

AIRTEL UGANDA LIMITED

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31st DECEMBER 2022

AIRTEL UGANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022

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AIRTEL UGANDA LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022**

COMPANY INFORMATION

REGISTERED OFFICE AND PRINCIPAL
PLACE OF BUSINESS

Airtel Uganda Limited
Plot 16A Clement Hill Road
P O Box 6771
Kampala, Uganda

COMPANY SECRETARY

Dennis A. Kakonge
Airtel Uganda Limited
Plot 16A Clement Hill Road
P O Box 6771
Kampala, Uganda

COMPANY SOLICITORS

Nangwala, Rezida & Company Advocates
Suite 3B
3rd Floor, Plot 9 Yusuf Lule Road
P O Box 10304
Kampala, Uganda

Verma Jivram & Associates
3rd Floor, FIL Courts
88 Luthuli Avenue, Bugolobi
P O Box 7595
Kampala, Uganda

Lex Uganda Advocates & Solicitors,
1 Colville Street
P O Box 22490
Kampala, Uganda

Katende, Ssempebwa & Co Advocates,
Radiant House
Plot 20, Kampala Road
P O Box 2344,
Kampala, Uganda

K & K Advocates
Plot 67 Lugogo By-Pass,
P O Box 6061
Kampala, Uganda

AIRTEL UGANDA LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
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COMPANY INFORMATION (CONTINUED)

BANKERS

Citibank Uganda Limited
4, Centre Court
Ternan Avenue
P. O. Box 7505
Kampala, Uganda

Stanbic Bank (U) Ltd
10th Floor, Short Tower
17 Hannington Road
Crested Towers
Kampala, Uganda

Equity Bank Uganda Limited
Plot 34, Church House, Kampala Road
P O Box 10184
Kampala, Uganda

Standard Chartered Bank Uganda Limited
5 Speke Road
P O Box 7111
Kampala, Uganda

Absa Bank Uganda Limited
Plot 2/4 Hannington Road
P O Box 7101
Kampala, Uganda

Ecobank Uganda Limited
Plot 8A Kafu Road Nakasero
P O Box 7368
Kampala, Uganda

United Bank for Africa (UBA) Uganda
Plot 2, Jinja Road
PO BOX 7396
Kampala, Uganda

DFCU Uganda
Plot 26, Kyadondo Road Nakasero,
P O Box 70
Kampala, Uganda

AUDITORS

Deloitte & Touche
Certified Public Accountant of Uganda
3rd Floor, Rwenzori House
1 Lumumba Avenue
P O Box 10314
Kampala, Uganda

AIRTEL UGANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2022

DIRECTORS' REPORT

The Directors submit their report and audited Financial Statements of Airtel Uganda Limited ("the Company") for the year ended 31st December 2022, which show the state of affairs of the Company.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the operation of a cellular telephone network in Uganda and the provision of telecommunication services.

FINANCIAL RESULTS

	2022 Ushs million	2021 Ushs million
Profit before taxation	473,600	660,727
Taxation charge	<u>(147,897)</u>	<u>(201,152)</u>
Profit for the year	<u>325,703</u>	<u>459,575</u>

The profit for the year amounted to Ushs 325,703 million (2021: Ushs 459,575 million). The Directors declared interim dividends for the year ended 31 December 2022 amounting to Ushs 226,688 million (2021: 328,064 million) at a rate of Ushs 16,100 per share (refer note 30 of the Financial Statements).

Further, the Directors recommends a final dividend of Ushs 99,264 million at a rate of Ushs. 7,050 per share making a total dividend for the year of Ushs 325,952 million (2021: 460,064 million) at a rate of Ushs 23,150 per share for the year ended 31st December 2022.

Subject to the approval of the shareholders at the AGM, the final dividend will be paid on or before 30 June 2023 to the shareholders on the register at the close of business on 31 March 2023. This final dividend is not included as a liability in the Financial Statements.

RESERVES

The reserves of the Company are set out on page 12 in the Statement of Changes in Equity.

DIRECTORS

The Directors who held office during the year and to the date of this report were as follows:

Hannington Karuhanga	-	Non-Executive Director
Manoj Murali	-	Executive Director
Alok Bafna	-	Non-Executive Director
Rama Krishna Lella	-	Non-Executive Director
Ian Basil Ferrao	-	Non-Executive Director (Till 30 th September 2022)
Apoorva Mehrotra	-	Non-Executive Director (Appointed effective 14 th October 2022)

AIRTEL UGANDA LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
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DIRECTORS' REPORT (CONTINUED)

The Directors were in office for the entire period unless otherwise stated.

SHAREHOLDING

The shareholding of the Company as at 31st December 2022 is as follows

Name of shareholder	No. of shares	% of shareholding
Bharti Airtel Africa BV	10	0.0001%
Bharti Airtel Uganda Holdings BV	14,080,000	99.9999%

AUDITORS

Deloitte & Touche, Certified Public Accountant of Uganda, have expressed their willingness to continue in office in accordance with the provisions of Section 167 (2) of the Companies Act, 2012 of the laws of Uganda.

BY ORDER OF THE BOARD


Secretary

24 February 2023

Kampala

AIRTEL UGANDA LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022**

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Companies Act, 2012 of the Laws of Uganda requires the Directors to prepare Financial Statements for each financial year, which give a true and fair view of the State of Financial Affairs of the Company as at the end of the financial year and of its operating results for that year. The Act also requires the Directors to ensure the Company keeps proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors are ultimately responsible for the internal control. The Directors delegate responsibility for internal control to Management. Standards and systems of internal control are designed and implemented by Management to provide reasonable assurance as to the integrity and reliability of the Financial Statements and to adequately safeguard, verify and maintain accountability of the Company's assets. Appropriate accounting policies supported by reasonable and prudent judgments and estimates, are applied on a consistent and using the going concern basis. These systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

The Directors accept responsibility for the year's Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act, 2012 of Uganda. The Directors are of the opinion that the Financial Statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of Financial Statements, as well as adequate systems of internal financial control.

The Financial Statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Financial Statements were approved by the Board of Directors on 24/02/2023 and signed on its behalf by:



Manoj Murali
Director



Hannington Karuhanga
Chairman

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AIRTEL UGANDA LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Airtel Uganda Limited set out on pages 10 to 56, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Airtel Uganda Limited as at 31 December 2022, and its financial performance and cash flows for the year then ended and are prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2012 of the laws of Uganda.

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 International Federation of Accountants' Code of Ethics for Professional Accountants (IFAC code) and other independence requirements applicable to performing audits of Airtel Uganda Limited. We have fulfilled our other ethical responsibilities in accordance with the IFAC Code, and in accordance with other ethical requirements applicable to performing the audit of Airtel Uganda Limited.

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, which comprises the information included in the Directors' report and statement of directors' responsibilities as required by the Companies Act, 2012 of the laws of Uganda. 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 express an audit opinion or any form of assurance conclusion thereon.

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

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AIRTEL UGANDA LIMITED (CONTINUED)**

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 and the requirements of the Companies Act, 2012 of the laws of Uganda and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Directors 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 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.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AIRTEL UGANDA LIMITED (CONTINUED)

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

We communicate with the Directors 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 the Directors 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, related safeguards.

Report on other legal requirements

As required by the Companies Act, 2012 of the laws of Uganda, we report to you based on our audit, that:

- (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) in our opinion, proper books of account have been kept by the Company so far as appears from our examination of those books; and
- (iii) The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account

The Engagement Director responsible for the audit resulting in this independent auditor's report is Paul Ssali, Practicing Number P0508.



Certified Public Accountant of Uganda

2 March 2023

Kampala



Paul Ssali
Associate Director

AIRTEL UGANDA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022


	Note	2022 Ushs millions	2021 Ushs millions
Income			
Revenue	6	1,594,271	1,649,040
Other income	6(b)	5,627	4,256
		<u>1,599,898</u>	<u>1,653,296</u>
Expenses			
Network operating expenses	7(b)	252,845	212,119
Access charges		42,139	33,488
Licence Fees/spectrum usage charges		38,976	40,137
Employee benefit expenses	7(c)	84,559	79,720
Sales and marketing expenses	7(a)	176,351	192,096
Impairment loss / (reversal) on financial assets		(1,095)	3,001
Other operating expenses	7(d)	118,114	105,163
Depreciation and amortisation	8	272,455	257,117
		<u>984,344</u>	<u>922,841</u>
Operating profit		615,554	730,455
Finance income	9(a)	(396)	(14,747)
Finance costs	9(b)	142,350	84,475
		<u>473,600</u>	<u>660,727</u>
Profit before tax		473,600	660,727
Income tax expense	10(a)	147,897	201,152
		<u>325,703</u>	<u>459,575</u>
Profit for the year		325,703	459,575
Other comprehensive income for the year (OCI)			
Items not to be reclassified subsequently to profit or loss:			
Re-measurement gain/(loss) on defined benefit plans		51	(22)
		<u>51</u>	<u>(22)</u>
Total comprehensive income for the year, net of tax		<u>325,754</u>	<u>459,553</u>

AIRTEL UGANDA LIMITED


STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

ASSETS	Note	2022 Ushs millions	2021 Ushs millions
Non-current assets			
Property, plant and equipment	11	674,990	579,681
Capital work-in-progress	11	40,930	48,887
Right of use assets	12	601,276	421,919
Investment property	13	-	-
Intangible assets	14	409,194	440,011
Other non current assets	17(b)	49,251	40,902
		1,775,641	1,531,400
Current assets			
Inventories	15	5,447	4,310
Trade and other receivables	16	84,753	58,978
Cash and cash equivalents	19	35,204	8,256
Income tax recoverable (net)	10(c)	-	3,236
Other current assets	17(a)	69,356	47,963
		194,760	122,743
Total assets		1,970,401	1,654,143
EQUITY AND LIABILITIES			
Equity			
Share capital	20(a)	1,408	1,408
Share premium	20(b)	16,128	16,128
Retained earnings		106,239	139,224
Other reserves		85	34
		123,860	156,794
Non-current liabilities			
Borrowings	21	311,817	232,748
Lease liabilities	25	555,318	386,515
Deferred revenue	23	12,613	0
Provisions	24	2,606	2,199
Deferred tax liability	10(d)	92,646	85,741
Other non-current liabilities	26	108,170	106,164
		1,083,170	813,367
Current liabilities			
Borrowings	21	317,018	258,114
Lease liabilities	25	135,526	119,730
Trade and other payables	22	249,292	275,158
Deferred revenue	23	35,125	21,585
Provisions	24	6,231	3,708
Other current liabilities	26	4,628	4,496
Derivative financial instruments	27	5,641	1,191
Income tax payable (net)	10(c)	9,910	0
		763,371	683,982
Total equity and liabilities		1,970,401	1,654,143

The Financial Statements on pages 10 to 56 were approved for issue by the Board of Directors on **24th February, 2023** and signed on its behalf by:



Manoj Murali
Director



Hannington Karuhanga
Chairman

AIRTEL UGANDA LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31st DECEMBER 2022

	Share Capital Ushs millions	Share Premium Ushs millions	Retained Earnings Ushs millions	Other Comprehensive Income Ushs millions	Total equity Ushs millions
As at 1 January 2021	1,408	16,128	142,881	56	160,473
Profit for the year	-	-	459,575	-	459,575
Dividends - Final Dividend FY20 Refer to Note 30	-	-	(135,168)	-	(135,168)
Dividends – Interim Dividend FY21 Refer to Note 30	-	-	(328,064)	-	(328,064)
Other comprehensive income	-	-	-	(22)	(22)
As at 31 December 2021	1,408	16,128	139,224	34	156,794
As at 1 January 2022	1,408	16,128	139,224	34	156,794
Profit for the year	-	-	325,703	-	325,703
Dividends - Final Dividend FY21 Refer to Note 30	-	-	(132,000)	-	(132,000)
Dividends - Interim Dividend FY22 Refer to Note 30	-	-	(226,688)	-	(226,688)
Other comprehensive income	-	-	-	51	51
As at 31 December 2022	1,408	16,128	106,239	85	123,860

AIRTEL UGANDA LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31st DECEMBER 2022

	Note	2022 Ushs millions	2021 Ushs millions
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		473,600	660,727
Adjustments for;			
Depreciation and amortisation	8	272,455	257,117
Interest income	9(a)	(396)	(253)
Unrealised foreign exchange losses and (gains)	9(a)	19,861	(208)
Interest expense on borrowings	9(b)	52,670	37,444
Interest on lease liabilities	9(b)	40,840	37,977
Other adjustments	10(c)	1,736	-
Interest on deferred spectrum	9(b)	7,923	7,914
Operating cash flow before changes in working capital		868,689	1,000,718
Increase in inventories		(1,137)	(2,366)
Increase in trade and other receivables		(24,892)	(3,745)
Increase in other assets		(29,742)	(8,252)
(Decrease)/Increase in trade payables		(6,974)	40,830
Increase in other liabilities		29,133	6,547
Cash generated from operations before tax		835,077	1,033,732
Income tax paid	10(e)	(132,275)	(185,131)
Net cash generated from operating activities		702,802	848,601
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(241,163)	(125,506)
Proceeds from sale of property, plant, and equipment		935	11,335
Interest received		396	253
Net cash used in investing activities		(239,832)	(113,918)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		150,000	244,519
Repayment of borrowings		(142,270)	(384,415)
Interest paid on borrowings		(53,551)	(37,037)
Repayment of lease liabilities		(143,337)	(130,815)
Repayment of deferred spectrum		(11,353)	(10,893)
Dividend paid	30	(358,688)	(463,232)
Net cash used in financing activities		(559,199)	(781,873)
Decrease in cash and cash equivalents		(96,229)	(47,190)
Cash and cash equivalents as at 1 January	19	(93,122)	(45,932)
Cash and cash equivalents as at 31 December	19	(189,351)	(93,122)

AIRTEL UGANDA LIMITED

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

1 CORPORATE INFORMATION

Airtel Uganda Limited is incorporated in Uganda under the Companies Act as a limited liability Company and is domiciled in Uganda. The address of its registered office is Airtel House, Plot 16A Clement Hill Road, Kampala, Uganda. Its principal activities are the operation of a cellular telephone network in Uganda, provision of telecommunication services. The Company is subsidiary of Bharti Airtel Uganda Holdings B.V. The Step-Up Parent is Airtel Africa PLC (listed in London stock exchange and Nigeria stock exchange).

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS's)

2.1 New and amended Standards that are effective for the current year

In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins 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.

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 profit or loss and other 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 profit or loss and other comprehensive income include(s) such proceeds and cost.

The change did not have a material impact on the Company's financial statements.

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 (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The change did not have a material impact on the Company's financial statements.

Annual Improvements to IFRS Accounting Standards - 2018-2020 Cycle

The Company has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year.

The change did not have a material impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

**2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS's)
(Continued)**

2.1 New and amended Standards that are effective for the current year (Continued)

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.

The change did not have a material impact on the Company's financial statements.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

The change did not have a material impact on the Company's financial statements.

2.2 New and revised Standards in issue but not yet effective

At the date of authorisation of these Financial Statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

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 years presented, unless otherwise stated.

(a) Basis of preparation

The Financial Statements of Airtel Uganda Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2012 of the Laws of Uganda. The Financial Statements are presented in Uganda Shillings and all values are rounded to the nearest millions except when otherwise indicated.

For purposes of reporting under the Companies Act, 2012 of the Laws of Uganda, the Balance Sheet in these Financial Statements is represented by the Statement of Financial Position and the Profit and Loss account is represented by the statement of profit or loss and other comprehensive income.

The accounting policies adopted are consistent with those used in the previous year, except otherwise indicated.

(b) Basis of measurement

The Financial Statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is based on the fair value of the consideration given in exchange for goods and services.

Fair value measurement

Fair value is the price at the measurement date, at which an asset can be sold or the price paid to transfer a liability, in an orderly transaction between market participants.

The Company is required to classify the fair valuation method of the financial/non-financial assets and liabilities, either measured or disclosed at fair value in the Financial Statements, using a three level fair-value hierarchy (which reflects the significance of inputs used in the measurement of fair value). Accordingly, 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.

In addition, for financial reporting purposes, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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 received 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 received from the 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.

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:

Service revenue

- 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 charges for voice, data, messaging and value-added services and customer onboarding charges, which include activation charges.
- 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.
- Majority of the customers pay in advance for services of the Company. These cash amounts are recognised in deferred income on the statement of financial position and transferred to the statement of profit or loss and other comprehensive income when the service obligation has been performed/when the usage of services becomes remote.
- The Company recognises revenue from these services over time as they are provided. Revenue is recognised over time based on actual units of telecommunication services provided during the reporting period as a proportion of the total units of telecommunication services to be provided.
- Subscription charges are recognised over the subscription pack validity period. Customer onboarding revenue is recognised upon successful onboarding of customers 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 include revenue from interconnection/roaming charges for usage of the Company's network by other operators for voice, data, messaging and signalling services. These are recognised upon transfer of control of services being transferred over time.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Revenue recognition (Continued)

- Revenues from long distance operations comprise voice services and bandwidth services (including installation), which are recognised on provision of services and over the period of 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 Company's network i.e., the service is rendered.
- As part of the mobile money services, the Company earns commission from merchants for facilitating recharges, bill payments and other merchant payments. It also earns commissions on transfer of monies from one customer wallet to another. Such commissions are recognised as revenue at a point in time on fulfilment of these services by the Company.

Equipment sales

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.

Costs to obtain or fulfil a contract with a customer

The Company has estimated that the historic average customer life is longer than 12 months and believes that its churn rate provides the best indicator of anticipated average customer life. Accordingly, the Company has deferred such costs over expected average customer life.

(d) Functional currency and translation of foreign currencies

Functional and presentation currency

The items included within the Financial Statements of the Company are measured using the currency of the primary economic environment in which the entity operates (i.e., 'functional currency').

The Financial Statements are presented in Uganda Shillings, which is also the functional, and presentation currency of the Company.

Transactions and balances

Transactions in foreign currencies are initially recorded in the relevant functional currency at the rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing exchange rate prevailing as at the reporting date with the resulting foreign exchange differences, on subsequent re-statement/settlement, recognised in the statement of profit or loss and other comprehensive income within finance costs/finance income. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevalent, at the date of initial recognition (in case they are measured at historical cost) or at the date when the fair value is determined (in case they are measured at fair value) – with the resulting foreign exchange difference, on subsequent re-statement/settlement, recognised in the profit and loss, except to the extent that it relates to items recognised in the other comprehensive income or directly in equity.

The equity items denominated in foreign currencies are translated at historical exchange rate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment

An item is recognised as an asset, if and only if, it is probable that the future economic benefits associated with the item will flow to the Company and its cost can be measured reliably.

All categories of property, plant and equipment are initially recorded at cost and subsequently stated at historical cost less depreciation and any impairment losses. 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.

When significant parts of PPE are required to be replaced at regular intervals, the Company recognises such parts as separate component of assets. When an item of PPE is replaced, then its carrying amount is de-recognised from the statement of financial position and cost of the new item of PPE is recognised.

The expenditures that are incurred after an item of PPE has been put to use, such as repairs and maintenance, are normally charged to the statement of profit or loss and other 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.

Depreciation on PPE is computed using the straight-line method over the estimated useful lives. Freehold land is not depreciated as it has an unlimited useful life. The Company has established the estimated range of useful lives for different categories of PPE as follows:

Categories	Period (Years)
Buildings and leasehold improvements	20
Plant and Machinery	3-25
Computer equipment	3
Furniture & fixture and Office Equipment	1-5
Motor vehicles	5

The assets' residual values, useful lives and depreciation methods are reviewed at each reporting date so as to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. The effect of any change in the estimated useful lives, residual values and/or depreciation method are accounted prospectively, and accordingly, the depreciation is calculated over the PPE's remaining revised useful life.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining profit.

PPE in the course of construction, less any accumulated impairment is carried at cost and presented separately as capital work-in-progress ('CWIP') including capital advances in the statement of financial position until ready for use at which point it is transferred to PPE and subsequently depreciated. Such cost comprises the purchase price (including non-refundable duties and taxes but excluding any trade discounts and rebates), and any other directly attributable costs.

(f) Intangible assets

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

Intangible assets acquired separately are measured on initial recognition at cost. Subsequently, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with infinite lives are amortised over their economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Goodwill represents the cost of the acquired business in excess of the fair value of identifiable net assets purchased. Goodwill is not amortised, however, it is tested annually for impairment and carried at cost less any accumulated impairment losses.

The Company has established the estimated useful lives of different categories of intangible assets as follows:

Licences (including spectrum)

Acquired licenses and spectrum are amortised commencing from the date when the related network is available for intended use in the relevant jurisdiction over the relevant license period. The useful life generally range from ten to twenty years.

In addition, the Company incurs a fee on licenses/spectrum that is calculated based on the revenue amount of the period. These fees are recognised as a cost in the statement of profit or loss and other comprehensive income when incurred.

Other acquired intangible assets

Other acquired intangible assets include the following:

Customer relationship - Over the estimated life of such relationships which ranges from one year to five years.

The useful lives and amortisation method are reviewed, and adjusted appropriately, at least at each financial year end so as to ensure that the method and period of amortisation are consistent with the expected pattern of economic benefits from these assets. The effect of any change in the estimated useful lives and/or amortisation method is accounted prospectively, and accordingly, the amortisation is calculated over the remaining revised useful life.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Accounting for 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.

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 index, 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 method. It is re-measured when there is a change in future lease payments including changes in index 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 re-measurements 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 asset.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Accounting for leases (continued)

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

When a contract includes lease and non-lease components, the Company 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 lease. 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.

Short-term leases

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery 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.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The costs comprise its purchase price and any directly attributable cost of bringing it to its present location and condition.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, wallet balances, bank balances, cheque in hand and any deposits with original maturities of three months or less (that are readily convertible to known amounts of cash and cash equivalents and subject to an insignificant risk of changes 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 Company's cash management is 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.

However, for the purpose of the statement of cash flows, in addition to above items, any bank overdrafts that are integral part of the Company's cash management. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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 embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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 due to the passage of time is recognised within finance costs.

(k) Employee benefits

The Company's employee benefits mainly include wages, salaries, bonuses, defined contribution to plans, defined benefit plans, other long-term benefits including compensated absences. The employee benefits are recognised in the year in which the associated services are rendered by the Company employees. Short-term employee benefits are recognised in statement of profit or loss and other comprehensive income at undiscounted amounts during the period in which the related services are rendered. Details of long-term employee benefits are provided below:

Defined contribution plans

The contributions to defined contribution plans are recognised in profit or loss as and when the services are rendered by employees. The Company has no further obligations under these plans beyond its periodic contributions.

Defined benefit plans

The Company has defined benefit plans and 'Severance Pay' wherein, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each quarter end. The obligation towards the said benefits is recognised in the balance sheet under provisions, at the present value of the defined benefit obligations. The present value of the said obligation is determined by discounting the estimated future cash outflows, using appropriate discount rate.

Defined benefit costs are split into the following categories:

- service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements.
- interest expense; and
- re-measurements.

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. Re-measurements comprising actuarial gains and losses are recognised immediately as a charge or credit to other comprehensive income in the period in which they occur. Re-measurements recognised in other comprehensive income are not reclassified.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Employee benefits (Continued)

Other long-term employee benefits

The employees of the Company are entitled to compensated absences as well as other long-term benefits. Compensated absences benefit comprises encashment and the availing of leave balances that were earned by the employees over the period of past employment.

The Company provides for the liability (presented under provisions) towards the said benefits on the basis of actuarial valuation carried out quarterly as at the reporting date, by an independent qualified actuary using the projected-unit-credit method. The related re-measurements are recognised in the statement of profit and loss in the period in which they arise.

Provident Fund

The Company contributes to the Staff Provident Fund. Under this scheme, the employee contributes 5% of their gross salary while the employer contributes 5% of each employee's gross salary. There is an option for employees to contribute over and above the mandatory 5%. The total remittance to the fund per month in respect of each employee is 10%. The contribution is charged to the statement of profit or loss and other comprehensive income in the year in which it is incurred.

National Social Security Fund

The Company contributes to the National Social Security Fund a National savings scheme mandated by Government. Under this scheme, the employee contributes 5% of their gross salary while the employer contributes 10% of each employee's gross salary to NSSF. The contribution is charged to the statement of profit or loss and other comprehensive income in the year in which it is incurred.

(l) Income tax

Income tax expense is the aggregate of the charge to the profit or loss in respect of current income tax and deferred income tax. Tax is recognised in profit or loss account except to the extent that it relates to items recognised outside profit or loss, in other comprehensive income or directly in equity, in which case the related income tax is also recognised accordingly within other comprehensive income or directly in equity. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Ugandan Income Tax Act.

Deferred income 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 income 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 income 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 income tax liability is settled. Deferred income 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Borrowing Cost

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. All other borrowing costs are expensed in the period they occur.

(n) Financial instruments

Recognition, classification and presentation

Financial instruments are recognized 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 amortized cost. 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 amortized 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 amortized 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 recognized amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Measurement - Non-derivative financial instruments

(i) 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 profit or loss and other comprehensive income.

(ii) Subsequent measurement - financial assets

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (Continued)

(ii) Subsequent measurement - financial assets

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 payments or receipts 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 (basis EIR method) and dividend income from financial assets at FVTPL is recognised in the 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.

However, only 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.

(iii) 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.

(iv) Derecognition

Financial liabilities are derecognised from the statement of financial position when the underlying obligations are extinguished, discharged, lapsed, cancelled, expires, or legally released. The 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 profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of non-financial assets

Goodwill

Goodwill is tested for impairment, at least annually or earlier, in case circumstances indicate that the carrying value may exceed the recoverable amount (higher of fair value less costs of sell and the value-in-use).

For the purpose of impairment testing, the goodwill is allocated to a cash-generating-unit ('CGU') or group of CGUs ('CGUs') which are expected to benefit from the acquisition-related synergies and represent the lowest level within the entity at which the goodwill is monitored for internal management purposes, but not higher than an operating segment. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Impairment occurs when the carrying value of a CGU/CGUs including the goodwill, exceeds the estimated recoverable amount of the CGU/CGUs. The recoverable amount of a CGU/CGUs is the higher of its fair value less costs to sell and its value in use. Value-in-use is the present value of future cash flows expected to be derived from the CGU/CGUs.

The total impairment loss of a CGU/CGUs is allocated first to reduce the carrying value of goodwill allocated to that CGU/CGUs and then to the other assets of that CGU/CGUs - on pro-rata basis of the carrying value of each asset.

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 said asset belongs. If individual assets or a CGU are considered to be impaired, the impairment recognised in the statement of profit or loss and other 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 assets 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 Company 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
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Asset Retirement obligation (ARO)

This is a provision for costs expected in the future to dismantle telecommunication towers and retail shops and restore the sites to their condition prior to installation of the Company's equipment. The costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset.

The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement liability. The unwinding of the discount is expensed as incurred and recognised in profit or loss as a finance cost. The estimated future costs of ARO are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset(refer to Note 24)

(q) Investment property

This is property held to earn rental income or capital appreciation or for both, but not for sale in the ordinary course of business, or administration purposes. Investment property is measured at cost.

(r) Statement of cash flow

Cash flows are reported using the indirect method as per IAS-7" Statement of cash flows", whereby profit for the period is adjusted for the effect of transactions of a non-cash nature, any deferral or accrual of past or future cash operating receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities are segregated.

(s) Share capital and Share premium

Issued ordinary shares are classified as 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 is classified as 'share premium' in Equity.

(t) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

Deferred tax assets and liabilities, and all assets and liabilities which are not current (as discussed in the below paragraphs) are classified as non-current assets and liabilities.

An asset is classified as current when it is expected to be realised or intended to be sold or consumed in the Company's normal operating cycle, held primarily for the purpose of trading, expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is classified as current when it is expected to be settled in the Company's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) 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.

(v) Dividends

Dividend to shareholders is recognised as a liability and deducted from Equity, in the year in which the dividends are approved by the shareholders. However, interim dividends declared by the Board of directors, are recognised as a liability, and deducted from retained earnings, in the year in which the dividends are so declared.

4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

(a) Key sources of estimation uncertainty

Income taxes

The Company is subject to income taxes under the Income Tax Act 1997 (as amended). Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Contingent liabilities and provisions

The Company is involved in various legal, tax and regulatory matters, the outcome of which may not be favorable to the Company. Management in consultation with the legal, tax and other advisers assess the likelihood that a pending claim will succeed. The Company has applied its judgement and has recognized liabilities based on whether additional amounts will be payable and has included contingent liabilities where economic outflows are considered possible but not probable.

Inventory obsolescence

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(b) Critical judgements in applying the Company's accounting policies

The critical judgements, which the management has made in the process of applying the Company's accounting policies and have the most significant impact on the amounts recognised in the Financial Statements, are discussed below:

Separating lease and non-lease components

The consideration paid by the Company in telecommunication towers lease contracts include the use of land and passive infrastructure as well as maintenance, security, provision of energy etc. services. Therefore, in determining the allocation of consideration between lease and non-lease components, for the additional services that are not separately priced, the Company performs detailed analysis of cost split to arrive at relative stand-alone prices of each of the components.

Determining the incremental borrowing rate for lease contracts

The Company has recognised lease liabilities at present value using the incremental borrowing rate (IBR) based on considerations specific to the lease agreement. Since determination of incremental borrowings is not directly available for the given markets in which Company operates, the Company has used judgement in determining the IBR by taking into consideration risk free borrowing rate based on the IBR used across the Company of 5.69% for USD leases and 8.45% for Ushs leases.

Determining the lease term

Under IFRS 16 if it is reasonably certain that a lease will be extended, the Company is required to estimate the expected lease period in excess of the current contractual terms. The Company has various lease agreements with a right to extend /renew wherein it considers the nature of the contractual terms and economic factors to determine.

The Company has used judgement in determining the lease period considering such factors and the lease liability has been calculated using the remaining contractual lease period for all of such lease contracts.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: Market risk (including currency 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

Risk management is carried out by management under policies approved by the Board of Directors.

a) Market risk

(i) Foreign exchange risk

The Company operates locally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from adverse changes in the local/ operating currency rates to other foreign currencies for which commercial transactions occur in the course of operation and from recognised assets and liabilities.

The Company may use forward contracts to counter the risk resulting from changes and fluctuations in foreign currency exchange rates, Airtel has continuously embarked on aggressive negotiations to have all local suppliers of operational expenditure items charge the Company in local currency.

AIRTEL UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a) Market risk (Continued)

Foreign Currency Exposure

	2022 Ushs millions	2021 Ushs millions
Assets		
Cash & cash equivalents	6,032	125
Trade and other receivables	78,179	75,700
Total assets	84,211	75,825
Liabilities		
Trade and other payables	48,795	56,662
Borrowings	148,800	212,400
Lease liabilities	664,360	399,702
Deferred spectrum	112,798	110,660
Total liabilities	974,753	779,424
Net USD exposure	(890,542)	(703,599)

At 31 December 2022, if the Uganda Shilling had weakened/strengthened by 5% to Ushs/USD 3,906 and 3,535 respectively against the US Dollar with all other variables held constant, opposed to exchange rate prevailing as at year end (Ushs/USD 3720), pre-tax profit for the year would have been as follows.

	Increase/ decrease in the value of Ushs vs. USD	Effect on profit before tax Ushs millions	Effect on Profit after tax and equity Ushs millions
Net effect based on the year end as at 31 December 2022	+5%	(44,527)	(31,169)
	-5%	44,527	31,169

	Increase/ decrease in the value of Ushs vs. USD	Effect on profit before tax Ushs millions	Effect on Profit after tax and equity Ushs millions
Net effect based on the year end as at 31 December 2021	+5%	(35,180)	(24,626)
	-5%	35,180	24,626

Price risk

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a) Market risk (Continued)

(ii) Cash flow and interest rate risk

The Company's exposure to market risk for changes in interest rate relates primarily to the Company's debt obligations. The Company's policy is to manage its interest cost using negotiated variable rates resulting in cash flow and interest rate risk. In principle, interest on loans is at 8.34% over the Secured Overnight Financing Rate (SOFR). The local loan facilities have been drawn with interest rates ranging from 12.87% to 16.26% (note 21).

At 31 December 2022, if the Interest rate would decrease/increase by 1% of total borrowing with all other variables held constant, pre-tax profit for the year would have been increased/decreased by Ushs 6,288 million (2021: Ushs 4,909 million) mainly as a result of interest rate change.

(b) Credit risk

Trade receivables are typically non-interest bearing unsecured and derived from sales made to a large number of independent customers. As the customer base is widely distributed both economically and geographically, there is no concentration of credit risk.

As independent credit ratings of customers is not available. The credit control function assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual credit limits are set based on internal or external factors including a percentage of the security deposit made or in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Barring and denial of services is enforced for those customers that have not paid within the required time.

The Company uses an age-based provision policy to measure the expected credit loss of trade receivables, which comprise a very large numbers of small balances. Refer to Note 16 for details on the impairment of trade receivables.

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

	2022 Ushs millions	2021 Ushs millions
Cash and Bank	22,279	726
Trade Receivables	26,409	22,473
Interconnect Receivables	14,536	15,657
Roaming receivables	1,642	1,154
Amounts due from related parties	57,560	36,243
Other receivables	1,474	1,333
	<u>123,900</u>	<u>77,586</u>

The Company offers standard credit terms of 30 days for its customers. All receivables less than 30 days are therefore neither past due nor impaired whilst receivables between 31 to 90 days are deemed past due but not impaired.

The ageing of the trade and other receivables is shown below:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (Continued)

	Not Past Due	Past Due			Total	Impairment	Net
	Less than 30 days	30 to 60 days	60 to 90 days	Above 90 days			
	Ushs millions	Ushs millions	Ushs millions	Ushs millions			
31 December 2022	3,269	13,073	2,850	82,429	101,621	16,868	84,753
31 December 2021	4,430	17,724	2,630	52,076	76,860	17,882	58,978

All trade receivables past their due date by more than 90 days are 100% provided for while all other receivables are carried at estimated recoverable value. All Interconnect receivables are impaired after 9 months at which point they are provided for 100%.

Other financial instruments and cash deposits

The treasury, in accordance with the Board approved policy, maintains its cash and cash equivalents and deposits and enters into derivative financial instruments – with banks, financial and other institutions, having good reputation and past track record, and high/sovereign credit rating. Similarly, counterparties of the Company's other receivables carry either negligible or very minimal credit risk. Further, the Company reviews the credit-worthiness of the counterparties (on the basis of its ratings, credit spreads and financial strength) on an ongoing basis, and if required, takes necessary mitigation measures.

There are collateral/security deposits held whose fair value is the cash amount paid which is equivalent to Ushs 4,391 million (2021: Ushs 4,174 million) and whose credit quality of assets is not past due. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

(c) **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 businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow.

The table below analyses the Company's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

The amounts disclosed in the breakdown below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (Continued)

At 31 December 2022	<1 year Ushs millions	1-2 years Ushs millions	>2 years Ushs millions	Total Ushs millions
Financial assets				
Trade and other receivables	84,753	-	-	84,753
Cash and Cash equivalents	35,204	-	-	35,204
	<u>119,957</u>	<u>-</u>	<u>-</u>	<u>119,957</u>
Financial liabilities				
Trade payables and other payables	249,292	-	-	249,292
Borrowings	317,018	155,162	156,655	628,835
Lease Liabilities	135,526	129,100	426,218	690,844
Other liabilities	4,628	4,290	103,880	112,798
Total financial liabilities	<u>706,464</u>	<u>288,552</u>	<u>686,753</u>	<u>1,681,769</u>
Net liquidity gap	<u>(586,507)</u>	<u>(288,552)</u>	<u>(686,753)</u>	<u>(1,561,812)</u>
At 31 December 2021				
Total financial assets	67,233	-	-	67,233
Total financial liabilities	<u>657,498</u>	<u>112,513</u>	<u>612,915</u>	<u>1,382,926</u>
Net liquidity gap	<u>(590,265)</u>	<u>(112,513)</u>	<u>(612,915)</u>	<u>(1,315,693)</u>

During the year ended 31 December 2022, the Company earned a net profit of UGX 325,703 million (2021: UGX 459,575 million). As at that date, the Company was in a net current liability position of UGX 586,507 Mn (2021: UGX 590,265 Mn) as indicated above. The company's business runs on a majorly cash model (pre-paid revenue) hence has the capability to generate sufficient operating cashflows to meet all its obligations as they fall due. The net operating cash inflow for the year ended 31 December 2022 was UGX 868,689 million (2021: UGX 1,000,718 million) i.e. much higher than the net current liability position indicated above. The operating cashflows combined with sufficient approved external sources of financing (overdraft facilities) as at 31 December 2022 provide sufficient liquidity to the Company to meet all obligations as they fall due.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maximize returns for Shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue new capital or sell assets or change who holds the risks and benefits of the assets say through leasing or consignment stock arrangements to reduce debt. The Company monitors capital and its objective is to increase the percentage of Equity held to Debt and thus improving on gearing ratio over time.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as loans and borrowings less cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The gearing ratios at 31 December 2022 and 31 December 2021 were as follows:

	2022 Ushs millions	2021 Ushs millions
Total borrowings	628,835	490,862
Total Lease Obligation	690,844	506,245
Less: Cash and Cash equivalents	<u>(35,204)</u>	<u>(8,256)</u>
Net Debt	1,284,475	988,851
Total equity	<u>123,860</u>	<u>156,794</u>
Total capital and Net Debt	1,408,335	1,145,645
Gearing ratio (%)	<u>91.2</u>	<u>86.3</u>

6 REVENUE

Service Revenues Note 6(a)	1,589,101	1,643,930
Sale of products	<u>5,170</u>	<u>5,110</u>
	1,594,271	1,649,040

6 (a) SERVICE REVENUE

Airtime Revenue	869,824	798,771
Value Added Services & Data Revenue	656,847	646,623
Airtel Money	-	145,042
Interconnect Revenue	53,580	48,567
Roaming Revenue	<u>8,850</u>	<u>4,927</u>
	1,589,101	1,643,930

Primary commissions (Trade Discount) is discount provided to distributors on the sales price of Recharge Vouchers or E-top-ups. The discount is calculated as a percentage of the sales price and is contractually defined per contracts in place between the Company and the Distributors. The Company recognises revenue net of this commission expenses in line with IFRS 15.

Performance Obligations that are unsatisfied (or partially unsatisfied) amounting to 47,738 million as at 31 December 2022 (21,585 million as at 31 December 2021), of which Ushs 35,125 will be satisfied over a period of one year and the remaining Ushs 12,613 over 9 years 3 months (revenue of Ushs 1,576 to be recognised on annual basis). Revenue recognised that was included in the deferred revenue balance at the beginning of the year is 21,585 million (2021: 15,083 million). Total unbilled as at 31 December 2022 is Ugx 9,055 (2021: 6,991 million)

AIRTEL UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

6 (a) SERVICE REVENUE (CONTINUED)

On 4th September, 2020, a new law, the National Payment Systems Act, 2020 was enacted to regulate Payment Systems and Services (including Mobile (Electronic) Money Services). The Act replaces the Mobile Money Guidelines, 2013. The Act regulates operators of payment systems, payments service providers, issuers of payment instruments and issuers of electronic money. As a result, Airtel Mobile Commerce Uganda Limited (AMCUL) was duly licensed to provide Mobile Commerce Services in Uganda ("Airtel Money Services) based on National Payment System (NPS) regulation and guidelines which were issued Bank of Uganda and Mobile commercial was distinct from Airtel Uganda Limited 1st Jun 2021.

Effective 1st June 2021, AMCUL separated from AUL therefore for the year ended 31st December 2021 five months of revenue was recorded in the AUL Financial Statements amounting Ushs 145,042 million (Nil 31st December 2022).

6 (b) OTHER INCOME

	2022 Ushs millions	2021 Ushs millions
Miscellaneous income	5,627	4,256
	<u>5,627</u>	<u>4,256</u>

7 (a) SALES AND MARKETING

Sales and distribution Expense	151,078	173,613
Marketing Expense	25,273	18,483
	<u>176,351</u>	<u>192,096</u>

7 (b) NETWORK OPERATING COSTS

Site Running	182,434	142,747
Repair and maintenance	57,427	57,597
Internet access and bandwidth	7,221	6,836
Electricity and water	5,763	4,939
	<u>252,845</u>	<u>212,119</u>

7 (c) EMPLOYEE COSTS

Salaries	70,068	68,936
Defined contribution plan	5,468	4,507
Defined benefit plan	685	338
Staff welfare expenses	7,284	5,197
Others	1,054	742
	<u>84,559</u>	<u>79,720</u>

AIRTEL UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

7 (d) OTHER OPERATING EXPENSES

	2022 Ushs millions	2021 Ushs millions
Cost of goods sold	8,128	5,341
Repair and maintenance	3,183	1,043
Legal & professional fees	43,797	40,336
Rates and taxes	2,421	5,326
Content cost	30,876	19,781
IT expenses	7,296	10,241
Travel and conveyance	8,941	8,008
Customer care expenses	7,868	8,367
Charitable donation	82	132
Auditor's remuneration	544	470
Others	4,978	6,118
	<u>118,114</u>	<u>105,163</u>

8 DEPRECIATION & AMORTISATION

Depreciation of property plant & equipment	11	137,558	135,823
Depreciation of right of use asset	12	104,080	90,429
Amortisation of intangible assets	14	30,817	30,865
		<u>272,455</u>	<u>257,117</u>

9 FINANCE INCOME / COSTS

(a) Finance income

Interest income on deposits	388	253
Realised exchange gain	-	14,286
Interest income on others	8	-
Unrealised Exchange Fluctuation gain	-	208
	<u>396</u>	<u>14,747</u>

(b) Finance costs

Interest on borrowings	52,670	37,444
Interest on lease liabilities	40,840	37,977
Interest on deferred spectrum liability	7,923	7,914
Realised exchange loss	18,265	-
Unrealised Exchange Fluctuation Loss	19,861	-
Other finance charges	2,791	1,140
	<u>142,350</u>	<u>84,475</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

10 TAXATION

(a) The Tax expense for the year is attributed to the following

	2022 Ushs millions	2021 Ushs millions
Current Tax Expense	140,718	185,882
Deferred Tax Expense	6,905	11,389
Tax expense in respect to previous years	-	3,617
Current Tax – Rental Income	274	264
	<u>147,897</u>	<u>201,152</u>

(b) The reconciliation between the amounts computed by applying the statutory income tax rate to the profit before tax and income tax expense is summarized below.

	2022 Ushs millions	2021 Ushs millions
Profit before tax	473,600	660,727
Enacted tax rates in Uganda	30%	30%
Tax expense @ 30%	142,080	198,218
Effect of:		
Tax effect of prior year adjustments	5,905	(975)
Tax expense in respect to previous years	-	3,617
(Income) / expense not (taxable) / deductible (net)	(88)	292
	<u>147,897</u>	<u>201,152</u>

(c) **Income tax payable/recoverable**

Income tax payable of Ushs 9,910 million (2021: Recoverable Ushs 3,236 million).

	2022 Ushs millions	2021 Ushs millions
Opening Balance	3,236	7,868
Tax Paid	144,007	185,131
Current Tax Expense	(140,992)	(186,146)
Tax Refund	(11,732)	-
Adjustment based on tax audits	(2,693)	-
Interest based on tax audits	(1,736)	-
Tax expense in respect to previous years	-	(3,617)
	<u>(9,910)</u>	<u>3,236</u>

Income tax paid within the Cashflow statement amounting to Ushs 132,275 million includes, the payment of taxes amounting to Ushs 144,007 million netted of by recoveries of taxes (on account of Refund audit closure of FY 2018) amounting to Ushs 11,732 million. The adjustments based on tax audit closure was Ushs 2,693 million and related interest of Ushs 1,736 million that was recorded under Other Finance Charges (Refer to Note 9 (b)).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

10 TAXATION (CONTINUED)

(d) Deferred income tax

The Company has a net deferred income tax liability of Ushs 92,646 million (2021: deferred tax liability Ushs 85,741 million) arising from accelerated tax depreciation and other temporary differences.

	At 1 January 2022 Ushs million	Movement for the year Ushs million	At 31 December 2022 Ushs million
Accelerated tax depreciation	100,013	12,638	112,651
Unrealised exchange gain/(loss)	(5,872)	8,208	2,336
Other temporary differences	(8,400)	(13,941)	(22,341)
Net deferred tax Liability	85,741	6,905	92,646

	At 1 January 2021 Ushs million	Movement for the year Ushs million	At 31 December 2021 Ushs million
Accelerated tax depreciation	103,503	(3,490)	100,013
Unrealised exchange gain/(loss)	(7,722)	1,851	(5,871)
Other temporary differences	(21,429)	13,028	(8,401)
Net deferred tax Liability	74,352	11,389	85,741

(e) Income tax paid

	2022 Ushs millions	2021 Ushs millions
Current Tax – Rental Income	(248)	-
Withholding Tax Paid	(622)	(403)
Advance Tax Paid	(128,768)	(169,966)
Tax paid in respect to previous years	-	(3,617)
Final Tax for 2021/2020	(14,369)	(11,145)
Income Tax Paid	(144,007)	(185,131)

AIRTEL UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT

	Plant & Machinery Ushs millions	Buildings and Lease hold Improvements Ushs millions	Office Equipment & Furniture Ushs millions	Computer Ushs millions	Vehicle Ushs millions	Total Ushs millions	Capital work in progress Ushs millions
COST							
At 1 January 2022	1,373,075	27,539	35,354	175,011	2,172	1,613,151	48,887
Additions	(1,261)	-	-	-	-	(1,261)	225,845
Disposal	208,020	-	11,133	13,901	748	233,802	(233,802)
Transfer from CWIP							
At 31 December 2022	1,579,834	27,539	46,487	188,912	2,920	1,845,692	40,930
ACCUMULATED DEPRECIATION							
At 1 January 2022	822,739	18,989	29,051	161,178	1,513	1,033,470	-
Disposal	(326)	-	-	-	-	(326)	-
Charge for the year	118,867	1,077	6,410	10,834	370	137,558	-
At 31 December 2022	941,280	20,066	35,461	172,012	1,883	1,170,702	-
NET CARRYING AMOUNT							
At 31 December 2022	638,554	7,473	11,026	16,900	1,037	674,990	40,930
COST							
At 1 January 2021	1,316,666	35,503	46,446	219,189	1,826	1,619,630	14,189
Additions	-	-	-	-	-	-	149,734
Disposal*	(37,688)	(7,491)	(8,619)	(56,752)	-	(65,371)	-
Retirement	(3,720)	(486)	(10,364)	(601)	-	(56,144)	-
Reclassifications	97,817	13	7,891	4,206	-	-	-
Transfer from CWIP				8,969	346	115,036	(115,036)
At 31 December 2021	1,373,075	27,539	35,354	175,011	2,172	1,613,151	48,887
ACCUMULATED DEPRECIATION							
At 1 January 2021	750,140	24,775	35,264	196,313	1,335	1,007,827	-
Disposal	(1,179)	-	(1,179)	(52,857)	-	(54,036)	-
Charge for the year	110,847	1,705	5,322	17,771	178	135,823	-
Retirement	(37,688)	(7,491)	(10,364)	(601)	-	(56,144)	-
Reclassifications	(560)	-	8	552	-	-	-
At 31 December 2021	822,739	18,989	29,051	161,178	1,513	1,033,470	-
NET CARRYING AMOUNT							
At 31 December 2021	550,336	8,550	6,303	13,833	659	579,681	48,887

*Airtel Uganda Limited has transferred certain assets as at 1st June 2021 for a sale consideration equals to Net book value of the assets to the Airtel Mobile Commerce Uganda Limited, in line with the asset transfer agreement.

AIRTEL UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

12 RIGHT OF USE ASSETS

	Leasehold Building Ushs millions	Telecom equipment Ushs millions	Motor vehicle Ushs millions	Grand Total Ushs millions
COST				
At 1 January 2022	15,476	723,673	3,684	742,833
Additions	55	284,535	-	284,590
Retirement	-	(1,694)	-	(1,694)
At 31 December 2022	15,531	1,006,514	3,684	1,025,729
ACCUMULATED DEPRECIATION				
At 1 January 2022	10,653	306,577	3,684	320,914
Charge for the year	1,528	102,552	-	104,080
Retirement	-	(541)	-	(541)
At 31 December 2022	12,181	408,588	3,684	424,453
NET CARRYING AMOUNT				
At 31 December 2022	3,350	597,926	-	601,276
COST				
At 1 January 2021	11,499	656,614	3,684	671,797
Additions	3,977	90,849	-	94,826
Retirement	-	(23,790)	-	(23,790)
At 31 December 2021	15,476	723,673	3,684	742,833
ACCUMULATED DEPRECIATION				
At 1 January 2021	8,899	236,969	3,684	249,552
Charge for the year	1,754	88,675	-	90,429
Retirement	-	(19,067)	-	(19,067)
At 31 December 2021	10,653	306,577	3,684	320,914
NET CARRYING AMOUNT				
At 31 December 2021	4,823	417,096	-	421,919

AIRTEL UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

13 INVESTMENT PROPERTY

COST	2022 Ushs million	2021 Ushs million
At 1 January	1,116	1,116
At 31 December	<u>1,116</u>	<u>1,116</u>
ACCUMULATED DEPRECIATION		
At 1 January	1,116	1,116
At 31 December	<u>1,116</u>	<u>1,116</u>
NET CARRYING AMOUNT	<u>-</u>	<u>-</u>

The investment property located on Plot 40, Wampewo Avenue, Kampala has been rented out to multiple tenants since 2017. The Company applies the cost model for its investment property and therefore the investment property is not fair valued by an independent valuer.

Included in the Profit and Loss are the following incomes in relation to investment property;

	2022 Ushs million	2021 Ushs million
Rental Income	<u>1,327</u>	<u>1,122</u>

AIRTEL UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

14 INTANGIBLE ASSETS

	Licence Ushs millions	Goodwill Ushs millions	Customer Base Ushs millions	Dealer Network Ushs millions	Grand Total Ushs millions
COST					
At 1 January 2022	373,563	112,908	3,633	1,592	491,696
At 31 December 2022	373,563	112,908	3,633	1,592	491,696
ACCUMULATED Amortisation					
At 1 January 2022	46,460	-	3,633	1,592	51,685
Charge for the year	30,817	-	-	-	30,817
At 31 December 2022	77,277	-	3,633	1,592	82,502
NET CARRYING AMOUNT					
At 31 December 2022	296,286	112,908	-	-	409,194
COST					
At 1 January 2021	373,563	112,908	3,633	1,592	491,696
At 31 December 2021	373,563	112,908	3,633	1,592	491,696
ACCUMULATED DEPRECIATION					
At 1 January 2021	15,595	-	3,633	1,592	20,820
Charge for the year	30,865	-	-	-	30,865
At 31 December 2021	46,460	-	3,633	1,592	51,685
NET CARRYING AMOUNT					
At 31 December 2021	327,103	112,908	-	-	440,011

AIRTEL UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

15 INVENTORIES

	2022 Ushs million	2022 Ushs million
Telephones and accessories	8,580	4,412
Sim cards and scratch cards	3,914	830
	<u>12,494</u>	<u>5,242</u>
Less: Stock provision	(7,047)	(932)
	<u>5,447</u>	<u>4,310</u>
Stock Provision		
Opening Balance	932	779
Additions	11,406	1,285
Utilisations	(5,291)	(1,132)
	<u>7,047</u>	<u>932</u>

16 TRADE AND OTHER RECEIVABLES

Trade Receivables	26,409	22,473
Interconnect receivables	14,536	15,657
Roaming Receivables	1,642	1,154
Other Receivables	1,474	1,333
Amounts due from related parties refer to 18	57,560	36,243
	<u>101,621</u>	<u>76,860</u>
Gross trade receivables		
Provision for impairment	(16,868)	(17,882)
	<u>84,753</u>	<u>58,978</u>

Trade receivables represent amounts due from channel partners, corporate customers, and post-paid customers. Interconnect receivables represent airtime revenue on the interconnection from other telecommunication companies. The related interconnect liabilities are included in Note 22.

Roaming receivable represents the amounts outstanding with operators whose customers use the network of the Company while travelling to Uganda and balances are being settled on monthly basis through clearing house.

Movement in the provision for impairment of trade receivables and other receivables is as follows:

	2022 Ushs millions	2021 Ushs millions
At 1 January	17,882	20,912
Additions	16,420	17,046
Reversal	(17,434)	(20,076)
	<u>16,868</u>	<u>17,882</u>
At 31 December		

AIRTEL UGANDA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)**

17 (a) OTHER CURRENT ASSETS

Prepaid expenses	44,442	29,065
VAT Recoverable	4,592	7,131
Advances to Suppliers	11,763	7,131
Employee receivables	368	216
Others	8,191	4,420
	<u>69,356</u>	<u>47,963</u>

17 (b) OTHER NON CURRENT ASSETS

Prepaid expense	<u>49,251</u>	<u>40,902</u>
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18 RELATED PARTY TRANSACTIONS AND BALANCES

The Company is 100% owned by Bharti Airtel Uganda Holdings BV (BAUHBV) incorporated in Netherlands. The purchases mainly consist of network equipment including related software & services. The purchases and sales are recharge for expenses incurred on behalf of the counter party.

Name of related party	Relationship to Company	2022	2021
Purchase of goods and services		Ushs millions	Ushs millions
Airtel (Seychelles) Limited	Fellow subsidiary	17	1
Airtel Congo DRC S.A	Fellow subsidiary	322	407
Airtel Congo S.A	Fellow subsidiary	8	0
Airtel Gabon S.A	Fellow subsidiary	1	-
Airtel Madagascar S.A	Fellow subsidiary	22	293
Airtel Malawi Public Limited Company	Fellow subsidiary	67	17
Airtel Mobile Commerce Uganda Limited	Fellow subsidiary	161,813	96,816
Airtel Networks Kenya Limited	Fellow subsidiary	10,221	9,215
Airtel Networks Limited (Nigeria)	Fellow subsidiary	219	159
Airtel Networks Zambia Plc	Fellow subsidiary	35	41
CelTel Niger S.A	Fellow subsidiary	1	101
Airtel Rwanda Limited	Fellow subsidiary	1,166	952
Airtel Tanzania Public Limited Company	Fellow subsidiary	344	357
Airtel Tchad S.A	Fellow subsidiary	2	0
Bharti Airtel International Netherlands BV	Step up Parent	4,640	28,006
Bharti Airtel Limited	Step up Parent	13,403	11,604
Bharti Airtel Services Limited	Fellow subsidiary	-	6
Bharti Airtel UK Limited	Fellow subsidiary	645	824
Bharti Hexacom Limited	Fellow subsidiary	1	1
Centum Learning Limited	Fellow subsidiary	906	495
Airtel Africa (UK) Limited	Step up Parent	30,346	2,945
Network I2I Limited	Step up Parent	822	557
Nxtra Data Limited	Fellow subsidiary	545	-
Total		<u>225,547</u>	<u>152,797</u>

AIRTEL UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

18 RELATED PARTY TRANSACTIONS AND BALANCES

Name of related party	Relationship to Company	2022 Ushs millions	2021 Ushs millions
Sale of goods and services			
Airtel Networks Zambia Plc	Fellow subsidiary	27	23
Airtel Networks Kenya Limited	Fellow subsidiary	3,257	2,862
Airtel Malawi Public Limited Company	Fellow subsidiary	-	32
Airtel Tanzania Public Limited Company	Fellow subsidiary	1,330	185
Airtel Congo S.A	Fellow subsidiary	-	108
Airtel Networks Limited (Nigeria)	Fellow subsidiary	509	284
Airtel Gabon S.A	Fellow subsidiary	1	-
Airtel Tchad S.A	Fellow subsidiary	5	1
Celstel Niger S.A	Fellow subsidiary	4	-
Airtel Congo DRC S.A	Fellow subsidiary	3,888	600
Airtel Rwanda Limited	Fellow subsidiary	17,783	5,437
Bharti Airtel Limited	Step up parent	32,109	24,262
Bharti Airtel UK Limited	Fellow subsidiary	9,159	7,664
Centum Learning Limited	Fellow subsidiary	-	2
Airtel Mobile Commerce Uganda Limited	Fellow subsidiary	22,138	24,542
Bharti Airtel International (Netherlands) BV	Step up parent	31	-
Nxtra Data Limited	Fellow subsidiary	-	106
Total		90,241	66,108

Name of related party	Relationship to Company	2022 Ushs millions	2021 Ushs millions
Receivable from related parties			
Airtel Networks Kenya Limited	Fellow subsidiary	1,872	9,225
Airtel Malawi Public Company Limited	Fellow subsidiary	640	600
Airtel Rwanda Limited	Fellow subsidiary	24,407	6,797
Bharti Airtel Limited	Step up parent	4,258	6,900
Singapore telecommunication Limited	Entity having significant influence over the group	2	1
Bharti Airtel UK Limited	Fellow subsidiary	18,392	11,451
Bharti Hexacom Limited	Fellow subsidiary	1	-
Airtel Tchad S.A	Fellow subsidiary	9	0
Airtel Networks Limited (Nigeria)	Fellow subsidiary	286	117
Airtel Congo DRC S.A	Fellow subsidiary	2,626	1,043
Bharti Airtel International Netherland Limited	Step up parent	3,736	-
Airtel Congo S.A	Fellow subsidiary	112	107
Airtel Tanzania Public Limited Company	Fellow subsidiary	1,219	-
Total		57,560	36,243

AIRTEL UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

18 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Name of related party	Relationship to Company	2022 Ushs millions	2021 Ushs millions
Payables to related parties			
Bharti Airtel International Netherlands B.V.	Step up parent	-	2,352
Airtel Networks Zambia Plc	Fellow subsidiary	11	2
Airtel Tanzania Public Limited Company	Fellow subsidiary	-	54
Network I2I Limited	Step up Parent	1,350	643
Bharti Airtel Services Limited	Fellow subsidiary	76	73
Nxtra Data Limited	Fellow subsidiary	116	9
Centum Learning Limited	Fellow subsidiary	83	49
Bharti International (Singapore) Pte Ltd	Fellow subsidiary	20	19
Bharti Airtel Lanka (Private) Limited	Fellow subsidiary	0	-
Airtel (Seychelles) Limited	Fellow subsidiary	3	-
Airtel Tchad S.A.	Fellow subsidiary	-	164
Airtel Africa Services (UK) Limited	Step up Parent	6,459	-
Airtel Mobile Commerce Uganda Limited	Fellow subsidiary	24,902	28,679
Total		33,020	32,044

Key management compensation

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director, whether executive or otherwise. Remuneration to key management personnel were as follows.

	2022 Ushs million	2021 Ushs million
Key Management Compensation	6,814	6,436

19 CASH AND CASH EQUIVALENTS

Cash at bank	7,399	726
Cash at hand	7,063	3,767
Cash held at wallets	5,862	3,763
Fixed Deposits	14,880	-
	35,204	8,256

For the purpose of the Statement of cash flows, Cash and cash equivalents are as follows;

	2022 Ushs millions	2021 Ushs millions
Cash and bank balances	35,204	8,256
Overdraft	(224,555)	(101,378)
	(189,351)	(93,122)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

20 SHARE CAPITAL AND SHARE PREMIUM

Total number of authorised shares is 28,800,000 out of which 14,400,000 are ordinary shares with a par value of Ushs 100 and 14,400,000 are preference shares at a par value of Ushs 1,000 each.
Details are shown below:

	2022 Ushs millions	2021 Ushs millions
Authorised share capital:		
14,400,000 ordinary shares of Ushs 100	1,440	1,440
14,400,000 preference shares of Ushs 1,000	14,400	14,400
	<u>15,840</u>	<u>15,840</u>
a) Ordinary shares issued and fully paid:		
14,080,010 ordinary shares of Ushs 100 each	<u>1,408</u>	<u>1,408</u>
b) Share premium		
6,080,000 ordinary shares of Ushs 100 each issued at a premium of Ushs 900 in October 1994	5,472	5,472
8,000,000 ordinary shares of Ushs 100 each issued at a premium of Ushs 1,332 in September 2000	10,656	10,656
	<u>16,128</u>	<u>16,128</u>

21 BORROWINGS

	Note	Maturity	2022 Ushs million	2021 Ushs million
Non-Current				
DFCU	21(d)	2025	59,946	75,000
ABSA Bank Group	21(b)	2025	180,786	173,666
Stanbic Bank	21(c)	2025	150,000	55,956
Standard Chartered Bank	21(e)	2023	-	14,886
Debt origination fees	21(c & d)		(1,336)	(864)
Less: Current maturity of long-term debt			(77,579)	(85,896)
			<u>311,817</u>	<u>232,748</u>
Current				
Bank Overdraft	21(a)		224,555	101,378
Citi bank		2022	-	70,840
Standard Chartered Bank	21(e)	2023	14,886	-
Current maturity of long-term debt			77,579	85,896
			<u>317,018</u>	<u>258,114</u>
The movement in borrowings was as follows:				
At 1 January			490,862	592,557
Proceeds from term loan			150,000	244,811
Bank Overdraft			123,176	21,193
Repayment			(142,270)	(384,415)
Debt origination cost			(472)	(292)
Unrealised foreign exchange loss			7,539	17,008
			<u>628,835</u>	<u>490,862</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

21 BORROWINGS (CONTINUED)

Bank Name	Currency	Amount in Millions	Interest Rate	Drawdown date
Standard Chartered bank	Ushs	14,886	12,87%	May 5,2022
Stanbic Bank	Ushs	150,000	13.42%	Jul 11,2022
DFCU	Ushs	59,946	14.5%	Dec 11,2020
ABSA	Ushs	31,986	15.79%	Dec 24,2021
ABSA	USD	40	8.34%	Dec 24,2021

Bank overdraft

a) The Company utilized the bank overdraft facility from Citi Bank, Standard chartered bank, Absa bank and UBA bank to make payments for taxes, dividends and to other suppliers. The overdraft sanction limit is USD 35 million from Citi Bank, USD 8 million from Standard Chartered Bank, USD 29 million from Absa bank and Ushs 15.5 billion from UBA bank. The Overdraft facilities in Citi bank and Standard chartered bank are fungible based on the payment requirements

b) ABSA Bank Group term loan facility

The Company obtained loan facilities of Ushs 31,986 million and USD 40 million during the months of December 2021 for the purpose of operational working capital and tax payments. The Interest rate on the loan is margin rate of 3.30% plus 180 day Treasury bill rate. This loan facility will run for 4 years and mature on 25th December 2025 with quarterly repayments

c) Stanbic Bank Uganda Limited loan facility

The Company obtained a loan facility of Ushs 150,000 million on 11 July 2022 for working capital purposes. The Interest rate on the loan facility is margin rate of 2.4% plus 180-day Treasury bill rate. This loan facility will run for 4 years and mature on 30st December 2025 with quarterly repayments.

d) DFCU Bank Uganda loan facility

The Company obtained a loan facility of Ushs 75,000 million on 11 December 2020 for the purpose of working capital and payment of License renewal fees. The Interest rate on the loan facility is margin rate of 4.70% plus 182-day treasury bill rate on the day of drawdown of 9.8%. This loan facility will run for 5 years inclusive of 12 months' grace period with a maturity date of 11th November 2025.

e) Standard Chartered Bank Uganda loan facility

The Company rolled-over a loan facility of Ushs 14,886 million on 5 May 2022 for the purpose of License renewal fees payment. The Interest rate on the loan facility is 364-Day Treasury bill rate Plus 1.85% per annum. This loan facility will mature on the 29th September 2023.

AIRTEL UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

22 TRADE AND OTHER PAYABLES

	2022 Ushs million	2021 Ushs million
Trade payables	120,185	129,866
Statutory & Other payables	68,325	67,089
Equipment Supply payable	24,991	43,002
Interest Accrued but not due	2,135	3,016
Interconnect payables	636	141
Amounts due to related parties refer to note 18	33,020	32,044
	<u>249,292</u>	<u>275,158</u>

Interconnect charges payable represent interconnection costs with other telecommunication companies. The related interconnect receivables are included in Note 16.

Statutory & other payables mainly include excise duty payable, VAT payable which are not yet due for payment.

23 DEFERRED REVENUE

	2022 Ushs millions	2021 Ushs millions
Non-current		
Deferred revenue	<u>12,613</u>	<u>-</u>
Current		
Deferred revenue	<u>35,125</u>	<u>21,585</u>

Deferred income relates to payments received in advance for airtime services offered to prepaid customers which have not yet been consumed. Performance Obligations that are unsatisfied (or partially unsatisfied) amounting to 47,738 million as at 31 December 2022 (21,585 million as at 31 December 2021), of which Ushs 35,125 will be satisfied over a period of one year and the remaining Ushs 12,613 over 9 years 3 months (revenue of Ushs 1,576 to be recognised on annual basis). Revenue recognised that was included in the deferred revenue balance at the beginning of the year is 21,585 million (2021: 15,083 million).

24 PROVISIONS

	2022 Ushs million	2021 Ushs million
(i) Current		
Leave encashment	917	694
Severance pay	40	32
Provision for subjudice matters	5,274	2,982
	<u>6,231</u>	<u>3,708</u>
(ii) Non-current		
Leave encashment	2,372	1,973
Severance pay	215	208
Asset retirement obligation	19	18
	<u>2,606</u>	<u>2,199</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

24 PROVISIONS (CONTINUED)

(a) Leave Encashment

	2022 Ushs million	2021 Ushs million
Opening Balance	2,667	2,671
Charge for the year	1,051	291
Payments for the year	(429)	(295)
	<u>3,289</u>	<u>2,667</u>

The Company has a policy for employee benefits, specifically applicable to leave encashment and severance pay in line with IAS 19. The valuation is performed on a quarterly basis by a third party, and all assumptions considered for evaluation are revised on an annual basis.

(b) Severance Pay

	2022 Ushs million	2021 Ushs million
Opening Balance	240	166
Charge for the year	64	47
Other Comprehensive Income	(49)	27
	<u>255</u>	<u>240</u>

There's change in assumptions of discount rate to 17.0% as against 15.0% which resulted in a loss of Ushs 49 Million recorded as other comprehensive income during the year. (2021: Ushs 27 million).

Due to its defined benefit plans, the Company is exposed to the following risks:

Salary risk - The present value of the defined benefit plans liability is calculated by reference to the future salaries of the plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The financial (a year rates) and demographic assumptions used to determine defined benefit obligations are as follows:

	31 December 2022	31 December 2021
Discount rate	17.0% per annum	15.0% per annum
Rate of return on plan assets	Not applicable	Not applicable
Rate of salary increase	7.5% per annum	7% per annum
Rate of attrition	10.0%	9.0%
Retirement age	60 years	60 years

The Company regularly assesses these assumptions with the projected long-term plans and prevalent industry standards.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

24 PROVISIONS (CONTINUED)

(b) Severance Pay (Continued)

Due to its defined benefit plans, the Company is exposed to the following risks: (Continued)

The impact of sensitivity due to changes in the significant actuarial assumptions on the defined benefit obligations at 100 basis points is given in the table below:

		31 December 2022		31 December 2021	
		Leave encashment	Severance benefits	Leave encashment	Severance benefits
Discount Rate	+1.00%	3,393	267	2,626	252
	-1.00%	3,207	244	2,795	228
Salary Increase Rate	+1.00%	3,213	244	2,788	252
	-1.00%	3,385	266	2,631	228
Withdrawal Rate	+1.00%	3,268	269	2,725	226
	-1.00%	3,325	242	2,689	254

The above sensitivity analysis is determined based on a method that extrapolates the impact on the net defined benefit obligations, because of reasonable possible changes in the significant actuarial assumptions. Further, the above sensitivity analysis is based on a reasonably possible change in a particular underlying actuarial assumption, while assuming all other assumptions to be constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The table below summarises the maturity profile and duration of the defined benefits plan liability:

	31 December 2022		31 December 2021	
	Leave encashment	Severance benefits	Leave encashment	Severance benefits
Within one year	917	40	694	32
Within one-three years	1,538	102	1,139	82
Within three-five years	1,090	132	896	108
Above five years	1,758	458	1,392	388
Total	5,303	732	4,121	610
Weighted average duration in years	6	6	6	6

(c) Provision for subjudice matters

The movement for provision for subjudice matters is as given below;

	31 December 2022	31 December 2021
Opening balance	2,982	5,044
Additions during the year	5,245	1,144
Reversals during the year	(2,176)	-3
Utilisations during the year	(777)	(3,203)
Closing balance	5,274	2,982

AIRTEL UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

25 LEASE LIABILITY

	2022 Ushs millions	2021 Ushs millions
Non-Current	555,318	386,515
Current	<u>135,526</u>	<u>119,730</u>
	<u>690,844</u>	<u>506,245</u>

During the year, the financing cost relating to lease liabilities was Ushs 40,840 million (2021: 37,977 million).

The movement of lease liabilities was as follows:

	2022 Ushs million	2021 Ushs million
At 1 January	506,245	524,420
Additions	284,590	94,826
Interest	40,840	37,977
Repayment	(143,337)	(130,815)
Retirement	(1,153)	(4,724)
Unrealised foreign exchange	<u>3,659</u>	<u>(15,439)</u>
At 31 December	<u>690,844</u>	<u>506,245</u>

The future minimum lease payments of the above lease liabilities are as follows:

Lease liabilities	As of December, 31 2022 Ushs million	As of December, 31 2021 Ushs million
Maturity analysis:		
Less than one year	174,341	143,564
Later than one year but not later than two years	161,943	85,114
Later than two years but not later than five years	317,810	245,103
Later than five years but not later than nine years	175,383	117,317
Later than nine years	<u>8,403</u>	<u>18,087</u>
Total undiscounted lease liabilities	<u>837,880</u>	<u>609,185</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

26. OTHER LIABILITIES (CURRENT AND NON-CURRENT)

The Company has capitalized deferred spectrum license payments, for which the Company is under an obligation for payment till the expiry of the license period. Consequently, intangible assets have been recognized at the present value of such payments

	2022 Ushs million	2021 Ushs million
Non-Current		
Deferred spectrum liability	108,170	106,164
	108,170	106,164
Current		
Deferred spectrum liability	4,628	4,496
	4,628	4,496
At 1 January	110,660	117,181
Additions	-	-
Principal Repayment	(4,067)	(1,614)
Interest repayment	(7,286)	(9,279)
Interest accrued	7,923	7,914
Foreign exchange	5,568	(3,542)
At 31 December	112,798	110,660

27. DERIVATIVE FINANCIAL INSTRUMENTS

The details of derivative financial instruments are as follows:

	2022 Ushs million	2021 Ushs million
Foreign currency forward contracts (liabilities)	5,641	1,191

Derivative financial instruments include currency forward contracts denominated in US dollars with expiry periods ranging between 1 months to 3 months.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

28 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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.

Particulars	Carrying Amount		Fair Value	
	2022 Ushs millions	2021 Ushs millions	2022 Ushs millions	2021 Ushs millions
Financial assets				
Amortised Cost				
Cash and cash equivalents	35,204	8,256	35,204	8,256
Trade and other receivables	<u>84,753</u>	<u>58,978</u>	<u>84,753</u>	<u>58,978</u>
Financial Liabilities				
FVTPL				
Derivatives	5,641	1,191	5,641	1,191
Amortised Cost				
Borrowings	628,835	490,862	628,835	490,862
Trade & other payables	249,292	275,158	249,292	275,158
Lease Liabilities	690,844	506,245	690,844	506,245
Other liabilities	<u>112,798</u>	<u>110,660</u>	<u>112,798</u>	<u>110,660</u>

29 COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at 31 December 2022, there were legal proceedings valued at Ushs 5,328 million (2021: Ushs 1,509 million) outstanding against the Company.

b) Tax proceedings

As at 31 December 2022, there were tax proceedings valued at Ushs 1,489 million (2021: Ushs 3,364) outstanding against the Company

c) Capital commitments

Capital commitments of Ushs 108,637 million (2021: Ushs 130,317 million) represent the unexecuted capital contracts as at 31 December 2022. These are contracts between Airtel Uganda Limited and its vendors for the provision of Capex material.

	2022 Ushs million	2021 Ushs million
Within one year	<u>108,637</u>	<u>130,317</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2022 (CONTINUED)

30 DIVIDENDS

The profit for the year amounted to Ushs 325,703 million (2021: Ushs 459,575 million). During the year ended 31 December 2022 the directors recommended interim dividends on 27th May 2022 amounting to Ushs 83,072 million, on 11th July 2022 amounting to Ushs 70,400 million and on 10th November 2022 amounting to Ushs 73,216 million totalling to Ushs 226,688 million (2021: Ushs 328,064 million). The interim dividends per ordinary share declared during the year was Ushs 16,100.

	2022	2021
	Ushs millions	Ushs millions
At 1 January	-	-
Final dividend	132,000	135,168
Interim dividend	226,688	328,064
Dividend Paid	<u>(358,688)</u>	<u>(463,232)</u>
At 31 December	<u>-</u>	<u>-</u>

31 Other Reserves

	2022	2021
	Ushs millions	Ushs millions
At 1 January	34	56
Charge for the year	<u>51</u>	<u>22</u>
At 31 December	<u>85</u>	<u>34</u>

Other reserves include movements from actuarial gains or losses on defined benefit plans

32 SUBSEQUENT EVENTS

There were no material subsequent events for the year ended 31 December 2022. The Directors are not aware of any other matter or circumstances since the financial year end and the date of this report, not wise dealt with in the Financial Statements, which significantly affects the financial position of the Company and the results of its operations.