AIRTEL NETWORKS KENYA LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2021

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DIRECTORS

Mr. Daddy Mukadi**
Mr. Prasanta Das Sarma***
Mr. Alok Bafna***
Mr. Ian Ferrao****

**Congolese
***Indian
****British

REGISTERED OFFICE

LR No. 209/11880
Parkside Towers, Mombasa Road
P.O. Box 73146 - 00200
NAIROBI, KENYA

COMPANY SECRETARY

Scribe Services Secretaries
P.O. Box 3085 – 00100
NAIROBI, KENYA

LAWYERS

Acorn Law LLP formerly Ojiambo & Co Advocates
P.O. Box 1021 - 00100
NAIROBI, KENYA

Majanja Luseno & Co Advocates
P.O. Box 74580 - 00200
NAIROBI, KENYA

Hamilton Harris & Mathews
P. O Box 30333-00100
NAIROBI, KENYA

Kaplan & Stratton Advocates
P.O. Box 40111 - 00100
NAIROBI, KENYA

Ngatia & Associates Advocates
P.O Box 56688-00200
NAIROBI, KENYA

AUDITORS

Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Deloitte Place, Waiyaki Way, Muthangari
P.O. Box 40092 – 00100
NAIROBI, KENYA

PRINCIPAL BANKERS

NCBA BANK KENYA
P.O. Box 44286 – 00100
NAIROBI, KENYA

KCB Bank (Kenya) Limited
Kencom House, 6th Floor, Wing B
P.O. Box 48400 – 00100
NAIROBI, KENYA

Standard Chartered PLC
48 Westlands Road, Chiromo
P.O. Box 30003 – 00100
NAIROBI, KENYA

ABSA KENYA LTD
P.O. Box 46661 – 00100
NAIROBI, KENYA

Citibank N.A.
Citibank House, Upper Hill Road
P.O. Box 30711 – 00100
NAIROBI, KENYA

Equity Bank (Kenya) Limited
Equity Centre, Hospital Road, Upper Hill
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NAIROBI, KENYA

Ecobank
Ushuru Pension Plaza,
Muthangari Drive- Off Waiyaki Way
P O BOX 49584-00100
NAIROBI, KENYA

Diamond Trust Centre
DTB Centre, Mombasa Road
P. O. Box 61711
NAIROBI, KENYA

Cooperative Bank,
CIC Plaza Mara Road, Upper Hill
P.O Box 48231 – 00100
NAIROBI, KENYA.

(All amounts are in KSH'000, unless stated otherwise)

The directors submit their report together with the audited annual financial statements for the year ended 31 December 2021, which disclose the state of affairs of the company.

1. PRINCIPAL ACTIVITIES

The principal activity of the company is the provision of a public GSM mobile telecommunications network and mobile financial services in Kenya.

2. RESULTS

The results for the year are set out in page 9.

	2021	**2020**
Income	32,884,318	26,542,770
Loss before tax	(3,831,336)	(5,847,429)
Tax expense	-	(148,370)
Loss after tax	**(3,831,336)**	**(5,995,799)**

3. DIVIDEND

The directors do not recommend payment of a dividend in the year. (2020: Nil).

4. RESERVES

The reserves for the company are set out on page 11.

5. DIRECTORS

The directors who held office during the year and to the date of this report are included on page 2.

6. BUSINESS REVIEW

Airtel Kenya wishes to express deep gratitude to our customers for embracing our products and services, the support received from all stakeholders is really praiseworthy. During the year there was a steady recovery from pandemic as life somewhat returned towards normalcy. On our end we have seen a strong growth in most of the key matrices setting us up to enhance lives of our customers thru our products and services.

In the last eighteen months we have invested heavily towards network modernization which in this year has led to 29% growth in data users with a corresponding increase of 56% growth in data consumption. We are happy to share that close to 100% of our network is on 4G making it an end to end 4G Network. Additionally, our network is also 5G ready in all major cities like Nairobi, Mombasa, Kisumu, Nakuru and Eldoret. With more customers on 4G and strong usage growth in both voice & data have yielded a gross revenue growth of 24% during the year despite increase in Excise duty from 15% to 20% from July' 2021.

We were the first to implement 100% Customer acquisition through Apps from August'2021. The new change had slowed down the gross addition leading to a decline in net customer additions in second half of the year. We are confident of continuing our growth into 2022 in both subscriber addition and revenue, and stay focused on strategic pillars of Win with Distribution, Data, Airtel Money, Digitization, Network, Cost & Our People.

We take this opportunity to sincerely thank all our valued stakeholders - Customers, Government Bodies, Regulators, Business Partners and Employees for their unstinted support during the year.

7. COVID – 19

The year has been a challenging one with Covid-19 pandemic impacting people from walks of life across the world. The society moved to a more digital way of communication and mobile money transaction. During this crisis Airtel Kenya put a stringent focus to ensure seamless network availability and followed norms laid down by government. The health safety measures were implemented to ensure safety of our employees and all customer touch points. Partnering with our strategic and operations partners, we continuously worked to keep the network running to provide essential telecom service across Kenya.

8. HEALTH AND SAFETY

The Company has policies and procedures to safeguard the occupational health, safety and welfare of its employees. To safeguard its employees against the Covid-19 pandemic, the Company has measures in place in line with the country's health guidelines which are monitored regularly. Company arranged Covid -19 Vaccination Camp for Employees & Family.

9. AUDITORS

Deloitte & Touche LLP, having expressed their willingness, continue in office in accordance provisions of section 719 (2) of the Kenyan Companies Act, 2015. The Directors monitor the effectiveness, objectivity and independence of the auditor. The Directors also approve the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees.

10. DISCLOSURE OF INFORMATION TO AUDITORS

Each director confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware and that each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board

15/04/2022

SCRIBE SERVICES SECRETARIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company maintains proper accounting records that are sufficient to show and explain the transactions of the company and disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

(i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;

(ii) selecting suitable accounting policies and applying them consistently; and

(iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the company's ability to continue as a going concern, the directors are aware of material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern. The directors acknowledge that the continued existence of the company as a going concern depends on the outcome of various strategic measures that the directors continue to pursue to return the company to profitability and the continued financial support from the company's shareholders and bankers. The directors are confident that any financial support required by the company from its shareholders will be forthcoming and are of the view that the strategic turn-around measures that have been put in place will restore the company's solvency and will enable it to trade profitably in a sustainable manner.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 15 April 2022 and signed on its behalf by:

P D Sarma
Director

Alok Bafna
Director

Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Deloitte Place
Waiyaki Way, Muthangari
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIRTEL NETWORKS KENYA LIMITED

Report on the audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Airtel Networks Kenya Limited, ("the Company"), set out on pages 9 to 56, which comprise the statement of financial position as at 31 December 2021, 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 the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Material Uncertainty Relating to Going Concern

We draw attention to Note 2 to the financial statements which indicates that the company incurred a net loss of KShs 3.83 billion during the year ended 31 December 2021 (2020: net loss of KShs 5.99 billion) and, as of that date, the company's current liabilities exceeded its current assets by KShs 22.28 billion (2020: KShs 4.10 billion). These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIRTEL NETWORKS KENYA LIMITED

Report on the audit of the Financial Statements (Continued)

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Kenya Companies Act, 2015. The other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express 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.

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 Kenya Companies Act, 2015, 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.

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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIRTEL NETWORKS KENYA LIMITED

Report on the audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

Report on other matters prescribed by the Kenya Companies Act, 2015

In our opinion, the information given in the Report of the Directors on pages 3 to 4 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Fredrick Okwiri – Practising certificate No: 1699*.***

FOkwiri

For and on behalf of Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Nairobi

15 April 2022

(All amounts are in KSH'000, unless stated otherwise)

	Notes	31 Dec 2021	31 Dec 2020
Income			
Revenue	**7**	32,876,722	26,417,178
Other income		7,596	125,592
		32,884,318	**26,542,770**
Expenses			
Network operating expenses	**8**	6,582,416	5,006,194
Access charges	**9**	6,233,408	5,935,525
License fee / spectrum usage charges		4,966,405	2,479,878
Employee benefits expenses	**10**	2,092,339	1,734,892
Sales and marketing expenses	**11**	3,944,478	3,580,084
Provision for impairment losses	**23**	(41,581)	99,859
Other expenses	**12**	706,146	615,927
Depreciation and amortization	**13**	6,178,914	5,370,247
		30,662,525	**24,822,606**
Operating profit before finance and exchange gains/losses		**2,221,793**	**1,720,164**
Finance costs	**14**	(3,686,570)	(3,121,833)
Finance income	**14**	20,936	38,570
Foreign exchange loss		(2,387,495)	(4,484,330)
Loss before tax		**(3,831,336)**	**(5,847,429)**
Tax expense	**16**	-	(148,370)
Loss for the period		**(3,831,336)**	**(5,995,799)**
Other comprehensive income for the period		**-**	**-**
Total comprehensive loss for the period		**(3,831,336)**	**(5,995,799)**

Loss before tax (as presented above)	**(3,831,336)**	**(5,847,429)**
Add: Exceptional items (net) (Note 39)	2,271,321	-
Underlying loss before tax	**(1,560,015)**	**(5,847,429)**

Loss after tax (as presented above)	**(3,831,336)**	**(5,995,799)**
Add: Exceptional items (net) (Note 39)	2,271,321	-
Underlying loss after tax	**(1,560,015)**	**(5,995,799)**

Airtel Networks Kenya Limited
Statement of Financial Position
(All amounts are in KSH'000, unless stated otherwise)

	Notes	As at 31 Dec 2021	As at 31 Dec 2020
Assets			
Non-current assets			
Property Plant and Equipment	**17**	18,142,612	13,744,295
Capital work-in-progress	**17**	2,856,232	2,519,319
Right of use asset	**19**	14,079,269	10,186,027
Intangible assets	**18**	2,539,568	3,117,622
Investment in subsidiary	**36**	40,000	40,000
Other non-current assets	**36**	741,379	854,356
		38,399,060	**30,461,619**
Current assets			
Inventories	**22**	15,835	11,429
Derivative financial asset	**20**	2,141	182
Income tax recoverable	**15**	319,304	311,207
Trade and Other receivables	**23**	2,292,480	7,755,919
Other Current Assets	**36**	3,361,305	2,794,852
Cash and cash equivalents	**24**	1,448,776	2,011,324
		7,439,841	**12,884,913**
Total assets		**45,838,901**	**43,346,532**
Current liabilities			
Borrowings	**30**	13,209,957	3,339,131
Lease liabilities	**29**	2,902,832	2,104,256
Derivative Financial Liability	**20**	15,464	37,142
Trade and other payables	**31**	8,759,157	8,241,623
Deferred revenue	**37**	1,436,157	1,409,643
Other Current Liabilities	**37**	3,022,914	1,195,419
Provisions	**32**	376,605	661,712
		29,723,086	**16,988,926**
Non-current liabilities			
Borrowings	**30**	10,740,463	7,594,597
Lease liabilities	**29**	13,194,714	10,121,754
Other Non-current liabilities	**37**	1,172,684	3,784
Provisions	**32**	67,562	59,512
Shareholder's loan	**28**	38,553,878	52,360,109
		63,729,301	**70,139,756**
Total liabilities		**93,452,387**	**87,128,682**
Net Assets		**(47,613,486)**	**(43,782,150)**
Equity			
Share capital	**25**	3,350,000	3,350,000
Share premium – ordinary shares	**26**	3,406,676	3,406,676
Redeemable preference shares	**27**	22,611,513	22,611,513
Share premium - Redeemable preference shares	**26**	4,259,023	4,259,023
Accumulated Losses		(81,240,698)	(77,409,362)
Equity attributable to owners of the company		**(47,613,486)**	**(43,782,150)**
Total equity		**(47,613,486)**	**(43,782,150)**

The financial statements on pages 9 to 56 were approved by the Board of directors on .15 April 2022 and signed on its behalf by:

Director
P D Sarma

Director
Alok Bafna

Airtel Networks Kenya Limited
Statement of Changes in Equity
(All amounts are in KSH'000, unless stated otherwise)

	Ordinary Share capital KShs'000	Preference share capital KShs'000	Share premium – Ordinary shares KShs'000	Share premium – Redeemable preference shares KShs'000	Accumulated losses KShs'000	Total KShs'000
Year ended 31 December 2020						
As at 1 January 2020	3,350,000	22,611,513	3,406,676	4,259,023	(71,413,563)	(37,786,350)
Total comprehensive loss for the year	-	-	-	-	(5,995,799)	(5,995,799)
Balance as at 31 December 2020	**3,350,000**	**22,611,513**	**3,406,676**	**4,259,023**	**(77,409,362)**	**(43,782,150)**
As at 1 January 2021	3,350,000	22,611,513	3,406,676	4,259,023	(77,409,362)	(43,782,150)
Total comprehensive loss for the year	-	-	-	-	(3,831,336)	(3,831,336)
Balance as at 31 December 2021	**3,350,000**	**22,611,513**	**3,406,676**	**4,259,023**	**(81,240,698)**	**(47,613,486)**

Further explanations on the components of equity are in Note 25 – 27.

(All amounts are in KSH'000, unless stated otherwise)

	For the year ended	
	31 Dec 2021	**31 Dec 2020**
Cash flows from operating activities		
Loss before tax	**(3,831,336)**	**(5,847,429)**
Adjustments for -		
Depreciation and amortization	6,178,914	5,370,247
Finance cost	3,686,570	3,121,833
Finance Income	(20,936)	(38,570)
Foreign exchange loss	1,799,209	4,484,330
Other adjustments	(4,869)	(16,448)
Operating cash flow before changes in working capital	**7,807,552**	**7,073,963**
Changes in working capital		
Increase in trade and other receivables	(37,237)	(854,842)
(Increase)/ Decrease inventories	(4,406)	9,673
Increase /(Decrease) in trade and other payables	517,534	(1,271,861)
(Decrease)/ Increase in provisions	(277,057)	356
Increase in other current and non-current liabilities	3,001,231	479,122
Increase in other current and non-current assets	(455,435)	(1,134,902)
Net cash generated from operations before tax	**10,552,182**	**4,301,509**
Income taxes paid	(8,097)	(9,920)
Net cash generated from operating activities (a)	**10,544,085**	**4,291,589**
Cash flows from investing activities		
Purchase of property, plant and equipment and capital work-in-Progress	(7,947,847)	(3,552,025)
Purchase of intangible assets	(19,084)	(47,083)
Investment in subsidiary	-	(20,000)
Interest Received	20,936	38,570
Net cash used in investing activities (b)	**(7,945,997)**	**(3,580,538)**
Cash flows from financing activities		
Proceeds from borrowings	16,267,425	3,228,000
Repayment of borrowings	(4,981,586)	(1,000,000)
Repayment of lease liabilities	(3,526,245)	(2,489,430)
Interest and other finance charges paid	(1,136,999)	(773,084)
Repayment of borrowings to related parties	(10,984,000)	-
Proceeds from borrowings from related parties	-	530,480
Net cash used in financing activities (c)	**(4,361,406)**	**(504,034)**
(Decrease)/increase in cash and cash equivalents during the period (a+b+c)	(1,763,318)	207,017
Cash and cash equivalents as at beginning of the period	1,308,580	1,101,563
Cash and cash equivalents as at end of the period (Note 24)	**(454,738)**	**1,308,580**

1. CORPORATE INFORMATON

Airtel Networks Kenya Limited (the company) is incorporated in Kenya under the Kenyan Companies Act, 2015 as a private limited liability company and is domiciled in Kenya. The address of the registered office is:

LR No. 209/1180,
Parkside Towers, Mombasa Road,
P O Box 73146, City Square 00200,
Nairobi.

The immediate holding company is Bharti Airtel Kenya B.V., a company incorporated in Netherlands. The step up parent company is Airtel Africa PLC., a company incorporated in England and Wales and Bharti Airtel Limited, a company incorporated in India. The principal activity of the company is the provision of a public GSM mobile telecommunications network and mobile financial services in Kenya.

2. GOING CONCERN

In the year ended 31 December 2021, company incurred a net loss of KShs 3.83 billion (2020: net loss of KShs 5.99 billion). As at that date, accumulated losses were Kshs 81.24 Bn (2020: Kshs 77.41 Bn) and the Company was in a net liability position of Kshs 47.61 Bn (2020: Kshs 43.78 Bn) and its current liabilities exceeded its current asses by Kshs 22.28 Bn (2020: Kshs 4.10 Bn). However, it may be noted that company has Shareholder's loan of Ksh 38.55 Bn (2020: Kshs 52.36 Bn) as disclosed in Note 28. After considering shareholder's loan and external sources of financing, management is comfortable that there is sufficient liquidity to manage the operations.

The directors are of the opinion that the Company is a going concern on the basis that the Company:

a) Will generate cash inflows from operations of at least the amount projected in the management's annual operating plan. The generation of sufficient cash flows from operations is driven by and is dependent on management achieving operational targets on subscriber numbers, churn rate and average revenue per user;
b) Will continue to obtain funding from lenders whenever required;
c) The company will be able to obtain from the shareholders any additional funding required to meet its obligations as and when they fall due. This has been disclosed in a letter of support from the shareholders to the Company that confirms this support for the next 12 months from the date of signing of the financial statements for the year ending 31 December 2021.

The directors are confident that the funds described above will be available to the Company to support its obligations as required and that it is therefore appropriate to prepare the financial statements on a going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and the requirements of the Kenyan Companies Act, 2015.

For the purposes of reporting under the Kenyan Companies Act, 2015 the balance sheet in these financial statements, is represented by the statement of financial position and the profit and loss statement is presented in the statement of profit or loss and other comprehensive income.

The accounting policies, as set out in the following paragraphs of this note, have been consistently applied, by the company, to all the periods presented in these financial statements unless otherwise stated.

3.2. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of measurement (continued)

Fair value measurement

Fair value is the price at the measurement date, at which an asset can be sold or paid to transfer a liability, in an orderly transaction between market participants. The company's accounting policies require, measurement of certain financial/non-financial assets and liabilities at fair value (either on a recurring or non-recurring basis). Also, the fair values of financial instruments measured at amortised cost are required to be disclosed.

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). 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.

The three levels of the fair-value-hierarchy are described below:

- Level 1- Quoted (unadjusted) prices for identical assets or liabilities in active markets
- Level 2 - Significant inputs to the fair value measurement are directly or indirectly observable
- Level 3 - Significant inputs to the fair value measurement are unobservable.

Going Concern

Based on this assessment of the Directors made on Note no. 2 above the company continues to adopt going concern basis of accounting in preparing the financial statements.

3.3 Basis of consolidation

a. Subsidiaries

The company controls an entity when it is exposed to or has right to variable return from its involvement with the entity, and has the ability to affect those returns through its power (that is, existing rights that give it the current ability to direct the relevant activities) over the entity.

The subsidiary of the company is immaterial. The investment in the company's subsidiary is stated at cost less accumulated impairment losses.

Basis for non-consolidation as included in Note 37

3.4 Foreign currency transactions

a. Functional and presentation currency

The items included in the financial statements of the company are measured using the currency of primary economic environment in which the company operates (i.e. 'functional currency'). The financial statements are presented in Kenya Shillings, which is also the functional, and presentation currency of the company.

b. Transactions and balances

Transactions in foreign currencies are initially recorded in Kenya Shillings at the rates prevailing at the date of the transaction.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Foreign currency transactions (continued)

b. Transactions and balances (continued)

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 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.

3.5 Current versus non-current classification

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

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 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 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.
Derivatives designated in hedging relationship are classified based on the hedged item and the host contract respectively.

3.6 Property, plant and equipment ('PPE') and capital work-in-progress

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. PPE is initially recognised at cost.

The initial cost of PPE comprises its purchase price (including non-refundable duties and taxes but excluding any trade discounts and rebates), and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Further, it includes assets installed on the premises of customers as the associated risks, rewards and control remain with the company.

Subsequent to initial recognition, PPE is stated at cost less accumulated depreciation and any impairment losses. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Property, plant and equipment ('PPE') and capital work-in-progress (continued)

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 consolidated statement of 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	Years
Leasehold improvement	Period of lease or 10 -20 years, as applicable, whichever is less
Buildings	20
Plant and equipment	
- Network equipment (including passive infrastructure)	3 - 25
Computer equipment	3 - 5
Furniture & fixture and Office equipment	1 - 5
Vehicles	3 - 5

The useful lives, residual values and depreciation method of PPE are reviewed, and adjusted appropriately, at least, as 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. The cost and the accumulated depreciation for PPE sold, scrapped, retired or otherwise disposed of are de-recognised from the statement of financial position and the resulting gains/(losses) are included in the consolidated statement of comprehensive income within other expenses/other income.

PPE in the course of construction is carried at cost, less any accumulated impairment and presented separately as capital work-in-progress ('CWIP') including capital advances in the statement of financial position until capitalised. Such cost comprises of purchase price (including non-refundable duties and taxes but excluding any trade discounts and rebates), and any directly attributable cost.

3.7 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 are recognised at cost. These assets having a definite useful life are carried at cost less accumulated amortisation and any impairment losses. Amortisation is computed using the straight-line method over the expected useful life of intangible assets.

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

- **Software**

  Software are amortised over the period of the license, generally not exceeding three years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Intangible assets (continued)

- **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. The useful lives range from two to fifteen years.

In addition, the company incurs a fee on licenses/spectrum that is calculated based on the revenue amount of the period or as per the actual usage. Such revenue-share based fee is recognised as a cost in the consolidated statement of comprehensive income when incurred.

- **Other acquired intangible assets**

Other acquired intangible assets include the following:

YU Brand & Customer Base - On 21 December 2014, the company acquired YU brand and customer base. YU brand and Customer base were recognised at their cost as at 21 December 2014 and are being amortised over a period of 2 years and 4 years respectively starting 21 December 2014. These are fully amortised as at 31 December 2017 with the YU customer base being subjected to accelerated amortisation in 2017. The carrying amount of an intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

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. Further, the cost of intangible assets under development includes the amount of spectrum allotted to the company and related costs for which services are yet to be rolled out and are presented separately in the statement of financial position.

3.8 Impairment of non-financial assets

a. 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 such individual assets or CGU are considered to be impaired, the impairment to be recognised in the statement of comprehensive income is measured by the amount by which the carrying value of the asset/CGU exceeds their estimated recoverable amount and allocated on pro-rata basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Impairment of non-financial assets (continued)

b. Reversal of impairment losses

Impairment losses, other than goodwill, are reversed in the statement of comprehensive income and the carrying value is increased to its revised recoverable amount provided that this amount does not exceed the carrying value that would have been determined had no impairment loss been recognised for the said asset/CGU in previous years.

3.9 Financial instruments

a. Recognition, classification and presentation

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

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

The company classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost. The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

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

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

b. 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 Comprehensive Income.

II. Subsequent measurement - financial assets

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

- **Financial assets measured at amortised cost**

  Assets that are held for 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (continued)

b. Measurement - Non-derivative financial instruments (continued)

II. Subsequent measurement - financial assets (continued)

- **Financial assets measured at amortised cost (continued)**

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, 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).

a. Measurement - derivative financial instruments

Derivative financial instruments 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. The company uses certain derivative financial instruments (e.g. foreign currency forwards, options, swaps) to manage their exposure to foreign exchange and price risk.

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 consolidated statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Leases

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

a. company as a lessee

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

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

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

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Leases (continued)

b. Company as a lessor

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

Amounts due from lessees under a finance lease are recognised as receivables at an amount equal to the net investment in the leased assets. Finance lease income is allocated to the periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the finance lease.
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

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

3.11 Taxes

The income tax expense comprises of current and deferred income tax. Income tax is recognised in the profit and loss, except to the extent that it relates to items recognised in the same or a different period, outside profit or loss, in other comprehensive income or directly in equity, in which case the related income tax is also recognised accordingly.

a. Current tax

Current tax is calculated on the basis of the tax rates, laws and regulations, which have been enacted or substantively enacted as at the reporting date in the country. The payment made in excess/(shortfall) of the respective income tax obligation for the respective periods are recognised in the statement of financial position under income tax assets/income tax liabilities, respectively. Any interest, related to accrued liabilities for potential tax assessments are not included in Income tax charge or (credit), but are rather recognised within finance costs.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable or based on expected value approach, as applicable. The assessment is based on the judgement of tax professionals within the company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice. Please also refer changes in accounting policies and disclosures under note 3.1.

b. Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, deferred tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Further, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Taxes (continued)

b. Deferred tax (continued)

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences, tax losses and tax credits can be utilised. Moreover, deferred tax is recognised on temporary differences arising on investments in subsidiaries, joint ventures and associate - unless the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets, recognised and unrecognised, are reviewed at each reporting date and assessed for recoverability based on best estimates of future taxable profits. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Income tax assets and liabilities are off-set against each other and the resultant net amount is presented in the statement of financial position, if and only when, (a) the company currently has a legally enforceable right to set-off the current income tax assets and liabilities, and (b) when it relate to income tax levied by the same taxation authority and where there is an intention to settle the current income tax balances on net basis.

3.12 Inventories

Inventories are stated at the lower of cost (determined using the first-in-first-out method) and net realisable value. The costs comprise its purchase price and any directly attributable cost of bringing it to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated variable costs necessary to make the sale.

3.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances 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 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.

3.14 Share capital/Share premium

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. Share premium account is used to record the premium on issue of shares.

3.15 Employee benefits

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Employee benefits (continued)

- **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.

- **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.

The company's top executives are usually entitled to long term incentives. This is a long term incentive whereby the executives are entitled to an extra bonus once the company achieves the set performance targets and the executive has served over the set number of years. The liability is usually accrued for on a monthly basis but subject to continuous review between accrued amounts and the target incentive.

3.16 Provisions

a. General

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

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

b. Provision for legal, tax and regulatory matters

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

c. Asset Retirement Obligation ('ARO')

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Contingencies

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

3.18 Revenue

Revenue is recognised upon 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 of 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 an agent, the consideration to which the company is entitled is determined to be the amount received from the customer; the 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 therein are evaluated to determine whether they represent distinct performance obligations, and if so, they are accounted for separately. Total consideration related to the multiple element arrangements is allocated to each performance obligation based on their relative standalone selling prices. The stand-alone selling prices are determined based on the list prices at which the company sells equipment and network services separately. Revenue is recognised when, or as, each distinct performance obligation is satisfied. The main categories of revenue and the basis of recognition are as follows:

- **Service revenue**

  Service revenue is derived from the provision of telecommunication services and mobile money 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 on boarding 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.

  Customers pay in advance for services of the company, these cash amounts are recognised in deferred income on the consolidated statement of financial position and transferred to the consolidated income statement 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Revenue (continued)

- **Service revenue (continued)**

  Subscription charges are recognised over the subscription pack validity period. Customer on boarding revenue is recognised upon successful on boarding 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 includes 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.

  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.

- **Costs to obtain or fulfil a contract with a customer**

  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 and has changed its policy on cost deferral recognition in these financial statements. Accordingly, the company has deferred such costs over expected average customer life - for more details refer note 36 (iii).

- **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.

3.19 Borrowing costs

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

3.20 Operating profit

Operating profit is stated as revenue less operating expenditure including depreciation and amortisation and operating exceptional items. Operating profit excludes finance income, finance costs, non-operating income and share of results of joint ventures/ associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Dividends

Dividend to shareholders of the company is recognised as a liability and deducted from equity, in the year in which the dividends are approved by the shareholders. Interim dividends are deducted from the retained earnings when they are paid. Currently the company has paid no dividend to its shareholders.

3.22 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The estimates and judgements used in the preparation of these financial statements are continuously evaluated by the company, and are based on historical experience and various other assumptions and factors (including expectations of future events), that the company believes to be reasonable under the existing circumstances. These estimates and judgements are based on the facts and events, that existed as at the reporting date, or that occurred after that date but provide additional evidence about conditions existing as at the reporting date.

Although the company regularly assesses these estimates, actual results could differ materially from these estimates - even if the assumptions underlying such estimates were reasonable when made, if these results differ from historical experience or other assumptions do not turn out to be substantially accurate. The changes in estimates are recognised in the financial statements in the year in which they become known.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below**:**

- **Uncertain tax treatments**

  Uncertainties exist with respect to the interpretation of complex tax regulations. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The company establishes provisions/contingencies, based on reasonable estimates, for potential consequences of matters which are subject to audits by the tax authorities of the respective countries in which it operates as well as where the probability of acceptability of such matters by tax authorities is in doubt. The amount of such provisions/contingencies is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority, which may be subject to a material change within the next financial year. For details on provisions and contingencies, refer to notes 32 and 33 respectively.

- **Deferred tax assets**

  Deferred tax assets are recognised by the company, for the unused tax losses and temporary differences for which there is probability of utilisation against the taxable profit. Uncertainties exist in determination of amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, future tax planning strategies and recent business performances and developments. Basis this the deferred tax asset has not be recognised in the financial statement.

- **Useful lives of PPE**

  As described at 3.6 above, the company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. After considering market conditions, industry practice, technological developments and other factors, the company determined that the current useful lives of its PPE remain appropriate. However, changes in economic conditions of the markets, competition and technology, among others, are unpredictable and they may significantly impact the useful live of PPE and therefore the depreciation charges. Refer note no. 17.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

- **Contingent liabilities and provisions**

  The company is involved in various legal, tax and regulatory matters, the outcome of which may not be favourable to the company. Management in consultation with the legal, tax and other advisers to assess the likelihood that a pending claim will succeed. The company has applied its judgement and has recognised liabilities based on whether additional amounts will be payable and has included contingent liabilities where economic outflows are considered possible but not probable. However, given the nature of these matters, there may be a risk of a material change within the next financial year. For further detail on provisions & contingencies, refer to notes 32 and 33 respectively. The critical judgements, which the management has made in the process of applying the accounting policies and have the most significant impact on the amounts recognised in the financial statements, are discussed below:

- **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, the company has used judgement in determining the IBR by taking into consideration risk free borrowing rate based on USD bonds and adjusting it for country and company specific risk premiums.

- **Separating lease and non-lease components**

  The consideration paid by the company in telecommunication towers lease contracts include the use of land, passive infrastructure as well as maintenance, security 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 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.

3.23 Comparatives

Where necessary, comparative figures of 2020 are been adjusted to conform to changes in presentation in the current year.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

In the current year, the Company adopted Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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

In March 2021, the Board issued Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022. In the current financial year, the Company has applied the amendment to IFRS 16 (as issued by the Board in May 2021) in advance of its effective date.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b. Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022). There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Company has not been impacted by the amendment to IFRS 16 (as issued by the IASB in May 2021) in advance of its effective date.

4.2 New accounting pronouncements to be adopted on or after 1 Jan 2022:

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

- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 - Reference to the Conceptual Framework
- Amendments to IAS 16 - Property, Plant and Equipment—Proceeds before Intended Use
- Amendments to IAS 37 - Onerous Contracts—Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments and IFRS 16 Leases
- 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 transactions.
- 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.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company has liabilities in the form of borrowings, guarantees, trade and other payables as well as receivables in the form of loan and other receivables, trade and other receivables, and cash and deposits, these arise as a part of the business activities and operations of the company.

The company's activities expose it to a variety of financial risks including credit and liquidity risks, effects of changes in foreign currency and interest rates and changes in market prices of the company's products. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. Further, the company uses certain derivative financial instruments to mitigate some of these risk exposures.

(All amounts are in KSH'000, unless stated otherwise)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of .changes in market prices. Market prices comprise three types of risk - currency rate risk, interest rate risk and other price risks, such as equity risk. Financial instruments affected by market risk include loans and borrowings, deposits, investments, and derivative financial instruments.

The company's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. The company may use derivative financial instruments such as foreign exchange forward contracts to manage its exposures to foreign exchange fluctuations and interest rates.

The sensitivity of the relevant Statement of Comprehensive Income item (i.e. Profit/ loss before tax and other comprehensive income/ loss) is the effect of the assumed changes in the respective market risks. This is based on the financial assets and financial liabilities held as of 31 Dec 2021 and 2020.

i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company transacts business in U.S. dollars with parties of other countries and strategic vendor purchases are in U.S. dollars. The company has obtained foreign currency loans and has foreign currency trade payables and receivables and is therefore exposed to foreign exchange risk. The company may use foreign exchange forward contracts towards hedging risk resulting from changes and fluctuations in foreign currency exchange rate. These foreign exchange contracts, carried at fair value, may have varying maturities depending upon the primary host contract requirement and risk management strategy of the company. The company manages its foreign currency risk by hedging a certain proportion of its foreign currency exposure, as approved by Board as per established risk management policy or higher as considered appropriate and whenever necessary.

Unmatured Forward Contracts as on 31 December 2021: USD 24.50 Mn (2020: USD 21.50 Mn).

The company manages foreign exchange risk by converting its foreign currency balances into local currency on an on-going basis to cater for its operational requirements.

The sensitivity analysis has been prepared on the basis that the trade receivables, payables and borrowings and the proportion of financial instruments in foreign currencies are all constant.

The assumption in calculation of the sensitivity analysis is that the sensitivity of the relevant statement of profit or loss is the effect of the assumed changes in the respective market risk, the sensitivity of equity is calculated by considering the effects of the assumed changes of the underlying risks.

At 31 December 2021, if the KShs had weakened/strengthened by 5% against the US dollar with all other variables held constant, post tax profit for the period would have been KShs 3.44 billion (2020: KShs 3.30 billion) lower/higher, mainly as a result of US dollar denominated trade receivables, payables, bank balances and borrowings. There would be no impact on equity.

The balances in foreign currencies at year end were as follows:

	2021	2020
Assets in foreign currencies		
Trade and other receivables	1,920,522	7,197,231
Bank balances	1,140,335	1,699,838
	3,060,857	**8,897,069**
Liabilities in foreign currencies		
Trade and other payables	6,855,192	5,628,350
Shareholder's loan	38,553,878	52,360,109
Borrowings	15,778,768	9,234,899
Lease Liabilities	10,632,716	7,706,232
	71,820,554	**74,929,590**
Net foreign currency liability	**(68,759,697)**	**(66,032,521)**

(All amounts are in KSH'000, unless stated otherwise)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

i) Foreign exchange risk (continued)

In computing the percentage change in exchange rates, management has taken into consideration the direction of the published rates movement in the functional currency against the major foreign transactional currencies over the last two years.

ii) Price risk

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

iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to the company's debt interest obligations with floating interest rates. The company limits interest rate risk by monitoring changes in interest rates in the currencies in which loans are denominated.

The company's only variable interest bearing financial liabilities are its external borrowings of KShs 23.95 Billion (2020: KShs 10.93 Billion) which are set at variable rates, and it is therefore exposed to cash flow interest rate risk. The company also relies on funding from shareholders of KShs 38.55 Billion (2020: 52.36 Billion) which is at a fixed rate and therefore not exposed to cash flow interest rate risk. The company regularly monitors financing options available to ensure optimum interest rates are obtained.

At 31 December 2021, an increase/decrease of 100 basis points would have resulted in a decrease/increase in pre-tax profit of KShs 239.59 million (2020: KShs 109.37 million).

The balances of interest-bearing liabilities at year end were as follows:

	2021	2020
Financial Liabilities		
HSBC- Mauritius loan	1,697,250	1,640,306
Citibank loan	5,492,143	5,407,528
Standard Chartered bank loan	2,419,800	1,000,000
Bank Overdraft	1,903,514	702,745
JP Morgan	3,394,500	2,187,069
Axis Bank Ltd	3,394,500	-
BOA	5,657,500	-
	23,959,207	**10,937,648**
Shareholder's loans	**38,553,878**	**52,360,109**

iv) Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company is exposed to credit risk from its operating activities, primarily from trade receivables but also from cash, other banks balances, derivative financial instruments other financial receivables.

(All amounts are in KSH'000, unless stated otherwise)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

iv) Credit risk (continued)

As there is no independent credit rating of the customers available with the company, the management reviews the credit-worthiness of its customers based on their financial position, past experience, ageing and other factors. Credit risk related to trade receivables is managed/mitigated in accordance with the policies and procedures established, by setting appropriate payment terms and credit period, and by setting and monitoring internal limits on exposure to individual customers. The credit period provided by the company to its customers generally ranges from 14-30 days. The company uses a provision matrix to measure the expected credit loss of trade receivables, which comprise a very large numbers of small balances.

The company's treasury 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, inter group receivables carry either negligible or very minimal credit risk.

Further, the company reviews the credit-worthiness of the all the above assets on an on-going basis, and if required, takes necessary mitigation measures.

The tables below detail the Company's maximum exposure to credit risk:

As at 31 Dec 2021

Particulars	Gross carrying amount	Loss allowance	Net amount
Trade Receivables	1,866,101	1,586,842	279,258
Other receivables	394,281	13,487	380,794
Cash and cash equivalents	1,448,776		1,448,776
Due from related parties	1,632,428	-	1,632,428
	5,341,586	**1,600,329**	**3,741,256**

As at 31 Dec 2020

Particulars	Gross carrying amount	Less allowance	Net amount
Trade receivables	1,820,038	1,543,551	276,487
Other Receivables	463,825	98,360	365,465
Cash and cash equivalents	2,011,324	-	2,011,324
Due from related parties	7,113,967	-	7,113,967
Total	**11,409,154**	**1,641,911**	**9,767,243**

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. Refer note 23 for details on the impairment of trade receivables.

Based on the industry practices and the business environment in which the company operates, management considers trade receivables are credit impaired if the payments are more than 270 days past due in case of interconnect customers and 90 days past due in other cases. In determining the amount of impairment, management considers the collateral against such receivables and any amount payable to such customers.

(All amounts are in KSH'000, unless stated otherwise)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

iv) Credit risk (continued)

The following table details the risk profile of trade receivables based on the company's provision matrix:

Particulars	Less than 30 days	30 to 60 days	60 to 90 days	Above 90 days	Total
Trade Receivable as of 31 Dec 2021	128,783	89,030	46,471	1,601,817	1,866,101
Trade Receivable as of 31 Dec 2020	123,295	60,950	36,830	1,598,963	1,820,038

v) Liquidity risk

Liquidity risk is the risk that the company may not be able to meet its present and future obligations as and when due, without incurring unacceptable losses. The company's prudent liquidity risk management objective is to; at all times maintain optimum levels of liquidity to meet its cash and collateral requirements. The company closely monitors its liquidity position and deploys a robust cash management system. It maintains adequate sources of financing including term loans, debts and overdraft from both domestic and international banks at an optimised cost and the availability of funding from the principal shareholders. Management monitors rolling forecasts of the company's liquidity reserves on the basis of expected cash flows.

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

	Less than 1 year	Between 1 and 2 years	More than 2 Years	Totals
At 31 December 2021:				
Liabilities				
Shareholder's loans	-	-	38,553,878	38,553,878
External borrowings	11,306,443	9,052,000	1,697,250	22,055,693
Lease Liabilities	2,902,832	3,127,420	10,067,294	16,097,546
Bank overdraft	1,903,514	-	-	1,903,514
Accrued expenses and other payables	5,508,451	-	-	3,237,130
Amounts due to related companies	2,054,309	-	-	2,054,309
Trade payables	3,162,522	-	-	3,162,522
Total financial liabilities (contractual maturity dates)	**26,838,071**	**12,179,420**	**50,318,422**	**89,335,913**
At 31 December 2020:				
Liabilities				
Shareholder's loans	52,360,109	-	-	52,360,109
External borrowings	2,640,306	7,594,597	-	10,234,903
Lease Liabilities	2,104,256	2,267,059	7,854,695	12,226,010
Bank overdraft	702,745	-	-	702,745
Accrued expenses and other payables	2,025,450	-	-	2,025,450
Amounts due to related companies	2,083,751	-	-	2,083,751
Trade payables	3,748,034	-	-	3,748,034
Total financial liabilities (contractual maturity dates)	**65,664,651**	**9,861,656**	**7,854,695**	**83,381,002**

(All amounts are in KSH'000, unless stated otherwise)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

vi) Capital management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, or issue new shares. No changes were made in the objectives, policies or processes during the year ended December 31, 2021 and December 31, 2020. 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.

Telecom companies in Kenya are required by law to maintain at least 20% local shareholding. However, in November 2012, Airtel Networks Kenya Limited managed to secure an unlimited waiver from this requirement by the then Finance Minister.

The gearing ratios at 31 December 2021 and 2020 were as follows.

	2021	**2020**
Loans and borrowings	62,513,084	63,297,757
Less: Cash and cash equivalents	(1,448,776)	(2,011,324)
Net Debt	**61,064,308**	**61,286,433**
Equity	(45,341,295)	(43,782,150)
Gearing Ratio	Over 100%	Over 100%

6. SEGMENTAL INFORMATION

The Central Bank of Kenya requires Airtel Money to present its financial results. However, Airtel Money is not registered as a separate entity. Therefore, we are presenting segmental information in order to comply with requirements by Central Bank of Kenya.

Information reported to the managing director (chief decision maker) for purposes of resource allocation and assessment of segment performance focuses on nature of services provided. The directors of the company have decided to organize the company around differences in services and related regulatory structure. As a result, there are two operating segments: Airtel Networks Kenya Limited telecommunications business (GSM) and Airtel Kenya Networks Limited Mobile Commerce business.
Specifically, the company reports operating segments under IFRS 8 as follows:

- Telecommunications business (GSM)
- Mobile commerce business (Airtel Money)

(All amounts are in KSH'000, unless stated otherwise)

6. SEGMENTAL INFORMATION (continued)

Segmental Performance

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2021				2020			
	GSM	Airtel Money	Intercompany elimination	Total	GSM	Airtel Money	Intercompany elimination	Total
Revenue*	32,805,918	283,698	(205,298)	32,884,318	26,457,030	245,011	(159,272)	26,542,770
Network operating expenses	6,561,704	25,322	(4,610)	6,582,416	4,981,297	29,854	(4,957)	5,006,194
Access charges/ Cost of sales	6,233,408	-	-	6,233,408	5,935,525	-	-	5,935,525
License fee / spectrum usage charges	4,965,905	500	-	4,966,405	2,479,378	500	-	2,479,878
Employee benefits expense	1,968,352	123,987	-	2,092,339	1,664,261	70,631	-	1,734,892
Sales and marketing expenses	3,942,736	65,831	(64,089)	3,944,478	3,566,025	80,827	(66,768)	3,580,084
Provision for impairment losses	(41,581)	-	-	(41,581)	99,859	-	-	99,859
Other expenses	811,311	31,434	(136,599)	706,146	669,648	33,826	(87,547)	615,927
Depreciation and amortization	6,126,404	52,510	-	6,178,914	5,303,540	66,707	-	5,370,247
Total Costs	**30,568,238**	**299,584**	**(205,298)**	**30,662,525**	**24,699,532**	**282,345**	**(159,272)**	**24,822,606**
Finance costs	3,684,665	1,906	-	3,686,571	3,120,685	1,148	-	3,121,833
Finance Income	(1,424)	(19,512)	-	(20,936)	(1,117)	(37,453)	-	(38,570)
Foreign exchange gain/(loss)	2,424,462	(36,967)	-	2,387,495	4,564,459	(80,129)	-	4,484,330
(Loss)/profit before tax	**(3,870,022)**	**38,686**	**0**	**(3,831,336)**	**(5,926,529)**	**79,099**	**-**	**(5,847,429)**
Tax expense	-	-	-	-	148,370	-	-	148,370
(Loss)/profit after tax	**(3,870,022)**	**38,686**	**0**	**(3,831,336)**	**(6,074,899)**	**79,099**	**-**	**(5,995,799)**

*Revenue is inclusive of other income.

(All amounts are in KSH'000, unless stated otherwise)

6. SEGMENTAL INFORMATION (continued)

STATEMENT OF FINANCIAL POSITION

	2021				2020			
	GSM	**Airtel Money**	**Intercompany elimination**	**Total**	**GSM**	**Airtel Money**	**Intercompany elimination**	**Total**
Bank balance	187,966	1,260,810	-	1,448,776	753,196	1,258,128	-	2,011,324
Non-Current Assets	38,664,530	53,832	-	38,718,364	30,689,033	83,793	-	30,772,826
Other assets	5,875,450	116,372	(320,060)	5,671,762	10,947,041	224,787	(609,446)	10,562,382
Total Assets	**44,727,947**	**1,431,014**	**(320,060)**	**45,838,901**	**42,389,270**	**1,566,708**	**(609,446)**	**43,346,532**
Trade and other payables	8,793,448	285,768	(320,060)	8,759,156	8,364,566	460,782	(609,446)	8,215,902
Shareholder's loans	38,553,878	-	-	38,553,878	52,360,109	-	-	52,360,109
Loans from banks	23,950,420	-	-	23,950,420	10,933,729	-	-	10,933,729
Other liabilities	22,188,103	830	-	22,188,933	15,618,747	195	-	15,618,942
Retained earnings	(78,488,239)	(2,752,459)	-	(81,240,698)	(74,618,218)	(2,791,144)	-	(77,409,362)
Share capital and share premium	29,730,337	3,896,875	-	33,627,212	29,730,337	3,896,875	-	33,627,212
Total equity and liabilities	**44,727,947**	**1,431,014**	**(320,060)**	**45,838,901**	**42,389,270**	**1,566,708**	**(609,446)**	**43,346,532**

(All amounts are in KSH'000, unless stated otherwise)

7 REVENUE

	2021	2020
Voice revenues	15,498,427	12,392,152
Data revenues	10,348,031	7,795,633
Interconnect revenues	3,329,986	2,622,474
Roaming revenues	130,434	116,959
Site sharing Income (leased site)	15,324	14,739
Other service revenues	667,712	568,001
Sales of goods (handsets & accessories)	49,398	69,374
Messaging & Vas Revenue	2,608,088	2,621,467
Revenue earned from Mobile Virtual Network	229,322	216,379
	32,876,722	**26,417,178**

Performance obligations that are unsatisfied (or partially unsatisfied) amounting to Kes 1,436.16 Mn at 31 December 2021 and Kes1,409.64 Mn as at 31 December 2020 will be satisfied within a period of one year, respectively.

Revenue recognized that was included in the deferred revenue at the beginning of the year is Kes 1,409.64 Mn (2020: Kes 1,070.96 Mn).

Transfer from unbilled revenue recognized at the beginning of the period to receivables is Kes.355.40 Mn for 2021 (2020: Kes 287.66).

8 NETWORK OPERATING EXPENSES

	2021	2020
Network operation and maintenance costs	6,097,282	4,568,389
Leased lines	485,134	437,805
	6,582,416	**5,006,194**

9 ACCESS CHARGES

	2021	2020
Interconnect costs	6,203,361	5,902,945
Roaming charges	30,047	32,580
	6,233,408	**5,935,525**

10 EMPLOYEE BENEFITS EXPENSES

	2021	2020
Salaries	1,082,294	971,927
Defined contribution plan cost	55,681	46,121
Defined benefit plan cost*	18,242	20,082
Staff Welfare Expense	104,596	95,032
Other staff related costs	831,526	601,730
	2,092,339	**1,734,892**

Defined benefit plan cost movement during the year

	2021	2020
Opening Balance	67,970	52,613
Charge for the year	18,242	20,082
Payments for the year	(4,637)	(4,725)
Closing Balance	**81,575**	**67,970**

* Defined benefit plan cost includes only benefit paid for compensated absences.

(All amounts are in KSH'000, unless stated otherwise)

11 SALES AND MARKETING EXPENSES

	2021	2020
Sales Commission	2,823,630	2,416,585
Marketing costs	463,068	455,863
Sim Cost	297,012	327,263
VAS Content	360,768	380,373
	3,944,478	**3,580,084**

12 OTHER EXPENSES

Travel costs	8,545	9,431
Professional fees	53,689	97,027
Auditors' remuneration	9,789	13,317
Repairs and maintenance costs	7,118	17,397
Directors' remuneration	-	14,457
Insurance expenses	12,994	26,104
Cost of handsets and accessories	34,567	66,111
Customer experience costs	93,894	150,486
Rates, Fees and Taxes**	367,134	-
Other administrative costs*	118,416	221,597
	706,146	**615,927**

*Other administrative costs include mainly Office Administrative Expenses e.g. Rent, Electricity etc.
**Rates, Fees and taxes include mainly Minimum Tax on Gross Revenue.

13 DEPRECIATION AND AMORTIZATION

	2021	202x0
Depreciation –property, plant & equipment and Right of use assets	5,581,776	4,746,795
Amortization – intangible assets	597,138	623,452
	6,178,914	**5,370,247**

14 FINANCE COSTS

Interest on lease liabilities	1,135,378	1,012,192
Interest on borrowings	2,420,241	2,048,238
Amortization of loan Origination Cost	4,974	3,959
Net loss on derivative financial instruments	113,356	43,742
Bank charges	12,621	13,702
	3,686,570	**3,121,833**

FINANCE INCOME

Interest income	(20,936)	(38,570)

(All amounts are in KSH'000, unless stated otherwise)

15 Income Tax Recoverable

	2021	2020
Statement of financial position		
As at 1 January	311,207	301,287
Paid during the year	8,097	9,920
Tax recoverable	**319,304**	**311,207**

16 Tax Expense

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

	2021	2020
Loss before income tax	(3,831,336)	(5,847,429)
Tax calculated at the statutory income tax rate of 30% (2020: 25%)	(1,149,401)	(1,754,229)
Net tax effect of:		
Income not subject to tax	(969,941)	(961,312)
Expenses not deductible for tax purposes	5,142,569	1,774,265
Deferred income tax asset not recognized during the year	(3,023,227)	941,276
Settlement of Various Disputes	-	148,370
Income tax expense	**-**	**148,370**

(All amounts are in KSH'000, unless stated otherwise)

17. Property, plant and equipment ('PPE')

The following table presents the reconciliation of changes in the carrying value of PPE for the year ended 31 Dec 2021 and 31 Dec 2020:

	Leasehold improvements	Land	Technical assets	Motor vehicles	Office, IT equipment & others	Furniture & fittings	Total	Capital work in progress**
Gross Carrying Value								
At January 1, 2020	1,105,051	85,000	42,021,773	11,571	8,606,437	225,138	52,054,970	411,443
Additions	-	-	4,614,957	-	205,676	25,414	4,846,047	2,094,403
Disposal / Adjustments*	-	-	(45,692)	-	-	-	(45,692)	13,473
At December 31, 2020	**1,105,051**	**85,000**	**46,591,038**	**11,571**	**8,812,113**	**250,552**	**56,855,325**	**2,519,319**
Additions	-	-	7,309,314	2,150	166,591	132,876	7,610,931	336,913
Adjustment*	-	-	(751,502)	-	-	-	(751,502)	-
At December 31, 2021	**1,105,051**	**85,000**	**53,148,850**	**13,721**	**8,978,704**	**383,428**	**63,714,754**	**2,856,232**
Accumulated Depreciation								
At January 1, 2020	**958,944**	**-**	**30,897,371**	**8,795**	**8,267,822**	**215,370**	**40,348,302**	**-**
Charge for the year	45,419	-	2,537,066	897	207,860	11,470	2,802,712	-
Disposal / Adjustment*	-	-	(39,984)	-	-	-	(39,984)	-
At December 31, 2020	**1,004,363**	**-**	**33,394,453**	**9,692**	**8,475,682**	**226,840**	**43,111,030**	**-**
Charge for the year	16,707	-	2,909,140	906	257,754	28,107	3,212,614	-
Adjustment*	-	-	(751,502)	-	-	-	(751,502)	-
At December 31, 2021	**1,021,070**	**-**	**35,552,091**	**10,598**	**8,733,436**	**254,947**	**45,572,142**	**-**
NET CARRYING VALUE:								
At December 31, 2020	**100,688**	**85,000**	**13,196,585**	**1,879**	**336,431**	**23,712**	**13,744,295**	**2,519,319**
At December 31, 2021	**83,981**	**85,000**	**17,596,759**	**3,123**	**245,268**	**128,481**	**18,142,612**	**2,856,232**

* Adjustments consists of reversal of gross carrying value and accumulated depreciation on retirement of PPE and reclassification from one category of asset to another.

** The carrying value of capital work-in-progress as at December 31, 2021 & December 31, 2020 mainly pertains to plant and equipment.

(All amounts are in KSH'000, unless stated otherwise)

18 Intangible Assets

	License	YU brand	YU customer base	Total
Gross Carrying Value				
At January 1, 2020	5,852,999	16,180	1,289,300	7,158,479
Additions	47,083	-	-	47,083
At December 31, 2020	**5,900,082**	**16,180**	**1,289,300**	**7,205,562**
Additions	19,084	-	-	19,084
At December 31, 2021	**5,919,166**	**16,180**	**1,289,300**	**7,224,646**
Accumulated Depreciation				
At January 1, 2020	2,159,008	16,180	1,289,300	3,464,488
Charge for the year	623,452	-	-	623,452
At December 31, 2020	**2,782,460**	**16,180**	**1,289,300**	**4,087,940**
Charge for the year	597,138	-	-	597,138
At December 31, 2021	**3,379,598**	**16,180**	**1,289,300**	**4,685,078**
NET CARRYING VALUE:				
At December 31, 2020	3,117,622	-	-	3,117,622
At December 31, 2021	2,539,568	-	-	2,539,568

YU brand and customer base fully amortized as of 31st Dec 2017.

19 Right of use Assets

	Plant and equipment	Others	Total
Gross Carrying Value			
At January 1, 2020	13,680,212	125,606	13,805,818
Additions	2,281,406	567,934	2,849,340
At December 31, 2020	**15,961,618**	**693,540**	**16,655,158**
Additions	5,424,340	890,786	6,315,126
Adjustment	(64,087)	-	(64,087)
At December 31, 2021	**21,321,871**	**1,584,326**	**22,906,197**
Accumulated Depreciation			
At January 1, 2020	4,422,339	102,708	4,525,047
Charge for the year	1,832,829	111,254	1,944,083
At December 31, 2020	**6,255,168**	**213,962**	**6,469,130**
Charge for the year	1,858,550	510,612	2,369,162
Adjustment	(11,364)	-	(11,364)
At December 31, 201	**8,102,354**	**724,574**	**8,826,928**
NET CARRYING VALUE:			
At December 31, 2020	9,706,450	479,578	10,186,027
At December 31, 2021	13,219,517	859,752	14,079,269

(All amounts are in KSH'000, unless stated otherwise)

20 DERIVATIVE FINANCIAL INSTRUMENTS

	2021	2020
ASSETS		
At Jan 1 2021	182	-
Credit to profit or loss	1,959	182
At December 31 2021	**2,141**	**182**
LIABILITY		
At January 1 2021	37,142	11,977
(Credit)/Charge to profit or loss	(21,678)	25,165
At December 31 2021	**15,464**	**37,142**

21 DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted rate of 30% (2020:30%). The movement in the deferred income tax account is as follows;

	2021	2020
At start of year	21,377,073	20,435,797
Credit to profit or loss	(3,023,227)	941,276
Unrecognized asset	(18,353,846)	(21,377,073)
At end of year	-	-

The net unrecognised deferred income tax asset and deferred income tax credit to profit or loss are attributable to the following items after multiplying by the tax rate of 30%:

Year ended 31 December 2021	1.1.2021	Credit to profit or loss	31.12.2021
Doubtful Debts	(1,683,021)	(41,253)	(1,724,274)
Inventory obsolescence	(96,217)	(9,310)	(105,527)
Accrued leave	(67,969)	(10,302)	(78,271)
Provision for bonuses	(101,362)	(11,241)	(112,603)
Provision for network removal (ARO)	(8,389)	(202)	(8,591)
Provision for tax cases	(372,162)	197,947	(174,215)
Provision for legal cases	(273,489)	787	(272,702)
PRA Discount Receivable Provision	(14,101)	(1,111)	(15,212)
Roaming TAP-IN (Outroamer) Provision	(2,590)	304	(2,286)
IBM embedded derivative gain	(1,820)	1,820	-
ESOP Provision	(63,443)	49,843	(13,600)
Provision for Minimum tax	-	(328,715)	(328,715)
Provision for Employee incentives	-	(35,520)	(35,520)
unrealized exchange losses - loans	(3,832,702)	3,533,239	(299,463)
Net unrealized exchange differences	(444,040)	1,562,690	1,118,650
Provision for Airtel Money/ Bank/ Cash balance	(590,570)	-	(590,570)
ROU asset - IFRS 16	10,186,027	3,893,243	14,079,270
Lease Liability IFRS 16	(12,226,010)	(3,759,865)	(15,985,875)
Tax Losses carried forward net of Expired Losses	(56,394,836)	24,775,272	(31,619,564)
Deferred income tax assets not recognized	65,986,694	(29,817,626)	36,169,068
Net deferred income tax assets	**-**	**-**	**-**

(All amounts are in KSH'000, unless stated otherwise)

21 DEFERRED INCOME TAX (continued)

A deferred tax asset of KShs 18.80 million (2020: KShs 21.38 mn) has not been recognized in the financial statements as it is not probable that future taxable profits will be available against which the deferred tax asset can be utilized. The company's tax losses can be carried forward for ten years for offsetting.

Year ended 31 December 2020	1.1.2020	Credit to profit or loss	31.12.2020
Doubtful Debts	(1,692,890)	9,869	(1,683,021)
Inventory obsolescence	(48,513)	(47,705)	(96,218)
Accrued leave	(52,613)	(15,356)	(67,969)
Bonus	(87,998)	(13,363)	(101,361)
Provision for network removal (ARO)	(8,560)	171	(8,389)
Provision for tax cases	(434,714)	62,552	(372,162)
Provision for legal cases	(289,971)	16,482	(273,489)
PRA Discount Receivable Provision	-	(14,101)	(14,101)
Roaming TAP-IN (Outroamer) Provision	-	(2,590)	(2,590)
IBM embedded derivative gain	-	(1,820)	(1,820)
ESOP Provision	(4,807)	(58,636)	(63,443)
unrealized exchange losses - loans	-	(3,832,702)	(3,832,702)
Net unrealized exchange differences	601,486	(1,045,526)	(444,040)
Provision for Airtel Money/ Bank/ Cash balance	(590,570)	-	(590,570)
ROU asset - IFRS 16	9,280,771	905,256	10,186,027
Lease Liability IFRS 16	(10,853,910)	(1,372,100)	(12,226,010)
Tax losses carried forward	(59,773,700)	3,378,864	(56,394,836)
Deferred income tax assets not recognized	63,955,989	2,030,706	65,986,695
Net deferred income tax assets	**-**	**-**	**-**

22 INVENTORIES

	2021	2020
Finished goods (at cost)	121,363	107,647
Provision for stock obsolescence	(58,349)	(72,199)
Stock write-down	(47,179)	(24,019)
	15,835	**11,429**

(All amounts are in KSH'000, unless stated otherwise)

23 TRADE AND OTHER RECEIVABLES

	2021	2020
Trade Receivables	1,866,101	1,820,038
Provision for Doubtful Debts Allowance	(1,586,842)	(1,543,550)
Net Trade Receivables (a)	**279,259**	**276,487**
Other receivables*	394,281	463,825
Provision for impairment losses on other receivables (b)	(13,487)	(98,360)
	380,794	**365,465**
Receivable from related parties – note 35(iii) (C)	1,632,428	7,113,967
Total Trade and other receivables (a+b+c)	**2,292,480**	**7,755,919**

*Other receivables mainly include Unbilled revenue, claims receivables & Interest Receivable.
Movements on the provision for impairment of trade receivables are as follows:

	2021	2020
Movement of Provision Doubtful Debts Allowance		
Opening balance	1,543,550	1,542,051
Additional provision	43,292	1,499
Closing balance	**1,586,842**	**1,543,550**
Movement of Provision for impairment losses		
Opening balance	98,360	-
(Reduction)/Additional Provision	(84,873)	98,360
Closing balance	**13,487**	**98,360**

The carrying amounts of receivables approximate their fair value due to the short-term nature of the receivables.

24. CASH AND CASH EQUIVALENTS

	2021	2020
Balances with Bank		
On current accounts	186,412	789,506
Fixed Deposits	1,108,870	1,071,663
Cash in hand	153,494	150,155
	1,448,776	**2,011,324**

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2021	2020
Bank Balance	1,295,282	1,861,170
Cash in hand	153,494	150,155
Bank overdraft (Note 30)	(1,903,514)	(702,745)
	(454,738)	**1,308,580**

25 ORDINARY SHARE CAPITAL

	Number of shares	Par value KShs	Ordinary Shares KShs'000
At 1 January 2020 and 31 December 2020 & 2021	3,350,000	1,000	3,350,000

26 SHARE PREMIUM

	Ordinary shares	Redeemable pref. shares	Total
At 1 January 2020 and 31 December 2020 &	3,406,676	4,259,023	7,665,699

The premium on ordinary shares arose on the issue of 875,000 ordinary shares of KShs 1,000 each issued in 2001 for a premium of KShs 234,801,000 and a further issue of 725,000 ordinary shares of KShs 1,000 each in 2019 for a premium of KShs 3,171,875,000. The premium on redeemable preference shares arose on the issue of 6,700,000 redeemable preference shares of KShs 1,000 each issued in 2007 for a premium of KShs 1,340,000,000, on the issue of 8,525,427 redeemable preferences shares of KShs 1,000 each in 2008 for a premium of KShs 2,141,806,000 and the issue of 3,886,087 redeemable preference shares of KShs 1,000 each in 2009 for a premium of KShs 777,217,000.

27 REDEEMABLE PREFERENCE SHARES

	Number of preference shares	Preference shares KShs'000
31 December 2020	22,611,513	22,611,513
31 December 2021	22,611,513	22,611,513

The number of Authorised and Issued Preference Shares is 22,611,513 with a par value of KShs 1,000 each.

The preference shares are classified as equity in line with IAS 32, Financial Instruments; Presentation. They are denominated in Kenya Shillings and have no right to dividend.

There is no fixed redemption date for the preference shares; they will be redeemed at the discretion of the company.

28 SHAREHOLDERS' LOANS

	2021	2020
Balance at start of year	52,360,109	46,692,603
Proceeds from new shareholder loans	-	530,480
Interest capitalized	1,414,192	1,336,557
Foreign exchange loss	1,264,253	3,800,469
Netting off receivables from group company	(5,500,676)	-
Shareholders' Loan repayment	(10,984,000)	-
Total shareholders' loans at end of year	**38,553,878**	**52,360,109**

These are loans from the immediate holding company, Bharti Airtel Kenya B.V. Loan is repayable as on 31 December 2026. The loans are unsecured and bear 3% interest per annum.

(All amounts are in KSH'000, unless stated otherwise)

29. LEASE LIABILITIES

i.) As a lessee

(a) Analysed as;

	2021	2020
Non-current	13,194,714	10,121,754
Current	2,902,832	2,104,256
	16,097,546	**12,226,010**

(b) Maturity analysis:

Less than one year	3,720,799	3,594,281
Later than one year but not later than two years	3,550,793	3,839,663
Later than two years but not later than five years	7,245,627	10,314,441
Later than five years but not later than nine years	4,220,539	2,455,221
Later than nine years	409,638	103,665
Total undiscounted lease liabilities	**19,147,397**	**20,307,271**
Lease liabilities included in the statement of financial position	16,097,546	12,226,010
Amounts recognised in profit or loss		
Interest on lease liabilities	1,135,378	1,012,192
	1,135,378	**1,012,192**

Lease Liability movement

Opening Balance	12,226,010	10,853,909
Additions (Net of adjustment)	6,262,403	2,849,339
Interest on lease liabilities	1,135,378	1,012,192
Repayment of Lease Liabilities	(3,526,245)	(2,489,430)
Closing Balance	**16,097,546**	**12,226,010**

ii.) As a lessor

The Company's lease arrangements as a lessor mainly pertain to passive infrastructure. Certain of these lease arrangements have escalations up to 7 % per annum.

Operating Lease

	2021	**2020**
Lease income recognized in profit or loss	36,219	43,231
Income from sub-leasing right-of-use assets	15,324	14,739
Lease income recognized in profit or loss	**51,543**	**57,970**

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

(All amounts are in KSH'000, unless stated otherwise)

29. LEASE LIABILITIES (Continued)

ii) As a lessor

Operating Lease

	2021	2020
Disclosure		
Less than one year	55,150	62,028
One to two years	59,011	66,370
Two to three years	63,142	71,016
Three to four years	67,562	75,987
Four to five years	72,291	81,306
More than five years	471,858	530,703
	789,014	**887,411**

30 BORROWING

Non-Current		
Term loans	13,515,768	9,234,899
Less: Current portion (a)	(2,766,518)	(1,640,302)
Less: Debt Origination Cost	(8,787)	-
	10,740,463	**7,594,597**
Current maturities of long-term borrowings (a)	2,766,518	1,640,302
Current		
Term loans (a)	2,766,518	1,640,302
Short Term loans	8,539,925	1,000,000
Bank overdraft	1,903,514	702,745
Less: Debt Origination Cost	-	(3,916)
	13,209,957	**3,339,131**

Current borrowings consist mainly of external loans from HSBC-Mauritius, SCB Bank, JP Morgan, repayable within 12 months of 31 December 2022.

The overdraft facility extended by Standard Chartered Bank Kenya Limited has a limit of KShs 2 Bn and bears 8.90 % interest per annum. Interest accrues on the daily overdrawn balance and is payable monthly in arrears. As at 31st December 2021, the overdrawn balance was KShs. 1,903.5 Mn (KShs 702.7 Million as at 31st December 2020).

(All amounts are in KSH'000, unless stated otherwise)

30 BORROWINGS (continued)

Detail of all borrowings is as below: -

Movement in loan

	Citi Bank	Hongkong & Shanghai Bank	Standard Chartered Bank	JP Morgan Chase bank	Stanbic	Bank of America	AXIS Bank	Bank Overdraft	Total
At 1 January 2020	5,006,813	1,518,750	-	-	1,000,000	-	-	361,363	7,886,926
Drawn down during the year	-	-	1,000,000	2,228,000	-	-	-	341,382	3,569,382
Repayments in the year	-	-	-	-	(1,000,000)	-	-	-	(1,000,000)
Net Foreign exchange loss	400,715	121,552	-	(40,931)	-	-	-	-	481,336
At 31 December 2020	**5,407,528**	**1,640,302**	**1,000,000**	**2,187,069**	**-**	**-**	**-**	**702,745**	**10,937,644**
At 1 January 2021	5,407,528	1,640,302	1,000,000	2,187,069	-	-	-	702,745	10,937,644
Drawn down during the year	3,857,125	-	1,419,800	2,159,000	-	5,509,500	3,322,000	1,200,770	17,468,195
Repayments in the year	(3,854,800)	-	-	(1,126,786)	-	-	-	-	(4,981,586)
Net exchange loss	82,290	56,948	-	175,217	-	148,000	72,500	-	534,955
At 31 December 2021	**5,492,143**	**1,697,250**	**2,419,800**	**3,394,500**	**-**	**5,657,500**	**3,394,500**	**1,903,514**	**23,959,207**

(All amounts are in KSH'000, unless stated otherwise)

31 TRADE AND OTHER PAYABLES

	2021	2020
Trade payables	3,162,522	3,748,034
Due to related parties – note 35 (iv)	2,054,309	2,083,751
Accrued expenses and other payables	3,237,130	2,051,171
Interest Accrued but not Due	305,196	358,667
	8,759,157	**8,241,623**

The carrying amounts of the above payables and accrued expenses approximate their fair value due to their short-term nature. The payables are not interest bearing and are normally settled as per credit terms agreed with individual vendors.

32 PROVISIONS

	2021	2020
Non-Current		
Asset retirement obligation	8,590	8,389
Employee benefits - leave encashment	58,972	51,123
	67,562	**59,512**
Current		
Provision for sub-judice matters	357,306	644,865
Employee benefits - leave encashment	19,299	16,847
	376,605	**661,712**

33 CONTINGENT LIABILITIES

In the ordinary course of business, the company is a defendant or co-defendant in various litigations & claims and issues Performance Guarantee to customers for bidding the contracts. Although there can be no absolute assurance, the directors believe, based on information currently available, that the ultimate resolution of these legal proceedings is not likely to have a material adverse effect on the results of its operations, financial position or liquidity. The disputes mainly relate to tax and legal matters.

	2021	2020
Tax litigations		
Income Tax, Import duty and VAT	95,957	164,959
Legal litigations		
Civil and other legal cases	12,980	12,890
Performance Bonds	16,393	31,610

34 COMMITMENTS

The capital expenditure contracted as at the reporting date is as follows;

	2021	2020
Capital commitments		
Authorised and contracted for:		
Due within 1 year	5,265,100	3,055,599

(All amounts are in KSH'000, unless stated otherwise)

35 RELATED PARTY TRANSACTIONS

The company is controlled by Airtel Africa Plc which is the parent company. The ultimate parent of the company is Bharti Airtel Limited.

(i) Sale of goods and services	2021	2020	
Bharti Airtel (UK) Limited	351,034	332,676	Fellow subsidiary
Airtel Uganda Limited	293,611	269,554	Fellow subsidiary
Bharti Airtel International (Netherlands) B.V	31,244	43,184	Step up parent
Airtel Madagascar S.A.	11,694	13,493	Fellow subsidiary
Bharti Airtel Limited	10,142	7,557	Step up parent
Airtel Tanzania Limited	7,774	9,231	Fellow subsidiary
Airtel Networks Limited (Nigeria)	6,229	19,208	Fellow subsidiary
Airtel Congo (RDC) S.A	5,510	11,587	Fellow subsidiary
Airtel Networks Zambia Plc	3,922	8,604	Fellow subsidiary
Bharti International (Singapore) Pte Ltd	3,255	3,777	Fellow subsidiary
Airtel Malawi Limited	1,747	8,676	Fellow subsidiary
Airtel Rwanda Limited	1,202	6,469	Fellow subsidiary
Airtel Gabon S.A.	149	6,543	Fellow subsidiary
Airtel Niger Limited.	136	12,907	Fellow subsidiary
Airtel Congo S.A	103	3,756	Fellow subsidiary
Airtel Tchad S.A	69	5,780	Fellow subsidiary
Airtel Ghana Limited	22	-	Joint venture
Jersey Airtel Limited	7	-	Fellow subsidiary
Bharti Hexacom Limited	5	8	Fellow subsidiary
Bharti Airtel Lanka (Pvt Ltd), Sri Lanka	4	-	Fellow subsidiary
Airtel (Seychelles) Limited	-	5,563	Fellow subsidiary
	727,859	**768,573**	

Sales of services are negotiated with related parties on a cost-plus basis, allowing a margin of 10 % (2020: 10%). Services sold to related entities include interconnection of voice calls, roaming, short message services and goods sold include phones and handsets.

(All amounts are in KSH'000, unless stated otherwise)

35 RELATED PARTY TRANSACTIONS (Continued)

(ii) Purchase of goods and services

Purchase of goods and services	2021	2020	Relationship
Bharti Airtel (UK) Limited	190,802	271,606	Fellow subsidiary
Network i2i Ltd.	108,631	90,196	Step up parent
Airtel Uganda Limited	99,014	613,747	Fellow subsidiary
Bharti Airtel (France) SAS	94,963	-	Fellow subsidiary
Airtel Tanzania Limited	42,661	40,518	Fellow subsidiary
Bharti Airtel International (Netherlands) B.V	16,089	-	Step up parent
Centum Learning Limited	12,760	-	Fellow subsidiary
Airtel Congo (RDC) S.A	9,885	9,377	Fellow subsidiary
Bharti Airtel Limited	9,774	1,007	Step up parent
Bharti International (Singapore) Pte Ltd	6,697	48,992	Fellow subsidiary
Airtel Networks Limited (Nigeria)	5,073	6,442	Fellow subsidiary
Airtel Rwanda Limited	5,036	42,592	Fellow subsidiary
Airtel Networks Zambia Plc	4,842	6,967	Fellow subsidiary
Airtel Malawi Limited	3,599	5,313	Fellow subsidiary
Airtel (Seychelles) Limited	1,556	997	Fellow subsidiary
Airtel Niger Limited.	510	906	Fellow subsidiary
Airtel Tchad S.A	456	346	Fellow subsidiary
Airtel Madagascar S.A.	289	432	Fellow subsidiary
Airtel Gabon S.A.	213	-	Fellow subsidiary
Airtel Congo S.A	87	415	Fellow subsidiary
Bharti Hexacom Limited	44	57	Fellow subsidiary
Bharti Airtel Lanka (Pvt Ltd), Sri Lanka	3	-	Fellow subsidiary
Jersey Airtel Limited	1	-	Fellow subsidiary
Bharti Airtel Services Limited	-	1,465	Fellow subsidiary
Bharti Airtel Africa B.V.	-	331,255	Fellow subsidiary
Nxtra Data Limited	-	10,107	Fellow subsidiary
	612,985	**1,482,737**	

Goods and services are bought from related companies, being entities controlled by Airtel Africa PLC. Bharti Airtel Limited and Bharti Enterprises. The company procures various services from related companies including interconnection for voice calls, roaming, SMS and the sale of assets.

(All amounts are in KSH'000, unless stated otherwise)

35 RELATED PARTY TRANSACTIONS (Continued)

Outstanding balances arising from sale and purchase of goods/services

(iii) Receivable from related parties (Note 23)

	2021	2020	Relationship
Bharti Airtel (UK) Limited	297,141	203,567	Fellow subsidiary
Airtel Networks Limited (Nigeria)	288,889	278,490	Fellow subsidiary
Airtel Uganda Limited	262,239	134,795	Fellow subsidiary
Airtel Rwanda Limited	215,902	208,940	Fellow subsidiary
Airtel Niger Limited.	152,029	146,951	Fellow subsidiary
Bharti Airtel International Netherland Limited Kenya Branch	87,699	-	Step up parent
Airtel Tanzania Limited	85,760	82,009	Fellow subsidiary
Airtel Congo (RDC) S.A	52,714	47,410	Fellow subsidiary
Airtel Malawi Limited	37,976	36,156	Fellow subsidiary
Bharti Airtel Limited	33,609	11,791	Step up parent
Airtel Money Transfer Limited	24,024	211,933	Subsidiary
Airtel Networks Zambia Plc	20,317	17,311	Fellow subsidiary
Airtel (Seychelles) Limited	19,507	19,263	Fellow subsidiary
Bharti International (Singapore) Pte Ltd	17,142	14,961	Fellow subsidiary
Bharti Airtel International (Netherlands) B.V	10,616	5,637,129	Step up parent
Airtel Tchad S.A	8,781	8,514	Fellow subsidiary
Airtel Gabon S.A.	7,363	15,307	Fellow subsidiary
Airtel Congo S.A	5,789	5,593	Fellow subsidiary
Airtel Madagascar S.A.	4,852	33,779	Fellow subsidiary
Bharti Hexacom Limited	72	68	Fellow subsidiary
Bharti Airtel Lanka (Private) Limited	3	-	Fellow subsidiary
Jersey Airtel Limited	3	-	Fellow subsidiary
Total	**1,632,428**	**7,113,967**	

(All amounts are in KSH'000, unless stated otherwise)

35 RELATED PARTY TRANSACTIONS (Continued)

(iv) Payable to related parties (Note 31)

	2021	2020	
Airtel Tanzania Limited	667,845	670,668	Fellow subsidiary
Airtel Uganda Limited	556,934	654,497	Fellow subsidiary
Bharti Airtel Africa B.V.	332,589	324,866	Fellow subsidiary
Network i2i Ltd.	97,791	89,456	Step up parent
Bharti Airtel (France) SAS	94,963	-	Fellow subsidiary
Bharti Airtel International Netherland Limited Kenya Branch	66,203	-	Fellow subsidiary
Airtel Rwanda Limited	56,905	52,229	Fellow subsidiary
Bharti Airtel (UK) Limited	53,797	48,244	Fellow subsidiary
Airtel Congo (RDC) S.A	46,353	39,153	Fellow subsidiary
Bharti Airtel Limited	19,683	17,113	Step up parent
Airtel Money Transfer Limited	16,319	84,515	Subsidiary
Airtel Networks Zambia Plc	12,908	6,837	Fellow subsidiary
Bharti Airtel International (Netherlands) B.V	6,875	48,320	Step up parent
Nxtra Data Limited	6,457	15,316	Fellow subsidiary
Airtel Malawi Limited	5,480	3,702	Fellow subsidiary
Airtel Tchad S.A	4,806	4,367	Fellow subsidiary
Airtel Networks Limited (Nigeria)	3,031	3,880	Fellow subsidiary
Airtel Ghana Ltd*	1,498	-	Joint venture
Airtel Niger Limited.	1,388	1,154	Fellow subsidiary
Airtel (Seychelles) Limited	901	715	Fellow subsidiary
Airtel Madagascar S.A.	534	313	Fellow subsidiary
Bharti Airtel Services Limited	458	4,462	Fellow subsidiary
Airtel Gabon S.A.	349	112	Fellow subsidiary
Airtel Congo S.A	210	286	Fellow subsidiary
Bharti Hexacom Limited	31	20	Fellow subsidiary
Bharti Airtel Lanka (Private) Limited	1	0	Fellow subsidiary
Bharti International (Singapore) Pte Ltd	-	13,526	Fellow subsidiary
	2,054,309	**2,083,751**	

(v) Key management compensation

	2021	2020
Employment benefits	**452,136**	**391,123**
Details on key management compensation are as follows:		
Total Salaries and Allowances	296,902	276,009
Annual Performance Bonuses	86,759	58,689
Long Term Incentive	34,318	12,577
Director's remuneration	13	14,457
Social Security – Pension	6,441	5,081
Medical Expenses	6,758	6,027
Termination Dues	20,945	18,283
	452,136	**391,123**

35 RELATED PARTY TRANSACTIONS (Continued)

(v) Key management compensation (continued)

Annual performance bonus is awarded based on achievement of set earnings before interest, tax, depreciation and amortisation, EBITDA, whereas long term incentive is meant to align senior management performance with the vision of the company. As at 31 December 2021, the provision for long term incentive was KShs 34 million (2020: KShs 12 million).

(vi) Shareholder's loans

	2021 KShs'000	2020 KShs'000
Payable to Bharti Airtel Kenya B.V. (Note 28)	38,553,878	52,360,109

36 (i) INVESTMENT IN SUBSIDIARY

	Country of incorporation	Principal business	Additional investment	2021	2020
Airtel Money Transfer Limited 100% owned	Kenya	International Mobile money transfer	-	40,000	40,000

The company started operations in March 2019.

The financial statements of Airtel Money Transfer Limited have been prepared separately. As per CBK requirement, during 2020 there was additional Share capital infused of KSH 20 Mn. No further investment in 2021.

The company has 100% shareholding in Airtel Money Transfer Limited which has been incorporated in Kenya.

Preparation of Separate financial statements and Group financial statements

The company meets the conditions for exemption from preparation of consolidated financial statements as per IFRS 10. Accordingly, the company has utilised these exemptions available to it in preparation of separate financial statements. The company holds investment in its sole subsidiary Airtel Money Transfer Limited which is accounted for at cost as per note 36(i).

The company is also exempt from preparing consolidated financial statements as per section 640(1) of the Kenyan Companies Act, 2015 as the financial information of the subsidiary is included in the consolidated financial statements of Airtel Africa PLC (United Kingdom) which are prepared in accordance with the IFRSs. Airtel Africa PLC is a company registered in the United Kingdom and its principal place of business is Africa, with their financial statements available to the public at their physical address and on the Company's website in the United Kingdom https://africa.airtel.com/assets/pdf/fullreport-2021/Full_Report-2021.pdf

(All amounts are in KSH'000, unless stated otherwise)

36 (ii) OTHER CURRENT ASSETS

	2021	2020
Prepaid expenses	2,503,970	2,061,577
Input VAT	485,813	533,596
Other advances to employees and vendors	371,522	199,679
	3,361,305	**2,794,852**

OTHER NON CURRENT ASSETS

Paid under protest (legal case deposit)	6,621	6,621
Prepaid expenses aged more than 1 year	712,897	827,981
Security deposits	21,861	19,754
	741,379	**854,356**

36 (iii) Deferred customer acquisition cost

At the beginning of the year	**644,815**	**394,012**
Expenses deferred	1,927,073	1,342,680
Amortization	(1,612,311)	(1,091,877)
At the end of the year	**959,577**	**644,815**

Deferred customer acquisition cost

- Current	959,577	644,815
- Non-current	-	-
	959,577	**644,815**

In prior years, based on the then available information, the Company considered that the average life of customers across its network was less than 12 months and had taken the practical expedient available under IFRS 15 not to defer customer acquisition costs on recognition and amortise over the average anticipated customer life, but to expense customer acquisition costs as incurred. With increased and more reliable data the Company now estimates 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 and has updated its policy on cost deferral recognition in these financial statements with a financial impact of increasing profits before tax by Ksh 959 Mn. The amounts relating to the prior and earlier years were not considered to be material requiring restatement of the prior year financial statements.

37 OTHER LIABILITY

	2021	2020
CURRENT		
Taxes Payable	1,859,156	1,195,419
Spectrum payable	1,163,758	-
	3,022,914	**1,195,419**

Taxes payable includes value added tax, excise, withholding taxes and other taxes payable.
Spectrum payable refers to current liability payable towards spectrum.

(All amounts are in KSH'000, unless stated otherwise)

37. OTHER LIABILITY (Continued)

	2021	2020
Deferred Revenue**	**1,436,157**	**1,409,643**

** This refers to deferred revenue on recharges.

NON CURRENT

Employee leave encashment benefit	65,121	3,784
Spectrum payable	1,107,563	-
	1,172,684	**3,784**

38 OPERATING LICENSE

The Airtel Kenya license expired in January 2015 and the regulator approved that Airtel Kenya acquires the remaining term of the Essar License in lieu of renewing the Airtel Kenya license. In the course of 2015, the regulator reneged on its decision and demanded USD 20.025 Mn to renew the Airtel License. Airtel went to court for judicial review and on 18th Dec 2017, obtained a court ruling compelling the Communications Authority (CA) to issue Airtel with its licenses. CA did not comply with the court order forcing Airtel to commence 'contempt of court proceedings' against the Director General of CA.

In May'2020, Airtel Kenya applied for additional spectrum for 10 years. On 24th August 2020, Airtel Kenya received a temporary spectrum from CA for 9 months.

On 24th September 2020, Airtel Kenya wrote to the minister for ICT (Information Communication & Technology) requesting for support in obtaining the additional spectrum for 10 years as earlier applied for. The Minister for ICT on 10th November 2020 wrote to Airtel Kenya indicating that Airtel Kenya needed to resolve the outstanding issues with CA in order to receive the support it required.

CA invited Airtel Kenya to a 60 days' consultation process commencing 24th August 2021 regarding payment of the claimed amount.

On 25th February 2022, CA and Airtel entered into an agreement to settle the matter by way of making the payment of USD 20.025 Mn in four equal instalments, in return for acquisition of the operating license.

39 EXCEPTIONAL ITEMS

In Feb'22, Airtel Kenya entered into a settlement agreement with the CA regarding its 10-year operating licence. Under such settlement, Airtel Kenya agreed to pay a total of USD 20.025 Mn in four instalments over the next three years. The cost of the operating license has been charged to the statement of comprehensive income and presented as an exceptional item. Additionally, a corresponding deferred payment liability has been recognised in the statement of financial position.

40 EVENTS AFTER THE REPORTING DATE

Operating License

In the interest of resolving long outstanding dispute Airtel Kenya made a proposal to CA on 19th Jan'2022, to amicably settle the matter by agreeing to make payment of the amount forming the subject matter of the case.

40 EVENTS AFTER THE REPORTING DATE (Continued)

The proposal was accepted by Communication Authority of Kenya, and subsequently on 25th Feb'2022, Communication Authority of Kenya and Airtel Kenya entered into an agreement confirming willingness to settle the pending License matter by paying the disputed claimed amount in the sum of USD 20.025 MN in relation to the period Jan'2015 to Jan'2025.

As per agreed terms between the two parties, the payment will be in four equal instalments, the first payment of USD 5.025MN was made on 4th Mar'22.

Senior Management

Airtel Networks Kenya Limited would like to notify all it's stakeholders about an intended change in leadership. Mr Prasanta Das Sarma the Managing Director Airtel Networks Kenya Ltd has been selected for a role in the Airtel Africa Group leadership based in Dubai. He will be taking over as CEO of Airtel Africa Fiber Company.

The Airtel Networks Kenya Board wishes to express it's since appreciation for the turnaround noted during his tenure starting in Feb'17. The company has made huge progress under his leadership which has inspired confidence for the board to invest heavily towards distribution and Network expansion projects.

The Board is also pleased to announce that Mr. Ashish Malhotra will be taking over as Managing Director, Airtel Networks Kenya Ltd. Aashish is a seasoned professional with a proven track record he has held various commercial leadership roles within Airtel Africa in the last eight years. In his last role at Airtel Africa, he was Instrumental in doubling revenues at group level and achieving higher revenue market shares across markets. He also introduced simplified pricing principles across countries leading to over 70%+ growth in subscriber base. In the last one and half years he was elevated as Group Head of Sales & Distribution for Airtel Africa where he extensively worked on transforming the distribution model for GSM & Airtel Money Businesses which included building exclusive distribution infrastructure to accelerate Mobile financial services and GSM business.

On Boarding & Transition Plan

In order to have a smooth transition, the company will undertake a reasonable period of overlap which will involve introducing the incoming Managing Director to key stakeholders at Central Bank of Kenya, Communication Authority, Kenya Revenue Authority and Office of Data Protection Commission among others.