



AIRTEL (SEYCHELLES) LIMITED

Airtel House, Perseverance, Mahé, Seychelles

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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AIRTEL (SEYCHELLES) LIMITED

(Formerly Telecom (Seychelles) Limited)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present herewith their report and audited financial statement of the company for the year ended 31 December 2022.

Activities

Airtel (Seychelles) Limited (the 'Company') carries on the business of providing telecommunication service in Seychelles.

Revenue (Note 4) increased by 8% (2021: increased by 6%) in the current year to SCR 346M (2021: SCR 322M) as the company continues a positive growth trajectory.

Direct costs (Note 5) decreased by 21% (2021: dropped 5%) as a result of reduction in the interconnect rates.

The Profit before tax of SCR 85M (2021: SCR 190M) is on account of appreciation of local currency by 4% leading to exchange gains in the prior year.

Share of results in Associate

The Company is a shareholder (holding 26%) in Seychelles Cable Systems Company Limited. The results of Seychelles Cable Systems Company Limited have been incorporated in the Statement of profit or loss and Other Comprehensive Income.

Results

The Company's operating profit for the current year is SCR 94M (2021: SCR 75M). This is a result of increase in revenues as detailed above.

The operating expenses in current year has increased by 4% (2021: 3% increased) due to full year depreciation of the new data center.

During the year the company has contributed SCR 85M Net (2021: SCR 70M) to the exchequer on account of VAT, License fees, Business Tax, Income Tax, Tourism Marketing Tax, CSR Tax and Withholding Tax.

During the year dividend was paid to the tune of SR 26M (2021: SCR 72). The Directors declared dividend of SCR 65M in the board meeting held on 14 March 2022.

Capital Expenditure

Significant capital expenditure was made in 2022 to the tune of SCR 44M (2021: SCR 70M) mainly for upgrading the network and expansion of coverage foot print.

Property plant and equipment and right of use assets with definite lives are reviewed for impairment regularly or whenever events or changes in circumstances indicate that their carrying values may not be recoverable. There was no impairment during the year 2022 (2021: SCR Nil).

Employees

As at 31 December 2022 the company employed 84 staff (2021: 77 staff) including new shops employees. The board gratefully acknowledges the wholehearted and sincere efforts made by its employees in making it possible for the company to achieve continuous revenue growth in a saturated market like Seychelles.

As a matter of policy, the company has in the past, and will continue in the future to put special emphasis on training and development of human resources. The company follows a policy of participative management and suggestions given by employees have been implemented to constantly improve the efficiency of operations.

Statutory disclosures under section 153 of the Companies Ordinance 1972

Principal Activities

Principal activity of the company continues to be to provide telecommunication services in the Republic of Seychelles.

AIRTEL (SEYCHELLES) LIMITED

(Formerly Telecom (Seychelles) Limited)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Directors and their interest in the company

The directors of the company during the year and their interest in accordance with register maintained under section 111 of the Companies Act 1972 were as follows: -

	Citizenship	Shares held	
		1 January	31 December
Amadou Mahamat Dina (appointed on 14 November 2014)	Tchadian	-	-
Alok Bafna (appointed on 28 November 2017)	Indian	-	-
Ramakrishna Lella (appointed on 28 November 2017)	Indian	-	-
Rogany Ramiah (resigned on 18 August 2022)	South African	-	-
Michael Patrick Foley (appointed on 13 May 2022)	Canadian	-	-
Monicah Kambo (appointed on 18 August 2022)	Kenyan	-	-

The directors are of the opinion that all transactions with related parties, further described in note 23 of the financial statements were conducted at arms length.

All non-executive directors will resign and offer themselves for re-election in the next AGM.

Statement of directors' responsibilities

The directors are required to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the profit or loss for the period. In preparing those accounts, the directors are required to: -

- Prepare financial statements on the going concern basis unless inappropriate to assume continuance of business;
- Select appropriate accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent; and
- Disclose and explain any material departures from applicable accounting standards.

The Companies Act 1972 also requires the directors to keep proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company. They also have the general responsibility for taking reasonable steps to safeguard the assets of the company and detect fraud and other irregularities.

The directors consider they met their responsibilities as set out in the Companies Act 1972.

The financial statements are signed by current directors of the company.

Auditors

M/S Pool and Patel, Chartered Accountants, retire and being eligible offers themselves for appointment.

Acknowledgements

The Directors wish to place on record their sincere appreciation of the valuable contribution, unstinted efforts and spirit of dedication shown by all the employees of the company. The Directors would also like to place on record assistance provided by our bankers, the regulators and the Government of Seychelles.

Amadou Mahamat Dina

Alok Bafna

Ramakrishna Lella

Michael Patrick Foley

Monicah Kambo

Date: 29 March 2023

**INDEPENDENT AUDITOR'S REPORT
AIRTEL (SEYCHELLES) LIMITED**

Opinion

We have audited the financial statements of Airtel (Seychelles) Limited set out on pages 5 to 28, which comprise the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a five year financial summary and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2022, and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS) and requirements of the Seychelles Companies Act, 1972.

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 ethical requirements that are relevant to our audit of the financial statements in Seychelles, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and requirements of the Seychelles Companies Act, 1972, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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.

INDEPENDENT AUDITOR'S REPORT (cont...)

Auditor's responsibilities for the audit of the financial statements (cont...)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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.

ICAEW membership number of the engagement partner responsible for signing this independent auditors' report is 6813446.

Pool Patel

POOL & PATEL
CHARTERED ACCOUNTANTS
23 March 2023

AIRTEL (SEYCHELLES) LIMITED

Statement of profit or loss and other comprehensive income

Financial statements are prepared in Seychelles Rupees

	Note	For the year ended 31 December	
		2022	2021
Income			
Revenue	4	345,926,445	321,687,280
Expenses			
Direct costs	5	(14,238,279)	(18,109,873)
Network operating expenses	6	(65,861,421)	(71,225,695)
License fee		(17,187,903)	(16,902,295)
Employee benefits expense	8	(47,503,733)	(39,839,539)
Sales and marketing expenses		(9,748,956)	(12,157,156)
Other expenses	7	(33,233,736)	(37,358,931)
Depreciation and amortisation	11	(63,743,979)	(50,155,631)
		(251,518,007)	(245,749,118)
Operating profit		94,408,438	75,938,161
Finance Income/(costs)	10	(13,914,892)	91,894,109
Share of operating (loss)/profit in associate	13	4,951,538	21,751,470
Profit before income tax		85,445,085	189,583,741
Tax expense	14	(28,032,308)	(60,342,601)
Profit for the year		57,412,777	129,241,140
Other comprehensive income/ (loss)			
Re-measurement gain/ (loss) on defined benefit plans	19	(1,591,454)	(407,437)
Deferred tax on re-measurement gain on defined benefit plans		525,180	134,455
Share of associates' other comprehensive income		(5,736,393)	(27,706,395)
Total comprehensive income for the year		50,610,109	101,261,762

The notes on pages 10 to 28 are an integral part of these financial statements.

Statement of changes in equity

Financial statements are prepared in Seychelles Rupees.

	Share capital (Note 17)	Other reserves Total	Retained earnings Total	Total
At 1 January 2021	35,969,000	23,492,344	(55,457,532)	4,003,811
Profit / (loss) for the year	-	-	129,241,140	129,241,140
Dividend declared	-	-	-	-
Other comprehensive income ⁽¹⁾	-	(27,979,377)	-	(27,979,377)
At 31 December 2021	35,969,000	(4,487,034)	73,783,607	105,265,574
Profit/(loss) for the year	-	-	57,412,777	57,412,777
Dividend Declared	-	-	(65,000,000)	(65,000,000)
Other comprehensive income ⁽¹⁾	-	(6,802,667)	-	(6,802,667)
At 31 December 2022	35,969,000	(11,289,701)	66,196,384	90,875,683

⁽¹⁾ Other reserves comprises mainly of currency translation gains and losses in associate.

The notes on pages 10 to 28 are an integral part of these financial statements.

AIRTEL (SEYCHELLES) LIMITED

Statement of financial position

Financial statements are prepared in Seychelles Rupees

	Note	As at 31 December	
		2022	2021
Assets			
Non-current assets			
Property, plant and equipment	11	299,950,995	316,585,096
Right of use assets	11.1	9,413,857	12,230,056
Investment in associate	13	60,900,539	88,614,016
Other non-current assets	15	101,747,500	108,710,213
		472,012,891	526,139,381
Current assets			
Inventories	16	4,478,477	5,289,434
Trade and other receivables	17	38,483,292	39,056,041
Other current assets	15	8,956,216	12,806,557
Cash and cash equivalents	22	27,286,168	38,660,529
		79,204,153	95,812,561
Total assets		551,217,044	621,951,942
Liabilities			
Non-current liabilities			
Borrowings	20	140,413,443	307,259,312
Lease liabilities	12.2	8,598,015	11,096,119
Deferred tax liability (net)	14	18,203,525	11,033,359
Employee benefit obligations	19	4,336,445	4,165,879
		171,551,428	333,554,669
Current liabilities			
Borrowings	20	133,568,180	50,885,689
Lease liabilities	12.2	2,542,418	2,939,720
Trade and other payables	21	142,169,436	118,324,963
Deferred Revenue	4	5,307,521	7,113,280
Current tax liabilities (net)	14	2,878,658	1,878,658
Employee benefit obligations	19	2,323,719	1,989,390
		288,789,933	183,131,700
Total liabilities		460,341,361	516,686,369
Equity			
Share capital	18	35,969,000	35,969,000
Retained earnings		66,196,384	73,783,607
Other reserves		(11,289,701)	(4,487,034)
		90,875,683	105,265,573
Total liabilities and equity		551,217,044	621,951,942

The notes on pages 10 to 28 are an integral part of these financial statements.

Directors

Amador Mahamat Dina

Alok Bafna

Ramakrishna Lella

Monicah Kambo
Monicah Kambo

Michael Patrick Foley

29 March 2023

Cash flow statement

Financial statements are prepared in Seychelles Rupees.

	Note	For the year ended 31 December	
		2022	2021
Cash flows from operating activities			
Profit before tax		85,445,085	189,583,741
Adjustments for:-			
Depreciation and amortisation	11	63,743,979	50,155,631
Provision for employee benefits	19	504,895	1,180,022
Share of operating loss/(profit) in associate	13	(4,951,538)	(21,751,470)
Provision for bad and doubtful debts	17	2,239,796	(710,621)
Loss/(profit) on disposal of Property, plant and equipment		(55,000)	164,527
Finance costs	10	13,914,892	(91,894,109)
Operating cash flow before changes in working capital		160,842,109	126,727,721
Decrease in inventories	16	810,957	3,130,217
Decrease/(Increase) in trade and other receivables	17	5,295,665	(2,453,242)
Decrease/(Increase) in other current and non current assets	15	3,850,341	(21,465,474)
(Decrease) in deferred revenue		(1,805,759)	(1,168,828)
(Decrease)/Increase in trade and other payables	21	(30,784,586)	6,595,265
Net cash generated from operations before tax		138,208,728	111,365,659
Tax paid	14	(19,862,142)	(22,519,330)
Net cash generated from operating activities		118,346,587	88,846,329
Cash flows from investing activities			
Payments to acquire property, plant & equipment	11	(44,095,223)	(70,014,859)
Proceeds from associate	13	26,928,621	-
Proceeds from sale of property, plant & equipment	11	55,000	82,393
Net cash used in investing activities		(17,111,601)	(69,932,466)
Cash flow from financing activities			
Borrowings	20	194,365,000	83,135,000
Loans paid	20.1/20.2	(259,287,406)	(2,358,964)
Interest paid	20.1/20.2	(17,429,302)	(10,289,983)
Repayment of lease liabilities	12	(3,093,863)	(3,789,704)
Dividend paid		(26,315,418)	(72,028,500)
Net cash flow from / (used in) financing activities		(111,760,989)	(5,332,151)
Decrease in cash and cash equivalents		(10,526,003)	13,581,712
Cash & cash equivalent at 1 January		38,660,529	25,144,382
Exchange adjustments on cash & cash equivalent	10	(848,357)	(65,565)
Cash & cash equivalents 31 December	22	27,286,168	38,660,529

The notes on pages 10 to 28 are an integral part of these financial statements.

AIRTEL (SEYCHELLES) LIMITED

Five year financial summary - 31 December 2022

Financial statements are prepared in Seychelles Rupees

	2022	2021	2020	2019	2018
	In SCR' 000				
Statement of financial position					
Share capital					
Authorised	35,969	35,969	35,969	35,969	35,969
Issued and fully paid	35,969	35,969	35,969	35,969	35,969
Retained earnings	66,196	73,783	(55,458)	48,691	57,143
Net assets employed	102,165	109,752	(19,489)	84,660	93,112
Statement of income					
Revenue	345,926	321,687	302,868	324,666	314,201
Profit before income tax	85,445	189,584	(100,462)	64,757	61,318
Tax expense	(28,032)	(60,343)	35,970	(23,550)	(20,192)
Profit for the year	57,413	129,241	(64,492)	41,207	41,126
Dividend Declared	(65,000)	-	(39,657)	(49,659)	(97,397)
	(7,587)	129,241	(104,149)	(8,452)	(56,271)
Retained earnings - 1 January	73,783	(55,458)	48,691	57,143	113,414
Retained earnings - 31 December	66,196	73,783	(55,458)	48,691	57,143

1 Corporate Information

Airtel (Seychelles) Limited is a limited liability company incorporated and domiciled in the Seychelles. The address of the company's registered office is Maison La Rosiere, Mahe, Seychelles.

The company provides telecommunication services in Seychelles.

The financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 29 March 2023.

2 New and revised Standard in Issue but not effective

No new IFRS has been issued during the year. Amendments to existing IFRSs have been applied by the Company as required, however, these amendments do not have any material impact on the Company's financial statements.

2.1 New accounting pronouncements to be adopted on or after 1 January 2022:

The following pronouncements issued by the IASB are relevant to the Company and effective for annual periods beginning on or after 1 January 2022. The Company's financial statements will be presented in accordance with these requirements, which are being evaluated but are not expected to have a material impact on the financial results, financial position or cash flows of the Company. These pronouncements have already been issued by IASB, but are not yet effective:

- Amendments to IAS 37 in relation to 'Onerous contracts- cost of fulfilling contracts'
- Amendments to IAS 1 in relation to 'classification of liabilities as current and non-current'
- Amendments to IAS 16 in relation to 'Property, Plant and Equipment: Proceeds before Intended Use'
- Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 in relation to 'Annual Improvements'
- Amendments to IFRS 3 in relation to 'References to Conceptual Framework'
- Amendments to IAS 8 in relation to 'Definition of Accounting Estimates'
- Amendments to IAS 12 in relation to 'Deferred Tax Related to Assets and Liabilities arising from a Single Transaction'

3 Summary of significant accounting policies

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

3.1 Basis of presentation

The financial statements of Airtel (Seychelles) Limited are prepared in accordance with the requirements of the Seychelles Companies Act, 1972 and the International Financial Reporting Standard (IFRS). They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying accounting policies. Areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in the notes below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Functional and reporting currency

The financial statements are presented in the Seychelles Rupee, which is the reporting currency under the Companies Act, 1972.

3.3 Foreign Currency Translation

The financial statements are presented in Seychelles Rupee, being the currency of the primary economic environment in which the company operates (the functional currency). Transactions in foreign currencies are converted into Seychelles Rupee using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the foreign exchange rate ruling at that date. Exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the closing date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction.

AIRTEL (SEYCHELLES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Financial statements are prepared in Seychelles Rupees

3 Summary of significant accounting policies (Cont...)

3.3 Foreign Currency Translation (Cont...)

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss within "finance income or finance cost".

The Banks closing-rate for the period were:

Currency	Exchange rates at 31 December			Changes in percent (SCR)	
	2022	2021	2020	2022-2021	2021-2020
SCR/US \$	14.48	15.06	21.75	4%	31%
SCR/Euro	15.44	17.05	26.72	9%	36%
SCR/UK Pound	17.45	20.36	29.58	14%	31%

3.4 Comparatives

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

3.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner indicated by the management. The cost of property, plant and equipment constructed by the company includes the cost of materials and direct labour.

All categories of property, plant and equipment are initially recorded at historical cost. All property, plant and equipment is subsequently measured at historical cost less accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Impairment losses or reversals of impairment losses on property, plant and equipment are recognized in profit or loss during the period.

When funds borrowed are specifically for the purpose of obtaining a qualifying asset, the entity determines the amount of the borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of the borrowings.

When significant parts of property and equipment are required to be replaced in intervals, the company recognizes such parts as separate components of assets with specific useful lives and provides depreciation over their useful lives. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised in profit or loss as incurred.

Assets are depreciated to the residual values on a straight-line basis over the estimated useful lives. The assets' residual values and useful lives are reviewed at each financial year end or whenever there are indicators for impairment, and adjusted prospectively.

The company adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when cost is incurred if the replacement part is expected to provide future benefits to the company. The carrying amount of the replaced part is derecognised. All repairs and maintenance are charged to the statement of income during the period in which they are incurred.

Depreciation on assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives. The estimated useful lives range as follows:

Leasehold improvements	20 years
Office equipment	3-10 years
Network equipment	10 years
Motor vehicles	5 years

The assets residual values and depreciation methods are reviewed, and adjusted prospectively, if there is an indication or a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of profit or loss within "other income or expenses".

3.6 Intangibles

Intangible assets are recognised when the company controls the asset, and it is probable that future economic benefits attributed to the asset will flow to the company and the cost of the asset can be reliably measured.

3 Summary of significant accounting policies (Cont...)

3.6 Intangibles (cont...)

Amortisation is recognised in statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use or placed in service. The amortisation period and the amortisation method for an intangible asset is reviewed at least at each financial year end. 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, and are treated as changes in accounting estimates.

Software is capitalised at the amounts paid to acquire the respective license for use and is amortised over the period of license.

3.7 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

At each reporting date, inventories are assessed for impairment. If the inventory is impaired, the carrying amount is reduced to its selling price less cost to complete and sell; and the impairment loss is recognised immediately in the statement of income.

3.8 Tax

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

Current tax and deferred tax is recognised as an expense or income in profit or loss, except to the extent that it relates to items credited or debited directly to equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

(i) Current 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by reporting date. 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.

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

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.

(ii) Deferred tax

Deferred tax is recognised, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. 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. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets, recognised and unrecognised, are reviewed at each reporting date and assessed for recoverability based on best estimates of future taxable profits.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

3.9 Financial Instruments

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instruments

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 FVTPL) 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 FVTPL are recognised immediately in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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3 Summary of significant accounting policies (Cont...)

3.10 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

Investment in equity is always measured at fair value.

Despite the foregoing, the company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Impairment of financial assets

The company recognises a loss allowance for expected credit losses (ECL) on trade receivable measured at amortised cost.

The company considers that default has occurred when a financial asset is more than 90 days past due.

The company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated based on past experiences where ECL is deemed to be all debts which remain unpaid over 90 days and over 270 days for interconnect debts.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Write-off policy

The company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the trade receivables has crossed the law of limitation period past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3 Summary of significant accounting policies (Cont...)

3.10 Financial assets (cont...)

3.10.1 Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the bank selling rate at the end of the reporting period.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.11 Share capital and share premium

Issued ordinary shares are classified as 'share capital' in equity when the company has an un-conditional right to avoid delivery of cash or another financial asset, that is, when the dividend and repayment of capital are at the sole and absolute discretion of the company and there is no contractual obligation whatsoever to that effect. Any premium received over and above the par value of the shares are classified as 'share premium' in equity.

3.12 Employee benefits

3.12.1 Retirement benefit obligations

The company operates a defined contribution scheme for all its employees. The company and all its local employees also contribute to the Seychelles Pension Scheme Fund, which is a defined contribution scheme. A defined contribution plan is a retirement benefit plan under which the company pays fixed contributions into a separate entity. 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 relating to employee service in the current and prior periods.

The contributions to the defined contribution schemes are recognised in profit or loss in the year in which they fall due.

3.12.2 Other entitlements

The employees of the company are entitled to compensated absences as well as other long-term benefits. Compensated absences benefit comprises of encashment and the availing of leave balances that were earned by the employees over the period of past employment. The liability for employees' annual leave entitlement and compensation as determined by actuaries at the reporting date are recognised as an expense accrual.

3.13 Impairment of non-financial assets

Property plant and equipment, right of use assets and intangible assets with definite lives are reviewed for impairment, whenever events or changes in circumstances indicate that their carrying values may not be recoverable. 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 cash-generating-unit ("CGU") level to which the said asset belongs. If such individual assets or CGU are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the asset / CGU exceeds their estimated recoverable amount and allocated on pro rata basis. Impairment losses, if any, are recognised in statement of profit and loss.

Reversal of impairment losses

Impairment losses are reversed and the carrying value is increased to its revised recoverable amount provided that this amount does not exceed the carrying value that would have been determined had no impairment loss been recognised for the said asset in previous years.

3.14 Dividends

Dividends payable to the company's shareholders are charged to equity in the period in which they are declared.

3.15 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 the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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3 Summary of significant accounting policies (Cont...)

3.15 Provisions (cont...)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.16 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 and disclosed only where an inflow of economic benefits is probable.

3.17 Critical accounting estimates and judgements

3.17.1 Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Receivables

Critical estimates are made by the Directors in determining the recoverable amount of impaired receivables. The expected credit loss of trade receivables are estimated based on past experiences where ECL is deemed to be all debts which remain unpaid over 90 days.

Taxes

1 Current income tax

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Business Tax Act. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date.

2 Deferred tax

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Determination of residual values and useful lives

Judgment and estimations are used when determining the residual values and useful lives of property, plant and equipment on annual basis.

In the process of applying the company's accounting policies, management has made judgments in determining:

- the classification of financial assets and lease liabilities.
- revenue recognition allocation to different components.
- determining whether assets are impaired, or not.

(a) Multiple element contracts with vendors

The Company has entered into multiple element contracts for supply of goods and rendering of services. In certain cases, the consideration paid is 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 have been accounted under Property, Plant and Equipment and / or as Intangible assets, since the company has economic ownership in these assets and represents the substance of the arrangement.

(b) Arrangement containing lease

The company assesses the contracts entered with telecom operators / passive infrastructure services providers to share tower infrastructure services so as to determine whether these contracts that do not take the legal form of a lease convey a right to use an asset or not. The Company has determined, based on an evaluation of the terms and conditions of the arrangements that such contracts are in the nature of leases.

3.18 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

3 Summary of significant accounting policies (Cont...)

3.19 Trade receivables

Trade receivables are initially recognised at the transaction price. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to original terms of the receivables.

3.20 Trade payables

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

3.21 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.

The lease liability is measured at amortised cost using the effective interest method.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of 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 assets 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.

3.22 Revenue recognition

Company's revenue arises from billing customers for monthly subscription, airtime usage, connections and sale of simcards, handsets and accessories, roaming and interconnection revenue.

Revenue is measured at the fair value of the consideration received or receivable for the sale/provision of goods and services in the ordinary course of the company's activities. Revenue is shown net of value-added tax (VAT), excise duties, discount and rebates.

Service revenue is derived from the provision of telecommunication services to customers. The majority of the customers of the Company subscribe to the services on a pre-paid basis. Telecommunication service revenues mainly pertain to usage, subscription and customer onboarding charges, which include activation charges and charges for voice, data, messaging and value added services.

Telecommunication services (comprising voice, data and SMS) 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.

A contract liability is recognised for amounts received in advance, until the services are provided or when the usage of services becomes remote.

The company recognises revenue from these services when performance obligation has been met. Revenue is recognised based on actual units of telecommunication services provided during the reporting period as a proportion of the total units of telecommunication services consumed.

Subscription charges are recognised over the subscription pack validity period. Customer onboarding revenue is recognised upon successful onboarding of customer i.e. upfront.

Revenues 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 revenues also includes revenue from interconnection / roaming charges for usage of the company's network by other operators for voice, data, messaging and signalling services.

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

Equipment sales mainly pertain to sale of telecommunication 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.

The company writes off to revenue credits after six months for prepaid sales which are unutilised by deactivated customers through forfeiture.

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4 Revenue

	2022	2021
<i>Analysis of revenue by category</i>		
Mobile	275,588,241	259,534,402
Fixed & leased line	49,636,093	39,293,324
Interconnect and roaming revenue	14,977,114	16,252,314
Sale of handsets	5,620,379	6,183,585
Other services including sales of other equipment	104,618	423,656
Total	345,926,445	321,687,280

Performance obligations that are unsatisfied (or partially unsatisfied) amounting to SCR 5,307,521 at 31 December 2022 and SCR 7,113,280 as at 31 December 2021 will be satisfied within a period of next one year respectively.

Transfers from unbilled revenue recognized at the beginning of the period to receivables is SCR 16,606,638 for 2022 (2021: SCR 15,713,691).

5 Direct costs

	2022	2021
Cost of goods sold	5,279,255	6,286,463
Interconnect & roaming expenses	8,959,023	11,823,409
Total	14,238,279	18,109,873

6 Network operating expenses

	2022	2021
Bandwidth charges	24,671,941	30,361,136
Maintenance Charges	18,387,443	20,292,997
Electricity	16,243,473	17,550,943
Other network expenses	6,558,564	3,020,619
Total	65,861,421	71,225,695

7 Other expenses

	2022	2021
Security	809,570	775,403
Repairs and maintenance	3,426,104	2,021,363
Travelling and transport	2,231,328	2,388,977
Utility	2,077	59,316
Rental of offices and showrooms	372,118	5,694,115
Legal and professional fees	1,290,328	2,556,832
Postage, courier, and stationery	1,487,507	2,592,528
Provision for bad and doubtful debts (note 17)	2,239,796	(710,621)
Management Fees	15,528,394	14,325,028
Office operational costs	5,846,512	7,715,988
Total	33,233,736	37,358,931

8 Employee benefits expense

	2022	2021
Salaries	35,710,547	34,371,702
Employers' contribution to defined contribution scheme	775,524	397,125
Employee benefit obligation (note 19)	2,438,781	1,180,022
Performance linked bonuses	6,489,901	2,226,603
Staff welfare expenses	2,088,982	1,664,086
Total	47,503,733	39,839,539

9 Profit for the year

	2022	2021
Profit for the year has been arrived at after charging:		
Auditors remuneration	369,000	330,000
Depreciation and amortisation	63,743,979	50,155,631
Management fees	15,528,394	14,325,028

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10 Finance costs / (Income)

	2022	2021
Interest on loan (note 20.1 ,20.2 &23.5)	19,260,233	11,640,540
Interest on lease liabilities (note 12)	828,023	1,157,413
Interest on employee benefit obligations (note 19)	419,096	380,887
Exchange loss / (gain) on borrowings (note 20.1 & 23.5)	(22,319,021)	(122,327,695)
Exchange loss / (gain) on cash and cash equivalents	848,357	65,565
Exchange loss on others	14,878,205	17,189,181
Total	13,914,892	(91,894,109)

11 Property, plant and equipment

	Leasehold improvements	Office & network equipment	Vehicles	Capital Work In Progress	Total
Cost					
At 1 January 2021	2,026,653	616,326,125	7,373,381	99,375,463	725,101,622
Additions	8,189,957	52,926,656	-	8,898,246	70,014,859
Disposals	(14,282)	(19,616,675)	-	-	(19,630,957)
Transfers from capital work in progress	22,263,891	76,213,079	-	(98,476,970)	-
At 31 December 2021	32,466,219	725,849,185	7,373,381	9,796,739	775,485,524
Accumulated depreciation and impairment					
At 1 January 2021	1,490,876	422,906,214	7,278,436	-	431,675,525
Depreciation charge	665,388	45,874,623	94,946	-	46,634,956
Disposals	(3,351)	(19,406,703)	-	-	(19,410,054)
At 31 December 2021	2,152,913	449,374,134	7,373,381	-	458,900,428
Carrying amount					
At 1 January 2021	535,777	193,419,911	94,945	99,375,463	293,426,097
At 31 December 2021	30,313,306	276,475,051	-	9,796,739	316,585,096
Cost					
At 1 January 2022	32,466,219	725,849,185	7,373,381	9,796,739	775,485,524
Additions	-	34,194,726	1,043,478	8,857,019	44,095,223
Disposals	-	-	(409,068)	-	(409,068)
Transfers from capital work in progress	-	9,796,739	-	(9,796,739)	-
At 31 December 2022	32,466,219	769,840,650	8,007,791	8,857,019	819,171,678
Accumulated depreciation and impairment					
At 1 January 2022	2,152,913	449,374,134	7,373,381	-	458,900,428
Depreciation charge	45,519	60,632,924	50,881	-	60,729,324
Disposals	-	-	(409,068)	-	(409,068)
At 31 December 2022	2,198,431	510,007,058	7,015,194	-	519,220,684
Carrying amount					
At 31 December 2021	30,313,306	276,475,051	-	9,796,739	316,585,096
At 31 December 2022	30,267,788	259,833,592	992,597	8,857,019	299,950,995

11.1 Right of Use Assets

	Upon application of IFRS 16		Total
	Land and Building	Leased Sites	
Cost			
At 1 January 2021			
Additions	6,503,831	16,725,199	23,229,029
Deletions	-	1,820,401	1,820,401
At 31 December 2021	6,503,831	18,545,600	25,049,430
Accumulated depreciation			
At 1 January 2021			
Depreciation charge	4,221,296	5,077,404	9,298,700
At 31 December 2021	4,718,096	8,101,279	12,819,375
Carrying amount			
At 31 December 2021	1,785,735	10,444,321	12,230,056

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11 Property, plant and equipment (cont...)

11.1 Right of Use Assets (cont...)

	Upon application of IFRS 16		
	Land and Building	Leased Sites	Total
Cost			
At 1 January 2022			
Additions	6,503,831	18,545,600	25,049,430
Deletions	-	198,457	198,457
At 31 December 2022	6,503,831	18,744,056	25,247,887
Accumulated depreciation			
At 1 January 2022			
Depreciation charge	4,718,096	8,101,279	12,819,375
	395,772	2,618,883	3,014,655
At 31 December 2022	5,113,868	10,720,162	15,834,030
Carrying amount			
At 31 December 2021	1,785,735	10,444,321	12,230,056
At 31 December 2022	1,389,963	8,023,894	9,413,857

12 Lease liabilities

	2022	2021
Discounted lease liability		
At 1 January	14,035,840	16,005,142
Additions in the year	198,457	1,820,401
Interest cost	828,023	1,157,413
Repayments	(3,921,886)	(4,947,117)
At 31 December	11,140,433	14,035,840

Amounts recognised in the Statement of financial position

	2022	2021
Current	2,542,418	2,939,720
Non-current	8,598,015	11,096,119
Total	11,140,433	14,035,840

Amounts recognised in the Statement of profit or loss

	2022	2021
Interest on lease liabilities (note 10)	828,023	1,157,413
Maturity analysis:		
Less than one year	3,498,505	3,784,882
One to five years	7,843,984	8,706,929
More than five years	2,449,736	3,306,088
Total undiscounted lease liabilities	13,792,225	15,797,899
Total discounted lease liabilities	11,140,433	14,035,840

13 Investment in associate

Investment is stated at historical cost adjusted for profit/loss retained in Seychelles Cable System Company Limited, an unquoted company incorporated in the Seychelles.

	Holding	2022	2021
Investment in associate at cost	26%	49,861,046	49,861,046
Foreign exchange adjustment (recognized in other comprehensive income)		(10,813,491)	(5,077,098)
Share of profit in associate		48,781,606	43,830,068
Dividend Received		(26,928,622)	-
Total		60,900,539	88,614,016
Share of operating profit in associate (recognized in statement of profit or loss)		4,951,538	21,751,470

Seychelles Cable System Company Limited was incorporated to set up a submarine fibre-optic link between Seychelles and Tanzania for improved telecommunication services. The other shareholders of this company are the Government of Seychelles (40.6%) and Cable & Wireless (Seychelles) Limited (33.4%).

14 Tax

(a) The major components of the income tax expense/(credit) are:

	2022	2021
Current income tax		
- For the year	19,500,000	18,500,000
- Adjustments for prior periods	(367,627)	728,541
	19,132,373	19,228,541
Deferred tax	7,170,166	39,173,734
Corporate social responsibility & Tourism marketing Tax		
- For the year	1,729,770	1,940,326
Total	28,032,308	60,342,601

(b) The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2022	2021
Profit before tax less share of profit in associate	80,493,547	167,832,271
Enacted tax rate in the country	33%	33%
Tax expense with enacted rate	26,562,870	55,384,649
<i>Effect of:</i>		
Adjustments in respect to previous years	(367,627)	728,541
Net tax charge on account of permanent differences	107,296	2,289,085
Tourism marketing Tax	1,729,769	1,940,326
Total tax expense	28,032,308	60,342,601

(c) The analysis of deferred tax assets and liabilities is as follows:

	2022	2021
Deferred tax liabilities (net)		
i) Deferred tax liability due to		
Depreciation / amortisation on PPE / intangible assets	47,032,755	46,337,277
ii) Deferred Tax asset arising out of		
Provision for Impairment of trade receivables / advances	(25,621,518)	(24,882,385)
Fair valuation of financial instruments and exchange differences	(603,957)	(7,969,234)
Provision for compensation and obsolete stock	(2,603,755)	(2,452,299)
Total	18,203,525	11,033,359

(d) The analysis of deferred tax expenses / benefit is as follows:

	2022	2021
Deferred tax expenses / (benefit)		
Depreciation / amortisation on PPE / intangible assets	695,478	(1,179,672)
Provision for Impairment of trade receivables / advances	(739,133)	234,505
Fair valuation of financial instruments and exchange differences	7,365,277	40,368,139
Provision for compensation and obsolete stock	(151,456)	(249,238)
Total	7,170,166	39,173,734

(e) The movement in deferred tax liabilities (net) during the year is as follows

	2022	2021
Opening balance	11,033,359	(28,140,375)
Tax loss/(income) recognised in statement of profit & loss	7,170,166	39,173,734
Closing balance	18,203,525	11,033,359

(f) The movement in current tax liabilities (net) during the year is as follows

	2022	2021
Opening balance	1,878,658	3,229,121
Adjustments for prior periods	(367,627)	728,541
Tax expense recognised for the year	19,500,000	18,500,000
Corporate social responsibility & Tourism marketing Tax	1,729,769	1,940,326
Paid during the year	(19,862,142)	(22,519,330)
Closing balance	2,878,658	1,878,658

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15 Other assets

	2022	2021
Prepayments for STMs	107,985,924	114,948,635
Other prepayments	2,717,793	6,568,135
Total	110,703,716	121,516,770
Amortisation of prepaid right of use fiber optic network is on a straight-line basis, and is expensed to network costs.		
Classified as:		
Current	8,956,216	12,806,557
Non-current	101,747,500	108,710,213

16 Inventories

	2022	2021
Handsets and accessories	4,180,344	5,289,430
Scratch cards	-	36,638
Starter packs	298,133	436,170
Less: Provision for obsolescence	-	(472,804)
Total	4,478,477	5,289,434

17 Trade and other receivables

	2022	2021
Trade receivables	102,851,667	101,107,250
Less: Provision for bad debts	(77,640,962)	(75,401,166)
Trade receivable net of provision	25,210,704	25,706,084
Receivable from related parties (note 23.3)	11,933,340	10,190,915
Deposits	-	-
Others	1,339,247	3,159,042
Total	38,483,292	39,056,041

The movement in provision for doubtful debts during the year is as follows:

	2022	2021
1 January	75,401,166	76,111,787
Provisions made/(reversed) in the year	2,239,796	(710,621)
Total	77,640,962	75,401,166

The carrying amounts of the above receivables approximate their fair values.

18 Authorised & issued capital

	2022	2021
Authorised, issued and allotted 35,969 shares of SCR 1,000 each	35,969,000	35,969,000
Total	35,969,000	35,969,000

19 Employee benefit obligations

	2022	2021
1 January	6,155,269	6,353,378
Current service cost	2,438,781	1,180,022
Interest cost	419,096	380,887
Remeasurements (amount recognised in other comprehensive income)	1,591,454	407,437
Benefits paid	(3,944,436)	(2,166,455)
Total	6,660,164	6,155,269
Classified as:		
Current	2,323,719	1,989,390
Non-current	4,336,445	4,165,879

Employee benefits obligations are stated at present values of liabilities due for termination indemnities under Employment Amendment Act (1999); Long Service Awards, Retirement Benefits and Compensated Absences. The actuarial assumptions in determining the obligation are:

• Discount rate	-	9.5% p.a.
• Salary increase rate	-	7.5% p.a.
• Mortality Table	-	implicit withdrawal rate assumption
• Withdrawals	-	20% p.a. (rate of employee turnover)

20 Borrowings

	2022	2021
Due to:		
HSBC Bank - Mauritius (note 20.1)	-	225,900,000
Mauritius Commercial Bank (Seychelles) (note 20.2)	221,278,541	80,776,036
Intermediate parent - Bharti Airtel Africa BV (note 23.5)	52,703,083	51,468,965
Total	273,981,623	358,145,001
Classified as:		
Current	133,568,180	50,885,689
Non-current	140,413,443	307,259,312

20.1 Loan from financial institution (HSBC)

	US\$ 2022	US\$ 2021	SCR 2022	SCR 2021
At 1 January	15,000,000	15,000,000	225,900,000	326,250,000
Received in the year	-	-	-	-
Interest accrued during the year	381,997	556,342	5,245,144	8,911,159
Interest paid during the year	(381,997)	(556,342)	(5,245,144)	(8,911,159)
Loan Repaid during the year	(15,000,000)	-	(205,424,910)	-
Exchange difference	-	-	(20,475,090)	(100,350,000)
At 31 December	-	15,000,000	-	225,900,000

20.2 Loan from financial institution (MCB)

	SCR 2022	SCR 2021
At 1 January	80,776,036	-
Received in the year	194,365,000	83,135,000
Interest accrued during the year	10,937,039	221,411
Interest paid during the year	(10,937,039)	(221,411)
Loan repaid during the year	(53,862,496)	(2,358,964)
At 31 December	221,278,541	80,776,036

The loan matures on 30 November 2025 and attracts interest at a rate of 8.5% less a margin of 1% and is secured by corporate guarantee from the intermediate parent.

21 Trade and other payables

	2022	2021
Trade payables	1,843,044	13,051,489
Payable to related parties (note 23.4)	37,535,831	44,759,284
Interconnect and roaming partners	5,144,881	2,099,346
Security deposits	3,991,236	3,494,476
Accruals for network maintenance & other services	32,980,372	30,932,239
Dividend payable (note 23.4)	55,972,165	17,287,582
Other taxes payable	4,701,907	6,700,545
Total	142,169,436	118,324,963

The carrying amounts of the above payables approximate their fair values.

22 Cash and cash equivalents

	2022	2021
Cash at Bank	21,395,278	35,050,237
Cash at Hand and In transit	5,890,891	3,610,292
Total	27,286,168	38,660,529

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23 Related parties and transactions

These relate to transactions with parent company and fellow subsidiaries and senior management of the company.

23.1 Services provided to related parties:

Name of related party	Relationship to Company	2022	2021
Sale of goods and services			
Airtel Networks Zambia Plc	Fellow subsidiary	1,047	3,876
Airtel Networks Kenya Limited	Fellow subsidiary	591,700	221,729
Airtel Malawi Limited	Fellow subsidiary	3,958	2,407
Airtel Tanzania Limited	Fellow subsidiary	26,001	16,247
Airtel Madagascar S.A	Fellow subsidiary	10,415	707
Airtel Gabon S.A	Fellow subsidiary	58	197
Airtel Tchad S.A	Fellow subsidiary	402	40
Airtel Nigeria S.A	Fellow subsidiary	14,342	10,827
Airtel Niger S.A	Fellow subsidiary	243	-
Airtel Uganda Limited	Fellow subsidiary	48,612	2,713
Airtel Congo (DRC) S.A	Fellow subsidiary	5	654
Airtel Congo B	Fellow subsidiary	18	511
Airtel Rwanda Limited	Fellow subsidiary	-	3
Bharti Airtel Lanka (Pvt Ltd), Sri Lanka	Fellow subsidiary	37,019	3
Jersey Airtel Limited	Fellow subsidiary	278	603
Bharti Airtel Limited	Intermediate Parent	46,750	3,330
Bharti Airtel (UK) Limited	Fellow subsidiary	12,730,163	13,850,614
Airtel Mobile Commerce Seychelles Ltd	Fellow subsidiary	(110,928)	512,066
Bharti Hexacom Limited	Fellow subsidiary	312	46
Emtel Mauritius	Other related party	12,425	9,022
Singapore Telecommunications Limited	Other related party	63,192	14,102
Total		13,476,013	14,649,697

23.2 Services received from related parties

Name of related party	Relationship to Company	2022	2021
Purchase of goods and services			
Airtel Networks Kenya Limited	Fellow subsidiary	284,529	(76,867)
Airtel Malawi Limited	Fellow subsidiary	554	5
Airtel Tanzania Limited	Fellow subsidiary	3,637,582	2,308,786
Airtel Madagascar S.A	Fellow subsidiary	54,824	36
Airtel Gabon S.A	Fellow subsidiary	17	-
Airtel Tchad S.A	Fellow subsidiary	3,041	2,088
Airtel Nigeria S.A	Fellow subsidiary	191,920	438,884
Celitel Niger S.A	Fellow subsidiary	-	-
Airtel Uganda Limited	Fellow subsidiary	695	190
Airtel Niger S.A	Fellow subsidiary	72	-
Airtel Congo B	Fellow subsidiary	13	-
Airtel Rwanda Limited	Fellow subsidiary	143	43
Network i2i Limited	Fellow subsidiary	3,493,199	5,008,757
Bharti Airtel Lanka (Pvt Ltd), Sri Lanka	Fellow subsidiary	429	440
Bharti Airtel Limited	Intermediate Parent	1,452,326	2,242,283
Bharti International Singapore Pte Limited	Fellow subsidiary	219,525	3,614,404
Bharti Airtel (UK) Limited	Fellow subsidiary	6,834,654	8,176,804
Bharti Airtel International (Netherlands) B.V.	Intermediate Parent	1,022,258	9,597,464
Airtel Africa Services (UK) Limited	Fellow subsidiary	12,402,826	1,876,182
Seychelles Cable Systems Company Limited	Associate	5,912,128	4,162,633
Airtel Mobile Commerce Seychelles Ltd	Fellow subsidiary	-	830,515
Bharti Airtel (France) SAS	Fellow subsidiary	2,055,676	1,612,351
Bharti Hexacom Limited	Fellow subsidiary	228	8
Emtel Mauritius	Other related party	7,128	1,225
Jersey Airtel Limited	Fellow subsidiary	9	15
Singapore Telecommunications Limited	Other related party	56,007	1,001
Nxtra Data Limited	Fellow subsidiary	193,114	(298,951)
Total		37,822,898	39,498,296

23 Related parties and transactions (cont ...)

23.3 Receivables from related parties

Name of related party	Relationship to Company	2022	2021
Airtel Networks Zambia Plc	Fellow subsidiary	928	-
Airtel Networks Kenya Limited	Fellow subsidiary	183,484	110,913
Airtel Malawi Limited	Fellow subsidiary	1,255	577
Airtel Tanzania Limited	Fellow subsidiary	5,089	1,874
Airtel Madagascar S.A	Fellow subsidiary	4,653	-
Airtel Uganda Limited	Fellow subsidiary	16,554	207
Celtel Niger S.A	Fellow subsidiary	123,332	128,236
Bharti Airtel International (Netherlands) B.V.	Intermediate Parent	839,208	-
Airtel Rwanda Limited	Fellow subsidiary	130,320	135,540
Airtel Congo (DRC) S.A	Fellow subsidiary	1	-
Bharti Airtel Lanka (Pvt Ltd), Sri Lanka	Fellow subsidiary	207	635
Airtel Mobile Commerce Seychelles Ltd	Fellow subsidiary	5,832,379	6,345,208
Bharti Airtel (UK) Limited	Fellow subsidiary	3,572,627	2,669,900
Bharti Airtel Limited	Intermediate Parent	444,362	781,040
Bharti International (Singapore) Pte Ltd	Fellow subsidiary	786,487	-
Bharti Hexacom Limited	Fellow subsidiary	(42,314)	9,591
Airtel Nigeria S.A	Fellow subsidiary	3,350	-
Emtel Mauritius	Other related party	(2,382)	1,991
Singapore Telecommunications Limited	Other related party	33,801	5,202
Total		11,933,340	10,190,915

23.4 Payables to related parties

Name of related party	Relationship to Company	2022	2021
Airtel Networks Zambia Plc	Fellow subsidiary	1,627	-
Airtel Networks Kenya Limited	Fellow subsidiary	2,841,971	2,584,917
Airtel Malawi Limited	Fellow subsidiary	206,730	214,518
Airtel Tanzania Limited	Fellow subsidiary	9,036,159	5,525,061
Airtel Madagascar S.A	Fellow subsidiary	61,569	34
Airtel Congo (DRC) S.A	Fellow subsidiary	70,762	15,693
Airtel Rwanda Limited	Fellow subsidiary	307	337
Airtel Tchad S.A	Fellow subsidiary	183,952	453
Airtel Uganda Limited	Fellow subsidiary	5,984	1,508
Airtel Nigeria S.A	Fellow subsidiary	875,020	710,311
Airtel Gabon S.A	Fellow subsidiary	5	-
Bharti Airtel Limited	Intermediate Parent	558,312	562,434
Bharti Airtel Lanka (Pvt Ltd), Sri Lanka	Fellow subsidiary	(145)	257
Bharti International (Singapore) Pte Ltd	Fellow subsidiary	1,309,641	5,272,461
Bharti Airtel International (Netherlands) Kenya Branch	Intermediate Parent	-	-
Bharti Airtel International (Netherlands) B.V.	Intermediate Parent	4,035,184	18,034,933
Airtel Africa Services (UK) Limited	Fellow subsidiary	9,117,468	1,876,182
Seychelles Cable Systems Company Limited	Associate	5,034,368	4,037,112
Singapore Telecommunications Limited	Other related party	29,666	-
Network I2I Limited	Fellow subsidiary	1,222,494	2,578,250
Bharti Airtel (UK) Limited	Fellow subsidiary	475,703	1,572,141
Bharti Hexacom Limited	Fellow subsidiary	(43,342)	173
Bharti Airtel (France) SAS	Fellow subsidiary	2,124,513	1,446,376
Nxtra Data Limited	Fellow subsidiary	387,884	326,131
Indian Ocean Telecom Limited	Parent	55,972,165	17,287,582
Total		93,507,996	62,046,866

23.5 Loan from intermediate parent (Bharti Airtel Africa B.V)

	US\$ 2022	US\$ 2021	SCR 2022	SCR 2021
At 1 January	3,417,590	3,261,546	51,468,965	70,938,690
Received in the year	-	-	-	-
Interest accrued during the year	222,286	156,044	3,078,049	2,507,970
Repaid during the year	-	-	-	-
Exchange difference	-	-	(1,843,931)	(21,977,695)
At 31 December	3,639,876	3,417,590	52,703,083	51,468,965

The loan has a maturity date of 31 December 2023, is unsecured and attracts interest at a rate of $\text{libor} + 4.5\%$

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23 Related parties and transactions (cont ...)

23.6 Directors emoluments, pensions or compensation

Emoluments, pensions or compensation and any other benefits paid to directors during the year are shown below;

Director	Salary for Management		Fees, Pensions & Others	
	2022	2021	2022	2021
Amadou Mahamat Dina	2,064,580	2,177,525	2,010,147	1,457,974
Alok Bafna	-	-	-	-
Michael Patrick Foley	-	-	-	-
Monica Njeri Kachola (Appointed -18.08.22)	-	-	-	-
Ramakrishna Lella	-	-	-	-
Rogany Ramiah (Resigned - 18.08.22)	-	-	-	-
Total	2,064,580	2,177,525	2,010,147	1,457,974

23.7 Parent and other controlling interests

The shares of the company are held by Indian Ocean Telecom Limited (99.9%) and Bharti Airtel Africa BV(0.1%).

The intermediate parent is Airtel Africa plc a company incorporated in the UK.

24 Capital commitments

Capital commitments in the form of Open Purchase orders as at 31 December 2022 were to the tune of SCR 5M (2021: SCR 14M) dedicated for IT Servers and Network upgrades. These commitments are self financed by the company.

25 Financial risk management objectives and policies

The company's activities expose it to a variety of financial risks: market risk (including Foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors.

Market Risk

(i) Foreign exchange risk

The company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities.

Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies.

The following table demonstrates the sensitivity in the USD and EURO to the functional currency, with all other variables held constant.

	Change in currency exchange rate ⁽¹⁾	Effect on Profit before tax ⁽²⁾ SCR	Effect on equity (OCI) ⁽²⁾ SCR
For the year ended 31 December 2022			
US Dollars	+5%	13,699,081	-
	-5%	(13,699,081)	-
Euro	+5%	-	3,045,027
	-5%	-	(3,045,027)
For the year ended 31 December 2021			
US Dollars	+5%	17,907,250	-
	-5%	(17,907,250)	-
Euro	+5%	-	4,430,701
	-5%	-	(4,430,701)

(1) '+' represents appreciation and '-' represents depreciation in US Dollars/Euro against SCR.

(2) represents losses/(gains) arising from conversion/translation.

(ii) Price Risk

The company does not hold any financial instruments subject to price risk.

25 Financial risk management objectives and policies (cont ...)

Credit Risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the company and arises from cash equivalents and deposits with financial institutions and principally from credit exposures to customers relating to outstanding receivables. For banks and financial institutions, only reputable institutions are used.

The company is not significantly exposed to credit risk on the retail side since the majority of its customers are on the prepaid plan and majority of the distributors / dealers are primarily on cash basis, or their credit is covered by a bank guarantee.

The interconnection between the company and other telecommunications operators (both local and foreign) is on credit basis and the number of credit days is governed by the agreement between the parties. The utilisation of credit limits is regularly monitored.

The amount that best represents the company's maximum exposure to credit risk at 31 December 2022 is made up as follows:

	Note	SCR 2022	SCR 2021
Cash and cash equivalents	22	27,286,168	38,660,529
Trade receivables (net)	17	25,210,704	25,706,084
Receivable from related parties	17	11,933,340	10,190,915

Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the finance department maintain flexibility in funding by maintaining availability under committed credit lines.

The table below summarises the maturity profile of the company's financial liabilities based on contractual undiscounted payments.

	Note	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2022					
- Borrowings	20	133,568,180	80,865,098	59,548,345	-
- Trade and other payables	21	142,169,436	-	-	-
- Lease liabilities	11.2	3,498,505	7,843,984	-	2,449,736
At 31 December 2021					
- Borrowings	20	50,885,689	307,259,312	-	-
- Trade and other payables	21	118,324,963	-	-	-
- Lease liabilities	11.2	3,784,882	3,066,032	5,640,897	3,306,088

26 Fair value of financial assets and liabilities (Financial Instruments)

Set out below is a comparison by class of the carrying amount and fair value of the financial instruments that are recognised in the financial statements. The carrying amount of the financial assets and financial liabilities approximate their fair values because of their short term nature as shown below.

Classes and categories of financial instruments and their fair values

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments;
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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26 Fair value of financial assets and liabilities (Financial Instruments) (cont ...)

	Carrying value		Fair value		
	FVTPL – mandatorily measured	Amortised cost	Level 1	Level 2	Level 3
31 December 2022					
Financial Assets					
Cash and bank balances	-	27,286,168	-	-	-
Trade and other receivables	-	25,210,704	-	-	-
Amounts due from related parties	-	11,933,340	-	-	-
Investment in Associates	-	60,900,539	-	-	-
Financial Liabilities					
Trade and other payables	-	99,931,698	-	-	-
Amounts due to related parties	-	37,535,831	-	-	-
Lease liabilities	-	11,140,433	-	-	-
Term loans	-	273,981,623	-	-	-
31 December 2021					
Financial Assets					
Cash and bank balances	-	38,660,529	-	-	-
Trade and other receivables	-	25,706,084	-	-	-
Amounts due from related parties	-	10,190,915	-	-	-
Investment in Associates	-	88,614,016	-	-	-
Financial Liabilities					
Trade and other payables	-	66,865,133	-	-	-
Amounts due to related parties	-	44,759,284	-	-	-
Lease liabilities	-	14,035,840	-	-	-
Term loans	-	358,145,001	-	-	-

27 Contingencies

The directors are not aware of any outstanding contingent liabilities at 31 December 2022. (2021: Nil)