the USD, EURO and GBP at 31 December would have increased/decreased profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2023, albeit that the reasonably possible foreign exchange rate variances were different.

A weakening of the Naira against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

GALAXY BACKBONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

f) Fair values

Fair values vs carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	N'000	N'000	N'000	N'000
Assets carried at amortized cost				
Trade and other receivables	6,278,964	6,278,964	7,309,695	7,309,695
Cash and cash equivalents	186,458	186,458	1,220,515	1,220,515
	<u>6,465,422</u>	<u>6,465,422</u>	<u>8,530,210</u>	<u>8,530,210</u>
Liabilities carried at amortized cost				
Trade and other payables	11,854,902	11,854,902	11,236,736	11,236,736
	<u>11,854,902</u>	<u>11,854,902</u>	<u>11,236,736</u>	<u>11,236,736</u>

The basis for determining fair values is disclosed in Note 5.

Trade and other receivables are the Company's short-term financial instruments. Accordingly, management believes that their fair values are not expected to be materially different from their carrying values.

22. Contingencies

a) Guarantees and contingent liabilities

A number of contingent liabilities have arisen as a result of the company's pending litigations.

b) Pending litigation and claims

The Company is engaged in some lawsuits which have arisen in the normal course of business and are being handled by the Company's external legal counsels. The contingent liabilities arising from these lawsuits as at 31 December, 2023 amounted to Nil (2022 : Nil).

c) Financial commitments

The Directors are of the opinion that all known liabilities and commitments, which are relevant in assessing the state of affairs of the Company, have been taken into consideration in the preparation of these financial statements.

23. Events after the reporting date

The following events took place after the reporting period, but before signing of the financial statements;

The following Directors were appointed in 2024:

1. Mr. George Akume - Chairman (effective from 2nd June 2023)
2. Prof. Ibrahim Adepoju. Adeyanju - MD/CEO (effective 22nd February, 2024)
3. Mohammed Sani Ibrahim - Executive Director (effective 22nd February, 2024)
4. Olusegun Olulade - Executive Director (effective 22nd February, 2024)
5. Olumbe Akinkugbe - Executive Director (effective 22nd February, 2024)
6. Armstrong Takang - Director (effective 22nd February, 2024)

These appointments replace the underlisted former Directors:

1. Mr. Boss Mustapha
2. Prof. Muhammed Bello Abubakar
3. Mr. Adamu D. Umar Gokaru
4. Mr. Owoicho Igoji

24. Non-audit services

Audit fees represents fees for the interim and full year audits of the Company for the year ended 31 Dec 2023. In compliance with the rules issued by the Financial Reporting Council of Nigeria rule 2b and 3 amended we disclose No non-audit services were provided by the Company's External Auditor (2022: Nil).

GALAXY BACKBONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

25. Information regarding Directors and Employees

25.1 Chairman and Directors' emoluments

Remuneration paid to the Company's Chairman and directors was:

Directors fees

Other Directors' expenses

2023 N'000	2022 N'000
Nil	Nil
-	13,400
-	13,400

Fees and other emoluments disclosed above include amounts paid to:

The Chairman

The highest paid director

Nil	Nil
Nil	Nil

25.2 Chairman and Directors' emoluments

The number of directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:

Below N1,000,000

N1,000,000 - N2,000,000

N3,000,001 and above

Nil	Nil
Nil	Nil
Nil	Nil
Nil	Nil

25.3 Employees

The number of persons employed by the company during the year was as follows:

Management

Senior

Junior

Number	Number
15	21
72	63
273	106
360	190

Compensation for the above staff (excluding executive directors):

Salaries and wages

Pension costs - (Retirement benefit obligations)

N'000	N'000
1,531,926	1,107,529
84,555	56,834
1,616,481	1,164,363

The number of employees of the Company, other than directors, who received emoluments in the following ranges (excluding pension contributions), were:

Below N500,000

N500,001 - N1,000,000

N1,000,001 and above

Number	Number
-	-
-	66
360	124
360	190

GALAXY BACKBONE LIMITED

Other National Disclosures

GALAXY BACKBONE LIMITED

STATEMENT OF VALUE ADDED FOR THE YEAR ENDED 31 DECEMBER 2023

	2023		2022	
	N'000	%	N'000	%
Revenue	10,554,614		8,807,089	
Bought in materials and services:				
- Local	(7,578,682)		(6,521,242)	
- Foreign	-		-	
Non-trading items:				
- Other income	127,953		22,089	
Value added by operating activities	<u>3,103,886</u>	<u>100</u>	<u>2,307,936</u>	<u>100</u>
Distribution of value added:				
To employees:				
- Wages, salaries and other benefits	1,531,926	49	1,107,358	48
To providers of finance:				
- Interest to lenders	-	-	-	-
To government as:				
- Tax	195,747	6	124,404	5
Retained in the business:				
To maintain and replace:				
- Property, plant and equipment	1,548,578	50	299,399	13
Retained Earnings	(172,366)	(6)	776,776	34
Value added	<u>3,103,886</u>	<u>100</u>	<u>2,307,936</u>	<u>100</u>

GALAXY BACKBONE LIMITED

FINANCIAL SUMMARY - COMPANY FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 N'000	2022 N'000	2021 N'000	2020 N'000	2019 N'000
Non current assets					
Property plant and equipment	10,336,435	9,036,287	6,443,778	4,642,618	5,589,737
Intangible assets	1,016	16,792	95,826	94,918	133,783
Deferred tax	702,872	626,515	266,689	262,805	234,055
Current assets					
Inventory	1,409,100	-	7,534	103,672	58,028
Trade and other receivables	5,754,746	6,848,971	4,386,956	4,995,420	5,046,827
Cash and cash equivalent	186,458	1,220,515	7,159,416	1,621,877	955,627
Total assets	18,390,627	17,749,080	18,360,199	11,721,310	12,018,057
Current liabilities					
Trade payables	11,854,902	11,236,736	12,526,596	5,762,693	5,735,498
Creditors tax liabilities	322,359	126,612	224,648	477,208	303,384
	12,177,261	11,363,348	12,751,244	6,239,901	6,038,882
Non-current liabilities					
Bank loan	-	-	-	-	528,963
Total liabilities	12,177,261	11,363,348	12,751,244	6,239,901	6,567,845
Capital employed					
Share capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Share premium	411,436	411,436	411,436	411,436	411,436
Retained earnings	4,801,930	4,974,296	4,197,520	4,069,973	4,038,774
Total equity	6,213,366	6,385,732	5,608,956	5,481,409	5,450,210
Total equity and liabilities	18,390,627	17,749,080	18,360,199	11,721,310	12,018,055
Statement of profit or loss account and other comprehensive income					
Revenue	10,554,614	8,807,089	8,055,818	6,191,203	7,066,748
Cost of sales	(3,790,136)	(3,432,246)	(4,310,824)	(2,846,453)	(2,548,305)
Gross profit	6,764,478	5,374,843	3,744,994	3,344,750	4,518,443
Other income	127,953	22,089	75,915	1,018	29,387
	6,892,431	5,396,932	3,820,909	3,345,768	4,547,830
Impairment allowance	(63,494)	(10,427)	-	-	-
Operating and admin expenses	(6,881,913)	(4,845,151)	(3,600,927)	(3,162,048)	(3,803,124)
Operating (loss)/profit	(52,976)	541,354	219,982	183,720	744,706
(Loss)/Profit before tax	(52,976)	541,354	219,982	183,720	744,706
Income tax expense	(119,390)	235,422	(92,436)	(152,520)	(340,488)
(Loss)/Profit for the year	(172,366)	776,776	127,546	31,200	404,218
(Loss)/earnings per share - basic (kobo)	(0.17)	0.78	0.03	0.40	0.40