Airtel Networks Limited

Annual Report and Financial Statements
For the year ended 31 December 2022

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Directors' Report

The Directors present their annual report on the affairs of the Airtel Networks Limited, together with the financial statements and auditor's report for the year ended 31 December 2022.

1. Legal form

Airtel Networks Limited is a private limited liability company, which was incorporated on 21 December 2000 as Econet Wireless Nigeria Limited. By Special Resolutions of the Company at the Annual General Meetings held on 2 April 2004 and 10 October 2006, the name of the Company was changed from Econet Wireless Nigeria Limited to Vee Networks Limited and from Vee Networks Limited to Celtel Nigeria Limited respectively. On 22 September 2010, by a Special Resolution of the Board, the name of the Company was changed from Celtel Nigeria Limited to Airtel Networks Limited. Airtel Networks Limited is an indirect subsidiary of Bharti Airtel International (Netherlands) B.V. and has Airtel Africa as intermediate parent.

2. Principal activity

The principal activity of the Company is the provision of telecommunication services using its licensed platforms.

3. Result for the year

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

Gross Subscriber Base			
Particulars	**Financial Year**		**YoY Growth**
	2022	**2021**	
	'000	**'000**	**%**
Closing subscriber base	60,066	53,927	11.38%
Gross subscriber connections added during the year	24,288	8,420	188.46%
Churn during the year	18,149	10,135	79.07%

Active subscribers are determined based on a 90-day revenue generating cycle.

Financial Highlights			
Particulars	**Financial Year**		**YoY Growth**
	2022	**2021**	
	₦' million	**₦' million**	**%**
Revenue from operations	893,889	734,819	21.65%
Operating profit	318,932	298,770	6.75%
Finance income	7,866	3,646	115.73%
Finance costs*	(112,880)	(50,889)	122.88%
Profit before taxation	213,918	251,527	-15.17%
Profit after taxation	146,204	170,685	-14.56%
Capex investment at year end (Gross Property, Plant and equipment)	1,035,676	942,753	9.86%

*Includes foreign exchange loss of ₦63.64 billion in 2022 (2021: loss of ₦17.44 billion).

Directors' Report (cont'd)

4. Business review

The Company experienced an increase in its subscriber base during the year ended 31 December 2022 as it witnessed a growth of 11.38% (2021: -3.08%) in its subscriber base from 53.93 million in 2021 to 60.01 million in 2022. Revenue generated in the year increased by 21.65% from ₦734.82 billion in 2021 to ₦893.89 billion in 2022. Key drivers of growth continue to be rollout of 4G Long Term Evolution (LTE) sites and Radio Access Network (RAN) modernization on the Company's network across Nigeria which has increased its Airtime revenue by 22% over 2021.

Airtel Networks Limited continued its other strategic initiatives to improve brand visibility and expand retail footprint with focus on excellent service delivery and customer experience. The business currently has a total of seventy-seven showrooms across Nigeria in addition to its dealer empowerment initiatives tagged "Airtel Express Shops" (AES) spread across the country.

As part of the strategy to continuously improve customer experience, boost brand affinity drive usage and retention in the market, Airtel introduced "Airtel Smartbox" which provide subscribers with fast and affordable internet services riding on the broadband 4G coverage nationwide. The Company remains focused on its drive to deepen broadband connectivity across Nigeria through its Home Broadband ("HBB") business segment. The HBB rides on the modernized 4G network and provides access to high-speed connectivity to customers through fixed routers and mobile routers (also known as "Mifis"). In addition, the company ran a promo tagged All-Time Mega offer where the HBB devices were sold at over 50% discount to extend its market reach.

To excite and reward customers on its network, the Company announced the "Overjara" plan, a package that is designed to attract new subscribers to the network. Under the Overjara plan, a subscriber is given ₦1,000 airtime bonus upon activation of a SIM as well as 800% bonus every time the SIM is recharged with airtime worth ₦100 and above. To make life better as well as provide added value for more telecommunication consumers, the company partnered with UNICEF under the Reimagine Education Initiative and will be connecting 620 primary schools in Nigeria to digital learning. The partnership is expected to benefit 300,000 students across the country with access to the internet and devices.

The Company continued with its Radio Access Network (RAN) modernization through the upgrade of the 3G services to 4G Long Term Evolution (LTE). Under the modernization, existing RAN equipment were swapped with new LTE equipment from Nokia post completion of ZTE and Huawei projects. A total of 8,971 (2021: 7,750) sites have been fully swapped as at 31 December 2022. The 4G service continues to be rolled out in more cities and towns across Nigeria.

Following a directive issued by the Nigerian Communications Commission on 15 December 2020 to all Nigerian telecom operators, Airtel Networks Limited is working with the Federal Government of Nigeria to ensure that all its subscribers provide a valid National Identification Numbers (NINs) to update SIM registration records. New customer activations were initially barred but were subsequently allowed to perform SIM registration starting 15 April 2021 after significant progress was made on linking the current active subscriber base with verified NINs. The deadline for customers to link their NIN with SIM was moved from a provisional date of 30 December 2020 in the initial directive to 31 March 2022. This change in deadline was to accommodate the logistical challenges involved in nationwide NIN-SIM linking.

Directors' Report (cont'd)

1. Business review (cont'd)

Airtel has made significant progress in capturing existing NINs and in building the database in collaboration with National Identity Management Commission (NIMC). To complete the registration process, there is need for verification of the NIN information obtained from subscribers from the NIMC. The verification improved connectivity with the NIMC database which is currently being developed for all the Nigerian mobile operators. Airtel has also opened enrolment centres in collaboration with the NIMC to facilitate customers obtaining NINs for roughly half of the population that do not currently have an NIN. The Company will continue to work closely with the government to ensure full compliance.

In 2022, Airtel Networks Limited was named among three most compliant taxpayers in Nigeria, the award was conferred upon Airtel by Federal Inland Revenue Services with President Muhammadu Buhari (GCFR) in attendance.

Airtel Touching Lives, a flagship corporate philanthropy initiative aimed at providing succour to the underprivileged, hard to reach, vulnerable and disadvantaged in the society successfully completed its season 6 programme.

The Company had over 70,000 Nigerians nominated causes, individuals and projects in the just concluded Season 6 of Airtel Touching Lives programme. Initiatives carried out included: (1) Refurbishment of several schools across the country in Kaduna, Cross River, Imo, Ogun, Gombe, Kwara and Lagos State; (2) Sponsoring of W-Tech (Women in Tech) by providing 5 5- Simba inverter wet cell batteries, 10- 250 watts' solar panel, 30 -Uno R3 Arduno Starter Kit, 10 - HP 240 G8 INTEL CORE I5 1035 8GB/1TB 14" WIN10 PRO (2R9J1EA, furniture, white boards, fans, writing and teaching materials. (3) Whispering Hope Africa Initiative: Donated ₦1,000,000 to support 65 girls with their fees for 1 year at a rate of N15,000 per person; provided 12 basic Laptops, 1 photocopier machine, 1 coloured printer, 1 3D laser cutting machine Laser Engraver YH3040 Yinghe, 1 embroidery machine for cutting fabrics, Internet access for 1 year, tables and chairs, 21 horsepower Air Conditioners for the space; and 1 super silent 10kva generator.

Airtel Networks Limited, through its Employee Volunteer Scheme (EVS) with participation from over 150 employees continues to support the society. The Employee Volunteer Scheme (EVS) is an employee' Special Purpose Vehicle created to assist the underprivileged in the society as well as address inequality in communities. Airtel Employees through the Volunteering Scheme raised the sum of N4,2000,000 to assist the underprivileged in 2022.

In 2022, under the "Airtel 5 Days of Love" campaign, Airtel Networks Limited fed 5,000 people across five different locations during this annual Christmas programme. The "Airtel 5 Days of Love" which is in its 8th year is a programme designed to identify with less privileged persons as well as support the down-trodden in communities where Airtel operates during the yuletide. The Donations spanned across Lagos, Ogun, Enugu, Rivers and Kaduna State.

Directors' Report (cont'd)

2. Directors' interests

The directors and their beneficial interests in the shares of the Company as at 31 December 2022 were as follows:

Names		Designation	Date Appointed/ Resignation	Representing	Number of Ordinary Shares of ₦1.00 each
Hons. Justice Salihu Alfa Modibbo Belgore (Rtd) GCON (Nigerian)	-	Chairman	Appointed 23 September 2014	-	Nil
Mr. Olusegun Ogunsanya (Nigerian)	-	Director	Appointed 12 November 2012	-	Nil
Mr. Jaideep Paul (Indian)	-	Director	Appointed 29 May 2014	Bharti Airtel Nigeria B.V	Nil
Mr. Emeka Onwuka (Nigerian)	-	Director	Appointed 5 September 2018	-	Nil
Mr. Rama Krishna Lella (Indian)	-	Director	Appointed 6 February 2019	Bharti Airtel Nigeria B.V	Nil
Ms. Rogany Ramiah (South African)	-	Director	Appointed 12 June 2019	Bharti Airtel Nigeria B.V	Nil
Mr. Surendran Chemmenkotil (Indian)		MD/CEO	Resigned 20 December 2022	Bharti Airtel Nigeria B.V	
Mr. Adekunle Bankole - Sonola (Nigerian)		Director	Resigned 24 October 2022	-	Nil
Mr. Carl Cruz (Philippines)	-	MD/CEO	Appointed 5 May 2023		

The companies represented by the directors are direct shareholders of Airtel Networks Limited.

3. Directors' interest in contracts

In accordance with Companies and Allied Matters Act 2020, the following directors declared the interests of companies they represent in contracts with the Company:

Mr. Olusegun Ogunsanya - TCF Microfinance Bank Limited (Banking Services)

4. Property, plant, and equipment

Information relating to changes in property, plant and equipment is disclosed in Note 17 to the financial statements.

Directors' Report (cont'd)

5. Investment in Subsidiary

Airtel Networks Limited owns 99.99% of the shares of Airtel Mobile Commerce Nigeria Limited, a company incorporated on 31 August 2017. The principal activity of the Company is to act as a provider of electronic commerce (e-commerce) service, facilitate the acceptability of mobile money, act as an agent of financial institutions carrying out the business of agency banking as well as act as aggregator and manager of agents networks for the same purpose. The Company possesses a super-agent license issued by the Central Bank of Nigeria.

Airtel Mobile Commerce Nigeria Limited is yet to commence business as at 31 December 2022. Details of investment in the subsidiary is provided in Note 35(c).

In its commitment to the fulfilment of the financial inclusion agenda of the Central Bank of Nigeria (CBN) and Federal Republic of Nigeria, Airtel Networks Limited acquired 99.99% of the shares of Smartcash Payment Service Bank Limited, a company duly incorporated on 30 November 2021 and licensed by the CBN as a payment service bank.

Charitable contributions

The Company made donations through projects and gifts totalling ₦343.64 million (2021: ₦184.80 million) to the following charitable activities:

Corporate Social Responsibility Projects		
	2022	**2021**
Activities	**₦'000**	**N'000**
Adopt-a-School – Textbooks and writing materials	3,273	1,402
Airtel Touching Lives	299,583	123,964
5 days of Love Campaign	40,788	36,413
COVID-19	-	23,024
	343,644	**184,803**

In compliance with the Companies and Allied Matters Act 2020, the Company did not make any donations or gifts to any political association or for any political purpose during the year under review.

6. Employment and employees

(a) Employment of disabled persons

It is the policy of the Company that there should be no discrimination in considering applications for employment including those from disabled persons. All employees whether or not disabled are given equal opportunities to develop. As at 31 December 2022, there was one disabled person in the employment of the Company.

(b) 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 and Group life insurance, to adequately secure and protect its employees. The Company also has Safety, Health and Environment (S.H.E.) policies that employees are required to adhere to.

Directors' Report (cont'd)

9. Employment and employees (cont'd)

(c) Employees' involvement and training

The Company remains committed to engaging employees through its various online, virtual and physical communication channels through which performance on Key Business drivers are shared and recommendations received from employees.

In addition to Function-specific trainings, programmes which are targeted at enhancing Organizational Capabilities were rolled out across various employee levels. These included Project Management, Process Quality Management, and Business Analytics. Various People Management and Leadership Development interventions were also deployed, including Managerial Assessment of Proficiency (MAP), Coaching for Performance, Executive Coaching and Leadership Knowledge Series.

7. Business ethics and compliance code

The Company has instituted a sound Business Ethics and Compliance Code, which ensures that its business is conducted in conformity with highest ethical principles, standards and integrity. It continually creates ethical awareness amongst its directors, officers and business partners to ensure full compliance with Nigerian and applicable international laws and conventions on anti-corruption, anti-money laundering and anti-terrorism.

8. Auditors

Messrs' Deloitte & Touche has expressed their willingness to continue in office as the Company's auditors in accordance with the provision of the Companies and Allied Matters Act 2020.

BY ORDER OF THE BOARD

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Shola Adeyemi
Company Secretary
FRC/2016/NBA/00000014257

Plot L2,
Banana Island,
Ikoyi,
Lagos

Date: 21 July 2023

Statement of Directors' Responsibilities

The Directors of Airtel Networks Limited accept responsibility for the preparation of the financial statements that give a true and fair view of the financial position of the Company as at 31 December 2022, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act, 2020 of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

In preparing the financial statements, the Directors are responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance.

Going Concern:

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

Emeka Onwuka	**Carl Cruz**
Director	**Director**
FRC/2020/PRO/ICAN/006/00000020861	**FRC/2022/PRO/DIR/003/00000023359**

Certification of financial statements

In accordance with section 405 of the Companies and Allied Act of Nigeria, the Chief Executive Officer and the Chief Financial Officer certify that the financial statements have been reviewed and based on our knowledge, the

(i) audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made, and
(ii) 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 nd for, the periods covered by the audited financial statements;

We state that management and directors:

(i) are responsible for establishing and maintaining internal controls and has designed such internal controls to ensure that material information relating to the Company [and its subsidiaries] is made known to the officer by other officers of the Company, particularly during the period in which the audited financial statement report is being prepared,
(ii) has evaluated the effectiveness of the Company's internal controls within 90 days prior to the date of its audited financial statements, and
(iii) certifies that Company's internal controls are effective as of that date;

We have disclosed:

(i) all 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 has identified for the Company's auditors any material weaknesses in internal controls, and
(ii) whether or not, there is any fraud that involves management or other employees who have a significant role in the Company's internal control; and
(iii) as indicated in the report, whether or not, there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The financial statements of the Company for the year ended 31 December 2022 were approved by the directors on ……21 July……., 2023.

Signed on behalf of the Board of Directors on ……21 July 2023……

Emeka Onwuka	**Carl Cruz**
Director	**Director**
FRC/2020/PRO/ICAN/006/00000020861	**FRC/2022/PRO/DIR/003/00000023359**

Deloitte.

P.O. Box 965
Marina
Lagos
Nigeria

Deloitte & Touche
Civic Towers
Plot GA 1, Ozumba Mbadiwe Avenue
Victoria Island
Lagos
Nigeria

Tel: +234 (1) 904 1700
www.deloitte.com.ng

Independent Auditor's report

To the Shareholders of Airtel Networks Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Airtel Networks Limited** set out on pages 12 to 102, which comprise the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of financial position of the **Airtel Networks Limited** as at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act 2020 and Financial Reporting Council Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the requirements of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements that are relevant to our audit of Financial Statements in Nigeria.

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, the Statement of directors' responsibilities and Certification of financial statements, which we obtained prior to the date of this report. The other information does not include the financial statements and our auditor's report thereon.

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

Deloitte.

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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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, the requirements of the Companies and Allied Matters Act 2020 and the Financial Reporting Council Act, 2011 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 have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements
In accordance with the Fifth Schedule of the Companies and Allied Matters Act 2020 we expressly state that:

i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii) The Company have kept proper books of account, so far as 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.

Stella Mba - FRC/2013/ICAN/00000001348
For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
28 July, 2023

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
56/ICAN
1116923

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2022 ₦'000	2021 ₦'000
Revenue from operations	6	893,889,359	734,818,969
Cost of sales	7	(378,867,861)	(291,819,011)
Gross profit		515,021,498	442,999,958
Other income	8	349,427	809,330
Selling and marketing costs	9	(17,214,109)	(15,844,185)
Administrative expenses	10	(19,504,592)	(5,780,136)
Other operating expenses	11	(154,087,488)	(123,356,071)
Net impairment losses on financial assets	22e	(5,633,090)	(58,703)
Results from operating activities		318,931,646	298,770,193
Finance income	12	7,865,870	3,646,186
Finance costs	13	(112,879,646)	(50,889,478)
Net finance costs		(105,013,776)	(47,243,292)
Profit before tax	14	213,917,870	251,526,901
Tax expense	15(a)	(67,713,948)	(80,841,512)
Profit for the year after tax		**146,203,922**	**170,685,389**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year, net of tax		**146,203,922**	**170,685,389**
Earnings per share			
Basic and diluted (₦)	16	11.99	12.93

The accompanying notes on pages 16 to 99 form an integral part of these financial statements.

Statement of Financial Position
As at 31 December 2022

Assets	Notes	2022 ₦'000	2021 ₦'000
Non-current assets			
Property, plant and equipment	17	420,621,870	385,340,449
Intangible assets	18	233,508,021	106,445,083
Right of use assets	19	344,306,114	172,037,742
Investment in subsidiary	35(c)	5,050,000	50,000
Derivative financial assets	34	-	169,228
Other financial assets	20	6,934,422	77,852
Deferred tax assets (Nets)	15(d)	-	23,404,416
Other assets	23	10,118,085	5,352,813
Total Non-current assets		**1,020,538,512**	**692,877,583**
Current assets			
Inventories	21	2,349,892	158,445
Trade and other receivables	22	42,001,055	27,697,137
Derivative financial assets	34	380,450	222,846
Cash and cash equivalents	25	69,747,646	127,210,769
Other financial assets	20	2,161,099	12,206,032
Income tax recoverable (unutilized WHT)	24	1,677,711	877,554
Other assets	23	20,140,147	18,966,148
Total current assets		**138,458,000**	**187,338,931**
Total assets		**1,158,996,512**	**880,216,514**
Equity and liabilities			
Equity			
Share capital	26.1	13,286,999	13,286,999
Treasury shares	26.3	(67,553,510)	(67,553,510)
Share premium	26.2	67,235,360	67,235,360
Retained earnings	27	163,971,459	283,607,657
Total Equity		**176,940,308**	**296,576,506**
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	28	91,879,524	20,533,333
Lease liabilities	31	378,398,999	228,477,425
Deferred tax liabilities	15d	3,365,210	-
Provisions	29	41,481	38,838
Deferred revenue	30	606,325	134,247
Derivative financial liabilities	34	10,173,194	1,550,516
Employee benefits	32	16,479	55,054
Total non-current liabilities		**484,481,212**	**250,789,413**
Current liabilities			
Interest bearing loans and borrowings	28	42,397,040	73,745,663
Provisions	29	668,311	504,107
Trade and other payables	33	272,730,969	123,436,516
Deferred revenue	30	44,061,248	35,309,630
Derivative financial liabilities	34	2,706,710	1,058,152
Employee benefits	32	1,369,865	1,589,329
Income tax payable	15(c)	44,260,000	43,084,116
Lease liabilities	31	89,380,849	54,123,082
Total current liabilities		**497,574,992**	**332,850,595**
Total liabilities		**982,056,204**	**583,640,008**
Total equity and liabilities		**1,158,996,512**	**880,216,514**

Approved by the Board of Directors on ……21 July…… 2023 and signed on its behalf by:

Adetoye Toriola	**Carl Cruz**
Financial Controller	**Managing Director/Chief Executive Officer**
FRC/2021/001/00000022905	**FRC/2022/PRO/DIR/003/00000023359**

The accompanying notes on pages 16 to 99 form an integral part of these financial statements.

Statement of Changes in Equity

	Share Capital ₦'000	Treasury Shares ₦'000	Share Premium ₦'000	Retained Earnings ₦'000	Total Equity ₦'000
2022					
As at 1 January 2022	**13,286,999**	**(67,553,510)**	**67,235,360**	**283,607,657**	**296,576,506**
Profit for the year	-	-	-	146,203,922	146,203,922
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**146,203,922**	**146,203,922**
Transactions with owners of the Company					
Dividend (Note 27.1)	-	-	-	(265,840,120)	(265,840,120)
As at 31 December 2022	**13,286,999**	**(67,553,510)**	**67,235,360**	**163,971,459**	**176,940,308**
2021					
As at 1 January 2021	**4,127,023**	-	**67,235,360**	**176,373,579**	**247,735,962**
Profit for the year	-	-	-	170,685,389	170,685,389
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**170,685,389**	**170,685,389**
Transactions with owners of the Company					
Dividend (Note 27.1)	-	-	-	(63,451,311)	(63,451,311)
Purchase of company shares (Note 26.3)	-	(67,553,510)	-	-	(67,553,510)
Call up Shares (Note 26.1)	9,159,976	-	-	-	9,159,976
As at 31 December 2021	**13,286,999**	**(67,553,510)**	**67,235,360**	**283,607,657**	**296,576,506**

The accompanying notes on pages 16 to 99 form an integral part of these financial statements.

Statement of Cash Flows

	Note	2022	2021
Cash flows from operating activities		**₦'000**	**₦'000**
Profit for the year before tax		213,917,870	251,526,901
Non cash adjustments:			
Depreciation of property, plant and equipment	17(c)	62,072,953	51,107,054
Depreciation of right of use	19	59,467,841	41,399,463
Amortization of intangible assets	18	15,018,657	12,307,420
Finance income	12	(7,865,870)	(3,646,186)
Finance cost	13	112,879,646	50,889,478
Gain on disposal of property, plant and equipment	8	(94,875)	(101,451)
Inventory written down/(write back)	21	(2,277,525)	534,828
Net impairment/(reversal) on financial assets	22(e)	5,581,991	(82,261)
Net foreign exchange differences	38.1	(56,173,606)	(17,922,000)
Other non-cash items	38.2	(3,134,092)	(719,470)
		399,392,990	**385,293,776**
Changes in working capital:			
Inventory	21	86,078	399,902
Trade and other receivables	22(f)	(19,885,909)	(13,111,415)
Other assets	23	(5,939,271)	(8,643,358)
Income tax recoverable	24	(800,157)	(637,750)
Deferred revenue	30	9,223,696	6,308,842
Provisions	29	166,847	231,777
Trade and other payables	33	(4,354,041)	(10,919,680)
Employee benefit liability	32	(258,039)	160,912
Derivative financial liability	34	10,271,236	2,496,900
Other financial asset	20	3,188,363	(12,033,800)
Derivative financial asset	34	11,624	(364,483)
Cash generated from operating activities		**391,103,417**	**349,181,623**
Income tax paid current	15(c)	(39,768,437)	(29,487,301)
Net cash generated from operating activities		**351,334,980**	**319,694,322**
Cash flows from investing activities			
Investment in subsidiary		(5,000,000)	-
Proceeds on disposal of property, plant and equipment	17(b)	2,728,926	292,142
Acquisition of property, plant and equipment	17	(99,988,425)	(114,469,880)
Acquisition of intangible asset	18	(142,081,595)	(71,994,409)
Interest received	12	7,858,174	3,639,836
Net cash used in investing activities		**(236,482,920)**	**(182,532,311)**
Cash flows from financing activities			
Proceeds from right issue	26.1	-	9,159,976
Treasury Shares	26.3	-	(67,553,510)
Short term loan received – trade import facility	28(d)	24,713,939	25,991,782
Short term loan paid – trade import facility	28(d)	(38,014,731)	(1,630,053)
Term loan received	28(a)	116,153,436	37,898,101
Term loan repaid	28(a)	(74,108,237)	(3,898,967)
Shareholders loan repaid	28(b)	-	(7,931,207)
Interest paid	13(a)	(46,725,678)	(33,530,721)
Dividend paid	33(b)	(112,191,628)	(54,451,782)
Repayment of principal portion of lease liabilities	31.1	(41,921,820)	(41,572,177)
Net cash used in financing activities		**(172,094,719)**	**(137,518,558)**
Net movement in cash and cash equivalents		(57,242,659)	(356,547)
Cash and cash equivalents at the beginning of year	25(a)	127,210,769	127,670,939
Effect of foreign exchange on cash and cash equivalent	38.1	(220,464)	(103,623)
Cash and cash equivalents at the end of year	25(a)	**69,747,646**	**127,210,769**

The accompanying notes on pages 16 to 99 form an integral part of these financial statements.

Notes to the Financial Statements

1. Corporate Information

Airtel Networks Limited is a private limited liability company incorporated and domiciled in Nigeria. The registered office of the Company is located at Plot L2 Banana Island, Ikoyi Lagos, Nigeria. The principal activity of the Company is the provision of telecommunications services and products using its licensed platforms. Airtel Networks Limited is an indirect subsidiary of Bharti Airtel International (Netherlands) B.V. and has Airtel Africa Plc as its intermediate parent.

2. Basis of preparation and measurement

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to companies reporting under IFRS and the requirements of the Companies and Allied Matters Act of Nigeria (CAMA 2020) and Financial Reporting Council of Nigeria Act 2011.

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for items measured at fair value as indicated in the policies below.
Historical cost is based on the fair value of the consideration given in exchange for goods and services.

(c) Functional and presentation currency

The financial statements have been presented in Naira which is the Company's functional and presentation currency. The Company determines its own functional currency (the currency of the primary economic environment in which the entity operates) and items included in the financial statements are measured using its functional currency. All values are rounded to the nearest thousand, except when otherwise indicated.

(d) Use of estimate and judgement

The preparation of financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosures of contingent assets and liabilities at the reporting date and the reported amount of revenue and expenses during the period.

(e) Current vs. non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

i) Expected to be realised or intended to be sold or consumed in the normal operating cycle;
ii) Held primarily for the purpose of trading;
iii) Expected to be realised within twelve months after the reporting period; or
iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

Notes to the financial statements

2. Basis of preparation (cont'd)

(e) Current vs. non-current classification (cont'd)

A liability is current when:

i) It is expected to be settled in the normal operating cycle;
ii) It is held primarily for the purpose of trading;
iii) It is due to be settled within twelve months after the reporting period; or
iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(f) Fair value measurement

The Company measures financial instruments at fair value and amortised cost as may be applicable at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i) in the principal market for the asset or liability, or
ii) in the absence of a principal market, in the most advantageous market for the asset or liability

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

(g) Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the Company continues to adopt the going concern basis of accounting in preparing the financial statements.

Notes to the financial statements

3. Summary of significant accounting policies

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

3.1 Property, plant and equipment (PPE) and Capital Work-in-progress (CWIP)

(a) Recognition, measurement and derecognition

Items of property, plant and equipment (PPE) are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The initial cost of an item of PPE comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and the initial estimate of any decommissioning obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Costs also include cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. Capital Work-In-Progress (CWIP) is stated at cost.

The Company also enters into multiple element contracts whereby the vendor supplies plant and equipment and other services. These are recorded on the basis of relative fair value. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as separate components of assets with specific useful lives and provides depreciation over their useful lives.

(b) Subsequent costs

The expenditure incurred after an item of PPE is ready to use, such as repairs and maintenance, are charged to the comprehensive income in the period in which such costs are incurred. However, in situations where the said expenditure can be measured reliably, and is probable that future economic benefits associated with it will flow to the company, it is included in the asset's carrying value or as a separate asset, as appropriate.

(c) Depreciation methods

Assets are depreciated to the residual values on a straight-line basis over the estimated useful lives from the date when it is available for use in the manner intended by management. The assets' residual values, useful lives and depreciation methods are reviewed at each financial year end or whenever there are indicators for review, and any adjustment is done prospectively. Freehold land and capital work-in-progress are not depreciated. The attributable cost of each item of capital work-in-progress is transferred to the relevant asset category immediately when the asset is available for use and depreciated accordingly. Estimated useful lives of the assets are as follows:

Assets	**Useful life**
GSM equipment	3 - 25 years
Information system equipment	3 – 5 years
Building	20 years
Office furniture and equipment	2 - 5 years
Motor vehicles	5 years
Leasehold improvement	Period of lease or 10 –20 years, as applicable, whichever is less

Notes to the financial statements

3.1 Property, plant and equipment (cont'd)

(d) De-recognition

Gains and losses arising from retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the statement of comprehensive income on the date of retirement and disposal.

3.2 Intangible assets

Intangible assets are those identifiable non-monetary assets without physical substances. They include those that are acquired separately by the Company including digital mobile licence fees, and other licence fees and software. Intangible assets are measured on initial recognition at cost and subsequently, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Licences are amortised over the useful life of the intangible assets on a straight line basis from the effective date (digital mobile licence from commercial launch date) of the licence except software. Software is amortised from the date the asset is available for use. This closely reflects the expected pattern of usage of the future economic benefits embodied in the asset. Estimated useful lives of the assets are as follows:

Items	**Useful Life**
1800 MHz Spectrum	10 years
3G Spectrum Licence	15 years
Universal Access Service Licence (UASL)	10 years
2600 MHz Spectrum (4G LTE)	10 years
Software Licence	3 years

The useful life or amortisation period and the amortisation method for an intangible asset are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate. The amortisation expense on intangible assets is recognised in the statement of profit or loss and other comprehensive income in the other operating expense category.

De-recognition of intangible assets

Intangible assets are derecognised on disposal, or when no future economic benefits are expected from its use. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss and other comprehensive income when the asset is derecognised.

Notes to the financial statements

3. Summary of significant accounting policies (cont'd)

3.2 Intangible assets (cont'd)

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.
An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- The intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.
Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.
Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

3.3 Impairment of Property, plant and equipment, Right-of-use assets, Intangible assets and intangible assets under development

At each reporting period date, the company reviews the carrying amounts of its PPE, right- of-use assets, CWIP and finite-lived intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Intangible assets under development are tested for impairment, at least annually or earlier, in case circumstances indicate that it may be impaired.

For the purpose of impairment testing, the recoverable amount (that is, higher of the fair value less costs to sell and the value-in-use) is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets, in which case the recoverable amount is determined at the CGU level to which the asset belongs. If individual assets or a CGU are considered to be impaired, the impairment recognised in the financial statement of comprehensive income is measured by the amount by which the carrying value of the asset/CGU exceeds the estimated recoverable amount and is allocated on pro-rata basis.

Reversal of impairment losses

Impairment loss in respect of goodwill is not reversed. For asset excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

Notes to the financial statements

3. Summary of significant accounting policies (cont'd)

3.4 Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interest issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

In accordance with the exemption requirements of IFRS 10, Airtel Networks Limited has elected not to provide a consolidation of Airtel Mobile Commerce Nigeria Limited and Smart Cash Payment Service Bank Limited due to the following reasons:

(a) Airtel Networks Limited is an indirect subsidiary of Bharti Airtel International (Netherlands) B.V. which in turn is a subsidiary of Airtel Africa Plc and the owners of the Company has been informed and do not object to the "Airtel Networks Limited" not presenting consolidated financial statements;

(b) Airtel Networks Limited does not have any debt or equity instruments traded in a public market - either local or foreign as it is a private limited company;

(c) Airtel Networks Limited has not filed nor in the process of filing its financials with a securities commission or regulatory for purpose of issuing instruments; and

(d) Airtel Networks Limited has Airtel Africa Plc as its intermediate parent. Airtel Africa Plc is a listed entity on both the London Stock Exchange and Nigerian Stock Exchange (NSE), and prepares consolidated financial statements for public use in its listed markets in accordance with International Financial Reporting Standards (IFRSs). Airtel Mobile Commerce Nigeria Limited and Smart Cash Payment Service Bank Limited are consolidated in Financial Statements of Airtel Africa Plc.

3.5 Inventories

Inventories are defined as assets held for sale in the ordinary course of business or in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services. The Company's inventories primarily consist of cellular telephones, accessories, mifis, routers and SIM packs.

Inventories are measured at the lower of cost (determined on a first in first out ('FIFO') basis) and net realisable value. Inventory costs include purchase price, freight inwards and transit insurance charges and other directly attributable costs incurred in bringing inventories to present location and condition. The cost of inventory is reduced to its net realisable value once the inventories are damaged, wholly or partly obsolete or its selling price has declined. In accordance with IAS 2.28-33, if the inventory value including the purchase price and the refurbishing costs exceeds expected net realizable value, the trade-in value is reduced to the latter. SIM inventories are measured on the lower of cost and net realisable value (NRV).

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the financial statements

3 Summary of significant accounting policies (cont'd)

3.6 Leases

At inception of a contract, the company assesses a contract as, or containing, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company assesses whether the contract involves the use of an identified asset, the company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the company has the right to direct the use of the asset.

(a) Company as a lessee

The company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee in the statement of financial position. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), variable lease payments that are based on consumer price index (CPI), the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Subsequently, the lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments including changes in CPI or if the company changes its assessment of whether it will exercise a purchase, extension or termination option or when the lease contract is modified and the lease modification is not accounted for as a separate lease. The corresponding adjustment is made to the carrying amount of the right- of-use asset, or is recorded in profit or loss if the carrying amount of the related right-of-use asset has been reduced to zero.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

Subsequent to initial recognition, right-of-use asset are stated at cost less accumulated depreciation and any impairment losses and adjusted for certain remeasurements of the lease liability. Depreciation is computed using the straight-line method from the commencement date to the end of the useful life of the underlying asset or the end of the lease term, whichever is shorter. The estimated useful lives of right-of-use assets are determined on the same basis as those of the underlying property and equipment.

In the statement of financial position, the right- of-use assets and lease liabilities are presented separately.

When a contract includes lease and non-lease components, the company allocates the consideration in the contract on the basis of the relative stand-alone prices of each lease component and the aggregate stand-alone price of the non-lease components.

Notes to the financial statements

3 Summary of significant accounting policies (cont'd)

3.6 Leases (cont'd)

Short-term leases
The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Sale and lease back
In sale and leaseback transactions, the company first considers whether the initial transfer of the underlying asset to the buyer-lessor is a sale by applying the requirements of IFRS 15. If the transfer qualifies as a sale and the transaction is on market terms, the company derecognises the asset, recognises a right-of-use asset (and lease liabilities) and recognises a portion of the total gain or loss on the sale in the statement of comprehensive income. The right-of-use asset is recognised at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. The amount recognised is calculated by splitting the total gain or loss into:

- an amount recognised in the consolidated statement of comprehensive income relating to the buyer lessor's rights in the underlying asset, and
- an unrecognised amount relating to the rights retained by the seller-lessee which is deferred by way of reducing the right-of-use assets initially recognised.

(b) **Company as a lessor**
Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under a finance lease are recognised as receivables at an amount equal to the net investment in the leased assets. Finance lease income is allocated to the periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

The company enters into 'indefeasible right to use' (IRU) arrangements wherein the right to use the assets is given over the substantial part of the asset life. However, as the title to the assets and the significant risks associated with the operation and maintenance of these assets remains with the company, such arrangements are recognised as operating leases. The contracted price is recognised as revenue during the tenure of the agreement. Unearned IRU revenue received in advance is presented as deferred revenue within liabilities in the statement of financial position.

Notes to the financial statements

3. Summary of significant accounting policies (cont'd)

3.7 Financial instruments

Financial instruments are recognised in the statement of financial position when the company becomes a party to the contractual provisions of the financial instrument.

The company determines the classification of its financial instruments at initial recognition.

The company classifies its financial assets into the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

The company does not have any financial instruments classified as fair value through other comprehensive income.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The company has classified all non-derivative financial liabilities as measured at amortised cost.

Financial assets with embedded derivatives are considered in their entirety for determining the contractual terms of the cash flow and accordingly, embedded derivatives are not separated. However, derivatives embedded in non-financial instrument /financial liabilities (measured at amortised cost) host contracts are classified as separate derivatives if their economic characteristics and risks are not closely related to those of the host contracts.

Financial assets and liabilities arising from different transactions are off-set against each other and the resultant net amount is presented in the statement of financial position, if and only when, the company currently has a legally enforceable right to set- off the related recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Financial assets and liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The Company determines the classification of its financial assets and liabilities at initial recognition. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Notes to the financial statements

3 Summary of significant accounting policies (cont'd)

3.7 Financial instruments (cont'd)

Measurement – Non-derivative financial instruments - Initial measurement
All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Other transaction costs are expensed as incurred in the statement of comprehensive income.

The transaction price is generally the best evidence of the financial instrument's initial fair value. However, it is possible for an entity to determine that the instrument's fair value is not the transaction price. The difference between the transaction amount and the fair value (if any) is accounted for as follows:

- The difference is recognised as a gain or loss in the statement of comprehensive income only if fair value is evidenced by a quoted price in an active market for an identical asset or liability (that is, a Level 1 input) or based on a valuation technique that uses only data from observable markets.
- In all other cases, an entity recognises the instrument at fair value and defers the difference between the fair value at initial recognition and the transaction price in the statement of financial position.

Subsequent measurement – financial assets
The subsequent measurement of non- derivative financial assets depends on their classification as follows:

- **Financial assets measured at amortised cost**
  Assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest rate (EIR) method (if the impact of discounting/any transaction costs is significant). Interest income from these financial assets is included in finance income.
  EIR is the rate that exactly discounts the estimated future cash receipts or payments over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability.

- **Financial assets at fair value through profit or loss (FVTPL)**
  All equity instruments and financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income (FVTOCI) are measured at FVTPL. Interest (based on the EIR method)and dividend income from financial assets at FVTPL is recognised
  in profit and loss within finance income/finance costs separately from the other gains/losses arising from changes in the fair value.

Impairment
The company assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost and debt instrument carried at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. If credit risk has not increased significantly, 12 month expected credit loss (ECL) is used to provide for impairment loss, otherwise lifetime ECL is used.

Notes to the financial statements

3 Summary of significant accounting policies (cont'd)

3.7 Financial instruments (cont'd)

However, in case of trade receivables and contract assets, the company applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Subsequent measurement – financial liabilities
Financial liabilities are subsequently measured at amortised cost using the EIR method (if the impact of discounting/any transaction costs is significant).

Measurement – derivative financial instruments
Derivative financial instruments, including separated embedded derivatives that are not designated as hedging instruments in a hedging relationship are classified as financial instruments at fair value through profit or loss. Such derivative financial instruments are initially recognised at fair value. They are subsequently measured at their fair value, with changes in fair value being recognised in profit or loss within finance income/finance costs.

In cases, where the initial fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on observable inputs, on subsequent measurement, the difference between initial fair value and transaction price is recognised in profit or loss on an appropriate basis (e.g. straight line) over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Derecognition
Financial liabilities are derecognised from the statement of financial position when the underlying obligations are extinguished, discharged, lapsed, cancelled, expired, or legally released. Financial assets are derecognised from the statement of financial position when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. The difference in the carrying amount and consideration is recognised in the statement of comprehensive income.

Notes to the financial statements

3 Summary of significant accounting policies (cont'd)

3.8 Employee benefits

(a) Short term benefits

Liability is recognised for benefits accruing to employees in respect of wages and salaries and annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

(b) Defined contributions: Pension

In line with the provisions of the Pension Reform Act 2014 of Nigeria, the Company operates a contributory pension scheme (which is a defined contribution plan) for all its employees. Under the scheme, every employee contributes 8% and the Company contributes 10% of employee's annual insurable earnings (basic pay, transport and housing) to the pension fund which manages the funds for the benefit of the employee.

Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is charged to profit or loss as employee cost. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits under the scheme.

(c) Defined benefit obligation (Long service award/Leave absence):

The valuation has been carried out using the Project Unit Credit Method as per IAS19 *Employee Benefits* to determine the Present Value of Defined Benefit Obligations and the related Current Service Cost and, where applicable, Past Service Cost.

The company recognises service costs within profit or loss as employee benefit expenses. Past service cost is recognised in profit or loss when the plan amendment or curtailment occurs. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Interest cost is calculated by applying a discount rate to the defined benefit liability and is recognised within finance costs. Remeasurements comprising actuarial gains and losses are recognised immediately as a charge or credit to other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income are subsequently not reclassified to profit or loss.

3.9 Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Company at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date with resulting exchange difference recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting).

Notes to the financial statements

3 Summary of significant accounting policies (cont'd)

3.10 Revenue recognition

Revenue is recognised upon the transfer of control of promised products or services to the customer at the consideration which the company has received or expects to receive in exchange for those products or services, net of any taxes/duties and discounts. When determining the consideration to which the company is entitled for providing promised products or services via intermediaries, the company assesses whether the intermediary is a principal or agent in the onward sale to the end customer. To the extent that the intermediary is considered a principal, the consideration to which the company is entitled is determined to be that receivable from the intermediary. To the extent that the intermediary is considered to be an agent, the consideration to which the company is entitled is determined to be the amount receivable from the ultimate customer. Any upfront discount provided to the intermediary is recognised as a cost of sale.

The company has entered into certain multiple-element revenue arrangements, which involve the delivery or performance of multiple products, services or rights to use assets. At the inception of the arrangement, all the deliverables within the contract are evaluated to determine whether they represent distinct performance obligations, and if so, they are accounted for separately.

Total consideration related to the multiple element arrangements is allocated to each performance obligation based on their relative standalone selling prices. The stand-alone selling prices are determined based on the list prices at which the company sells equipment and network services separately.

Revenue is recognised when, or as, each distinct performance obligation is satisfied. The main categories of revenue and the basis of recognition are as follows:

(a) Sales of goods

Revenue from sale of handsets and device is recognised when control of the goods has been transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

(b) Service revenues

Service revenue is derived from the provision of telecommunications services and mobile money services to customers. The majority of the company's customers subscribe to services on a pre-paid basis. Telecommunications service revenue mainly pertains to usage, subscription charges for voice, data, messaging and value added services and customer onboarding charges.

Telecommunications services are considered to represent a single performance obligation as all are provided over the company's network and transmitted as data representing a digital signal on the network. The transmission consumes network bandwidth and therefore, irrespective of the nature of the communication, the customer ultimately receives access to the network and the right to consume network bandwidth.

Customers primarily pay in advance for services of the company. These cash amounts are recognised in deferred income in the consolidated statement of financial position and transferred to the statement of comprehensive income when the service obligation has been performed/when the usage of services becomes remote.

Notes to the financial statements

3 Summary of significant accounting policies (cont'd)

3.10 Revenue recognition (cont'd)

The company recognises revenue from these services over time as they are provided. Revenue is recognised over time based on actual units of telecommunications services provided during the reporting period as a proportion of the total units of telecommunications services to be provided.

Subscription charges are recognised over the subscription pack validity period.

Revenue recognised in excess of amounts invoiced are classified as unbilled revenue. If amounts invoiced/collected from a customer are in excess of revenue recognised, a deferred revenue/advance income is recognised. Service revenue also includes revenue from interconnection/roaming charges for use of the company's network by other operators for voice, data, messaging and signaling services.

Revenue from long distance operations comprise voice services and bandwidth services (including installation), which are recognised on the provision of services, provided over the period of the respective arrangements.

The company has interconnect agreements with local and foreign operators. This allows customers from either network to originate or terminate calls to each other's network. Revenue is earned and recognised as per bilateral agreements when other operators' calls are terminated to the Group's network i.e. when the service is rendered.

As part of the mobile money services, the Group earns commission from merchants for facilitating recharges, bill payments and other merchant payments. It also earns commissions on the transfer of money from one customer wallet to another. Such commission is recognised as revenue at a point in time on fulfilment of these services by the company.

(c) Customer loyalty programme

The Company has a customer loyalty programme through which credits (points) are awarded to customers on recharges. These credits (points) entitle customers to data, sms and voice services upon redemption which creates a material right and is therefore considered as a separate performance obligation. Revenue on customer loyalty is recognised on the basis of the fair value of the consideration received or receivable in respect of the initial sale allocated for award credits (points) and the consideration allocated to the award points is measured by reference to their respective fair value. If the Company supplies the awards, it recognises the consideration allocated to award points as revenue when award points are redeemed and the obligation to supply the awards is fulfilled.

A contract liability is recognised for revenue relating to the loyalty points at the time of the initial sales transaction. If a third party supplies the awards, the Company assesses whether it is acting in the capacity of a principal or agent in the transaction, in which case, it measures revenue as the net amount of the difference between the consideration allocated to the award points and the amount payable to the third party for supplying the awards. Where the award is supplied by the Company, it measures revenue as the gross consideration allocated to the award points and recognises the revenue when the obligation is fulfilled.

Notes to the financial statements

3 Summary of significant accounting policies (cont'd)

3.10 Revenue recognition (cont'd)

(d) Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets, classified as financial assets at fair value through profit or loss, interest income is recognised using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in 'Finance income' in the statement of comprehensive income.

(e) Equipment sales

Equipment sales mainly pertain to sale of telecommunications equipment and related accessories for which revenue is recognised when the control of equipment is transferred to the customer i.e. transferred at a point in time.

(f) Customer acquisition cost

The Company recognises the cost it incurs to obtain a contract with a customer as an asset in the period these costs are incurred. The amount is amortised over the average anticipated customer life in the profit or loss. The unamortised amount is presented in the statement of financial position as "Other assets". The churn rate is used to estimate the average customer life.

3.11 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it also excludes items that are never taxable or deductible. The payment made in excess/ (shortfall)of the income tax obligation for the respective periods are recognised in the statement of financial position under income tax assets/income tax liabilities, respectively.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity or other comprehensive income and not in profit or loss. The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Any interest, related to accrued liabilities for potential tax assessments are not included in income tax charge or (credit), but are rather recognised within finance costs.

Notes to the financial statements

3 Summary of significant accounting policies (cont'd)

3.11 Taxation (cont'd)

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable or based on expected value approach, as applicable and are presented within current tax liabilities. The assessment is based on the judgement of tax professionals within the company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Current tax assets and tax liabilities are offset where the company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(a) Deferred tax

Deferred tax liability is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. However, the deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(b) Current tax and deferred tax for the year

Current and deferred tax are recognised in statement of profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the financial statements

3 Summary of significant accounting policies (cont'd)

3.11 Taxation (cont'd)

(c) Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

i) When the value added tax incurred on a purchase of assets or services is not recoverable from the tax authority, is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
ii) When receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3.12 Borrowing costs

Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. The Company capitalises borrowing costs on qualifying assets that takes more than one year to get ready for use. All other borrowing costs are expensed in the year they are incurred.

3.13 Provisions and contingencies

(a) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the relevant obligation, using a pre-tax rate that reflects current market assessments of the time value of money (if the impact of discounting is significant) and the risks specific to the obligation. The increase in the provision due to un-winding of the discount sale due to the passage of time is recognised within finance costs.

Provision for legal matters

The company is involved in various legal matters, the outcome of which may not be favourable to the company. Management, in consultation with legal advisers, assesses the likelihood that a pending claim will succeed. The company recognises a provision in cases where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations arising from such claims.

Asset retirement obligation (ARO)

AROs are recognised for those lease arrangements where the company has an obligation at the end of the lease period to restore the leased premises to a condition similar to that at inception of the lease.
AROs are provided at the present value of expected costs to settle the obligation and are recognised as part of the cost of that particular asset. The estimated future costs of decommissioning are reviewed annually and any change in the estimated future costs or in the discount rate applied are adjusted against the cost of the asset.

Notes to the financial statements

3 Summary of significant accounting policies (cont'd)

3.11 Taxation (cont'd)

(b) Contingencies

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised unless virtually certain and disclosed only where an inflow of economic benefits is probable.

3.14 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with (The company has grant majorly base Transceiver Stations constructed at qualifying location). The grant is granted by the Federal Government of Nigeria under the Universal Service Provision Fund (USPF) Projects for;

(a) BTS Expansion Project for the construction of BTS in rural and unserved areas where there are currently no service providers
(b) Community Communications Centre (CCC) project for the establishment of CCCs in 109 rural communities nationwide to provide internet access, voice, ICT training, emergency calls and other services; and
(c) The School Access Programme for the provision of internet enabled personal computers and internet access to participating schools.

When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

3.15 Dividends

Dividends to shareholders of the company are recognised as a liability and deducted from equity, in the year in which the dividends are approved by the shareholders. Interim dividends are deducted from the retained earnings when they are paid.

3.16 Earnings per share

The Company's Earnings per Share ('EPS') is determined based on the net income attributable to the shareholders. Basic earnings per share are computed using the weighted average number of shares outstanding during the year.

Notes to the financial statements

3 Summary of significant accounting policies (cont'd)

3.17 Cash and cash equivalent

Cash and cash equivalents include cash in hand, wallet balances, bank balances, cheques in hand and any deposits with original maturities of three months or less i.e. that are readily convertible to known amounts of cash and cash equivalents and subject to an insignificant risk of a change in value. However, for the purpose of the statement of cash flows, in addition to the above items, any bank overdrafts that are integral part of the Group's cash management and balances held under mobile money trust are also included as a component of cash and cash equivalents.

Term deposits with an original maturity of more than three months are presented within other bank balances.

3.18 Treasury Share

The company is the sponsoring entity of an Employee Benefit Trust (EBT) which is controlled by the Group. The company provides funds to the EBT to enable it to satisfy its objectives. The company's equity instruments held by the EBT are accounted for as if they were the company's own equity and are treated as treasury shares. Such treasury shares are recorded at cost and deducted from equity. Refer to Note 26.3 for details of treasury shares held by the EBT.

Notes to the financial statements

4. Significant accounting judgments, estimates and assumptions

4.1 Judgements

Under IFRS, the directors have adopted those accounting policies most appropriate to the Company's circumstances for the purpose of presenting a true and fair view of the Company's financial position, financial performance and cash flows. In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Company should it later be determined that a different choice would be more appropriate.

Deferred tax

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with any future tax planning strategies. Refer to Note 15 for the disclosure of deferred tax assets recognition.

4.2 Estimates and assumptions

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

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

(a) **Revenue recognition and presentation**

The Company assesses its revenue arrangements in line with the requirements of IFRS 15 – *Revenue from Contracts with Customers* which requires the identification of performance obligation, allocation of transaction price amongst performance obligation, and recognising revenue upon satisfaction of each performance obligation agreed with the customer. The Company also assess whether it has exposure to sale of goods or the rendering of services, in order to determine if it is acting as a principal or as an agent. When deciding the most appropriate basis for presenting revenue or costs of revenue, both the legal form and substance of the agreement between the Company and its business partners are reviewed to determine each party's respective role in the transaction. Where the Company's role in a transaction is that of principal, revenue derived from these transactions are reported gross while the commission is expensed through profit or loss. Otherwise, the net revenue is reported.

Customer loyalty programme

The Company estimates the fair value of points awarded under the loyalty management programme by applying statistical techniques. Inputs to the model include making assumptions about expected redemption rates, the mix of products that will be available for redemption in the future and customer preferences. As at 31 December 2022, the estimated liability for unredeemed points was approximately ₦743.23 million (2021: ₦582.6 billion) disclosed as part of deferred revenue liability.

Notes to the financial statements

4. Significant accounting judgments, estimates and assumptions (cont'd)

4.2 Estimates and assumptions (cont'd)

(b) ***Multiple obligation with customers***

The Company has entered into certain multiple performance obligation revenue arrangements. These arrangements involve the delivery or performance of multiple products, services or rights to use assets. The Company evaluates all deliverables in an arrangement to determine whether they represent separately identifiable components at the inception of the arrangement. The evaluation is done based on the criteria as to whether the deliverables in the arrangement have value to the customer on a standalone basis. Total consideration related to the multiple element arrangements is allocated among the different components based on their relative fair values (i.e., ratio of the fair value of each element to the aggregated fair value of the bundled deliverables).

(c) Customer acquisition cost

IFRS 15 requires to recognize an asset for customer acquisition cost if the customer life is more than 12 months and then amortise that asset over the customer life. Customer Acquisition costs are cost which would not have been incurred if no new customer would have been acquired. Management has assessed these costs to be the following: Gross acquisition commission costs, KYC costs and SIM and related packing costs.

(d) Property, plant and equipment (PPE)

The Company carries its property, plant and equipment at cost in the statement of financial position. Estimates and assumptions made to determine their carrying value and related depreciation are critical to the Company's financial position and performance. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of the assets are determined by management at the time the asset is acquired and reviewed periodically. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

Multiple element contracts with vendors

The Company has entered into multiple element contracts with vendors for supply of goods and rendering of services. The consideration paid may be determined independent of the value of supplies received and services availed. Accordingly, the supplies and services are accounted for based on their relative fair values to the overall consideration. The supplies with finite life under the contracts (as defined in the significant accounting policies) have been accounted under Property, Plant and Equipment and/or as Intangible assets, since the Company has economic ownership in these assets. The Company believes that the current treatment represents the substance of the arrangement.

Notes to the financial statements

4. Significant accounting judgments, estimates and assumptions (cont'd)

4.2 Estimates and assumptions (cont'd)

(e) Impairment of non-financial assets

Non-financial assets include majorly property, plant and equipment, right of use and intangible assets. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Allowance for uncollectible accounts receivable and advances

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. A large number of minor receivables is grouped into homogeneous groups and assessed for impairment collectively. The Company writes off individual trade receivables when management considers them as uncollectible. The assessment of the age analysis of receivable balances couple with the use of past experience in the calculation of impairments, involve high degree of estimation.

(f) Measurement of loans and borrowings

The Company obtained all its loans at market rates, though tied to Nigeria Interbank Offer Rate (NIBOR) and London Interbank Offer Rate (LIBOR) for local and foreign loans respectively. The re-measurement of those loans are based on a floating interest rates using weighted average of 90 and 180 days of previous NIBOR and LIBOR for repayments of interest while principal is on a straight line basis over the terms of the instruments. Market rate assumes re-measurement using the Effective Interest Rates (EIR) as against floating rates used by management. The judgement is that management has used floating interest rates which approximates to EIR, the impact which is not significantly different from the fair value of those loans. The Company's financial assets such as staff loans are recognised at their fair value amount using applicable market rates and subsequently carried at amortised cost.

(g) Asset Retirement Obligations (ARO)

In determining the present value of the ARO provision the Company uses technical estimates to determine the expected cost of dismantlement and removal of the infrastructure equipment from the site and the expected timing of these costs. The timing and amount of future expenditures are reviewed annually together with the discount rates used in discounting the cash flows. The discount rate used to calculate the obligation at the end of 2022 was 13.82% (2021: 13.82%). The discount rate represents the real rate determined using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the liability.

(h) Inventory Obsolescence

The Company provides for obsolete and slow-moving inventory based on management estimates of the usability of inventory.

Notes to the financial statements

4. Significant accounting judgments, estimates and assumptions (cont'd)

4.2 Estimates and assumptions (cont'd)

(i) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

(j) Taxation provisions

The Company's current tax provision relates to management's assessment of the amount of tax payable as at the reporting date based on the Company's performance during the financial year.

5. Adoption of new and revised standards

5.1 Standards that became effective on 1 January 2022

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. The nature and the impact of each new standard and amendment are described below:

5.1.1 Amendments to IFRS 3 Reference to the Conceptual Framework

The company has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

5.1.2 Impact of the Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The company has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.
The amendments also clarify the meaning of ' testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity 's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

Notes to the financial statements

5. Adoption of new and revised standards (cont'd)

5.1.3 Impact of the amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The company has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts.

5.1.4 Annual Improvements to IFRS Standards 2018–2020

- **IFRS 1 First-time Adoption of International Financial Reporting Standards**

  The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

- **IFRS 9 Financial Instruments**
  The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- **IFRS 16 Leases**
  The amendment removes the illustration of the reimbursement of leasehold improvements.

- **IAS 41 Agriculture**
  The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

5.2 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Notes to the financial statements

5. Adoption of new and revised standards (cont'd)

5.2.1 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 IASB 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. In December 2021, the IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17) to address implementation challenges that were identified after IFRS 17 was published. The amendment addresses challenges in the presentation of comparative information. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

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.

5.2.2 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 IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise. In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published.

Notes to the financial statements

5. Adoption of new and revised standards (cont'd)

5.2.2 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 (cont'd)

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 IASB 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. In December 2021, the IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17) to address implementation challenges that were identified after IFRS 17 was published. The amendment addresses challenges in the presentation of comparative information. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. 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.

5.2.3 Amendments to IAS 1 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, with early application permitted.

5.2.4 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.

Notes to the financial statements

5. Adoption of new and revised standards (cont'd)

5.2.4 Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies (cont'd)

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 amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

5.2.5 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 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.

5.2.6 Amendment 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.

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.

Notes to the financial statements

5. Adoption of new and revised standards (cont'd)

5.2.6 Amendment to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (cont'd)

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, with earlier application permitted.

Notes to the financial statements

6 Revenue from operations

	2022	2021
	₦'000	₦'000
Airtime revenue (Note 6(a))	736,596,435	602,192,908
Interconnect revenue	138,082,054	118,787,487
SIM connection	4,323,117	1,361,095
Roaming	3,859,465	2,430,558
Leased line revenue (Note 6(b))	10,416,427	8,995,487
Device sales	611,861	1,051,434
	893,889,359	**734,818,969**

The Company derives its revenue from contracts with customers for the transfer of goods and services in the above product lines.

(a) Airtime revenue includes revenue from voice, data and value added services earned by the Company. Airtime revenue is stated net of upfront commissions paid to channel partners of ₦30.33 billion (2021: ₦28.54 billion).

(b) Leased line income relates to income generated from bandwidth and information technology capacity sold to corporate customers. The rentals are paid on monthly or quarterly basis as per the contract terms and recognised over the periods of connectivity. These rentals have no escalation clauses and they are cancellable at the option of the customer. There are no future commitments or restrictions placed upon the customer by entering into contract. This is not a lease as it did not meet definition of a non-cancellable lease. Hence, these are assessed as a service income rather than a lease income.

7 Cost of sales

	2022	2021
	₦'000	₦'000
Transmission cost	209,567,558	138,576,653
Interconnect cost	122,428,241	111,441,294
Handsets cost	1,656,410	2,651,656
Recharge cards	-	45,408
Regulatory fees (Note 7(b))	25,854,331	21,507,837
Roaming cost	1,186,425	460,184
Bandwidth cost	2,470,457	2,641,552
VAS content provider cost	11,573,685	10,936,336
Other dealer commissions (Note 7(a))	4,130,754	3,558,091
	378,867,861	**291,819,011**

(a) Other dealer commissions such as tailing commission are other commissions given to dealers other than one-off commissions accounted as customer acquisition costs and upfront commissions netted off from revenue in Note 6 (a).

Notes to the financial statements

7. Cost of sales (cont'd)

(b) **Regulatory fees –** This includes annual operating levy, spectrum fees and annual numbering plan fees paid to Nigerian Communications Commission (NCC).

	2022 ₦'000	2021 ₦'000
NCC annual levy	19,832,848	16,109,445
Spectrum costs	3,816,483	3,339,587
Annual numbering fees	2,205,000	2,058,805
	25,854,331	**21,507,837**

8 Other income

	2022 ₦'000	2021 ₦'000
Sale of scrap (Note 8(a))	235,983	689,310
Gain on disposal of property, plant & equipment (Note 17(b))	94,875	101,451
Government grants income (Note 8(b) & Note 30)	18,569	18,569
	349,427	**809,330**

(a) Sale of scrap items relate to network scrap items sold to third parties.

(b) **Government grants** income relates to amount amortised during the year on deferred grants. Unamortised portion of the grant is shown in Note 30(a).

9 Selling and marketing costs

	2022 ₦'000	2021 ₦'000
Customer acquisition expenses (Note 9(a), 23(c))	6,854,797	6,529,728
Advertising media	5,962,927	6,453,733
Dealer merchandising (POS)	1,785,689	1,533,651
Field marketing	1,356,843	292,185
Selling and marketing campaigns	580,890	264,591
Airtel relationship centre expenses	222,936	255,622
Repairs and maintenance	53,610	72,565
Sales force training	131,591	127,733
Promotional expenses	129,330	173,840
Printing	135,496	140,537
	17,214,109	**15,844,185**

(a) **Customer acquisition expenses:** These relates to amortisation of one-off costs such as sim card, customer verification/know your customer (KYC) and other SIM related costs which are directly identifiable and incurred solely on acquisition of new subscribers. The Company expects to recover these costs by means of earning the revenue from those customers over the customer life of 24 months. The deferred portion is detailed in Other assets - Note 23(c).

Notes to the financial statements

10 Administrative expenses

	2022	2021
	₦'000	₦'000
Customer service delivery	1,095,422	891,024
Rent	528,110	649,776
Bank charges	1,459,170	1,619,691
Legal fees	579,597	323,890
Statutory audit fees*	97,768	85,328
Conveyance	559,466	241,835
Office maintenance and utilities	570,642	460,502
Insurance	192,015	193,153
Internal audit fees	69,357	27,996
Directors' fees	41,662	36,496
Subscriptions	68,487	90,097
Staff Welfare	610,121	578,040
Consumables	95,313	82,969
Management Fee	13,113,634	-
Other administrative expenses**	423,828	499,339
	19,504,592	**5,780,136**

* The audit fees represent auditors' remuneration as agreed with **Deloitte & Touche** for the final audits of Airtel Networks Limited for the year ended 31 December 2022 and 2021 respectively. The independent auditors report was signed by **Stella Mba**, a Partner with the firm, with Financial Reporting Council (FRC) membership number **FRC/2013/ICAN/00000001348**. Airtel does not have any professional engagement other than audit with Deloitte for the year 2022 and 2021.

** Other administrative expenses relate to courier expenses **₦** 113 million (2021: **₦** 115 million) and corporate social responsibility donations **₦** 311 million (2021: 347 million)

11 Other operating expenses

	2022	2021
	₦'000	₦'000
Depreciation of property, plant and equipment - (Note 17)	62,072,953	51,107,054
Depreciation of right of use assets (Note 19)	59,467,841	41,399,463
Amortisation of intangible assets (Note 18)	15,018,657	12,307,420
Employee costs*	18,424,492	17,102,905
Travel costs	286,844	163,616
Other regulatory cost (Note 42)	20,000	710,121
Inventories written down/(reversal)	(1,219,702)	534,828
Allowance of trade advances	16,403	30,664
	154,087,488	**123,356,071**

Notes to the financial statements

11 Other operating expenses (cont'd)

***Employee cost**

	2022	2021
	₦'000	₦'000
Basic salaries	11,525,414	10,638,511
Allowances	2,943,323	2,994,676
Regulatory Contribution*	984,165	899,568
Bonus and incentives	2,949,736	2,523,589
Other employee cost**	21,854	46,561
	18,424,492	**17,102,905**

*Regulatory contribution relates to Employer Pension Contribution, Industrial Trust Fund and Nigeria Social Insurance Trust Fund

**Other employee cost relates to employee professional and social subscription payment during the year.

Information relating to employees is detailed in Note 40.

12. Finance income

	2022	2021
	₦'000	₦'000
Interest received - banks	195,983	107,620
Interest income (Employee loans)	7,696	6,350
Interest received – fixed deposit	7,662,191	3,532,216
	7,865,870	**3,646,186**

* The employee loan is interest free and it is a notional adjustment as per IFRS 9. Interest received from fixed deposit and banks is reported in the statement of cash flows.

13. Finance costs

Interest on debts and borrowings	5,926,928	2,779,847
Interest on trade import facility (Note 28 (d))	1,084,494	514,774
Interest on lease finance (Note 31.3)	42,222,811	30,150,271
Other finance charges*	2,508	1,101
Interest on long service award and leave encashment	4,404	3,578
Net foreign exchange difference	63,638,501	17,439,907
	112,879,646	**50,889,478**

*Other finance charges relate to unwinding of discount for the asset retirement obligation (Note 29.1).

Notes to the financial statements

13. Finance costs (contd)
13a. Interest Paid

	2022	2021
	₦'000	**₦'000**
Interest paid on debts and borrowings (Note 13)	5,926,928	2,779,847
Interest paid on lease (Note 31.1)	40,798,750	30,750,874
	46,725,678	**33,530,721**

14. Profit before tax is after charging/(crediting):

	2022	2021
	₦'000	**₦'000**
Depreciation of Property, Plant & Equipment (Note 17(c))	62,072,953	51,107,054
Depreciation of right of use asset (Note 19)	59,467,841	41,399,463
Amortisation of intangible assets (Note 18)	15,018,657	12,307,420
Finance Income (Note 12)	7,865,870	3,646,186
Finance costs (Note 13)	112,879,646	50,889,478
Impairment of trade and other receivables (Note 22e)	5,633,090	58,703
Inventories written down/(reversal)	(1,219,702)	534,828
Statutory audit fee (Note 10)	97,768	85,328
Directors' fees (Note 10)	41,662	36,496
(Gain)/Loss on disposal of property, plant & equipment (Note 17(b))	(94,875)	(101,451)

Notes to the financial statements

15. Taxation

(a) Tax expense

The income tax charge for the year has been computed after adjusting for certain items of expenditure and income, which are not deductible or chargeable for tax purposes, and comprises:

	2022 ₦'000	2021 ₦'000
Income tax	30,624,015	30,335,025
Education tax	7,617,309	7,571,698
National Information Technology Development tax (Note 15(c)(i))	2,139,179	2,490,365
Nigeria Police Trust Fund Levy	10,696	12,576
Prior year under provision (Note 15(c)(ii))	18,327	36,597
National Agency for Science and Engineering Infrastructure Levy (Note 15(c)(iii))	534,795	628,817
	40,944,321	41,075,078
Deferred tax expense (Note 15(d))	26,769,627	39,766,434
	67,713,948	**80,841,512**

(b) Reconciliation of effective tax rate

	2022 ₦'000	%	2021 ₦'000	%
Profit before tax	**213,917,870**		**251,526,901**	
Income tax using statutory tax rate	64,175,361	30%	75,458,071	30%
Impact of tertiary education tax	7,617,309	4%	7,571,698	3%
Impact of NITDA Tax	2,139,179	1%	2,490,365	1%
Impact of Nigeria Police Trust Fund Levy	10,696	0%	12,576	0%
National Agency for Science and Engineering Infrastructure Levy	534,795	0%	628,817	0%
Effect of tax incentives	(3,601,756)	-2%	(2,689,489)	1%
Non-deductible expenses	(768,311)	0%	(452,110)	0%
Prior year over provision	18,327	0%	36,597	0%
Impact of Rate change	(144,648)	0%	(685,884)	0%
Effect of IFRS 16 lease and other items	(1,318,283)	-1%	(1,318,283)	1%
Effect of change in education tax from 2% to 2.5% on Non-PPE Items	(948,721)	0%	(210,846)	0%
	67,713,948	**31.7%**	**80,841,512**	**30%**

Notes to the financial statements

15. Taxation (cont'd)

(c) **Movement in Income tax payable**

	2022	2021
	₦'000	₦'000
Balance as at 1 January	43,084,116	31,496,339
Charge for the year:		
Income tax	30,624,015	30,335,025
Education tax	7,617,309	7,571,698
NITDA (Note 15(c)(i))	2,139,179	2,490,365
Nigeria Police Trust Fund Levy	10,696	12,576
Prior year under provision(Note 15(c)(ii)	18,327	36,597
National Agency for Science and Engineering Infrastructure Levy (Note 15(c)(iii)	534,795	628,817
	40,944,321	41,075,078
Payments during the year	(39,768,437)	(29,487,301)
Withholding tax credit notes utilized	-	-
Balance as 31 December	**44,260,000**	**43,084,116**

(i) **National Information Technology Development Agency (NITDA) Act (NITDA)**
National Information technology tax is imposed on companies engaging in information communication technology. Section 12(2) of the National Information Technology Development Agency (NITDA) Act provides that certain companies are under obligation to pay information technology tax and such companies include telecommunications companies. The tax is payable by specified companies with turnover of N100 million and above. Tax is 1% of profit before tax for the year. The tax when paid is tax deductible for company income tax purposes. NITDA has therefore been included in the tax note.

(ii) **Prior year under provision**
The Company provides for current tax in the books on a monthly basis. However, final tax returns is based on the audited financial position for the year. The under provision relates to year 2021 as a result of tax actualisation and re-assessment of tax impact for prior year in the current year.

(iii) **National Agency for Science and Engineering Infrastructure Levy**
National Agency for Science and Engineering Infrastructure levy is imposed on companies operating in banking, mobile telecommunication, ICT, oil and gas, aviation and maritime industries with turnover of N100m and above. Finance Act 2021 provides clarity on companies liable to the National Agency for Science and Engineering Infrastructure levy of 0.25% of profit before tax. The tax when paid is tax deductible for company income tax purposes. NASEI has therefore been included in the tax note.

Notes to the financial statements

15. Taxation (cont'd)

(d) **The movement on the deferred taxation asset account was as follows:**

	2022 ₦'000	2021 ₦'000
Deferred tax assets at 1 January	23,404,416	63,170,850
Movement during the year:		
Deferred tax (expenses)/benefit:		
Property, plant and equipment	(38,443,863)	(42,377,858)
Foreign exchange	5,693,164	1,136,578
Employee benefits	(72,580)	18,425
Provisions	1,494,015	70,091
IFRS 16 - lease and deferred gain	4,559,638	855,943
	(26,769,626)	**(40,296,821)**
Impact of Rate change::		
Foreign exchange loss	-	320,547
Employee benefits	-	9,736
Provisions	-	44,055
IFRS 16 - lease and deferred gain	-	156,049
	-	**530,387**
Deferred tax (liabilities)/assets at 31 December	**(3,365,210)**	**23,404,416**

Deferred tax (liabilities)/assets are attributable to the following:

	2022	2021
Property, plant and equipment	(54,320,054)	(15,876,191)
Foreign exchange	27,665,318	21,972,154
Employee benefits	578,662	651,242
Provisions	4,190,235	2,696,220
IFRS 16 - lease and deferred gain	18,520,629	13,960,991
Net deferred tax (liabilities)/ assets	**(3,365,210)**	**23,404,416**

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. The Company has, accordingly, recognised a deferred tax liability of ₦3.37 billion (2021: ₦23.40 billion deferred tax assets) relating to net deductible temporary difference that are considered to be realisable against the Company's taxable profits, which is expected to arise in future periods. The unrecognised portion of deferred tax asset as at 31 December 2022 is Nil (2021: Nil).

Notes to the financial statements

16. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit attributable to ordinary equity holders of the parent by the average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computation:

	2022 ₦'000	2021 ₦'000
Net profit attributable to ordinary equity holders	146,203,922	170,685,389
	Number of shares '000	**Number of shares '000**
Weighted average number of shares N1 each (Note 16(a))	**12,194,501**	**13,195,994**
Earnings per share (₦)	11.99	12.93

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements. There was no dilutive instrument during the year.

There was no change in basic and diluted earnings per share as a result of changes in accounting policy.

16 (a) Weighted average number of shares

	2022			2021		
	Outstanding shares ₦'000	**Period covered %**	**Weighted shares ₦'000**	**Outstanding shares ₦'000**	**Period covered %**	**Weighted shares ₦'000**
Shares prior to buy-back	-	-	-	13,286,999	91.67	12,180,192
Shares post buy-back	12,194,501	100	12,194,501	12,194,501	8.33	1,015,802
Weighted Balance		**100**	**12,194,501**		**100**	**13,195,994**

Notes to the financial statements

17. Property, plant and equipment

Cost	**GSM Equipment ₦ '000**	**Capital work in- progress ₦ '000**	**Information System Equipment ₦ '000**	**Land ₦ '000**	**Building ₦ '000**	**Office Furniture & Equipment ₦ '000**	**Motor Vehicles ₦ '000**	**Total ₦ '000**
As at 1 Jan 2021	**713,377,120**	**41,881,156**	**68,680,441**	**1,236,246**	**7,170,407**	**12,169,775**	**272,410**	**844,787,555**
Additions	108,373,826	671,287	3,333,503	-	-	2,091,264	-	114,469,880
Disposals	(15,708,017)	(33,331)	(4,749)	-	(15,216)	(742,763)	-	(16,504,076)
Balance at 31 Dec 2021	**806,042,929**	**42,519,112**	**72,009,195**	**1,236,246**	**7,155,191**	**13,518,276**	**272,410**	**942,753,359**
Additions	-	99,988,425	-	-	-	-	-	99,988,425
Disposals	(3,353,898)	-	(2,360,371)	-	-	(1,258,466)	(93,150)	(7,065,885)
Transfers from CWIP	113,489,258	(122,515,994)	8,033,189	-	-	904,586	88,961	-
Balance at 31 Dec 2022	**916,178,289**	**19,991,543**	**77,682,013**	**1,236,246**	**7,155,191**	**13,164,396**	**268,221**	**1,035,675,899**
Accumulated Depreciation								
As at 1 Jan 2021	**(443,035,987)**	**-**	**(64,712,635)**	**-**	**(5,062,845)**	**(9,560,423)**	**(247,351)**	**(522,619,241)**
Depreciation	(47,080,948)	-	(2,544,440)	-	(221,299)	(1,253,647)	(6,720)	(51,107,054)
Disposals	15,562,839	-	3,164	-	10,624	736,758	-	16,313,385
Balance at 31 Dec 2021	**(474,554,096)**	**-**	**(67,253,911)**	**-**	**(5,273,520)**	**(10,077,312)**	**(254,071)**	**(557,412,910)**
Depreciation	(57,687,780)	-	(3,152,544)	-	(201,727)	(1,010,364)	(20,538)	(62,072,953)
Disposals	3,106,515	-	647,760	-	-	600,537	77,022	4,431,834
Balance at 31 Dec 2022	**(529,135,361)**	**-**	**(69,758,695)**	**-**	**(5,475,247)**	**(10,487,139)**	**(197,587)**	**(615,054,029)**
Net Book Value								
As at 31 Dec 2022	**387,042,928**	**19,991,543**	**7,923,318**	**1,236,246**	**1,679,944**	**2,677,257**	**70,634**	**420,621,870**
As at 31 Dec 2021	331,488,833	42,519,112	4,755,284	1,236,246	1,881,671	3,440,964	18,339	385,340,449

Notes to the financial statements

17. Property, plant and equipment (cont'd)

Capital Work in Progress Breakdown		
Particulars	**2022**	**2021**
GSM Equipment	**19,455,100**	**36,835,827**
Information Systems Equipment	**525,664**	**4,918,143**
Land	**8,889**	**8,889**
Office Furniture & Equipment	**1,890**	**678,823**
Vehicle	**-**	**77,430**
Grand Total	**19,991,543**	**42,519,112**

(a) LTE Roll-Out (Modernization")

During the year ended 2022, the Company continued with its Radio Access Network (RAN) modernization of Networks through the upgrade of the 3G services to 4G Long Term Evolution (LTE). Under this modernization, existing RAN equipment were swapped with new LTE equipment from Nokia, ZTE and Huawei. A total of 8,971 sites (2021: 7,750 sites) have been fully swapped as at 31 December 2022.

(b) Disposal of property, plant and equipment

	2022	**2021**
	₦'000	**₦'000**
Cost of assets disposed	7,065,885	16,504,076
Accumulated depreciation of assets disposed	(4,431,834)	(16,313,385)
Net book value of assets disposed	**2,634,051**	**190,691**
Gain on sale of property, plant & equipment (Note 8)	94,875	101,451
Gain on disposal of property, plant and equipment	**94,875**	**101,451**
Sales proceeds on disposal	**2,728,926**	**292,142**

(c) Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is shown in the statement of profit or loss as follows:

	2022	**2021**
	₦'000	**₦'000**
Operating expenses (Note 11)	62,072,953	51,107,054
Total depreciation as per property, plant and equipment	**62,072,953**	**51,107,054**

(d) Capital Work in progress:

The carrying value of the capital work in progress amounts to ₦19.99 billion (2021: ₦42.52 billion).

(e) Asset pledged as security

The Company has a revolving loan facility of $50 million from FBN UK in 2020, the facility amount was enhanced to $100mn in 2021 and is secured by the all assets Debenture.

(f) Impairment of property, plant and equipment

There is no impairment of property, plant and equipment during the year.

Notes to the financial statements

18. Intangible assets

Airtel Networks Limited has since gotten Spectrum frequency licence: 2600MHz 4G/LTE and 3500MHz 5G for 10years each from 26th January 2023 to 25 January 2033 and 1st March 2023 to 28 February 2033, respectively.

In 2021, the Company held five licenses for the provision of telecommunication services in Nigeria namely the Digital Mobile Licence (DML) which was issued on February 2001 for a tenor of 15 years. This has now been discontinued by Nigerian Communications Commission (NCC). However, the Spectrum associated with the DML (900 and 1800 MHz) has been subsumed under the Universal Access Service Licence (UASL) and renewed in November 2021 for another 10 years from 1st December 2021 to 30th November 2031. Other licenses include the Universal Access Service Licence (UASL) issued on 1 December 2006 for a tenor of 15 years and it was upon expiry, subsequently renewed for a period of ten years from 1st December 2021 to 30th November 2031; the NCC renewed Airtel's spectrum frequency licence in the 2100MHz band for a period of 15 years to 30 April 2037.

The NCC administratively assigned additional 2600 MHz (4G) spectrum licence for a period of 10 years from 26 January 2023 to 25 January 2033. The Company also acquired additional 10 MHz spectrum in the 900 MHz band from Intercellular which is valid till 3 October 2026. The Company participated in a competitive spectrum auction in December 2022 and emerged a sole bidder and acquired a slot of 100MHz bandwidth in the 3500MHz (5G) Licence valid for 10 years from 1 March 2023 to 28 February 2033. These are all capitalised as intangible assets and amortised over the period of the licences as stated in Note 3.2. The intangible assets also include software that is separately identifiable, and costs is measurable. Software is amortised over its useful life.

Notes to the financial statements

18. Intangible assets (cont'd)

The movement on this account during the year for the Company was as follows:

Cost	**900 & 1800 MHz Spectrum ₦'000**	**2600 MHz Spectrum ₦'000**	**3G Licence ₦'000**	**Intangibles under development ₦'000**	**Software licence ₦'000**	**10 MHz Spectrum ₦'000**	**National Destination Code ₦'000**	**Total ₦'000**
As at 1 Jan. 2021	**21,300,040**	**12,672,000**	**19,020,000**	**-**	**29,531**	**35,668,979**	**577,500**	**89,268,050**
Additions	71,985,716	-	-	-	8,693	-	-	71,994,409
As at 31 Dec. 2021	**93,285,756**	**12,672,000**	**19,020,000**	**-**	**38,224**	**35,668,979**	**577,500**	**161,262,459**
Additions	-	-	-	141,504,095	-	-	577,500	142,081,595
As at 31 Dec. 2022	**93,285,756**	**12,672,000**	**19,020,000**	**141,504,095**	**38,224**	**35,668,979**	**1,155,000**	**303,344,054**
Accumulated Amortisation								
As at 1 Jan. 2021	**(18,020,811)**	**(1,999,746)**	**(17,178,141)**	**-**	**(21,632)**	**(4,712,126)**	**(577,500)**	**(42,509,956)**
Amortisation	(5,071,559)	(1,267,200)	(1,244,959)	-	(11,576)	(4,712,126)	-	(12,307,420)
As at 31 Dec. 2021	**(23,092,370)**	**(3,266,946)**	**(18,423,100)**	**-**	**(33,208)**	**(9,424,252)**	**(577,500)**	**(54,817,376)**
Amortisation	(8,426,788)	(1,267,200)	(596,900)	-	(5,016)	(4,712,126)	(10,627)	(15,018,657)
As at 31 Dec. 2022	**(31,519,158)**	**(4,534,146)**	**(19,020,000)**	**-**	**(38,224)**	**(14,136,378)**	**(588,127)**	**(69,836,033)**
Carrying amount								
As at 31 Dec 2022	**61,766,598**	**8,137,854**	**-**	**141,504,095**	**-**	**21,532,601**	**566,873**	**233,508,021**
As at 31 Dec 2021	**70,193,386**	**9,405,054**	**596,900**	**-**	**5,016**	**26,244,727**	**-**	**106,445,083**

*The intangibles under development relates to renewal payment for 3G spectrum (N14.27 billion) which expired during the year and acquisition of 5G spectrum (N127.23). Both licenses are not ready for use by Airtel as 31st December 2022 as they await finalization activities from Nigerian Communication Commission (NCC) to enable commercial launch.

Notes to the financial statements

19. Right of use assets

The movement on this account during the year for the Company was as follows:

Cost	GSM Equipment ₦'000	Building ₦'000	Motor Vehicles ₦'000	Total ₦'000
As at 1 Jan. 2021	**180,348,126**	**975,982**	**300,824**	**181,624,932**
Addition	99,843,353	209,319	-	100,052,672
Retirement (Note 19.2)	(2,000,127)	-	-	(2,000,127)
Balance 31 Dec. 2021	**278,191,352**	**1,185,301**	**300,824**	**279,677,477**
Additions	230,555,883	1,621,575	-	232,177,458
Retirement (Note 19.2)	(871,428)	-	-	(871,428)
Balance 31 Dec. 2022	**507,875,807**	**2,806,876**	**300,824**	**510,983,507**
Accumulated Amortisation				
As at 1 Jan. 2021	**(65,829,831)**	**(734,711)**	**(300,824)**	**(66,865,366)**
Depreciation charge	(41,224,392)	(175,071)	-	(41,399,463)
Retirement ((Note 19.2)	625,094	-	-	625,094
Balance 31 Dec. 2021	**(106,429,129)**	**(909,782)**	**(300,824)**	**(107,639,735)**
Depreciation charge	(59,316,475)	(151,366)	-	(59,467,841)
Retirement ((Note 19.2)	430,183	-	-	430,183
Balance 31 Dec. 2022	**(165,315,421)**	**(1,061,148)**	**(300,824)**	**(166,677,393)**
Net Book Value				
As at 31 Dec 2022	**342,560,386**	**1,745,728**	**-**	**344,306,114**
As at 31 Dec 2021	**171,762,223**	**275,519**	**-**	**172,037,742**

The Company leases several assets including buildings, GSM equipment and motor vehicles. The useful life is detailed in Note 3.6 of the accounting policies. The Company's obligations are secured by the lessors' title to the leased assets for such leases. The maturity analysis of lease liabilities is presented in Note 31 – Lease liabilities.

19.1 Amount recognised in profit and loss

	2022 ₦'000	2021 ₦'000
Depreciation of right of use assets (Note 11 – Other operating expenses)	59,467,841	41,399,463

Notes to the financial statements

19. Right of use assets (contd)

19.2 Retirement of Right of use assets – GSM Equipment

In 2022, the Company exited some leased sites as per terms of the agreement with the Lessor. The carrying amount of the exited sites derecognised is ₦441.25 million (2021: ₦1.38 billion)

19.3 Sale and lease back transactions

As at 31 December 2022, included in the right of use assets – GSM equipment is the carrying value of assets held under a sale and lease back transaction of ₦39.69 billion (2021: ₦34.30 billion) and deferred gain on sale of towers of ₦16.42 billion (2021: ₦23.00 billion). The deferred gain is a deduction from the fair value of the leased back asset on initial recognition which is being amortised over the leased term. On adoption of IFRS 16, the carrying amount was reclassified from property, plant and equipment to right of use assets.

20. Other financial assets

	2022 ₦'000	2021 ₦'000
Non- Current	6,934,422	77,852
Current	2,161,099	12,206,032
	9,095,521	**12,283,884**
Security deposit	1,250	1,250
Staff car loan	153,014	179,135
Regulatory Bid Deposit (20.1)	-	8,125,774
Cross Currency Swap Deposit (20.2)	8,941,257	3,977,725
	9,095,521	**12,283,884**

Security deposit represents amount held by a vendor as deposit for use of its facility. This is recoverable in cash after the termination of the contract.

The staff car loans are given by the Company as upfront payment under a scheme to support car acquisition for qualifying staff. The loan attracts no interest and the initial transaction price has been re-measured in line with IFRS 9 at amortised cost. The tenors of the loans range from 24 months to 48 months based on the underlying agreement. IFRS 9 requires that loans and receivables should be measured at amortised cost using the Effective Interest Rate (EIR). The loans given by the Company to the employees are measured using the Effective Interest Rate method under IFRS. The net resulting difference from the re-measurement at effective interest rate and the nominal rate of the loan has been recognised as finance income and costs (Note 12(b)) and deferred for amortisation over the life of the loans.

20.1 Regulatory Bid Deposit

As part of the requirement for the participation in the bid for the auction of 3.5GHz Spectrum by Nigerian Communication Commission, the Company made a deposit of N8.13 billion in December 2021 to the commission to show interest. Airtel subsequently lost the bid and the payment was refunded by the commission in January 2022.

20.2 Cross Currency Swap Deposit

This relates to deposit for forward contracts held with banks categorised into: Current (maturity less than one year) and Non-Current (maturity above a year).

Notes to the financial statements

21. Inventories

	2022 ₦'000	2021 ₦'000
SIM Cards	1,938,332	-
Accessories & Devices	411,560	158,445
	2,349,892	**158,445**

Inventories are stated at lower of cost and net realisable value.

* During the year, ₦1.22 billion was recognised as write-down reversal for inventories carried at net realisable value (2021: ₦534.83 million write down). This is recognised as part of other operating expenses in Note 11. The written down reversal value has been treated as a non-cash item in the statement of cash flows.

Inventory Movement reported in statement of cash flows

Inventory Provision Reconciliation	**₦'000**
Opening Stock Provision	(3,170,193)
Movement	2,277,525
Closing Stock Provision	**(892,668)**

Inventory Reconciliation	
Opening Balance	158,445
Movement	3,084,115
Gross Closing Balance	3,242,560
Less: Stock Provision	(892,668)
Net Closing Balance	**2,349,892**

22. Trade and other receivables

	2022 ₦'000	2021 ₦'000
Interconnect (Note 22(a))	7,737,199	8,749,871
Subscribers	2,419,360	1,952,289
Dealers	14,743,890	8,731,683
E1 Leased line	1,995,198	1,929,286
Roaming	249,737	270,940
Bank USSD	3,047,828	315,629
Trade receivables	30,193,212	21,949,698
Due from related companies (Note 22(c))	11,703,295	8,785,181
	41,896,507	30,734,879
Allowance for impairment for receivables (Note 22(b))	(9,462,343)	(3,870,321)
Net trade receivables	32,434,164	26,864,558
Other receivables		
Due from related companies (Note 22(c))	8,547,762	667,834
Other receivables	1,157,996	313,643
Less: Allowance for other receivables (Note 22(d))	(138,867)	(148,898)
	42,001,055	**27,697,137**

Notes to the financial statements

22. Trade and other receivables (cont'd)

Other receivables

	2022	2021
	₦'000	₦'000
Staff Loan & Advances	172,815	68,905
Interest Receivables	985,181	244,738
	1,157,996	**313,643**

Trade receivables, consisting of interconnect, roaming, leased lines and subscribers are non-interest bearing and are generally on 30 days' term. For terms and conditions relating to related party payables, refer to Note 35.

The Company applies the simplified approach which uses a provision matrix to measure the expected credit loss (ECL) of trade receivables. Based on the industry practices and the business environment in which the entity operates, management considers that the trade receivables are credit impaired if the payments are more than 90 days past due except for bank USSD of 0 days and interconnect of 270 days past due. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers.

	Trade receivables (days past due)			
	0-90 days	**91-180 days**	**181-270 days**	**>270 days**
Expected credit loss rate				
Interconnect	0%	0%	0%	100%
Bank USSD	0%	0%	0%	100%
Non Interconnect	0%	100%	100%	100%

	0-90 days	**91-180 days**	**181-270 days**	**>270 days**	**Total**
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**
At December 2022					
Interconnect	4,612,306	696,088	996,274	1,432,533	7,737,201
Bank USSD	371,836	2,513,984	162,008	-	3,047,828
Non Interconnect	13,973,257	1,277,588	1,806,143	2,351,197	19,408,185
	18,957,399	**4,487,660**	**2,964,425**	**3,783,730**	**30,193,214**
Expected Credit Loss	371,836	3,791,572	1,968,151	3,783,730	**9,915,289**

Notes to the financial statements

22. Trade and other receivables (cont'd)

	0-90 days	91-180 days	181-270 days	>270 days	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
At December 2021					
Interconnect	4,139,250	1,031,032	2,503,577	1,076,012	8,749,871
Bank USSD	-	263,122	52,507		315,629
Non Interconnect	10,089,132	651,713	213,070	1,930,284	12,884,199
	14,228,382	**1,945,867**	**2,769,154**	**3,006,296**	**21,949,699**
Expected Credit Loss	-	914,835	265,576	3,006,296	**4,186,707**

	0-90 days	91-180 days	181-270 days	>270 days	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
At December 2022					
Other receivable	**1,091,925**	**13,345**	**7,842**	**44,884**	**1,157,996**
Expected Credit Loss		**(13,345)**	**(7,842)**	**(44,884)**	**(66,071)**

	0-90 days	91-180 days	181-270 days	>270 days	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
At December 2021					
Other receivable	**239,838**	**41,733**	**14,849**	**58,955**	**355,376**
Expected Credit Loss		**(41,733)**	**(14,849)**	**(58,955)**	**(115,538)**

The Company writes off a trade receivable to the extent that there is no realistic prospect of recovery e.g. when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount due. the Company however continues to engage in enforcement activity to attempt to recover the receivable due. There was no write off of trade receivables for the year 2022 (2021: ₦140m).

Notes to the financial statements

22. Trade and other receivables (cont'd)

(a) Statement of the interconnect receivables and payables for the year:

	2022 ₦'000	2021 ₦'000
Receivables		
Balance as at 1 January	8,749,871	3,199,819
Revenue for the year (Note 6)	138,082,054	118,787,487
Impairment during the year	579,021	(91,443)
Balance as at 31 December (Note 22)	(7,737,199)	(8,749,871)
Payment received in the year	**139,673,747**	**113,145,992**
Payables		
Balance as at 1 January	1,829,416	2,259,467
Cost for the year (Note 7)	122,428,241	111,441,294
Balance as at 31 December (Note 33)	(947,075)	(1,829,416)
Payment made in the year	**123,310,582**	**111,871,345**
Net receipt/payment made for the year	**16,363,165**	**1,274,647**

(b) Allowance for impairment of trade receivables

Movement in allowance for impairment of trade receivables is as follows:

	2022 ₦'000	2021 ₦'000
Individually impaired	**9,462,343**	**3,870,321**

	₦'000	₦'000
Balance as at 1 January	3,870,321	3,921,279
Movement during the year	5,592,022	(50,958)
Balance as at 31 December	**9,462,343**	**3,870,321**

Notes to the financial statements

22. Trade and other receivables (cont'd)

(c) Due from related companies

	2022 ₦'000	2021 ₦'000
Bharti Airtel Nigeria B.V.	-	415,489
Airtel Networks Kenya Limited	31,357	7,550
Airtel Madagascar S.A.	4,797	4,295
Celtel Niger S.A.	4,123,604	4,629,606
Airtel Congo (RDC) S.A.	1,357,171	830,921
Airtel Networks Zambia Plc	129,147	116,096
Airtel Congo S.A.	324,860	286,027
Airtel Malawi Plc	39,822	50,902
Airtel Tchad S.A.	291,774	248,454
Airtel Gabon S.A.	106,219	94,866
Airtel Tanzania Plc	38,952	35,051
Airtel Uganda Limited	22,956	20,109
Airtel Rwanda Limited	98,047	20,230
Airtel (Seychelles) Limited	27,817	19,548
Bharti Airtel Limited	187,943	160,834
Bharti Airtel (UK) Limited	3,689,610	2,236,273
Bharti International (Singapore) Pte Ltd	20,922	18,774
Bharti Airtel France (SAS)	6,558	5,618
Bharti Airtel International (Netherlands) B.V.	1,201,739	162,646
Airtel Africa Services (UK) Limited	60,618	-
Bharti Hexacom Limited	-	27
Smart Cash Payment Service Bank	8,476,893	81,761
Airtel Mobile Commerce Nigeria Limited	10,251	7,939
	20,251,057	**9,453,016**

For terms and conditions relating to related party transactions, refer to Note 35.

At December 2022	**0-90 days ₦'000**	**91-180 days ₦'000**	**181-270 days ₦'000**	**>270 days ₦'000**	**Total ₦'000**
Due from related companies	**1,858,715**	**4,927,183**	**2,692,843**	**10,772,316**	**20,251,057**

At December 2021	**0-90 days ₦'000**	**91-180 days ₦'000**	**181-270 days ₦'000**	**>270 days ₦'000**	**Total ₦'000**
Due from related companies	**370,888**	**1,132,974**	**8,748**	**7,940,406**	**9,453,016**

Due from related company	**2022 ₦'000**	**2021 ₦'000**
Trade receivables	11,703,295	8,785,181
Other receivables	8,547,762	667,834
Balance as at 31 December	**20,251,057**	**9,453,015**

Notes to the financial statements

22. Trade and other receivables (cont'd)

(d) Allowance for impairment of other receivables

Movement in allowance for impairment of other receivables is as follows:

	2022 ₦'000	2021 ₦'000
Individually impaired	**138,867**	**148,898**
Balance as at 1 January	148,898	180,201
Movement during the year	(10,031)	(31,303)
Balance as at 31 December	**138,867**	**148,898**

(e) Impairment of financial assets

	2022 ₦'000	2021 ₦'000
Trade receivable written off	-	140,964
Allowance / (reversal) of trade receivables (Note 22b)	5,592,022	(50,958)
Reversal of other receivables (Note 22d)	(10,031)	(31,303)
Allowance for cash and cash equivalent (Note- 25)	51,099	-
	5,633,090	**58,703**

* Impairment reported in statement of profit and loss is the net impairment movement for financial assets. Trade and other receivables and cash and cash equivalent movement in the statement of cash flows is reported net of impairment.

(f) Trade and other receivables movement reported in statement of cash flows

	2022 ₦'000	2021 ₦'000
Opening Balance	27,697,137	14,503,462
Movement During the year	19,885,909	13,111,414
Impairment on trade and other receivables	(5,581,991)	82,261
Closing Balance	**42,001,055**	**27,697,137**

23. Other assets

	2022 ₦'000	2021 ₦'000
Non-current	10,118,085	5,352,813
Current	20,140,147	18,966,148
	30,258,232	**24,318,961**
Prepaid expenses (Note 23(a))	4,926,243	13,050,708
Prepaid site lease/rent (Note 23(b))	5,368,105	3,889,693
Customer acquisition cost (Note 23(c))	17,162,091	3,162,714
Advance payment to suppliers (Note 23(d))	2,801,793	4,215,846
	30,258,232	**24,318,961**

Notes to the financial statements

23. Other assets (cont'd)

(a) Prepaid expenses include prepaid annual maintenance charges, prepaid insurance and advance office rent.

(b) Prepaid site lease represents prepaid amount to vendors from contracts mainly pertaining to lease arrangements for telecommunication infrastructure.

(c) **Customer acquisition cost** – This relates to balance of verification / know your customer (KYC) and other SIM related costs incurred in acquiring new customers amortized over the average life circle of the customer within the network.

	2022 ₦'000	2021 ₦'000
Balance as at 1 January	3,162,714	6,054,690
Additions	15,498,909	3,637,751
Amortised cost (Note 9)	(1,499,532)	(6,529,728)
	17,162,091	**3,162,714**

(d) Advance payments are made to strategic vendors for normal business operations and are backed up by Advance Payment Guarantee from the Vendors bankers.

24. Income tax recoverable

	2022 ₦'000	2021 ₦'000
Unutilised WHT credit notes	**1,677,711**	**877,554**

This represents unutilised withholding tax credit notes received from Federal Inland Revenue service (FIRS).

24.1 Movement in income tax recoverable

	2022 ₦'000	2021 ₦'000
Balance as at 1 January	877,554	239,804
Additions during the year	800,157	637,750
Utilized during the year	-	-
Un-utilized WHT credit notes	**1,677,711**	**877,554**

Notes to the financial statements

25. Cash and cash equivalents

	2022	2021
	₦'000	₦'000
Cash in hand	718	8
Wallet Balances	428	-
Bank balances	12,348,290	18,604,581
Fixed deposit	54,350,000	33,000,000
Restricted Cash (Note 25.1)	3,099,309	75,606,180
Bank Overdraft	-	-
Cash and bank balance	**69,798,745**	**127,210,769**
Allowance for Cash & Cash Equivalent	(51,099)	-
Cash and cash equivalents	**69,747,646**	**127,210,769**

25.1 Restricted cash

This represents cash set aside as per court order of ₦39.7 million (2021: ₦39.7 million) and advance deposit with bank for foreign exchange of ₦3.06 billion (2021: ₦75.57 billion) is therefore not available for use by the Company.

26. Share capital and Share premium

26.1 Share capital

	2022	2021
	₦'000	₦'000
Authorised:		
13,500,000,000 ordinary shares of ₦1 each	13,500,000	13,500,000
Issued, called up and fully and partly paid:		
201,318,163 ordinary shares of ₦1 each	201,318	201,318
13,085,680,595 ordinary shares of ₦1 each (30 kobo called up)	3,925,705	3,925,705
13,085,680,595 ordinary shares of ₦1 each (70 kobo called up)	9,159,976	9,159,976
	13,286,999	13,286,999
Less: Shares bought back	1,092,497	1,092,497
Total share capital	**12,194,502**	**12,194,502**

The Company increased the authorized share capital from 500 million ordinary shares of ₦1/share to N13.5 billion ordinary shares of ₦1/share in 2019.

At the Extraordinary General Meeting held on 31 January 2019, a resolution was passed and approved by the Board for shareholders to subscribe to a rights issue of 13,085,680,595 ordinary shares of ₦1.00 each and allotted to the eligible shareholders per their respective pro-rata entitlement. As at 31 December 2020, only 30 kobo of this right issue value have been called-up and paid for by all shareholders. The balance of 70 kobo was called up by Board of Directors during the 2021 financial year. A total sum of ₦9.16 billion was realised from the call up in 2021 (2020: N3.93 billion)

Notes to the financial statements

26.2 Share premium

	2022	2021
	₦'000	₦'000
As at 1 January	**67,235,360**	**67,235,360**

26.3 Treasury Shares (Share Buy-Back)

In 2021 the shareholders passed a resolution pursuant to the provisions of the Companies and Allied Matters Act 2020 to effect a buy-back of not more than cumulative 10% of the fully paid ordinary shares of the company from all existing shareholders on a proportionate basis at the price of ₦55.81 per share, this Share Buy-back process was concluded in December 2021 when the Board approved the share transfers from participating shareholders. A total of 1,092,497,868 unit of shares were bought back representing 8.22% of the issued shares. The sum of N60.97 billion was paid to the shareholders and transaction cost involved in the buyback is N6.58 billion.

According to CAMA 2020, a company shall not hold more than 15% of the nominal value of the issued share capital of any class of its shares as treasury shares and where a company buys more than 15% of the issued share capital of any class of its shares as treasury shares, the company shall, before the end of 12 months beginning with the date on which the contravention occurs, reissue or cancel the shares. However, in the case of the share bought back by the company in 2021, it has not exceeded the 15% threshold. Hence, the condition for reissuance or cancellation is not mandatory. The Company will decide either to re-issue or cancel the share buy-back as it deems fits in the future.

27. Retained earnings

	2022	2021
	₦'000	₦'000
As at 1 January	283,607,657	176,373,579
Profit for the period	146,203,922	170,685,389
Dividend (Note 27.1)	(265,840,120)	(63,451,311)
As at 31 December	**163,971,459**	**283,607,657**

Notes to the financial statements

27.1 Dividend – During the year 2022 the Board of Directors declared a total of N265.84 billion (2021: N63.45 billion) interim dividend to shareholders at an equivalent of N21.80kobo per share (2021: N4.87 kobo) in six tranches (2021: 5 tranches) below;

	2022			2021		
Tranches	**Rate**	**No of Shares**	**Total**	**Rate**	**No of Shares**	**Total**
1st Interim	0.40	12,194,500,890	4,877,800	0.85	13,286,998,758	11,293,948
2nd Interim	0.40	12,194,500,890	4,877,800	1.87	13,286,998,758	24,846,688
3rd Interim	2.00	12,194,500,890	24,389,002	1.00	13,286,998,758	13,286,999
4th Interim	2.00	12,194,500,890	24,389,002	1.00	12,194,500,890	12,194,501
5th Interim	4.00	12,194,500,890	48,778,004	0.15	12,194,500,890	1,829,175
6th Interim	13.00	12,194,500,890	158,528,512	-	-	-
Total Dividend			**265,840,120**			**63,451,311**

28 Interest bearing loans and borrowings

	2022 N'000	2021 N'000
Non-current		
Term loans and borrowings (Note 28 (a))	91,879,524	20,533,333
	91,879,524	**20,533,333**
Current		
Term loans and borrowings (Note 28 (a))	31,363,786	48,869,160
Trade Import facilities – confirmed letters of credit (Note 28 (d))	11,033,254	24,876,503
	42,397,040	**73,745,663**

(a) Term loans and borrowings

	2022 N'000	2021 N'000
Balance at 1 January	69,402,493	33,236,759
Additions in the year	116,153,436	37,792,628
	185,555,929	71,029,387
Repayment	(74,108,237)	(3,793,494)
Exchange difference	11,745,618	2,166,600
Balance at 31 December	**123,243,310**	**69,402,493**
Current	31,363,786	48,869,160
Non-current	91,879,524	20,533,333
	123,243,310	**69,402,493**

Notes to the financial statements

28 Interest bearing loans and borrowings (contd)

Airtel loans and borrowing comprises foreign currency denominated facilities from local and offshore banks. The details of the facilities are as follows.

Standard Chartered Bank (SCB) – This is a foreign currency revolving loan facility of $50 million from Standard Chartered Bank Dubai in 2020, the facility amount was enhanced to $75mn in 2021. it is a variable interest loan, linked to average 3-month LIBOR plus margin of 2.75% repayable monthly. A total drawdown of $87.5 million has been made on the loan with a repayment of $55.29 million in December 2022. The facility is secured by Corporate Guarantee given by BAIN B.V.

The balance of the loan as at December 2022 is $32.21 million (2021: $47 million) with a final maturity date in October 2023.

First Bank UK - This is a foreign currency revolving loan facility of $50 million from FBN UK in 2020, the facility amount was enhanced to $100mn in 2021. It is a variable interest loan at LIBOR (subject to a minimum of 1.5%) plus margin of 4.25%. As at 31 December 2022, the facility amount drawn stood at $61 million (2021: $50 million) while $60m has been repaid. The facility is secured by the All Assets Debenture.

The balance of the loan as at December 2022 is $1 million (2021: $50 million) with a final maturity date in October 2024.

CITI Bank Dubai - This is a foreign currency revolving cumulative loan facility of $16.5 million from CITI Bank Abu Dhabi in 2020 repayable quarterly, it is a variable interest loan, linked to average 3-month LIBOR plus margin of 2.6%. The facility was refinanced and enhanced in 2022 to $55 million with committed portion of $30mn and $25mn uncommitted portion. A total drawdown of $50.81 million has been made on the loan and repayment as at December 2022 was $16m. The facility is secured by Corporate Guarantee given by BAIN B.V.

The balance of the loan as at December 2022 is $34.81 million (2021: $15.91) with a final maturity date in September 2024.

Access Bank Plc - This facility totaling $55 million was advanced by Access Bank UK Limited in 2021. It had a fixed interest rate of 6.5% per annum and a tenor of 270 days prepayable at any time. The facility has been fully repaid by MayDe 2022.

The balance of the advance as at December 2022 is $Nil (2021: $55 million).

Bank of America Hong Kong - This is a foreign currency loan of $100 million taken during the year, it has a variable interest rate linked to 3- month SOFR plus a margin of 2.5% per annum The facility has a tenor of 4 years and is secured by Corporate Guarantee given by BAIN B.V.

The balance of the advance as at December 2022 is $100 million (2021: Nil) with a final maturity date of June 2026.

Notes to the financial statements

28 Interest bearing loans and borrowings (contd)

Deutsche Bank Singapore - This is a foreign currency loan of $100 million taken during the year, it has a variable interest rate linked to 3- month SOFR plus a margin of 2.8% per annum The facility has a tenor of 4 years and is secured by Corporate Guarantee given by BAIN B.V.

The balance of the advance as at December 2022 is $100 million (2021: Nil) with a final maturity date of August 2026.

(b) Shareholder loan

	2022 ₦'000	2021 ₦'000
Balance at 1 January	-	7,632,174
Additions in the year	-	-
Exchange difference	-	299,033
	-	7,931,207
Repayment in the year	-	(7,931,207)
Balance at 31 December	**-**	**-**

This loan facility was obtained from Bharti Airtel Nigeria B.V. It is a USD 300mn facility with 6-year term, which is inclusive of a two-year moratorium on interest and principal repayment. It is priced at LIBOR plus a margin of 4.5%. These loans are stated at amortised cost using floating interest rates which approximates the effective interest rate. The loan was fully paid in 2021.

(c) Bank overdraft

	Commitment ₦'000	Drawn-down ₦'000	Available ₦'000	Outstanding ₦'000
2022	80,030,000	-	80,030,000	-
2021	83,000,000	-	83,000,000	-

The Company's overdraft facilities are revolving having a structure of 12 months' term with a fixed rate of interest ranging between 13.5% and 24% (2021: 9.5% and 14%) per annum. These facilities are unsecured.

(d) Letter of Credit (LC's) – Trade Import Facilities

The Company has a trade import facilities arrangement with banks in the form of confirmed letter of credit. Under this arrangement the bank guarantees and pay the Company foreign vendors pending when foreign exchange (FX) is available / sourced from Central bank due to the shortage of FX in the country. Included in current liabilities short term borrowing is the amount of N11.03 (2021: N24.88) billion which relates to outstanding confirmed LC's for which FX is yet to be available from Central bank to settle the banks.

Notes to the financial statements

28 Interest bearing loans and borrowings (cont'd)

	2022 ₦'000	2021 ₦'000
Balance at 1 January	24,876,503	-
Additions in the year	24,713,939	25,991,782
Interest accrued	1,084,494	514,774
Exchange difference	(1,626,951)	
	49,047,985	26,506,556
Repayment in the year	(38,014,731)	(1,630,053)
Balance at 31 December	**11,033,254**	**24,876,503**

29 Provisions

	2022 ₦'000	2021 ₦'000
Non-current		
Asset retirement obligation (Note 29.1)	**41,481**	**38,838**
Current		
Provision for Tax cases (Note 29.2)	241,770	242,019
Provision for litigations (Note 29.3)	426,541	262,088
	668,311	**504,107**

29.1 Asset Retirement obligation

	2022 ₦'000	2021 ₦'000
Balance at 1 January:		
ARO liability	8,017	6,908
Finance cost	30,821	29,720
	38,838	36,628
Additions during the year:		
ARO liability	135	1,109
Finance cost	2,508	1,101
	2,643	2,210
Utilization during the year:		
ARO liability	-	-
Finance cost	-	-
	-	-
Balance at 31 December:		
ARO liability	8,152	8,017
Finance cost	33,329	30,821
	41,481	**38,838**

The Asset retirement obligation is recognised for Base Transceiver Stations (BTS) constructed by the Company which will be decommissioned when the leased site becomes un-renewable.

Notes to the financial statements

29.1 Asset Retirement obligation (cont'd)

Provision during the period for asset retirement obligation is after considering the impact of unwinding of the discount over time. The discount rate used to calculate the obligation at the end of 2022 was 13.82% (2021: 13.82%). The discount rate represents the real rate determined using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the liability. Finance cost portion of the asset retirement obligation is shown in Note 12(b).

29.2 Provision for Tax Cases

	2022	2021
	₦'000	₦'000
Balance at 1 January	242,019	384,647
Addition during the year	-	146,307
Utilisation during the year	(249)	(288,935)
Balance at 31 December	**241,770**	**242,019**

These provisions relate to tax audit liabilities received from State Internal Revenue Service (IRS) and Federal Inland Revenue Service (FIRS) in respect of tax administration under their respective jurisdiction. The claims are subject to providing relevant documents and explanations in line with relevant tax laws and guidelines as at the period of tax subject.

29.3 Provision for litigations

	2022	2021
	₦'000	₦'000
Balance at 1 January	262,088	274,540
Addition during the year	182,763	2,876
Utilisation during the year	(18,310)	(15,328)
Balance at 31 December	**426,541**	**262,088**

These provisions relate to claims in respect of court cases for which there is probable likelihood of the claims crystallising based on the available evidence. The claims are subject to legal arbitration and as at the reporting date, the provisions were reassessed and the impact reflected accordingly. These claims by nature relate to disputes over tower/mast installations and general litigations.

Notes to the financial statements

30 Deferred revenue

	2022 ₦'000	2021 ₦'000
Customer advances	43,763,585	34,711,927
Grants (Note 30(a))	160,754	149,323
Customer loyalty claims (Note 30(b))	743,234	582,627
	44,667,573	**35,443,877**
Non-current	606,325	134,247
Current	44,061,248	35,309,630
	44,667,573	**35,443,877**

(a) Grants

	2022 ₦'000	2021 ₦'000
Balance at 1 January	149,323	167,892
Addition during the year	30,000	-
Amortised for the year (Note 8)	(18,569)	(18,569)
Balance at 31 December	**160,754**	**149,323**
Non-current	142,186	130,755
Current	18,568	18,568
	160,754	**149,323**

Notes to the financial statements

30 Deferred revenue (cont'd)

Grants was received for the construction of Base Transceiver Stations in remote regions. There are no unfulfilled conditions or contingencies in relation to these grants. This grant is amortised on a straight line basis over the useful life of the related asset. The amortised portion of the deferred grant has been included in other income as stated in Note 8.

(b) Customer loyalty

The Company operates a customer loyalty programme, which allows customers to accumulate points when they recharge airtime. The points can be redeemed for free airtime, subject to a minimum number of points being obtained. Consideration received is allocated between the airtime revenue and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined by applying a statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed. As at 31 December 2022, the estimated liability for unredeemed points was approximately ₦743.23 million (2021: ₦582.63 million) disclosed as part of deferred revenue liability.

	2022	2021
	₦'000	₦'000
Balance as at 1 January	582,627	1,101,947
Accrued	2,259,688	6,219,090
Utilisation	(2,099,081)	(6,738,410)
	743,234	**582,627**

31 Lease liabilities

	2022	2021
	₦'000	₦'000
Non-current	378,398,999	228,477,425
Current	89,380,849	54,123,082
	467,779,848	**282,600,507**

The Company has lease contracts for network passive infrastructure and technical capacities of the dedicated part of the towers on which the Company's equipment is located. These leases have terms of renewal but no purchase options and have escalation clauses. Renewals are at the option of the Company. Refer to Note 19 for the leased assets included in the right of use.

Notes to the financial statements

31.1 Movement in lease liabilities

	2022 ₦'000	2021 ₦'000
As at 1 January	282,600,507	229,868,138
Additions during the year	232,177,458	100,052,672
Lease adjustment	(3,576,121)	(2,096,174)
Interest accrued	42,222,811	30,150,271
Interest repayment	(40,798,750)	(30,750,874)
Principal repayment	(41,921,820)	(41,572,177)
Exchange difference	(2,924,236)	(3,051,349)
Lease liabilities included in the statement of financial position	**467,779,849**	**282,600,507**

31.2 Maturity analysis: Undiscounted lease liabilities

	2022 ₦'000	2021 ₦'000
Less than one year	139,750,267	83,939,347
Later than one year but not later than two years	145,737,781	81,825,395
Later than two years but not later than five years	251,780,511	135,828,169
Later than five years but not later than nine years	76,816,921	33,985,616
Later than nine years	8,176,471	5,379,482
Total undiscounted lease liabilities	**622,261,951**	**340,958,009**
Lease liabilities included in the statement of financial position	**467,779,849**	**282,600,507**

31.3 Amount recognised in statement of profit or loss

	2022 ₦'000	2021 ₦'000
Lease finance charge	**42,222,811**	**30,150,271**

Notes to the financial statements

32 Employee benefit liability

	2022	2021
	₦'000	₦'000
Pension fund	3,629	101
Leave encashment (Note 32.1)	29,137	24,601
Staff bonus	1,332,494	1,594,884
Long service award (Note 32.2)	21,084	24,797
	1,386,344	**1,644,383**
Non-current	16,479	55,054
Current	1,369,865	1,589,329
	1,386,344	**1,644,383**

Pension fund represents the unremitted part of statutory pension deductions to the relevant Pension Fund Administrators while staff bonus represents the accrued bonus for the employee based on performance as at 31 December 2022 and 2021 respectively.

The leave encashment (compensated leave absences) and long service award for the Company are presented based on the actuarial valuation carried out by Mercer Consulting (India) Private Limited for the year ended 31 December 2022. The partner in charge of the actuarial valuation is Hemanshu Jain with Financial Intermediaries Association of India membership number 18301. There are no plan assets as this is an unfunded scheme.

The assumptions as at the reporting date are used to determine the present value of the long service award and leave encashment at that date and the defined benefit cost for the following year.

Notes to the financial statements

32 Employee benefit liability (cont'd)

32.1 Leave encashment

Key assumptions:	**31 December 2022**	**31 December 2021**
Discount rate*	14.50% p.a	11.50% p.a
Salary increase rate	13.5% p.a	12% p.a
Rate of return on plan assets	Not applicable	Not applicable
Mortality Table	Assumed to be implicit in withdrawal rate assumption	
Withdrawal (rate of employee turnover)	11% p.a	12% p.a
Retirement Age	60 years	60 years
Leave availment rate	20% (2021: 25%) p.a from available accrued leave balance of employee	
Weighted average duration	1 year	1 year

*Discount rate for evaluation has been selected on yield of latest issue of bonds of local government.

<u>Amount shown in statement of financial position</u>

	2022	**2021**
	₦'000	**₦'000**
Opening obligation	24,601	18,894
Current service cost	87,564	11,770
Interest expense	2,967	212
Benefits paid	(85,995)	(6,275)
Total leave encashment	**29,137**	**24,601**
Current net liability	29,137	24,601
Non-current net liability	-	-
	29,137	**24,601**

Notes to the financial statements

32 Employee benefit liability (cont'd)

32.2 Long service award

Key assumptions:	**31 December 2022**	**31 December 2021**
Discount rate*	14.50% p.a	11.50% p.a
Salary increase rate	Not applicable	Not applicable
Rate of return on plan assets	Not applicable	Not applicable
Mortality Table	Assumed to be implicit in	withdrawal rate assumption
Withdrawal (rate of employee turnover)	11% p.a	12% p.a
Retirement Age	60 years	60 years
Weighted average duration	1 year	1 year

*Discount rate for evaluation has been selected on yield of latest issue of bonds of local government.

Amount shown in statement of financial position

	2022	**2021**
	₦'000	**₦'000**
Opening obligation	24,797	27,354
Current service cost	22,678	10,841
Interest expense	(479)	381
Benefits paid	(25,912)	(13,779)
Total long service awards	**21,084**	**24,797**
Current net liability	4,605	-
Non-current net liability	16,479	24,797
	21,084	**24,797**

33 Trade and other payables

	2022	**2021**
	₦'000	**₦'000**
Interconnect creditors (Note 22 (a))	947,075	1,829,416
Roaming creditors	397,638	311,655
Trade creditors	62,906,657	52,403,504
VAT & WHT Payables	10,509,186	7,338,661
Due to related companies (Note 33 (a))	34,586,913	14,430,197
Interest accrued	975,935	414,721
Accruals	24,506,683	42,515,264
Dividend payable (Note 33 (b))	137,900,882	4,193,098
	272,730,969	**123,436,516**

Trade payables are non-interest bearing and are normally settled between 30-60 day terms. For terms and conditions relating to related party transactions, refer to Note 35.

Accruals relates to amount due to service vendors in respect of various expenditure at year end.

Notes to the financial statements

33. Trade and other payables (cont'd)

(a) Due to related companies

	2022 ₦'000	2021 ₦'000
Bharti Airtel Nigeria B.V.	10,311,323	9,268,114
Airtel Networks Kenya Limited	1,173,223	1,054,600
Airtel Madagascar S.A.	17,493	13,841
Celtel Niger S.A.	1,425,842	1,339,396
Airtel Congo (RDC) S.A.	759,847	632,171
Airtel Networks Zambia Plc	66,472	43,655
Airtel Congo S.A.	121,162	108,712
Airtel Malawi Plc	26,873	24,072
Airtel Tchad S.A.	1,180	286
Airtel Gabon S.A.	254,337	198,164
Airtel Tanzania Plc	106,004	6,808
Airtel Uganda Limited	58,344	33,822
Airtel Rwanda Limited	61,521	36,558
Airtel (Seychelles) Limited	59	52
Bharti Airtel Limited	416,181	82,069
Bharti Airtel (UK) Limited	1,387,616	1,466,286
Bharti International (Singapore) Pte Ltd	9,783	8,793
Bharti Airtel Lanka (Pvt Ltd)	-	-
Nxtra Data Limited	155,765	29,647
Network i2i Limited	20,609	16,122
Bharti Airtel (France) SAS	64,665	62,698
Bharti Airtel International (Netherlands) B.V.	-	4,317
Airtel Africa Services (UK) Limited	12,723,733	
Bharti Hexacom Limited	-	14
Airtel Mobile Commerce BV	5,424,881	-
	34,586,913	**14,430,197**

(b) Dividend payable (net of tax)

	2022		2021	
	Gross	Net	Gross	Net
Opening Balance	-	4,193,098		54,622
Dividend declared during the year	265,840,120	245,899,412	63,451,311	58,590,258
Dividend paid		(112,191,628)		(54,451,782)
		137,900,882		**4,193,098**

* Trade and other payables movement in statement of cash flows, changes in working capital is reported net of dividend paid. Dividend paid is reported as cash flows from financing activities.

Notes to the financial statements

34 Derivative financial instruments

	2022 ₦'000	2021 ₦'000
Derivative financial assets		
Non-Current	-	169,228
Current	380,450	222,846
Derivatives that are not designated as hedging instruments carried at fair value through profit or loss:		
Foreign currency forward contracts	**380,450**	**392,074**
Derivative financial liabilities		
Non-Current	10,173,194	1,550,516
Current	2,706,710	1,058,152
Derivatives that are not designated as hedging instruments carried at fair value through profit or loss:		
Foreign currency forward contracts	**12,879,904**	**2,608,668**

The Company has entered into master netting agreements which involves a foreign currency forward contract of Naira and Dollars with the Standard Chartered Bank (SCB) UK. Derivatives subject to offsetting, master netting agreements and any collateral pledged or received are presented below.

	2022 ₦'000	2021 ₦'000
Derivative financial assets	380,450	392,074
Derivative financial liabilities	(12,879,904)	(2,608,668)
Net amount of derivatives assets / (liabilities)	(12,499,454)	(2,216,594)
Cash collateral (received)/paid	-	-
Net amount	**(12,499,454)**	**(2,216,594)**

The Company did not enter into any other enforceable netting arrangements other than disclosed above.

Notes to the financial statements

35 Related Party

(a) Related party transactions:

The Company entered into the following transactions with the below listed related parties during the year:

Name	Nature of transaction	Relationship	Transaction value 2022 ₦'000	Transaction value 2021 ₦'000	Balance receivable 2022 ₦'000	Balance receivable 2021 ₦'000	Balance (payable) 2022 ₦'000	Balance (payable) 2021 ₦'000
Bharti Airtel Nigeria, B.V.	Support Service Fees and Credit Facility/Other services	Parent Entity	(1,458,698)	7,871,456	-	415,489	(10,311,323)	(9,268,114)
Airtel Networks Kenya Limited	Interconnect & Roaming	Fellow Subsidiaries	(94,816)	(59,955)	31,357	7,550	(1,173,223)	(1,054,600)
Airtel Madagascar S.A.	Interconnect & Roaming	Fellow Subsidiaries	(3,150)	(5,171)	4,797	4,295	(17,493)	(13,841)
Celtel Niger S.A.	Interconnect & Roaming	Fellow Subsidiaries	(592,447)	466,608	4,123,604	4,629,606	(1,425,842)	(1,339,396)
Airtel Congo (RDC) S.A.	Interconnect & Roaming	Fellow Subsidiaries	398,574	384,305	1,357,171	830,921	(759,847)	(632,171)
Airtel Networks Zambia Plc	Interconnect & Roaming	Fellow Subsidiaries	(9,766)	25,841	129,147	116,096	(66,472)	(43,655)
Airtel Congo S.A.	Interconnect & Roaming	Fellow Subsidiaries	26,383	30,860	324,860	286,027	(121,162)	(108,712)
Airtel Malawi Plc	Interconnect & Roaming	Fellow Subsidiaries	(13,881)	(3,519)	39,822	50,902	(26,873)	(24,072)
Airtel Tchad S.A.	Interconnect & Roaming	Fellow Subsidiaries	42,426	13,899	291,774	248,454	(1,180)	(286)
Airtel Gabon S.A.	Interconnect & Roaming	Fellow Subsidiaries	(44,820)	(34,002)	106,219	94,866	(254,337)	(198,164)
Airtel Tanzania Plc	Interconnect & Roaming	Fellow Subsidiaries	(95,295)	(1,276)	38,952	35,051	(106,004)	(6,808)
Airtel Uganda Limited	Interconnect & Roaming	Fellow Subsidiaries	(21,675)	56,089	22,956	20,109	(58,344)	(33,822)
Airtel Rwanda Limited	Interconnect & Roaming	Fellow Subsidiaries	52,854	(20,950)	98,047	20,230	(61,521)	(36,558)
Airtel (Seychelles) Limited	Interconnect & Roaming	Fellow Subsidiaries	8,262	12,426	27,817	19,548	(59)	(52)
Bharti Airtel Limited	Interconnect, Roaming, Signalling, Lease line/Bandwidth	Intermediate Parent	(307,003)	(10,764)	187,943	160,834	(416,181)	(82,069)
Bharti Airtel (UK) Limited	Interconnect, Roaming & Lease line/Bandwidth	Intermediate Parent	1,532,007	(422,490)	3,689,610	2,236,273	(1,387,616)	(1,466,286)
Bharti International (Singapore) Pte Ltd	Interconnect, Roaming & Lease line/Bandwidth	Intermediate Parent	1,158	(9,600)	20,922	18,774	(9,783)	(8,793)
Nxtra Data Limited	Network Data Maintenance	Intermediate Parent	(126,118)	13,240	-	-	(155,765)	(29,647)
Network i2i Limited	Lease line/Bandwidth	Intermediate Parent	(4,487)	11,566	-	-	(20,609)	(16,122)
Africa Towers Services Ltd	Payment for investment	Intermediate Parent	-	25,252	-	-	-	-
Bharti Airtel (France) SAS	Lease line/Bandwidth	Intermediate Parent	(1,027)	(39,444)	6,558	5,618	(64,665)	(62,698)
Bharti Hexacom Limited	Roaming	Fellow Subsidiaries	(13)	38	-	27	-	(14)
Bharti Airtel International (Netherlands) B.V.	Support services	Intermediate Parent	(158,329)	154,788	1,201,739	162,646	-	(4,317)
Airtel Mobile Commerce Nigeria Limited	Cross charge / support services	Subsidiary	2,312	7,939	10,251	7,939	-	-
Smart Cash Payment Service Bank	Cross charge / support services	Subsidiary	8,476,893		8,476,893		-	
Airtel Africa Services (UK) Limited	Support services	Intermediate Parent	(12,663,115)		60,618		(12,723,733)	
Airtel Mobile Commerce BV	Cross charge / support services	Intermediate Parent	(5,424,881)		-		(5,424,881)	
			(10,478,652)	**8,467,136**	**20,251,057**	**9,371,255**	**(34,586,913)**	**(14,430,197)**

The receivable and payable balances are classified as trade and other receivables and trade and other payables respectively except for the support service fee and credit facility which also includes shareholders' loan classified as part of borrowing.

Notes to the financial statements

35. Related Party (cont'd)

(b) Terms and conditions of transactions with related parties:

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free with the exception of credit facilities from Bharti Airtel Nigeria, B.V which is priced at LIBOR plus a margin of 4.5%. There have been no guarantees provided or received for any related party receivables or payables except for Bharti Airtel International, Netherlands B.V which has guaranteed some of the foreign loan of the Company. The receivables and payables due to and from related parties are disclosed in Note 22 and Note 33 respectively.

(c) Investment in Subsidiaries

In the year 2019, Airtel Networks Limited invested in 99.9% of the shares of Airtel Mobile Commerce Nigeria Limited, a limited liability company registered under the laws of Nigeria. As at 31 December 2022, the company is yet to commence operations. The Company has paid for the acquisition of the licence from the Central Bank of Nigeria.

In its commitment to the fulfilment of the financial inclusion agenda of the Central Bank of Nigeria (CBN) and Federal Republic of Nigeria, the Company acquired 99.99% of the shares of Smart Cash Payment Service Bank during the year. The IFRS 10 exemption on preparation of a consolidated financial statements have been followed as per the Company' policy in Note 3.4. Both companies are consolidated by Airtel Africa Plc.

The value of the Company's investment in the subsidiaries is shown below:

	2022 ₦'000	2021 ₦'000
Investment in subsidiary:		
Airtel Mobile Commerce Nigeria Limited	50,000	50,000
Smart Cash Payment Service Bank	5,000,000	-
	5,050,000	**50,000**

Notes to the financial statements

35. Related party (cont'd)

(d) Key management personnel (Directors)

Key management personnel are those who have authority and responsibility for planning, directing and controlling the activities of Company. The Company's key management personnel are the members of the Board.

Compensation to Directors

	2022	2021
Short term compensation	**₦'000**	**₦'000**
Fees	37,562	33,344
Sitting allowance	4,100	3,153
	41,662	**36,497**
Chairman emoluments (excluding pension contribution)	**7,458**	**7,458**
The fees and emoluments of the highest paid Director	**7,458**	**7,458**

There are no long-term benefits, post-employment benefits, share based payment and terminal benefits given to the Non-Executive Directors members of the board of the Company except for the Chief Executive Officer (CEO) who is member of the board and whose benefits are listed below;

	2022	2021
CEO's Benefits	**₦'000**	**₦'000**
Long Term Benefits	40,202	40,202
Terminal Benefits	7,458	7,458
Post-Employment Benefits	-	-
Share Based Payment	-	-
	47,660	**47,660**

	2022	2021
Directors' mix	**Number**	**Number**
Executive Director	1	1
Non-executive Directors	8	8
	9	**9**

The Non-Executive Directors that received compensation as at 31 December 2022 were three (3) (2021: 3) in numbers. The other Non-Executive Directors are representative of the parent company and are not entitled to receive compensation.

Notes to the financial statements

35. Related party (cont'd)

(d) Key management personnel (Directors)

The number of Directors who received emoluments (excluding pensions and pension contributions) are in the following range:

Range (₦)	2022 Number	2021 Number
0 – 9,999,999	-	-
10,000,000 – 10,999,999	-	-
11,000,000 – 11,999,999	-	-
12,000,000 – 12,999,999	2	2
13,000,000 – 13,999,999	-	-
14,000,000 – 14,999,999	-	-
15,000,000 – 15,999,999	-	-
16,000,000 – 16,999,999	1	1
	3	3

36 Guarantee and financial commitments

(a) **Bank guarantee**

The Company obtained a bank guarantee amounting to ₦550 million from United bank of Africa for perfection of a Security Trust Deed in respect of loan facilities which it obtained from some Nigerian Banks, financial institutions and certain offshore lenders. The maximum exposure to credit risk is N550million and has a tenor of 12 months which is renewable on yearly basis.

(b) **Purchase order (PO)**

The Company had authorised and contracted purchase orders amounting to ₦171.91 billion (2021: ₦43.65 billion) as at the reporting date.

(c) **Letters of credit (LC)**

The Company has unfunded Letters of Credit amounting to Nil (2021: ₦264.58 million) and confirmed Letters of Credit of ₦11.03 billion (2021: ₦4.05) with various banking institutions in respect of imports.

Notes to the financial statements

37 Financial instruments

37.1 Categories of financial instruments and their fair value

The table below show the carrying amount and fair value of financial instruments by their measurement categories.

	Amortised cost ₦'000	Fair value through profit or loss ₦'000	Carrying value ₦'000
As at 31 December 2022			
Trade and other receivables	42,001,055	-	42,001,055
Other financial asset	9,095,521	-	9,095,521
Cash and bank balance	69,747,646	-	69,747,646
Derivative financial assets	-	380,450	380,450
Total financial assets	**120,844,222**	**380,450**	**121,224,672**
Trade and other payables	272,730,969	-	272,730,969
Derivative financial liabilities	-	12,879,904	12,879,904
Interest bearing loans and borrowings	134,276,564	-	134,276,564
Total financial liabilities	**407,007,533**	**12,879,904**	**419,887,437**
As at 31 December 2021			
Trade and other receivables	27,697,137	-	27,697,137
Other financial asset	12,283,884	-	12,283,884
Cash and bank balance	127,210,769	-	127,210,769
Derivative financial assets	-	392,074	392,074
Total financial assets	**167,191,790**	**392,074**	**167,583,864**
Trade and other payables	123,436,516	-	123,436,516
Derivative financial liabilities	-	2,608,668	2,608,668
Interest bearing loans and borrowings	94,278,996	-	94,278,996
Total financial liabilities	**217,715,512**	**2,608,668**	**220,324,180**

Notes to the financial statements

37. Financial instruments (cont'd)

37.1 Categories of financial instruments and their fair value (cont'd)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalent, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- Long-term fixed-rate and variable-rate borrowings and/or receivable are evaluated by the Company based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2022, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

As at 31 December 2022, the changes in counterparty credit risk had no material effect on the financial instruments recognised at fair value.

Fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Company have measured the below assets at fair value on the statement of financial position.

	Total ₦'000	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000
At 31 December 2022				
Derivative financial assets	380,450	380,450	-	-
At 31 December 2021				
Derivative financial assets	392,074	392,074	-	-

During the reporting period ending 31 December 2022, there were no transfers between Level 1 and Level 2 (2021: Nil). The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Notes to the financial statements

37. Financial instruments (cont'd)

37.1 Categories of financial instruments and their fair value (cont'd)

Fair Value (cont'd)

Fair value methods and assumptions
The following methods and assumptions were used to estimate the fair values:

Long-term fixed-rate and variable-rate borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, and the risk characteristics of the financed project.

The Company enters into derivative financial instruments with various counterparties. Interest rate swaps and foreign exchange forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty risk and the Company's own non-performance risk.

As at 31 December 2022, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

Embedded foreign currency and commodity derivatives are measured similarly to the foreign currency forward contracts and commodity derivatives. The embedded derivatives are commodity and foreign currency forward contracts which are separated from long-term sales contracts where the transaction currency differs from the functional currencies of the involved parties. However, as these contracts are not collateralized, the Company also takes into account the counterparties' credit risks (for the embedded derivative assets) or the Company's own non-performance risk (for the embedded derivative liabilities) and includes a credit valuation adjustment or debit value adjustment, as appropriate, by assessing the maximum credit exposure and taking into account market-based inputs concerning probabilities of default and loss given default.

Notes to the financial statements

37. Financial instruments (cont'd)

37.1 Categories of financial instruments and their fair value (cont'd)

Fair Value (cont'd)

Description of significant unobservable inputs to valuation:
The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2022 and 2021 are as shown below:

Particulars	Valuation techniques	Inputs Used	Quantitative information about significant unobservable inputs	Sensitivity of the input to fair value
Loans to staff	DCF method	Monthly future expected cash flows Monthly market interest rate Tenor of loan repayment	0.65% (2021: 0.65%) 36 / 48 months	1% (2021: 1%) increase (decrease) would result in an increase (decrease) in fair value by ₦1.85 million (2021: ₦1.79 million)
Derivative financial assets	DCF method	Expected future cash flows, Forward foreign currency exchange rates		The fair value of derivative would increase/decrease in same proportion to increase or decrease in the expected future pay-outs

Reconciliation of fair value measurement of derivative assets and liabilities

	Derivative financial assets	Derivative financial liabilities	Net derivative liabilities
	₦'000	**₦'000**	**₦'000**
As at 1 January 2021	**27,591**	**(111,768)**	**(84,177)**
Recognised in statement of profit or loss during the year	195,255	(2,327,672)	(2,132,417)
As at 31 December 2021	**222,846**	**(2,439,440)**	**(2,216,594)**
Recognised in statement of profit or loss during the year	157,604	(10,440,464)	(10,282,860)
As at 31 December 2022	**380,450**	**(12,879,904)**	**(12,499,454)**

Notes to the financial statements

37. Financial instruments (cont'd)

37.2 Financial risk management

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables and lease liabilities. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company has trade and other receivables, cash and short-term deposits that are derived directly from its operations. The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a risk management committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The risk management committee provides assurance to the Company's senior management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company's policies and Company's risk appetite. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

(a) **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of interest rate risk and foreign currency risk. Financial instruments affected by market risk include loans and borrowings, forward foreign currency contracts to hedge the exchange rate risk and deposits. The sensitivity analyses in the following sections relate to the position as at 31 December in 2022 and 2021. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant. The analyses exclude the impact of movements in market variables on the carrying value of provisions and on the non-financial assets and liabilities. The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with changes in interest rates.

Notes to the financial statements

37.2 Financial risk management (cont'd)

Interest rate sensitivity

The following demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. Holding other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings as follows:

	2022	2021
	₦'000	₦'000
Interest bearing loans and borrowings		
Non-current portion of loans	91,879,524	20,533,333
Current portion of loans	42,397,040	73,745,663
Overdraft	-	-
	134,276,564	**94,278,996**
Effective Interest Rate	**6.03%**	**4.23%**

Basis point		**Strengthening**	**Weakening**
2022		**₦'000**	**₦'000**
	+1	12,324	(12,324)
	+5	61,622	(61,622)
2021		**₦'000**	**₦'000**
	+1	9,428	(9,428)
	+5	47,139	(47,139)

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility NIBOR in the current year.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency) and financing activities. The Company manages its foreign currency risk through derivative financial instruments such as interest rate swaps, cash flow hedges and embedded derivatives exchange rate adjustments in recognising gains or losses arising from foreign currency.

Foreign currency sensitivity

The following demonstrates the sensitivity to a reasonably possible change in the US dollar and Euro exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives). The Company's exposure to foreign currency changes for all other currencies is not material.

Notes to the financial statements

37.2 Financial risk management (cont'd)

(a) Market risk (cont'd)

Exposure to currency risk

The Company's transactional exposure to US dollar and Euro was based on the closing amount as follows:

	31 December 2022		31 December 2021	
	USD'000	EUR'000	USD'000	EUR'000
Financial asset				
Trade and other receivables	29,159	(22)	21,843	(20)
Derivative financial assets	825	-	538	-
Bank Balance	5,373		4,688	
Financial liability				
Borrowings	(268,019)	-	(227,936)	-
Lease liabilities	(271,797)	-	(372,073)	-
Trade and other payables	(199,152)	(104)	(250,043)	(260)
Derivative financial liabilities	(27,933)	-	(5,886)	-
Net statement of financial position exposure	**(731,544)**	**(126)**	**(878,870)**	**(280)**

The Company's profit before tax is affected through the impact of currency rates as follows:

		Effect on profit before tax ₦'000
As at 31 December 2022	USD (5 per cent strengthening)	16,865,751
	Euro (5 per cent strengthening)	3,101
	USD (5 per cent weakening)	(16,865,751)
	Euro (5 per cent weakening)	(3,101)
As at 31 December 2021	USD (5 per cent strengthening)	17,176,244
	Euro (5 per cent strengthening)	6,560
	USD (5 per cent weakening)	(17,176,244)
	Euro (5 per cent weakening)	(6,560)

The following exchange rates were applied during the year:

	Average rate		Closing rate	
	2022	2021	2022	2021
	₦	₦	₦	₦
US Dollar	426.83	409.41	461.1	414.45
Euro	449.55	484.39	492.2	469.28

Notes to the financial statements

37. Financial instruments (cont'd)

37.2 Financial risk management (cont'd)

(b) **Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables), other financial asset and from financing activities on the part of the Company including cash and cash equivalents with banks and financial institutions and other financial instruments. At the level of operations, the outstanding debts are continuously monitored in each area and taken into account through individual and collective allowances.

Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and credit sales to major channel partners are covered by bank guarantees while significant post-paid customers are covered by cash deposit.

The Company performs on-going credit evaluations of its customers' financial condition and monitors the credit-worthiness of its customers to which it grants credit in its ordinary course of business. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount due. Where the financial asset has been written-off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit and loss.

Notes to the financial statements

37. Financial instruments (cont'd)

37.2 Financial risk management (cont'd)

At the end of each respective year, the aging of the net trade receivables are as follows:

		Past due but not impaired			
	Less than 90days	90-180 days	181-270 days	Above 270 days	Total
At 31 December 2022	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Subscribers	1,328,489	-	-	-	1,328,489
Roaming	96,424	-	-	-	96,424
Interconnect	5,328,687	804,204	1,151,015	-	7,283,906
Leased line	232,287	-	-	-	232,287
Dealers	10,579,478	-	-	-	10,579,478
Net trade receivables	**17,565,365**	**804,204**	**1,151,015**	**-**	**19,520,584**
At 31 December 2021					
Subscribers	976,387	-	-	-	976,387
Roaming	144,949	-	-	-	144,949
Interconnect	4,139,250	1,031,032	2,503,577	-	7,673,859
Leased line	191,423	-	-	-	191,423
Dealers	8,773,640	-	-	-	8,773,640
Net trade receivables	**14,225,649**	**1,031,032**	**2,503,577**	**-**	**17,760,258**

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with designated collection banks and within credit limits assigned to each banks. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential failure to make payments.

Notes to the financial statements

37. Financial instruments (cont'd)

37.2 Financial risk management (cont'd)

(c) Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity plan. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, shareholder loans, foreign loans and leases.

The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available. The table below summarises the maturity profile of the Company's financial liabilities based on contractual payments.

	Total ₦'000	On demand ₦'000	Less than 3 months ₦'000	3 to 12 months ₦'000	1 to 3 years ₦'000	4 to 5 years ₦'000
31 December 2022						
Interest bearing loans and borrowings	134,276,564	-	42,397,040	-	91,879,524	-
Lease liabilities	467,779,848		34,937,567	104,812,700	243,036,189	84,993,392
Trade and other payables	272,730,969	-	36,631,212	236,099,757	-	-
Derivative financial liabilities	12,879,904	-	2,706,710	-	10,173,194	-
Dividend payable	137,900,882	-	137,900,882	-	-	-
Total	**1,025,568,167**	**-**	**254,573,411**	**340,912,457**	**345,088,907**	**84,993,392**
31 December 2021						
Interest bearing loans and borrowings	94,278,996	-	73,745,663	-	20,533,333	-
Lease liabilities	282,600,507		22,361,261	31,761,821	121,380,985	107,096,440
Trade and other payables	123,436,516	-	50,822,320	72,614,196	-	-
Derivative financial liabilities	2,608,668	-	-	1,058,152	1,550,516	-
Dividend payable	4,193,098	-	4,193,098	-	-	-
Total	**507,117,785**	**-**	**151,122,342**	**105,434,169**	**143,464,834**	**107,096,440**

Notes to the financial statements

37. Financial instruments (cont'd)

37.2 Financial risk management (cont'd)

(d) **Capital risk management**

Capital is the equity attributable to the equity holders of the Company. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings (including loans from parent company), trade and other payables, lease liabilities less cash and bank balances. The Company is not subject to any minimum capital requirement.

	2022 **₦'000**	**2021** **₦'000**
Gearing Ratio		
Interest-bearing loans and borrowings	134,276,564	94,278,996
Lease liabilities	467,779,848	282,600,507
Trade and other payables	272,730,969	123,436,516
Less: cash and cash equivalent	(69,747,646)	(127,210,769)
Net debt	**805,039,735**	**373,105,250**
Total Equity	**176,940,308**	**296,576,506**
Equity and net debt	**981,980,043**	**669,681,756**
Gearing ratio	**82.0%**	**55.7%**

38. Net cash adjustment – statement of cash flow

38.1 Net foreign exchange difference

	2022 **₦'000**	**2021** **₦'000**
Net foreign exchange differences (Note 13)	(63,638,501)	(17,439,907)
Lease Liability Exchange Difference (Note 31.1)	(2,924,236)	(3,051,349)
Term Loan Exchange Difference	10,168,667	2,166,601
Share Holder Loan Exchange Difference (Note 28(b))	-	299,033
Effect of foreign exchange on cash and cash equivalent	220,464	103,622
	(56,173,606)	**(17,922,000)**

Other foreign exchange difference relates to exchange difference on trade receivables and payables.

Notes to the financial statements

38.2 Other Non-Cash Item

	2022 ₦'000	2021 ₦'000
Intangible assets adjustment (Note 18)	-	-
Staff loan re-measurement (Note 12)	7,696	6,350
Loan written off (Note 28(a))	-	-
Interest on long service award and leave encashment (Note 13)	(4,404)	(3,578)
Lease adjustment (Note 31.1)	(3,576,121)	(2,096,174)
Right of use cost retirement (Note 19)	871,428	2,000,127
Right of use accumulated depreciation retirement (Note 19)	(430,183)	(625,094)
Interest on asset retirement obligation (Note 13)	(2,508)	(1,101)
	(3,134,092)	**(719,470)**

39 Going concern

The Company reported a net profit for the year ended 31 December 2022 of ₦146.20 billion (2021: ₦170.69 billion) and as at that date, the current liabilities exceeded its current assets by ₦359.12 billion (2021: ₦145.51 billion) while total assets exceeded total liabilities by ₦176.94 billion (2021: ₦296.58 billion). There was a foreign exchange loss for the year which is due to a depreciation of the Naira from ₦414.45/$ in December 2021 to ₦461.10/$ in December 2022. Total foreign exchange loss recognised for the year ended 31 December 2022 is ₦63.64 billion (2021: loss of ₦17.44 billion).

Management continued its growth initiatives for the future quarters / years through renewed sustainability of the non-voice revenue growth by the acquisition of 5G spectrum which will be ready for commercial launch in mid-2023 and extending its 4G services across Nigeria during the financial year which has improved the revenue growth of the Company. There was the introduction of a separate product line to focus on data and to capitalise on the expanding 4G network. Extensive media campaigns to enhance market visibility in an effort to grow market share was also adopted. Cost saving optimization strategies initiated by the Company are also still in place to ensure consistent growth in EBITDA. The Company hopes to continue to leverage on these advantages, as well as explore additional initiatives to further drive down cost and increase profitability.

As at 31 December 2022, the Company has ₦202 billion credit line with local banks and $162 million with foreign banks which it could access and all the loans of the Company have been guaranteed either by the Company's All Assets Debenture or the holding company (BAIN). The Company also has a $300 million shareholder loan commitment from the holding company that is undrawn and is available for drawdown. The Company declared a total of ₦265.84 billion to her shareholder as dividend during the year (2021: ₦63.45). The company also repurchase its shares in 2021 with a total amount of ₦67.55 billion and held it as treasury stock which can be subsequently re-issue to raise capital.

The financial statements are prepared on the basis that the Company will continue as a going concern. The Company continues to have the support of the holding company through the loan facilities mentioned above and the realization of assets and settlement of liabilities will occur in the ordinary course of business. The cash flow assessment for the next twelve (12) months indicates that the Company will be able to generate sufficient cash to maintain the operations and service current debt obligations.

Notes to the financial statements

40 Information relating to employees

(a) The average number of persons in the Company's employment at the end of the financial year was as follows:

	2022 Number	2021 Number
CEO's office and corporate affairs	35	40
Engineering /operation	125	134
Sales and marketing	387	393
Customer experience	31	37
Information systems	46	22
Human resources	15	16
Finance	50	54
	689	**696**

(b) Employees of the Company, other than directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension contributions) in the following ranges:

Range (₦)	2022 Number	2021 Number
Less than – N5,000,0000	183	131
N5,000,001- N10,000,000	137	164
N10,000,001- N15,000,000	135	144
N15,000,001- N20,000,000	94	110
N20,000,001 and above	140	147
	689	**696**

41 Contingent liabilities and Contingent assets

As at 31 December 2022, the Company had contingent liabilities of ₦4.89 billion (2021: ₦14.6 million) in respect of legal cases. No provision has been made in these financial statements as management does not consider that there is a probable loss.

There was no contingent asset as at 31 December 2022 (2021: NIL).

Notes to the financial statements

42 Regulatory Sanctions - Nigerian Communications Act of 2003

In compliance with the directive of the Nigerian Communication Commission (NCC), pursuant to the provisions of Section 53(1) of the Nigerian Communication Act 2003, below are the sanctions on the Company during the year 2022.

2022 Regulatory Sanctions

S/N	DESCRIPTION	AMOUNT (₦)	DATE
a.	Forceful subscription of Value Added Services (VAS) without prior consent of the subscribers in contravention of NCC's Directive. This is still in discussion with the regulator.	10,000,000	01 Jan 2022
b.	Contravention of Section 108 of Nigerian Communication Commission Act, 2003 Airtel 6X Tariff Plan	10,000,000	10 May 2022
	Total	**20,000,000**	

2021 Regulatory Sanctions

S/N	DESCRIPTION	AMOUNT (₦)	DATE
a.	Contravention of Guidelines on Tariffs	20,000,000	29 March 2021
b.	Forceful subscription of Value-Added Services (VAS) without prior consent of the subscribers in contravention of NCC's Directive. This is still in discussion with the regulator.	670,121,000	8 April 2021
c.	Contravention of Section 108 of Nigerian Communication Commission Act, 2003 Airtel 6X Tariff Plan	10,000,000	22 July 2021
d.	Contravention of NCC's Direction on Do Not Disturb	10,000,000	1 December 2021
	Total	**710,121,000**	

43 Subscriber base

	2022 Numbers '000	**2021 Numbers '000**
Opening subscriber base	53,927	55,642
Net subscriber connection added / reduction during the year	6,139	(1,715)
Closing subscriber base	**60,066**	**53,927**

Active subscribers are determined based on a 90-day revenue generating cycle.

Notes to the financial statements

44 Segment reporting

The Company carries out its operations entirely in Nigeria which is considered one geographical segment. Based on the scope of IFRS 8, the Company does not have publicly traded instruments. Accordingly, no operating segment information is presented.

45 Reclassification of prior year balances

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations in prior year.

OTHER NATIONAL DISCLOSURES

Value Added Statement

	2022 ₦'000	%	2021 ₦'000	%
Revenue	893,889,359		734,818,969	
Bought-in-materials and services				
- Local	(461,145,671)		(313,732,835)	
-Imported	(22,820,431)		(18,651,916)	
Value added by operating activities	**409,923,257**		**402,434,218**	
Non trading items:				
Other income	349,427		809,330	
Finance income	7,865,870		3,646,186	
Value Added	**418,138,554**	**100**	**406,889,734**	**100**
Applied as follows:				
To pay employees' salaries, wages and fringe benefits	18,424,492	4	17,102,905	4
To pay providers of capital - interest	49,236,741	12	33,445,993	8
Current taxation	40,944,321	10	41,077,128	10
Deferred Tax	26,769,627	6	39,764,382	10
To provide for depreciation of fixed assets	62,072,953	15	51,107,054	13
To provide for depreciation of right of use assets	59,467,841	14	41,399,463	10
To provide for amortisation of intangible assets	15,018,657	4	12,307,420	3
Profit retained for operations	146,203,922	35	170,685,389	42
Value Added	**418,138,554**	**100**	**406,889,734**	**100**

The value-added statement represents the wealth created through the efforts of the Company and its employees, and the distribution of created wealth amongst various interest groups.

Five-Year Financial Summary

	2022 ₦'million	2021 ₦'million	2020 ₦'million	2019 ₦'million	2018 ₦'million
Statement of Comprehensive Income					
Revenue from operations	893,889	734,819	575,910	468,961	382,096
Gross profit	515,021	443,000	347,847	284,119	188,432
EBITDA	362,320	346,145	273,447	252,520	159,653
Gain on sale of towers and assets	-	-	-	2,367	-
Customer acquisition cost	-	-	-	1,911	-
LTE Modernization	-	-	-	(1,842)	(15,023)
Profit/(Loss) before taxation	213,918	251,527	185,114	167,999	65,684
Taxation	(67,714)	(80,842)	(53,742)	(39,551)	47,890
Profit/(Loss) for the year	**146,204**	**170,685**	**131,372**	**128,448**	**113,574**
Statement of financial position					
Property, plant and equipment	420,622	385,340	322,168	240,784	209,371
Right of use	344,306	172,038	114,760	88,386	-
Intangible assets	233,508	106,445	46,758	22,130	20,931
Deferred tax assets / (liabilities)	(3,366)	23,405	63,171	88,173	99,168
Derivative financial assets	-	169			
Investment in subsidiary	5,050	50	50	50	-
Other Non-current assets	17,053	5,431	6,995	7,014	670
Net current liabilities	-359,119	(145,516)	(94,561)	(157,705)	(194,426)
Interest bearing loans and borrowings (non-current)	(91,880)	(20,533)	(27,140)	-	(4,880)
Employee benefits liability (non-current)	(16)	(55)	(41)	(29)	(21)
Deferred revenue - (non-current)	(606)	(131)	(149)	(98)	(15)
Provisions (non-current)	(41)	(39)	(37)	(25)	(24)
Derivative financial liabilities	(10,173)	(1,551)			
Finance leases obligation (non-current)	(378,399)	(228,477)	(184,239)	(166,430)	(105,879)
Net assets	**176,939**	**296,576**	**247,736**	**122,250**	**24,895**
Equity					
Share capital	13,287	13,287	4,127	4,127	201
Treasury Shares	(67,554)	(67,554)			
Share premium	67,235	67,235	67,235	67,235	67,235
Retained earnings/(loss)	163,971	283,608	176,374	50,888	(42,541)
Equity attributable to owners of the Company	**176,939**	**296,576**	**247,736**	**122,250**	**24,895**
Earnings/(loss) per share:					
- Basic	₦11.99	₦12.93	₦9.89	₦9.67	₦564.15
- Diluted	₦11.99	₦12.93	₦9.89	₦9.67	₦564.15