Airtel Networks Limited

Annual Report and Financial Statements
For the year ended 31 December 2021

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Directors' Report

The Directors present their annual report on the affairs of the Airtel Networks Limited, together with the financial statements and auditor's report for the year ended 31 December 2021.

1. Legal form

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

2. Principal activity

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

3. Result for the year

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

Gross Subscriber Base			
Particulars	**Financial Year**		**YoY Growth**
	2021	**2020**	
	'000	**'000**	**%**
Closing subscriber base	53,927	55,642	-3.08%
Gross subscriber connections added during the year	8,420	34,025	-75.25%
Churn during the year	10,135	28,570	-64.52%

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

Financial Highlights			
Particulars	**Financial Year**		**YoY Growth**
	2021	**2020**	
	₦' million	**₦' million**	**%**
Revenue from operations	734,819	575,910	27.59%
Operating profit	298,770	225,854	32.28%
Finance costs (Net)*	(47,243)	(40,740)	15.96%
Gain on sale of equipment	-	-	0.00%
Long-Term Evolution (LTE) Modernization	-	-	0.00%
Profit before taxation	251,527	185,114	35.88%
Profit after taxation	170,685	131,372	29.93%
Capex investment at year end (Gross Property, Plant and equipment)	942,753	844,788	11.60%

*Includes foreign exchange loss of ₦17.44 billion in 2021 (2020: loss of ₦16.38 billion).

Directors' Report (continued)

4. Business review

The Company experienced a decline in its subscriber base during the year ended 31 December 2021 as it witnessed a de-growth of 3.08% (2020: 11.9%) in its subscriber base from 55.64 million in 2020 to 53.93 million in 2021. Revenue generated in the year increased by 27.59% from ₦575.91 billion in 2020 to ₦734.82 billion in 2021. Key drivers of growth continue to be rollout of 4G Long Term Evolution (LTE) sites and Radio Access Network (RAN) modernization on the Company's network across Nigeria which has increased its non-voice revenue by 43% over 2020.

Airtel Networks continued its other strategic initiatives to improve brand visibility and expand retail footprint with focus on excellent service delivery and customer experience. The business currently boasts of a total of eighty-three showrooms across Nigeria in addition to its dealer empowerment initiatives regarded as Airtel Express Shops (AES) spread over various locations across the country.

As part of the strategy to continuously improve customer experience, boot brand affinity drive usage and retention in the market, Airtel introduced Unlimited Ultra plan which are available to router, ODU and fibre customer. The Company remains focused in its drive to deepen broadband connectivity across Nigeria through its Home Broadband ("HBB") business segment. The HBB rides on the modernized 4G network and provides access to high-speed connectivity to customers through fixed routers and mobile routers (also known as "Mifis"). During the year. In addition, the company ran a promo tagged All-Time Mega offer where the HBB devices were sold at 50% discount to extend its market reach.

Airtel commemorated its 20th anniversary of providing telecommunication services in Nigeria and rewarded customers with 250mb of data bundle and 20 SMS. The company also launched the recharge and blow promo, which offers customers mouth-watering opportunity to win a variety of prizes up to N100m. While customers will be able to redeem their reward by dialling a string, rewards can only be utilised on the gift redemption date which was between 26 September and 3rd October 2021. With the launch of the recharge and blow promo, Airtel becomes the first telco in Nigeria to roll out a comprehensive promo that offers rebate on achieving a pre-set recharge, which will be credited to subscribers' wallet and when accumulated can be used to purchase airtime, data, pay utility bills and also withdrawn as cash from relevant cash dispensing outlet. This puts the customer in the driver seat as it offers the freedom and opportunity to enjoy an amazing variety of rewards and win as many times as possible as long as the pre-set target is achieved.

In the drive to excite and reward customers on the network, the company announced the welcome offer, a new package this is designed to empower inactive customers to enjoy unfettered access to connect with their friends, family members and loved ones as well as all the activities they love. Also, in an effort to make life better as well as provide added value for more telecommunication consumers, the company announced the launch of the Airtel retail postpaid plan. The Airtel retail post-paid plan is a preposition which is specially and carefully curated to suit the needs of urbane, youthful and upwardly mobile professionals and individuals who desire a life of comfort, ease and high productivity for self and family members.

The Company continued with its Radio Access Network (RAN) modernization through the upgrade of the 3G services to 4G Long Term Evolution (LTE). Under the modernization, existing RAN equipment were swapped with new LTE equipment from Nokia post completion of ZTE and Huawei projects. A total of 7,750 (2020: 5,741) sites have been fully swapped as at 31 December 2021. The 4G service continues to be rolled out in more cities and towns across Nigeria.

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

Directors' Report (continued)

4. Business review (continued)

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

In 2021, Airtel Networks Limited won several awards among which are: Best Brand in Storytelling – award conferred on Airtel Nigeria by the Lagos Public Relations and Industry Gala (LaPRIGA) Award, Excellence in Internal Communications – award conferred on Airtel Nigeria by the Lagos Public Relations and Industry Gala (LaPRIGA) award, African Business Leader of the Year, an award conferred on the Group Chief Executive Officer, by the African Leadership Magazine and Honourable Doctorate Degree Conferred on the Group Chief Executive Officer, Airtel Africa, by the Tai Solarin University of Education (TASUED)

Airtel Touching Lives, a flagship corporate philanthropy initiative aimed at providing succour to the underprivileged, hard to reach, vulnerable and disadvantaged in the society had a successful media launch of the Airtel touching lives season 6.

The Company had over 70 thousand Nigerians nominated causes, individuals and projects in the ongoing Season 6 of Airtel Touching Lives programme. Initiatives carried out included: (1) donation of N50m to Ogun State government for the purchase of Covid Molecular Testing Lab; (2) Commissioning/Handover of the Refurbished and equipped N200million infectious disease centre at the Lagos State University Teaching Hospital (LUTH)Lagos, Nigeria; and (3) Ongoing work on the remaining 8 major projects, which include the refurbishment of the 6 Airtel Adopted schools and adoption of new school in Gombe State

Airtel Networks Limited, through its Employee Volunteer Scheme (EVS) with participation from over 150 employees continues to support the society. The Employee Volunteer Scheme (EVS) is an employee' Special Purpose Vehicle created to assist the underprivileged in the society as well as address inequality in communities. Airtel Employees through the Volunteering Scheme raised the sum of N6.2Million to assist the underprivileged in 2021.

In 2021, under the "Airtel 5 Days of Love" campaign, Airtel Nigeria fed 5,000 Internally Displaced Persons (IDPs) across five different IDP camps during this annual Christmas programme. The "Airtel 5 Days of Love" which is in its 7th year is a programme designed to identify with less privileged persons as well as support the downtrodden in communities where Airtel operates during the yuletide. The Donations spanned across IDP camps in Emir's Palace Anka, Zamfara, Kasaisa IDP,Yobe, Ugba IDP,Benue, Ekeinde IDP, Cross Rivers & Ago Aduloju Village, Ekiti States.

Directors' Report (continued)

5. Directors' interests

The directors and their beneficial interests in the shares of the Company as at 31 December 2021 were as follows:

Names		Designation	Date Appointed/ Resignation	Representing	Number of Ordinary Shares of ₦1.00 each
Hons. Justice Salihu Alfa Modibbo Belgore (Rtd) GCON (Nigerian)	-	Chairman	Appointed 23 September 2014	-	Nil
Mr. Segun Ogunsanya (Nigerian)	-	Director	Appointed 12 November 2012	-	Nil
Mr. Jaideep Paul (Indian)	-	Director	Appointed 29 May 2014	Bharti Airtel Nigeria B.V	Nil
Mr. Olivier Pognon (Beninoise)	-	Director	Resigned 30 September 2021	Bharti Airtel Nigeria B.V	Nil
Dr. Oluremi Oni (Nigerian)	-	Director	Resigned 9 July 2021	FBC Assets Ltd	Nil
Mr. Raghunath Mandava (Indian)	-	Director	Resigned 30 September 2021	Bharti Airtel Nigeria B.V	Nil
Mr. Emeka Onwuka (Nigerian)	-	Director	Appointed 5 September 2018	-	Nil
Mr. Rama Krishna Lella (Indian)	-	Director	Appointed 6 February 2019	Bharti Airtel Nigeria B.V	Nil
Ms. Rogany Ramiah (South African)	-	Director	Appointed 12 June 2019	Bharti Airtel Nigeria B.V	Nil
Mr. Surendran Chemmenkotil (Indian)		MD/CEO	Appointed 1 August 2021	Bharti Airtel Nigeria B.V	
Mr. Adekunle Bankole - Sonola		Director	Appointed 10 December 2021	-	Nil

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

6. Directors' interest in contracts

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

Mr. Emeka Onwuka	-	Andersen Tax (Data Protection Audit Firm)
Mr. Segun Ogunsanya	-	TCF Microfinance Bank Limited (Banking Services)

7. Property, plant and equipment

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

8. Investment in Subsidiary

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

Airtel Mobile Commerce Nigeria Limited is yet to commence business as at 31 December 2021. Details of investment in the subsidiary is provided in Note 35(c).

Directors' Report (continued)

9. Charitable contributions

The Company made donations through projects and gifts totalling ₦184.80 million (2020: ₦194.69 million) to the following charitable activities:

Corporate Social Responsibility Projects		
	2021	**2020**
Activities	**₦'000**	**N'000**
Adopt-a-School – Textbooks and writing materials	1,402	9,308
Airtel Touching Lives	123,964	57,090
5 days of Love Campaign	36,413	1,451
COVID-19	23,024	126,836
	184,803	**194,686**

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

10. Employment and employees

(a) Employment of disabled persons

It is the policy of the Company that there should be no discrimination in considering applications for employment including those from disabled persons. All employees whether or not disabled are given equal opportunities to develop. As at 31 December 2021, there was one disabled person in the employment of the Company.

(b) Health, safety and welfare at work

The Company places a high premium on the health, safety and welfare of its employees in their place of work. To this end, the Company has various forms of insurance policies, including workmen's compensation and Group life insurance, to adequately secure and protect its employees. The Company also has Safety, Health and Environment (S.H.E.) policies that employees are required to adhere to.

(c) Employees' involvement and training

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

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

Directors' Report (continued)

11. Business ethics and compliance code

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

12. Auditors

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

BY ORDER OF THE BOARD

Plot L2,
Banana Island,
Ikoyi,
Lagos

....
Shola Adeyemi
Company Secretary
Date: 30 April 2022
FRC/2016/NBA/00000014257

Statement of Directors' Responsibilities

The Directors of Airtel Networks Limited accept responsibility for the preparation of the financial statements that give a true and fair view of the financial position of the Company as at 31 December 2021, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act, 2020 of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

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

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

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

Surendran Chemmenkotil	**Segun Ogunsanya**	**S Krishna Menon**
Chief Executive Officer	**Director**	**Chief Finance Officer**
FRC/2021/003/00000024628	**FRC/2013/ICAN/00000002746**	**FRC/2014/ICAN/0000001962**

Certification of financial statements

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

(i) audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made, and
(ii) audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the company as of and for, the periods covered by the audited financial statements;

We state that management and directors:

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

We have disclosed:

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

The financial statements of the Company for the year ended 31 December 2021 were approved by the directors on 30 April, 2022.

Signed on behalf of the Board of Directors on 30 April 2022.

Surendran Chemmenkotil	**Segun Ogunsanya**	**S Krishna Menon**
Chief Executive Officer	**Director**	**Chief Finance Officer**
FRC/2021/003/00000024628	**FRC/2013/ICAN/00000002746**	**FRC/2014/ICAN/0000001962**

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Independent Auditor's report

To the Shareholders of Airtel Networks Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Airtel Networks Limited** set out on pages 13 to 90, which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of financial position of Airtel Networks Limited as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act 2020 and Financial Reporting Council Act, 2011.

Basis for Opinion

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

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, is of most significance in our audit of the financial statements of the current year. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key Audit Matter	How the matter was addressed in the audit
Recoverability of recognised deferred tax asset	
Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised in future. As disclosed in Note 15(d) to the financial statements, the Company recognised deferred tax asset of N23.40 billion as at 31 December 2021, which is considered recoverable against the Company's future taxable profits. Estimation of future taxable profit is required by the Directors to assess the recoverability of the deferred tax asset. Accordingly, for the purposes of our audit, we identified the assessment of recoverability of deferred tax asset as a key audit matter.	We evaluated the appropriateness of the Directors' assessment of the recoverability of the recognised deferred tax asset and the adequacy of the disclosures made. Our audit procedures included challenging the Directors on the reasonableness of assumptions in the forecast used for assessing deferred tax asset that are considered to be recoverable. We involved our Tax Specialists on the review of the tax computations, which include the deferred tax asset. We obtained and reviewed the Company's 5-years future operating performance. We discussed the assessment with the Directors to determine whether the Directors have identified events or conditions that, individually or collectively, may prevent the Company from achieving the estimated future results. We challenged the key assumptions used in the 5 years' forecast by comparing them with industry trends and Company's historical performance. We assessed the adequacy of the disclosures in the financial statements relating to deferred tax asset. Based on our review of management assessment on the recoverability of the deferred tax asset recognized in the financial statements, the Directors key judgements and assumptions appear reasonable.

Other Information

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

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

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

Deloitte.

Responsibilities of the Directors for the Financial Statements
The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act 2020 and the Financial Reporting Council Act, 2011 for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

Deloitte.

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

Report on Other Legal and Regulatory Requirements

In accordance with the Companies and Allied Matters Act 2020 we expressly state that:

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

ii) The Company have kept proper books of account, so far as appears from our examination of those books.

iii) The Company's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

Stella Mba - FRC/2013/ICAN/00000001348
For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
10 June, 2022

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2021

	Notes	2021 ₦'000	2020 ₦'000
Revenue from operations	6	734,818,969	575,909,834
Cost of sales	7	(291,819,011)	(228,062,581)
Gross profit		442,999,958	347,847,253
Other income	8	809,330	575,363
Selling and marketing costs	9	(16,191,120)	(14,619,217)
Administrative expenses	10	(5,680,524)	(5,759,712)
Other operating expenses	11	(123,108,748)	(102,121,851)
Impairment of trade and other receivables	22e	(58,703)	(68,296)
Results from operating activities		298,770,193	225,853,540
Finance income	12	3,646,186	766,838
Finance costs	13	(50,889,478)	(41,506,843)
Net finance costs		(47,243,292)	(40,740,005)
Profit before tax	14	251,526,901	185,113,535
Tax expense	15(a)	(80,841,512)	(53,741,560)
Profit for the year after tax		**170,685,389**	**131,371,975**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year, net of tax		**170,685,389**	**131,371,975**
Earnings per share			
Basic and diluted (₦)	16	12.93	9.89

The accompanying notes on pages 17 to 87 form an integral part of these financial statements.

Statement of Financial Position
As at 31 December 2021

	Notes	2021 ₦'000	2020 ₦'000
Assets			
Non-current assets			
Property, plant and equipment	17	385,340,449	322,168,314
Intangible assets	18	106,445,083	46,758,094
Right of use assets	19	172,037,742	114,759,566
Other financial assets	20	77,852	136,181
Other assets	23	5,959,070	6,859,156
Deferred tax assets	15(d)	23,404,416	63,170,850
Investment in subsidiary	35(c)	50,000	50,000
Total Non-current assets		**693,314,612**	**553,902,161**
Current assets			
Inventories	21	158,445	1,093,175
Trade and other receivables	22	30,822,280	14,503,462
Derivative financial assets	34	222,846	27,591
Other financial assets	20	11,599,775	113,903
Other assets	23	15,841,004	8,816,445
Income tax recoverable (unutilized WHT)	24	877,554	239,804
Cash and bank balances	25	127,210,769	127,670,939
Total current assets		**186,732,673**	**152,465,319**
Total assets		**880,047,285**	**706,367,480**
Equity and liabilities			
Equity			
Share capital	26.1	13,286,999	4,127,023
Treasury shares	26.3	(67,553,510)	-
Share premium	26.2	67,235,360	67,235,360
Retained earnings	27	283,607,657	176,373,579
Total Equity		**296,576,506**	**247,735,962**
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	28	20,533,333	27,139,779
Provisions	29	38,838	36,628
Deferred revenue	30	130,755	149,324
Lease liabilities	31	228,477,425	184,238,937
Employee benefit liability	32	62,285	40,594
Total non-current liabilities		**249,242,636**	**211,605,262**
Current liabilities			
Interest bearing loans and borrowings	28	73,745,663	13,729,154
Provisions	29	262,088	274,540
Trade and other payables	33	123,678,535	125,356,667
Deferred revenue	30	35,313,122	28,985,710
Derivative financial liabilities	34	2,439,440	111,768
Employee benefit liability	32	1,582,097	1,442,877
Income tax payable	15(c)	43,084,116	31,496,339
Lease liabilities	31	54,123,082	45,629,201
Total current liabilities		**334,228,143**	**247,026,256**
Total liabilities		**583,470,779**	**458,631,518**
Total equity and liabilities		**880,047,285**	**706,367,480**

Approved by the Board of Directors on ……30 April…… 2022 and signed on its behalf by:

Surendran Chemmenkotil	**Segun Ogunsanya**	**S Krishna Menon**
Chief Executive Officer	**Director**	**Chief Finance Officer**
FRC/2021/003/00000024628	**FRC/2013/ICAN/00000002746**	**FRC/2014/ICAN/00000019621**

The accompanying notes on pages 17 to 87 form an integral part of these financial statements.

Statement of Changes in Equity
For the year ended 31 December 2021

	Share Capital ₦'000	Treasury Shares ₦'000	Share Premium ₦'000	Retained Earnings ₦'000	Total Equity ₦'000
2021					
As at 1 January 2021	**4,127,023**	**-**	**67,235,360**	**176,373,579**	**247,735,962**
Profit for the year	-	-	-	170,685,389	170,685,389
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**170,685,389**	**170,685,389**
Transactions with owners of the Company					
Dividend (Note 27.1)	-	-	-	(63,451,311)	(63,451,311)
Purchase of company shares (Note 26.3)	-	(67,553,510)	-	-	(67,553,510)
Call up Shares (Note 26.1)	9,159,976	-	-	-	9,159,976
As at 31 December 2021	**13,286,999**	**(67,553,510)**	**67,235,360**	**283,607,657**	**296,576,506**
2020					
As at 1 January 2020	**4,127,023**	-	**67,235,360**	**50,887,564**	**122,249,947**
Profit for the year	-	-	-	131,371,975	131,371,975
Other comprehensive income	-	**-**	-	-	-
Total comprehensive income	**-**	**-**	**-**	**131,371,975**	**131,371,975**
Transactions with owners of the Company					
Dividend (Note 27.1)	-	**-**	-	(5,885,960)	(5,885,960)
As at 31 December 2020	**4,127,023**	-	**67,235,360**	**176,373,579**	**247,735,962**

The accompanying notes on pages 17 to 87 form an integral part of these financial statements.

Statement of Cash Flows
As at 31 December 2021

	Note	2021	2020
Cash flows from operating activities		**₦'000**	**₦'000**
Profit for the year before tax		251,526,901	185,113,535
Non cash adjustments:			
Depreciation of property, plant and equipment	17(c)	51,107,054	41,468,337
Depreciation of right of use	19	41,399,463	32,932,045
Amortization of intangible assets	18	12,307,420	11,072,820
Finance income	12	(3,646,186)	(766,838)
Finance cost	13	50,889,478	41,506,843
Gain on disposal of property, plant and equipment	8	(101,451)	(158,472)
Inventory written down	21	534,828	1,067,496
Impairment / reversal of trade and other receivables	22(e)	(82,261)	56,044
Net foreign exchange differences	38.1	(17,922,000)	(12,250,933)
Other non-cash items	38.2	(719,470)	(251,201)
		385,293,776	**299,789,676**
Changes in working capital:			
Inventory	21	399,902	(1,692,171)
Trade receivables	22	(16,236,557)	(257,345)
Other assets	23	(6,124,472)	(3,395,556)
Income tax recoverable	24	(637,750)	179,806
Deferred revenue	30	6,308,842	6,580,208
Provisions	29	(10,242)	97,677
Trade and other payables	33	(10,677,661)	28,291,897
Employee benefit liability	32	160,911	104,129
Derivative financial liability	34	2,327,672	111,768
Other financial asset	20	(11,427,543)	51,086
Derivative financial asset	34	(195,255)	(27,591)
Cash generated from operating activities		**349,181,623**	**330,326,478**
Income tax paid	15(c)	(29,487,301)	(22,436,415)
Withholding tax utilized	15(c)	-	(423,760)
Net cash generated from operating activities		**319,694,322**	**307,466,303**
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment	17(b)	292,142	371,427
Acquisition of property, plant and equipment	17	(114,469,880)	(123,065,840)
Acquisition of intangible asset	18	(71,994,409)	(35,696,613)
Interest received	12	3,639,836	761,417
Net cash used in investing activities		**(182,532,311)**	**(157,629,609)**
Cash flows from financing activities			
Proceeds from right issue	26.1	9,159,976	-
Treasury Shares	26.3	(67,553,510)	-
Short term loan received – trade import facility	28(d)	25,991,782	-
Short term loan paid – trade import facility	28(d)	(1,630,053)	-
Term loan received	28(a)	37,898,101	44,869,900
Term loan repaid	28(a)	(3,898,967)	(12,278,273)
Shareholders loan received	28(b)	-	7,111,479
Shareholders loan repaid	28(b)	(7,931,207)	-
Interest paid	13(a)	(33,530,721)	(24,621,451)
Dividend paid	33(b)	(54,451,782)	(26,188,279)
Repayment of principal portion of lease liabilities	31.1	(41,572,177)	(36,304,368)
Net cash used in financing activities		**(137,518,558)**	**(47,410,992)**
Net movement in cash and cash equivalents		(356,547)	101,932,808
Cash and cash equivalents at the beginning of year	25(a)	127,670,939	25,852,553
Effect of foreign exchange on cash and cash equivalent	38.1	(103,623)	(114,422)
Cash and cash equivalents at the end of year	25(a)	**127,210,769**	**127,670,939**

The accompanying notes on pages 17 to 87 form an integral part of these financial statements.

Notes to the Financial Statements

1. Corporate Information

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

2. Basis of preparation and measurement

(a) **Statement of compliance**
The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) **Basis of measurement**
The financial statements have been prepared on a historical cost basis, except for items measured at fair value as indicated in the policies below.

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

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

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

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

All other assets are classified as non-current.

A liability is current when:

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

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

Notes to the financial statements

2. Basis of preparation (continued)

(f) Fair value measurement

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

(g) Going concern

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

Notes to the financial statements

3. Summary of significant accounting policies

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

3.1 Property, plant and equipment

(a) **Recognition, measurement and derecognition**

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

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

(b) **Subsequent costs**

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

(c) **Depreciation methods**

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

Assets	**Useful life**
GSM equipment	3 - 25 years
Information system equipment	3 – 5 years
Freehold Land	-
Building	20 years
Office furniture and equipment	2 - 5 years
Motor vehicles	3 - 5 years

(d) **De-recognition**

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

Notes to the financial statements

3. Summary of significant accounting policies (continued)

3.2 Intangible assets

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

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

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

De-recognition of intangible assets

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

3.3 Impairment of property, plant and equipment and intangible assets

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. To calculate value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Fair value less costs of disposal is the best estimate of the amount obtainable from the sale of an asset in an arm’s length transaction.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Impairment losses, if any, are recognised in profit or loss as a component of depreciation and amortisation expense. Impairment losses are only reversed to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised. An assessment is made at each reporting date and whenever any indicator for impairment exists, to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset’s or CGU’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised.

Notes to the financial statements

3. Summary of significant accounting policies (continued)

3.4 Business Combinations

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

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

(a) Airtel Networks Limited is an indirect subsidiary of Bharti Airtel International (Netherlands) B.V. which in turn is a subsidiary of Airtel Africa Plc and there is no objection from the owners;

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

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

(d) Airtel Networks Limited has Airtel Africa Plc as its step-up parent. Airtel Africa Plc is a listed entity on both the London Stock Exchange and Nigerian Stock Exchange (NSE), and prepares consolidated financial statements for public use in its listed markets in accordance with International Financial Reporting Standards (IFRSs).

3.5 Inventories

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

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

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

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.6 Leases

At inception of a contract, the Company assesses a contract as, or containing, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the contract involves the use of an identified asset, the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Company has the right to direct the use of the asset. The Company applied IFRS 16 using the modified retrospective approach from 1 January 2019.

(a) Company as a lessee

The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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. The lease liability is presented as a separate line in the statement of financial position.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in profit or loss. Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Leased assets (Right of use assets) are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position. Estimated useful lives of the leased assets are as follows:

Items	Useful Life
Leasehold land	Period of lease
Building on leased land	20 years
Leasehold improvements	Lower of 10 years or lease period
GSM equipment	3-25 years
Motor vehicles	3-5 years

Consequently, when a lease is terminated before the lease term has expired; any payment to the lessor that is required by way of penalty is recognised as an expense in the period in which termination takes place.

Where the Company enter into a sale and leaseback arrangement resulting in a finance lease, any excess of sales proceeds over the carrying amount shall not be immediately recognised as income instead, it shall be deferred and amortised over the lease term.

Notes to the financial statements

3. Summary of significant accounting policies (continued)

3.7 Financial instruments

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

3.7.1 Financial assets

(i) **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVTOCI) and amortised cost as appropriate. 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. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

(ii) **Subsequent measurement**

For purposes of subsequent measurement, all recognised financial assets are measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.:

- Financial assets at fair value through profit or loss (FVTPL)
- Financial assets at fair value through other comprehensive income (FVTOCI) – *Not applicable*
- Amortised cost

The Company has financial assets such as loans (staff loans) and receivables with fixed or determinable payments that are not quoted in an active market. After initial measurement, these receivables are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method, less impairment.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. The Company has not designated any financial assets upon initial recognition at fair value through profit or loss.

Derivatives, including separated embedded derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income. Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss.

Notes to the financial statements

3. Summary of significant accounting policies (continued)

3.7 Financial instruments (continued)

3.7.1 Financial assets (continued)

(ii) Subsequent measurement (continued)

Fair value through other comprehensive income (FVTOCI)
Financial assets at fair value through other comprehensive income includes assets that are not held for trading but to collect contractual cash flows and through the sale of the financial assets.

The changes in fair value of equity investments at FVOCI are recognised in other comprehensive income (OCI) and accumulated in the investments revaluation reserve. Gain or loss is not reclassified to profit or loss on disposal of the equity investments but transferred to retained earnings. Dividends on the equity investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment. For debt instruments, any interest income (calculated using effective interest method), foreign exchange gains/losses and impairments are recognised immediately in profit or loss. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated in investments revaluation reserve. Upon de-recognition of the debt instrument, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. Fair value changes that have been recognised in OCI are recycled to profit or loss upon disposal of the debt instrument. The Company has not designated any financial assets upon initial recognition at fair value through other comprehensive income.

Amortised cost and effective interest method
The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance. The effective interest method is a method of calculating the amortised cost of an instrument and of allocating interest income over the relevant period. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss.

For financial assets (other than assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the instrument, or, where appropriate, a shorter period, to the gross carrying amount of the instrument on initial recognition. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the instrument on initial recognition.

Trade receivable
Trade receivables are recognised initially at fair value at the invoice amount and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivable is impaired. The Company deploys age analysis tools to track the payment pattern of customers. Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Large number of minor receivables is grouped into homogeneous groups and assessed for impairment collectively; the amount of provision is recognised in profit or loss within 'other operating expenses'. The carrying amount of trade receivable are reduced through the use of an allowance account. When trade receivables are uncollectible, it is written off as 'other operating expenses' in profit or loss. Subsequent recoveries of amounts previously written off are included in other operating income.

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.7 Financial instruments (continued)

3.7.1 Financial assets (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, call deposits and other short term highly liquid investments with an original maturity of three months or less, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are measured at amortised cost.

(iii) **Foreign exchange gains and losses**

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Exchange differences are recognised in profit or loss in the 'finance cost' line item (Note 12(b)) except for equity instruments measured at FVTOCI, which exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

(iv) **Impairment of financial assets - *Expected credit losses***

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. The Company applies the simplified approach which uses a provision matrix to measure the expected credit loss of trade receivables.

The Company recognises a loss allowance for expected credit losses at each reporting date to reflect changes in credit risk. The expected credit losses on these financial assets are estimated using a provision matrix based on the historical credit loss experience. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

Allowance for impairment of trade receivable

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. 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, twelve 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.

Write off

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Any write-off/recoveries made are recognised in profit or loss.

Notes to the financial statements

3. Summary of significant accounting policies (continued)

3.7 Financial instruments (continued)

3.7.1 Financial assets (continued)

(v) **Financial assets – Derecognition**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expires or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

- the Company has transferred substantially all the risks and rewards of the asset, or
- the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3.7.2 Financial liabilities and equity – classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(a) **Equity**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(b) **Financial liabilities**

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The subsequent measurement of financial liabilities is at amortised cost using effective interest method or at Fair value through profit or loss (FVTPL).

(i) **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. The Company has not designated any financial liabilities upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in other operating expenses in profit or loss.

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.7 Financial instruments (continued)

3.7.2 Financial liabilities and equity – classification as debt or equity (continued)

(b) **Financial liabilities (continued)**

(ii) **Financial liabilities measured at amortised cost**

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

Interest bearing loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in profit or loss.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(iii) **Financial guarantee contract liabilities**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse se the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. The Company has no such contract liabilities.

(iv) **Foreign exchange gains and losses on financial liabilities**

Financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'finance cost' line item in profit or loss (Note 12). For financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity. The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

(v) **Financial liabilities de-recognition**

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3.7.3 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.8 Derivative financial instruments - Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The resulting gain or loss is recognised in profit or loss immediately at each reporting date.

3.9 Employee benefits

(a) **Short term benefits**

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

(b) **Defined contributions: Pension**

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

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

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

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

In determining the present value of its defined benefit obligations, the benefit has been attributed, on a straight line basis, between the date of joining and the date of actual/projected pay out.

3.10 Foreign currency transactions

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

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

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

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

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.11 Revenue recognition

Revenue is measured based on the consideration expected to be received in a contract with a customer and excludes amounts collected on behalf of third parties. In an agency relationship, the Company assesses its revenue arrangements against specific criteria, i.e. whether it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services, in order to determine if it is acting as a principal or as an agent.

(a) **Sales of goods**

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

(b) **Service revenues**

Service revenues include amounts invoiced for usage charges, fixed monthly subscription charges and internet usage charges, roaming charges, activation fees, processing fees and fees for value added services (‘VAS’). Service revenues also include revenues associated with access and interconnection for usage of the telephone network by other operators for local, domestic long distance and international calls. Service revenues are recognised as the services are rendered and are stated net of waivers and taxes. Revenues from pre-paid cards are recognised based on actual usage. Deferred revenue includes amounts received in advance on pre-paid cards. The related services are expected to be performed within the next operating cycle. SIM Connection revenue and related SIM connection costs, are recognised when it is earned, upon activation.

Revenue relating to interconnect is recognised based on traffic rates stipulated by Nigeria Communication Commission (NCC) and rates agreed with international partners for traffic termination on the Company’s network from other operator’s subscribers. Revenues from national and international long distance operations comprise revenue from provision of voice services which are recognised on provision of services while revenue from provision of bandwidth services is recognised over the period of arrangement. Roaming revenue is recognised for both the originating and terminating traffic when services are rendered to the customer.

(c) **Customer loyalty programme**

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

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

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.11 Revenue recognition (continued)

(d) **Multiple obligation arrangements**

The Company has entered into certain multiple-element revenue arrangements. These arrangements involve the delivery or performance of multiple products and services. The Company evaluates all deliverables in an arrangement to determine whether they represent separately identifiable components at the inception of the arrangement. The evaluation is done based on the criteria as to whether the deliverables in the arrangement have value to the customer on a standalone basis. Total consideration related to the multiple element arrangements is allocated among the different obligations based on their relative fair values (i.e. ratio of the fair value of each element to the aggregated fair value of the bundled deliverables). In case the relative fair value of different components cannot be determined on a reasonable basis, the total consideration is allocated to the different components based on price of similar product or service sold by the company or the competitor adjusted for significant difference between the products or services.

(e) **Interest income**

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

(f) **Unbilled revenue**

Unbilled receivables represent revenues recognised from the last invoice raised to customer to the period end. These are billed in subsequent periods based on the terms of agreement with the customers.

(g) **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.

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.12 Taxation

(a) **Current income tax**

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

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

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

(b) **Deferred tax**

Deferred tax liability is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

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

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

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

(c) **Current tax and deferred tax for the year**

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

(d) **Value added tax**

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

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

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

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.13 Borrowing costs

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

3.14 Provisions and contingencies

(a) **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Asset retirement obligation

Asset retirement obligations (ARO) are provided for those operating lease arrangements where the Company has a binding 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 using discounted cash flows and are recognised as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

(b) **Contingencies**

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Company, or present obligations where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote. Where the Company makes contributions into a separately administered fund for restoration, environmental or other obligations, which it does not control, and the Company's right to the assets in the fund is restricted, the obligation to contribute to the fund is recognised as a liability where it is probable that such additional contributions will be made.

Notes to the financial statements

3 Summary of significant accounting policies (continued)

3.15 Government grants

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

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

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

3.16 Dividends

Dividends payable are recognised in the year in which the related dividends are approved by the shareholders or Board of Directors, as appropriate.

3.17 Earnings per share

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

3.18 Customer acquisition cost

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

4. Significant accounting judgments, estimates and assumptions

4.1 Judgements

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

(a) **Finance lease commitments – Company as lessee**

The Company has entered into a sale and leaseback transactions for the passive infrastructural element. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term constituting a major part of the economic life of the arrangement and the present value of the minimum lease payments amount to substantially all of the fair value of the leased property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as finance leases.

Notes to the financial statements

4. Significant accounting judgments, estimates and assumptions (continued)

4.1 Judgements (continued)

(b) **Principal Vs Agent Analysis**

In determining whether the Company is acting as a principal or agent in any relationship, it considers the fact and circumstances and applies judgement. It is acting, in substance, as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. It considers that it is a principal in a relationship when: (a) it has the primary responsibility for providing the goods or services desired by the customer or for fulfilling the order. (b) It has inventory risk before or after the customer order, during shipping or on return (c) It has discretion in establishing prices directly or indirectly, such as by providing additional goods or services. (d) It bears the credit risk in the transaction with customers. If otherwise, then the entity is acting as agent in the relationship.

(c) **Deferred tax**

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

4.2 Estimates and assumptions

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

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

(a) **Revenue recognition and presentation**

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

Customer loyalty programme

The Company estimates the fair value of points awarded under the loyalty management programme by applying statistical techniques. Inputs to the model include making assumptions about expected redemption rates, the mix of products that will be available for redemption in the future and customer preferences. As at 31 December 2021, the estimated liability for unredeemed points was approximately ₦582.6 million (2020: ₦1.01 billion) disclosed as part of deferred revenue liability.

Notes to the financial statements

4. Significant accounting judgments, estimates and assumptions (continued)

4.2 Estimates and assumptions (continued)

(b) **Revenue recognition and presentation (continued)**

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

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

In prior years, based on the available information, the Company had considered the average life of customers across its network as less than 12 months and had taken the practical expedient available under IFRS 15 not to defer customer acquisition costs on recognition and amortize over the average anticipated customer life, but to expense customer acquisition costs as incurred. With increased and more reliable data, the Company has now estimated that the historic average customer life is longer than 12 months and that the churn rate provides the best indicator of anticipated average customer life. Hence, the policy has been updated on cost deferral recognition in these financial statements.

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

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

Notes to the financial statements

4. Significant accounting judgments, estimates and assumptions (continued)

4.2 Estimates and assumptions (continued)

(d) **Impairment of non-financial assets**

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

Allowance for uncollectible accounts receivable and advances

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

(e) **Measurement of loans and borrowings**

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

(f) **Asset Retirement Obligations (ARO)**

In determining the present value of the ARO provision the Company uses technical estimates to determine the expected cost of dismantlement and removal of the infrastructure equipment from the site and the expected timing of these costs. The timing and amount of future expenditures are reviewed annually together with the discount rates used in discounting the cash flows. The discount rate used to calculate the obligation at the end of 2021 was 13.82% (2020: 21%). The discount rate represents the real rate determined using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the liability.

(g) **Inventory Obsolescence**

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

(h) **Fair value measurement of financial instruments**

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

(i) **Taxation provisions**

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

Notes to the financial statements

5. Adoption of new and revised standards

5.1 Standards that became effective on 1 January 2021

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The nature and the impact of each new standard and amendment are described below:

5.1.1 Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7.

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments are not relevant to the Company given that it does not apply hedge accounting to its interest rate exposures.

5.1.2 Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides 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. 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 the same way it would account for the change applying IFRS 16 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:

- 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;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Company has not applied the amendment to IFRS 16 (as issued by the IASB in May 2020) as there was no rent concession as a result of COVID-19.

Notes to the financial statements

5. Adoption of new and revised standards (continued)

5.2 Standards issued but not yet effective

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

5.2.1 Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

5.2.2 IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.

5.2.3 Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Notes to the financial statements

5. Adoption of new and revised standards (continued)

5.2 Standards issued but not yet effective (continued)

5.2.4 Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are
brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application
permitted.

5.2.5 Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

5.2.6 Annual Improvements to IFRS Standards 2018–2020

- **IFRS 9 Financial Instruments**
  The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

- **IFRS 16 Leases**
  The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

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

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

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

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

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

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

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

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.

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

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

5.2.9 Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies

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

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

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

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

Notes to the financial statements

6. Revenue from operations

	2021 ₦'000	2020 ₦'000
Airtime revenue (Note 6(a))	602,192,908	464,361,327
Interconnect revenue	118,787,487	95,907,748
SIM connection	1,361,095	4,915,061
Roaming	2,430,558	1,676,743
Lease rental income (Note 6(b))	8,995,487	8,036,200
Handset sales	1,051,434	1,012,755
	734,818,969	**575,909,834**

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

(a) Airtime revenue includes revenue from voice, data and value added services earned by the Company. Airtime revenue is stated net of upfront commissions paid to channel partners of ₦28.54 billion (2020: ₦24.34 billion).

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

7. Cost of sales

	2021 ₦'000	2020 ₦'000
Transmission cost	138,576,653	104,292,897
Interconnect cost	111,441,294	91,989,663
Handsets cost	2,651,656	2,407,697
Recharge cards	45,408	14,868
Regulatory fees (Note 7(b))	21,507,837	15,803,020
Roaming cost	460,184	315,452
Bandwidth cost	2,641,552	1,545,395
VAS content provider cost	10,936,336	5,935,662
Other dealer commissions (Note 7(a))	3,558,091	5,757,927
	291,819,011	**228,062,581**

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

Notes to the financial statements

7. Cost of sales (continued)

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

	2021 ₦'000	2020 ₦'000
NCC annual levy	16,109,445	12,512,620
Spectrum costs	3,339,587	2,450,501
Annual numbering fees	2,058,805	839,899
	21,507,837	**15,803,020**

8. Other income

	2021 ₦'000	2020 ₦'000
Sale of scrap and miscellaneous income (Note 8(a))	689,310	403,801
Gain on disposal of property, plant & equipment (Note 17(b))	101,451	158,472
Government grants income (Note 8(b) & Note 30)	18,569	13,090
	809,330	**575,363**

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

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

9. Selling and marketing costs

	2021 ₦'000	2020 ₦'000
Customer acquisition expenses (Note 9(a), 23(c))	6,529,728	7,393,655
Advertising media	6,453,733	4,288,798
Dealer merchandising (POS)	1,533,651	1,061,935
Field marketing	292,185	612,855
Selling and marketing campaigns	611,525	531,722
Airtel relationship centre expenses	255,622	220,513
Repairs and maintenance	72,565	151,876
Sales force training	127,734	143,187
Promotional expenses	173,840	135,394
Printing	140,537	79,282
	16,191,120	**14,619,217**

(a) **Customer acquisition expenses:** These relates to amortisation of one-off costs such as sim card, customer verification/know your customer (KYC) and other SIM related costs which are directly identifiable and incurred solely on acquisition of new subscribers. The Company expects to recover these costs by means of earning the revenue from those customers over the customer life of 18 months. The deferred portion is detailed in Other assets - Note 23(c).

Notes to the financial statements

10. Administrative expenses

	2021 ₦'000	2020 ₦'000
Customer service delivery	891,024	1,591,249
Rent	649,776	666,116
Bank charges	1,619,691	686,236
Legal fees	323,890	510,607
Statutory audit fees	85,328	80,807
Conveyance	241,835	371,222
Office maintenance and utilities	460,502	482,801
Insurance	649,897	596,996
Internal audit fees	27,996	10,709
Warehouse stock handling (Note 10(a))	-	26,829
Directors' fees	36,496	43,012
Subscriptions	90,097	10,350
Staff Welfare	121,296	242,688
Consumables	82,969	38,027
Other administrative expenses	399,727	402,063
	5,680,524	**5,759,712**

(a) Warehousing stock handling relates to capital spares handled by a third party logistic company on behalf of the Company.

11. Other operating expenses

	2021 ₦'000	2020 ₦'000
Depreciation of property, plant and equipment - (Note 17)	51,107,054	41,468,337
Depreciation of right of use assets (Note 19)	41,399,463	32,932,045
Amortisation of intangible assets (Note 18)	12,307,420	11,072,820
Employee costs (Note 11(a))	16,855,582	15,443,935
Travel costs	163,616	144,753
Other regulatory cost (Note 42)	710,121	3,250
Inventories written down	534,828	1,067,496
Allowance / (reversal) of trade advances	30,664	(10,786)
	123,108,748	**102,121,851**

(a) **Employee cost**

	2021 ₦'000	2020 ₦'000
Basic salaries	10,638,511	8,860,905
Allowances	2,994,676	2,771,377
Contributory pension	652,245	575,860
Bonus and incentives	2,523,589	3,208,073
Other employee cost	46,561	27,720
	16,855,582	**15,443,935**

Information relating to employees is detailed in Note 39.

Notes to the financial statements

12. Finance income

	2021 ₦'000	2020 ₦'000
Interest received - banks	107,620	134,998
Interest income (Employee loans)	6,350	5,421
Interest received – fixed deposit	3,532,216	626,419
	3,646,186	**766,838**

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

13. Finance costs

Interest on debts and borrowings	2,779,847	902,031
Interest on trade import facility (Note 28 (d))	514,774	-
Lease finance (Note 31.4)	30,150,271	24,212,314
Other finance charges	1,101	6,650
Interest on long service award and leave encashment	3,578	2,668
Net foreign exchange difference	17,439,907	16,383,180
	50,889,478	**41,506,843**

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

13a. Interest Paid

Interest paid on debts and borrowings (Note 13)	2,779,847	902,031
Interest paid on lease (Note 31.1)	30,750,874	23,719,420
	33,530,721	**24,621,451**

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

	2021 ₦'000	2020 ₦'000
Depreciation of Property, Plant & Equipment (Note 17(c))	51,107,054	41,468,337
Depreciation of right of use asset (Note 19)	41,399,463	32,932,045
Amortisation of intangible assets (Note 18)	12,307,420	11,072,820
Finance Income (Note 12)	3,646,186	766,838
Finance costs (Note 13)	50,889,478	41,506,843
Impairment of trade and other receivables (Note 22e)	58,703	68,296
Inventories written down	534,828	1,067,496
Statutory audit fee (Note 10)	85,328	80,807
Directors' fees (Note 10)	36,496	43,012
(Gain)/Loss on disposal of property, plant & equipment (Note 8 and 11)	(101,451)	(158,472)

Notes to the financial statements

15. Taxation

(a) Tax expense

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

	2021 ₦'000	2020 ₦'000
Income tax	30,335,025	23,123,370
Education tax	7,571,698	4,621,102
National Information Technology Development tax (Note 15(c)(i))	2,490,365	1,832,807
Nigeria Police Trust Fund Levy	12,576	9,256
National Agency for Science and Engineering Infrastructure Levy	628,817	-
Prior year under / (over) provision (Note 15(c)(ii))	36,597	(847,250)
	41,075,078	28,739,285
Deferred tax expense/(benefit) (Note 15(d))	39,766,434	25,002,275
	80,841,512	**53,741,560**

(b) Reconciliation of effective tax rate

	2021 ₦'000	%	2020 ₦'000	%
Profit before tax	**251,526,901**		**185,113,535**	
Income tax using statutory tax rate	75,458,071	30.00	55,534,060	30.00
Impact of tertiary education tax	7,571,698	0.03	4,621,102	0.02
Impact of NITDA Tax	2,490,365	0.01	1,832,807	0.01
Impact of Nigeria Police Trust Fund Levy	12,598	0.00	9,256	0.00
National Agency for Science and Engineering Infrastructure Levy	628,817	0.00		
Effect of tax incentives	(2,689,489)	(0.01)	(3,363,108)	(0.02)
Non-deductible expenses	(452,110)	(0.00)	(521,215)	(0.00)
Prior year over provision	36,597	(0.00)	(2,793,333)	(0.02)
Impact of Rate change	(685,884)	(0.00)	-	0.00
Effect of IFRS 16 lease and other items	(1,318,283)	(0.01)	(1,318,438)	(0.01)
Effect of change in education tax from 2% to 2.5% on Non-PPE	(210,846)	(0.00)	(259,571)	(0.00)
	80,841,512	**30.02**	**53,741,560**	**29.99**

Notes to the financial statements

15. Taxation (continued)

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

	2021 ₦'000	2020 ₦'000
Balance as at 1 January	31,496,339	25,723,150
Charge for the year:		
Income tax	30,335,025	23,123,370
Education tax	7,571,698	4,621,102
NITDA (Note 15(c)(i))	2,490,365	1,832,807
Nigeria Police Trust Fund Levy	12,576	9,256
National Agency for Science and Engineering Infrastructure Levy (Note 15(c)(iii)	628,817	-
Prior year (over) provision	36,597	(953,171)
	41,075,078	28,633,364
Payments during the year	(29,487,301)	(22,436,415)
Withholding tax credit notes utilised	-	(423,760)
Balance as 31 December	**43,084,116**	**31,496,339**

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

(ii) **Prior year over provision**
The Company provides for current tax in the books on a monthly basis. However, final tax returns is based on the audited financial position for the year. The under provision relates to year 2020 as a result of tax actualisation and re-assessment of tax impact for prior year in the current year.

(iii) **National Agency for Science and Engineering Infrastructure Levy**
National Agency for Science and Engineering Infrastructure levy is imposed on companies operating in banking, mobile telecommunication, ICT, oil and gas, aviation and maritime industries with turnover of N100m and above. Finance Act 2021 provides clarity on companies liable to the National Agency for Science and Engineering Infrastructure levy of 0.25% of profit before tax.

Notes to the financial statements

15. Taxation (continued)

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

	2021 ₦'000	2020 ₦'000
Balance at 1 January	63,170,850	88,173,125
Movement during the year:		
Deferred tax expenses:		
Property, plant and equipment	(42,377,858)	(30,059,139)
Foreign exchange	1,136,578	1,519,113
Employee benefits	18,425	30,938
Provisions	70,091	278,053
IFRS 16 adoption - lease and deferred gain	855,943	3,228,760
	(40,296,821)	**(26,946,306)**
Impact of Rate change::		
Foreign exchange loss	320,547	-
Employee benefits	9,736	-
Provisions	44,055	-
IFRS 16 adoption - lease and deferred gain	156,049	-
	530,387	**-**
Balance at 31 December	**23,404,416**	**63,170,850**

	2021 ₦'000	2020 ₦'000
Deferred tax assets are attributable to the following:		
Property, plant and equipment	(15,876,191)	26,501,667
Foreign exchange	21,972,154	20,515,028
Employee benefits	651,242	623,081
Provisions	2,696,220	2,582,075
IFRS 16 adoption - lease and deferred gain	13,960,991	12,948,999
Net deferred tax assets	**23,404,416**	**63,170,850**

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. The Company has, accordingly, recognised a deferred tax asset of ₦23.32 billion (2020: ₦63.17 billion) relating to net deductible temporary difference that are considered to be realisable against the Company's taxable profits, which is expected to arise in future periods. The unrecognised portion of deferred tax asset as at 31 December 2021 is Nil (2020: Nil).

Management is of the view that the deferred tax assets can be recovered in future in light of the return to profitability by the Company. Management's forecast is based on assessment of the current profitable position which reflects the improved business performance largely due to significant investment made in the areas of data networks and upgraded IT platforms. The opportunities in the telecommunication market in Nigeria, as well as ongoing investments committed to by the Company reinforce management's confidence in delivering on future performance and consequently taxable profits. Where possible, inputs in the above assessment have been corroborated by industry assessments. Management are of the belief that this process contains sufficient convincing evidence that would support the probable realisation of this asset.

Notes to the financial statements

16. Earnings per share

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

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

	2021 ₦'000	2020 ₦'000
Net profit attributable to ordinary equity holders	170,685,389	131,371,975
	Number of shares '000	**Number of shares '000**
Weighted average number of shares N1 each (Note 16(a))	**13,195,994**	**13,286,999**
Earnings per share (₦)	12.93	9.89

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

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

16 Earning per share
(a) Weighted average number of shares

	2021			2020		
	Outstanding shares ₦'000	**Period covered %**	**Weighted shares ₦'000**	**Outstanding shares ₦'000**	**Period covered %**	**Weighted shares ₦'000**
Shares prior to buy-back	13,286,999	91.67	12,180,192	13,286,999	100	13,286,999
Shares post buy-back	12,194,501	8.33	1,015,802	-	-	-
Weighted Balance		**100**	**13,195,994**		**100**	**13,286,999**

Notes to the financial statements

17. Property, plant and equipment

Cost	GSM Equipment ₦ '000	Capital work in-progress ₦ '000	Information System Equipment ₦ '000	Land ₦ '000	Building ₦ '000	Office Furniture & Equipment ₦ '000	Motor Vehicles ₦ '000	Total ₦ '000
As at 1 Jan 2020	**593,442,739**	**48,035,011**	**65,119,313**	**1,236,246**	**7,170,407**	**10,401,401**	**281,634**	**725,686,751**
Additions	123,524,249	(6,038,052)	3,618,544	-	-	1,961,099	-	123,065,840
Disposals	(3,589,868)	(115,803)	(57,416)	-	-	(192,725)	(9,224)	(3,965,036)
Balance at 31 Dec 2020	**713,377,120**	**41,881,156**	**68,680,441**	**1,236,246**	**7,170,407**	**12,169,775**	**272,410**	**844,787,555**
Additions	108,373,826	671,287	3,333,503	-	-	2,091,264	-	114,469,880
Disposals	(15,708,017)	(33,331)	(4,749)	-	(15,216)	(742,763)	-	(16,504,076)
Balance at 31 Dec 2021	**806,042,929**	**42,519,112**	**72,009,195**	**1,236,246**	**7,155,191**	**13,518,276**	**272,410**	**942,753,359**
Accumulated Depreciation								
As at 1 Jan 2020	**(408,345,828)**	**-**	**(62,999,810)**	**-**	**(4,803,264)**	**(8,510,251)**	**(243,832)**	**(484,902,985)**
Depreciation	(38,213,479)	-	(1,769,160)	-	(259,581)	(1,213,374)	(12,743)	(41,468,337)
Disposals	3,523,320	-	56,335	-	-	163,202	9,224	3,752,081
Balance at 31 Dec 2020	**(443,035,987)**	**-**	**(64,712,635)**	**-**	**(5,062,845)**	**(9,560,423)**	**(247,351)**	**(522,619,241)**
Depreciation	(47,080,948)	-	(2,544,440)	-	(221,299)	(1,253,647)	(6,720)	(51,107,054)
Disposals	15,562,839	-	3,164	-	10,624	736,758	-	16,313,385
Balance at 31 Dec 2021	**(474,554,096)**	**-**	**(67,253,911)**	**-**	**(5,273,520)**	**(10,077,312)**	**(254,071)**	**(557,412,910)**
Net Book Value								
As at 31 Dec 2021	**331,488,833**	**42,519,112**	**4,755,284**	**1,236,246**	**1,881,671**	**3,440,964**	**18,339**	**385,340,449**
As at 31 Dec 2020	270,341,133	41,881,156	3,967,806	1,236,246	2,107,562	2,609,353	25,059	322,168,314

Notes to the financial statements

17. Property, plant and equipment (continued)

(a) **LTE Roll-Out (Modernization")**
During the year ended 2020, the Company continued with its Radio Access Network (RAN) modernization of Networks through the upgrade of the 3G services to 4G Long Term Evolution (LTE). Under this modernization, existing RAN equipment were swapped with new LTE equipment from Nokia, ZTE and Huawei. A total of 7,750 sites (2020: 5,741 sites) have been fully swapped as at 31 December 2021.

(b) **Disposal of property, plant and equipment**

	2021 ₦'000	2020 ₦'000
Cost of assets disposed	16,504,076	3,965,036
Accumulated depreciation of assets disposed	(16,313,385)	(3,752,081)
Net book value of assets disposed	**190,691**	**212,955**
Gain on sale of property, plant & equipment (Note 8)	101,451	158,472
Gain on disposal of property, plant and equipment	**101,451**	**158,472**
Sales proceeds on disposal	**292,142**	**371,427**

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

	2021 ₦'000	2020 ₦'000
Operating expenses (Note 11)	51,107,054	41,468,337
Total depreciation as per property, plant and equipment	**51,107,054**	**41,468,337**

(d) **Capital Work in progress:**
The carrying value of the capital work in progress amounts to ₦42.45 billion (2020: ₦41.88 billion).

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

(f) **Impairment of property, plant and equipment**
There is no impairment of property, plant and equipment during the year.

18. Intangible assets
As at 31 December 2021, the Company held five licenses for the provision of telecommunication services in Nigeria namely the Digital Mobile Licence (DML) which was issued on February 2001 for a tenor of 15 years. This has now been discontinued by Nigerian Communications Commission (NCC). However, the Spectrum associated with the DML (900 and 1800 MHz) has been subsumed under the Universal Access Service Licence (UASL) and renewed in November 2021. Other licenses include the Universal Access Service Licence (UASL) issued on 1 December 2006 for a tenor of 15 years; National Destination Code (NDC) issued as an additional number blocks to accommodate growing customer base; 3G Spectrum Licence issued on 1 May 2007 also for a tenor of 15 years and Infrastructure Sharing and Collocation Services Licence issued on 1st March 2012 for a tenure of 10years. The Company also acquired 2600 MHz 4G spectrum licence in 2019 with a tenor of 10 years and a 10 MHz spectrum in the 900 MHz band from Intercellular. These are all capitalised as intangible assets and amortised over the period of the licences as stated in Note 3.2. The intangible assets also include software that is separately identifiable and costs is measurable. Software is amortised over its useful life.

Notes to the financial statements

18. Intangible assets (continued)

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

Cost	900 & 1800 MHz Spectrum ₦'000	2600 MHz Spectrum ₦'000	3G Licence ₦'000	Indefeasible right of use ₦'000	Software licence ₦'000	10 MHz Spectrum ₦'000	National Destination Code ₦'000	Total ₦'000
As at 1 Jan. 2020	**21,300,040**	**12,672,000**	**19,020,000**	**-**	**1,897**	**-**	**577,500**	**53,571,437**
Additions	-	-	-	-	27,634	35,668,979	-	35,696,613
As at 31 Dec. 2020	**21,300,040**	**12,672,000**	**19,020,000**	**-**	**29,531**	**35,668,979**	**577,500**	**89,268,050**
Additions	71,985,716	-	-	-	8,693	-	-	71,994,409
As at 31 Dec. 2021	**93,285,756**	**12,672,000**	**19,020,000**	**-**	**38,224**	**35,668,979**	**577,500**	**161,262,459**
Accumulated Amortisation								
As at 1 Jan. 2020	**(14,399,878)**	**(732,546)**	**(15,933,182)**	**-**	**(579)**	**-**	**(375,049)**	**(31,441,234)**
Amortisation	(3,625,031)	(1,267,200)	(1,244,959)	-	(21,053)	(4,712,126)	(202,451)	(11,072,820)
Adjustment (Note 18(a))	4,098	-	-	-	-	-	-	4,098
As at 31 Dec. 2020	**(18,020,811)**	**(1,999,746)**	**(17,178,141)**	**-**	**(21,632)**	**(4,712,126)**	**(577,500)**	**(42,509,956)**
Amortisation	(5,071,559)	(1,267,200)	(1,244,959)	-	(11,576)	(4,712,126)	-	(12,307,420)
As at 31 Dec. 2021	**(23,092,370)**	**(3,266,946)**	**(18,423,101)**	**-**	**(33,208)**	**(9,424,252)**	**(577,500)**	**(54,817,376)**
Carrying amount								
As at 31 Dec 2021	**70,193,386**	**9,405,054**	**596,900**	**-**	**5,016**	**26,244,727**	**-**	**106,445,083**
As at 31 Dec 2020	**3,279,229**	**10,672,254**	**1,841,859**	**-**	**7,899**	**30,956,853**	**-**	**46,758,094**

(a) **Adjustment**
This relates to de-recognition of bandwidth dark fibre adjustment during the year 2020.

Notes to the financial statements

19. Right of use assets

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

Cost	GSM Equipment ₦'000	Building ₦'000	Motor Vehicles ₦'000	Total ₦'000
As at 1 Jan. 2020	**121,387,655**	**713,869**	**300,824**	**122,402,348**
Addition	59,325,368	262,113	-	59,587,481
Retirement (Note 19.2)	(364,897)	-	-	(364,897)
Balance 31 Dec. 2020	**180,348,126**	**975,982**	**300,824**	**181,624,932**
Additions	99,843,353	209,319	-	100,052,672
Retirement (Note 19.2)	(2,000,127)	-	-	(2,000,127)
Balance 31 Dec. 2021	**278,191,352**	**1,185,301**	**300,824**	**279,677,477**
Accumulated Amortisation				
As at 1 Jan. 2020	**(33,297,944)**	**(493,260)**	**(225,172)**	**(34,016,376)**
Depreciation charge	(32,614,942)	(241,451)	(75,652)	(32,932,045)
Retirement ((Note 19.2)	83,055	-	-	83,055
Balance 31 Dec. 2020	**(65,829,831)**	**(734,711)**	**(300,824)**	**(66,865,366)**
Depreciation charge	(41,224,392)	(175,071)	-	(41,399,463)
Retirement ((Note 19.2)	625,094	-	-	625,094
Balance 31 Dec. 2021	**(106,429,129)**	**(909,782)**	**(300,824)**	**(107,639,735)**
Net Book Value				
As at 31 Dec 2021	**171,762,223**	**275,519**	**-**	**172,037,742**
As at 31 Dec 2020	**114,518,295**	**241,271**	**-**	**114,759,566**

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

19.1 Amount recognised in profit and loss

	2021 ₦'000	2020 ₦'000
Depreciation of right of use assets (Note 11 – Other operating expenses)	41,399,463	32,932,045

19.2 Retirement of Right of use assets – GSM Equipment

In 2021, the Company exited some leased sites as per terms of the agreement with the Lessor. The carrying amount of the exited sites derecognised is ₦1.37 billion (2020: ₦281.84 million)

Notes to the financial statements

19. Right of use (continued)

19.3 Sale and lease back transactions

As at 31 December 2021, included in the right of use assets – GSM equipment is the carrying value of assets held under a sale and lease back transaction of ₦34.30 billion (2020: ₦44.14 billion) and deferred gain on sale of towers of ₦23.00 billion (2020: ₦29.60 billion). The deferred gain is a deduction from the fair value of the leased back asset on initial recognition which is being amortised over the leased term. On adoption of IFRS 16, the carrying amount was reclassified from property, plant and equipment to right of use assets.

20. Other financial assets

	2021 ₦'000	2020 ₦'000
Non- Current	77,852	136,181
Current	11,599,775	113,903
	11,677,627	**250,084**
Security deposit	1,250	1,250
Staff car loan	179,135	248,834
Regulatory Bid Deposit (20.1)	8,125,774	-
Cross Currency Swap Deposit (20.2)	3,371,468	-
	11,677,627	**250,084**

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

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

20.1 Regulatory Bid Deposit

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

20.2 Cross Currency Swap Deposit

This relates to deposit for forward contract held with banks with maturity of less than one year

Notes to the financial statements

21. Inventories

	2021 ₦'000	2020 ₦'000
Accessories	158,445	1,093,175
	158,445	**1,093,175**

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

* During the year, ₦534.83 million was recognised as write-down for inventories carried at net realisable value (2020: ₦1.07 billion). This is recognised as part of other operating expenses in Note 11. The written down value has been treated as a non-cash item in the statement of cash flows.

22. Trade and other receivables

	2020 ₦'000	2020 ₦'000
Interconnect (Note 22(a))	8,749,871	3,199,819
Subscribers	1,952,289	1,779,389
Dealers	8,577,148	3,551,332
E1 Leased line	1,929,286	2,051,010
Roaming	270,940	119,004
Trade receivables	21,479,534	10,700,553
Allowance for impairment for receivables (Note 22(b))	(3,870,321)	(3,921,279)
Net trade receivables	17,609,213	6,779,274
Due from related companies (Note 22(c))	9,371,255	7,215,954
Other receivables	3,990,710	688,435
Less: Allowance for other receivables (Note 22(d))	(148,898)	(180,201)
	30,822,280	**14,503,462**

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

Notes to the financial statements

22. Trade and other receivables (continued)

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

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

	0-90 days	**91-180 days**	**181-270 days**	**>270 days**	**Total**
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**
At December 2021					
Interconnect	4,139,250	1,031,032	2,503,577	1,076,012	8,749,871
Non Interconnect	9,935,354	651,536	213,012	1,929,761	12,729,663
	14,074,604	**1,682,568**	**2,716,589**	**3,005,773**	**21,479,534**
Expected Credit Loss	-	651,536	213,012	3,005,773	**3,870,321**

	0-90 days	**91-180 days**	**181-270 days**	**>270 days**	**Total**
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**
At December 2020					
Interconnect	1,618,845	229,896	183,623	1,167,455	3,199,819
Non Interconnect	4,746,910	485,384	561,219	1,707,221	7,500,734
	6,365,755	**715,280**	**744,842**	**2,874,677**	**10,700,553**
Expected Credit Loss	-	485,384	561,219	2,874,677	**3,921,279**

The Company writes off a trade receivable to the extent that there is no realistic prospect of recovery e.g. when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount due. the Company however continues to engage in enforcement activity to attempt to recover the receivable due. There was a write off of trade receivables of ₦140m in 2021 (2020: ₦12.3m).

Notes to the financial statements

22. Trade and other receivables (continued)

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

	2021 ₦'000	2020 ₦'000
Receivables		
Balance as at 1 January	3,199,819	5,101,357
Revenue for the year (Note 6)	118,787,487	95,907,748
Impairment during the year	(91,443)	(637,115)
Balance as at 31 December (Note 22)	(8,749,871)	(3,199,819)
Payment received in the year	**113,145,992**	**97,172,171**
Payables		
Balance as at 1 January	2,259,467	2,928,439
Cost for the year (Note 7)	111,441,294	91,989,663
Balance as at 31 December (Note 33)	(1,829,416)	(2,259,467)
Payment made in the year	**111,871,345**	**92,658,635**
Net receipt/payment made for the year	**1,274,647**	**4,513,536**

(b) **Allowance for impairment of trade receivables**

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

	2021 ₦'000	2020 ₦'000
Individually impaired	**3,870,321**	**3,921,279**

	₦'000	₦'000
Balance as at 1 January	3,921,279	3,862,294
Movement during the year (Note 11(b)	(50,958)	58,985
Balance as at 31 December	**3,870,321**	**3,921,279**

Notes to the financial statements

22. Trade and other receivables (continued)

(c) **Due from related companies**

	2020 ₦'000	2020 ₦'000
Bharti Airtel Nigeria B.V.	415,489	
Airtel Kenya	7,550	11,140
Airtel Madagascar	4,295	10,074
Airtel Niger	4,629,606	3,963,781
Airtel DRC	830,921	418,771
Airtel Zambia	116,096	109,935
Airtel Congo Brazzaville	286,027	249,367
Airtel Malawi	50,902	53,136
Airtel Chad	248,454	234,483
Airtel Gabon	94,866	89,792
Airtel Tanzania	35,051	34,446
Airtel Uganda	20,109	21,158
Airtel Rwanda	20,230	31,221
Airtel Seychelles	19,548	7,070
Bharti Airtel Limited	160,834	139,259
Bharti Airtel (UK) Limited	2,236,273	1,800,608
Bharti International (Singapore) Pte Ltd	18,774	27,903
Bharti Airtel Lanka (Pvt Ltd)	-	-
Bharti Airtel France (SAS)	5,618	7,061
Jersey Airtel Limited	-	-
Bharti Airtel International Netherland Limited Kenya	162,646	6,733
Bharti Hexacom Limited	27	16
Airtel Mobile Commerce Nig. Ltd	7,939	-
	9,371,255	**7,215,954**

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

Notes to the financial statements

22. Trade and other receivables (continued)

(d) Allowance for impairment of other receivables

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

	2021	2020
	₦'000	₦'000
Individually impaired	**148,898**	**180,201**

	₦'000	₦'000
Balance as at 1 January	180,201	183,142
Movement during the year (Note 11(b)	(31,303)	(2,941)
Balance as at 31 December	**148,898**	**180,201**

(e) Impairment of trade and other receivables

	2021	2020
	₦'000	₦'000
Trade receivable written off	140,964	12,252
Allowance / (reversal) of trade receivables (Note 22b)	(50,958)	58,985
Allowance / (reversal) of other receivables (Note 22d)	(31,303)	(2,941)
	58,703	**68,296**

* Impairment reported in statement of cash flows is the addition of allowance / reversal of trade and other receivables. Trade and other receivables movement in the statement of cash flows is reported net of impairment.

23. Other assets

	2021 ₦'000	2020 ₦'000
Non-current	5,959,070	6,859,156
Current	15,841,004	8,816,445
	21,800,074	**15,675,601**
Prepaid expenses (Note 23(a))	13,656,965	6,736,695
Prepaid site lease/rent (Note 23(b))	3,889,693	2,030,447
Customer acquisition cost (Note 23(c))	3,162,714	6,054,690
Advance payment to suppliers (Note 23(d))	1,090,702	853,769
	21,800,074	**15,675,601**

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

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

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

	2021 ₦'000	2020 ₦'000
Balance as at 1 January	6,054,690	4,354,827
Additions	3,637,751	9,093,518
Amortised cost (Note 9)	(6,529,728)	(7,393,655)
	3,162,713	**6,054,690**

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

Notes to the financial statements

24. Income tax recoverable

	2020 ₦'000	2020 ₦'000
Unutilised WHT credit notes	**877,554**	**239,804**

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

24.1 Movement in income tax recoverable

	2021 ₦'000	2020 ₦'000
Balance as at 1 January	239,804	419,611
Additions during the year	637,750	243,953
Utilized during the year	-	(423,760)
Un-utilized WHT credit notes	**877,554**	**239,804**

25. Cash and cash equivalents

	2021 ₦'000	2020 ₦'000
Cash in hand	8	7
Bank balances	18,604,581	61,912,154
Restricted cash (Note 25.1)	75,606,180	858,778
Fixed deposit	33,000,000	64,900,000
Cash and bank balances	**127,210,769**	**127,670,939**
Bank overdraft (Note 28 (c))	-	-
Cash and cash equivalent	**127,210,769**	**127,670,939**

25.1 Restricted cash

This represents cash set aside as per court order of ₦39.7 million (2020: ₦39.7 million) and advance deposit with bank for foreign exchange of ₦75.57 billion (2020: ₦819.1 million) is therefore not available for use by the Company.

Notes to the financial statements

26. Share capital and Share premium

26.1 Share capital

	2021 ₦'000	2020 ₦'000
Authorised:		
13,500,000,000 ordinary shares of ₦1 each	13,500,000	13,500,000
Issued, called up and fully and partly paid:		
201,318,163 ordinary shares of ₦1 each	201,318	201,318
13,085,680,595 ordinary shares of ₦1 each (30 kobo called up)	3,925,705	3,925,705
13,085,680,595 ordinary shares of ₦1 each (70 kobo called up)	9,159,976	-
Total share capital	**13,286,999**	**4,127,023**

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

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

26.2 Share premium

	2021 ₦'000	2020 ₦'000
As at 1 January	**67,235,360**	**67,235,360**

26.3 Treasury Shares (Share Buy-Back)

During the year the shareholders passed a resolution pursuant to the provisions of the Companies and Allied Matters Act 2020 to effect a buy-back of not more than cumulative 10% of the fully paid ordinary shares of the company from all existing shareholders on a proportionate basis at the price of ₦55.81 per share, this Share Buy-back process was concluded in December 2021 when the Board approved the share transfers from participating shareholders. A total of 1,092,497,868 unit of shares were bought back representing 8.22% of the issued shares. The sum of N60.97 billion (2020: Nil) was paid to the shareholders and transaction cost involved in the buy-back is N6.58 billion (2020: Nil). The Company will decide either to re-issue or cancel the share buy-back within 12 month.

27. Retained earnings

	2021 ₦'000	2020 ₦'000
As at 1 January	176,373,579	50,887,564
Profit for the period	170,685,389	131,371,975
Dividend (Note 27.1)	(63,451,311)	(5,885,960)
As at 31 December	**283,607,657**	**176,373,579**

Notes to the financial statements

27.1 Dividend – During the year 2021 the Board of Directors declared a total of N63.45 billion (2020: N5.86 billion) interim dividend to shareholders at an equivalent of 4.87kobo per share (2020: 44 kobo) in five tranches (below schedule).

Date Declared	Tranches	Rate (₦)	No of Shares	Total (₦'000)
22-Sep-21	1st Interim	0.85	13,286,998,758	11,293,949
14-Oct-21	2nd Interim	1.87	13,286,998,758	24,846,688
04-Nov-21	3rd Interim	1.00	13,286,998,758	13,286,999
03-Dec-21	4th Interim	1.00	12,194,500,890	12,194,501
30-Dec-21	5th Interim	0.15	12,194,500,890	1,829,175
Total Dividend				**63,451,311**

28 Interest bearing loans and borrowings

	2021 N'000	2020 N'000
Non-current		
Term loans and borrowings (Note 28 (a))	20,533,333	19,507,605
Shareholder loan (Note 28 (b))	-	7,632,174
	20,533,333	**27,139,779**
Current		
Bank overdraft (Note 28 (c))	-	-
Term loans and borrowings (Note 28 (a))	48,869,160	13,729,154
Trade Import facilities – confirmed letters of credit (Note 28 (d))	24,876,503	-
	73,745,663	**13,729,154**

(a) **Term loans and borrowings**

	2021 N'000	2020 N'000
Balance at 1 January	33,236,759	889
Additions in the year	37,792,628	44,869,900
	71,029,387	44,870,789
Repayment	(3,793,494)	(12,278,273)
Write off during the year	-	(889)
Exchange difference	2,166,601	645,132
Balance at 31 December	**69,402,493**	**33,236,759**
Current	48,869,160	13,729,154
Non-current	20,533,333	19,507,605
	69,402,493	**33,236,759**

Notes to the financial statements

Interest bearing loans and borrowings (continued)

Airtel has a revolving local and foreign loan and advance portfolio with four banks. The details of the facilities are as follows.

Standard Chartered Bank (SCB) – This is a foreign currency revolving loan facility of $50 million from Standard Chartered Bank Dubai in 2020, the facility amount was enhanced to $75mn in 2021. it is a variable interest loan, linked to average 3-month LIBOR plus margin of 2.75% repayable monthly. A total drawdown of $62 million has been made on the loan with a repayment of $15 million in December 2020. The facility is secured by Corporate Guarantee given by BAIN B.V.
The balance of the loan as at December 2021 is $47 million (2020: $35 million)

The balance of the loan as at December 2021 is $47 million (2020: $35 million) with a final maturity date in October 2023.

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

The balance of the loan as at December 2021 is $50 million (2020: $50 million) with a final maturity date in October 2024.

CITI Bank Dubai - This is a foreign currency revolving cumulative loan facility of $16.5 million from CITI Bank Abu Dhabi in 2020 repayable quarterly, it is a variable interest loan, linked to average 3-month LIBOR plus margin of 2.6%. A total drawdown of $15.91 million has been made on the loan. The facility is secured by Corporate Guarantee given by BAIN B.V.

The balance of the loan as at December 2021 is $15.91 million (2020: Nil) with a final maturity date in July 2022.

Access Bank Plc - This is a revolving foreign exchange (FX) advance (Advance) with Access Bank UK Limited of $55 million from during the year, it has an indicative interest rate of 6.5% per annum and with a tenor of 270 days prepayable at any time. The advance has been fully drawn at $55 million. The facility is secured by a security deposit of 250% of the amount drawn.

The balance of the advance as at December 2021 is $55 million (2020: Nil) with a final maturity date in June 2022.

(b) **Shareholder loan**

	2021	**2020**
	₦'000	**₦'000**
Balance at 1 January	7,632,174	-
Additions in the year	-	7,111,479
Exchange difference	299,033	520,695
	7,931,207	7,632,174
Repayment in the year	(7,931,207)	-
Balance at 31 December	**-**	**7,632,174**

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

28. Interest bearing loans and borrowings

(c) Bank overdraft

	Commitment ₦'000	Drawn-down ₦'000	Available ₦'000	Outstanding ₦'000
2021	83,000,000	-	83,000,000	-
2020	57,000,000	-	57,000,000	-

The Company's overdraft facilities are revolving having a structure of 12 months' term with a fixed rate of interest ranging between 9.5% and 14% (2020: 10% and 14%) per annum. These facilities are secured on all-assets debenture and corporate guarantee.

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

The Company has a trade import facilities arrangement with banks in the form of confirmed letter of credit, under this arrangement the bank guarantees and pay the Company foreign vendors pending when foreign exchange (FX) is available / sourced from Central bank due to the shortage of FX in the country. Included in current liabilities short term borrowing is the amount of ₦24.9 billion which relates to outstanding confirmed LC's for which FX is yet to be available from Central bank to settle the banks.

	2021 ₦'000	2020 ₦'000
Balance at 1 January	-	-
Additions in the year	25,991,782	-
Interest accrued	514,774	-
	26,506,556	-
Repayment in the year	(1,630,053)	-
Balance at 31 December	**24,876,503**	**-**

29 Provisions

	2021 ₦'000	2020 ₦'000
Non-current		
Asset retirement obligation (Note 29.1)	**38,838**	**36,628**
Current		
Provision for litigations (Note 29.2)	**262,088**	**274,540**

29.1 Asset Retirement obligation

	2021 ₦'000	2020 ₦'000
Balance at 1 January:		
ARO liability	6,908	2,274
Finance cost	29,720	23,070
	36,628	25,344
Additions during the year:		
ARO liability	1,109	4,634
Finance cost	7,187	6,650
	8,296	11,284
Utilization during the year:		
ARO liability	-	-
Finance cost	(6,086)	-
	(6,086)	-
Balance at 31 December:		
ARO liability	8,017	6,908
Finance cost	30,821	29,720
	38,838	**36,628**

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

Provision during the period for asset retirement obligation is after considering the impact of unwinding of the discount over time. The discount rate used to calculate the obligation at the end of 2021 was 13.82% (2020: 21%). The discount rate represents the real rate determined using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the liability. Finance cost portion of the asset retirement obligation is shown in Note 12(b).

29.2 Provision for litigations

	2021 ₦'000	2020 ₦'000
Balance at 1 January	274,540	188,147
Addition during the year	2,876	102,073
Utilisation during the year	(15,328)	(15,680)
Balance at 31 December	**262,088**	**274,540**

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

30 Deferred revenue

	2021 ₦'000	2020 ₦'000
Customer advances	34,711,927	27,865,195
Grants (Note 30(a))	149,323	167,892
Customer loyalty claims (Note 30(b))	582,627	1,101,947
	35,443,877	**29,135,034**
Non-current	130,755	149,324
Current	35,313,122	28,985,710
	35,443,877	**29,135,034**

(a) **Grants**

Balance at 1 January	167,892	103,818
Addition during the year	-	77,164
Amortised for the year (Note 8)	(18,569)	(13,090)
Balance at 31 December	**149,323**	**167,892**
Non-current	130,755	149,324
Current	18,567	18,568
	149,323	**167,892**

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

(b) **Customer loyalty**

The Company operates a customer loyalty programme, which allows customers to accumulate points when they recharge airtime. The points can be redeemed for free airtime, subject to a minimum number of points being obtained. Consideration received is allocated between the airtime revenue and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined by applying a statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed. As at 31 December 2021, the estimated liability for unredeemed points was approximately ₦582.63 million (2020: ₦1.1 billion) disclosed as part of deferred revenue liability.

	2021 **₦'000**	**2020** **₦'000**
Balance as at 1 January	1,101,947	324,243
Accrued	6,219,090	4,069,910
Utilisation	(6,738,410)	(3,292,206)
	582,627	**1,101,947**

31 Lease liabilities

	2021 **₦'000**	**2020** **₦'000**
Non-current	228,477,425	184,238,937
Current	54,123,082	45,629,201
	282,600,507	**229,868,138**

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

31.1 Movement in lease liabilities

	2021 **₦'000**	**2020** **₦'000**
As at 1 January	229,868,138	203,759,699
Additions during the year	100,052,672	59,310,233
Lease adjustment	(2,096,174)	(242,317)
Interest accrued	30,150,271	24,212,314
Interest repayment	(30,750,874)	(23,719,420)
Principal repayment	(41,572,177)	(36,304,368)
Exchange difference	(3,051,349)	2,851,998
Lease liabilities included in the statement of financial position	**282,600,507**	**229,868,138**

31.2 Maturity analysis: Lease liabilities

	2021 ₦'000	2020 ₦'000
Less than one year	54,123,082	45,629,201
Later than one year but not later than 5 years	228,411,710	167,675,258
Later than 5 years	65,715	16,563,679
Lease liabilities included in the statement of financial position	**282,600,507**	**229,868,138**

31.3 Maturity analysis: Undiscounted lease liabilities

	2021 ₦'000	2020 ₦'000
Less than one year	83,939,347	72,829,518
Later than one year but not later than two years	81,825,395	83,544,078
Later than two years but not later than five years	135,828,169	170,159,400
Later than five years but not later than nine years	33,985,616	24,396,955
Later than nine years	5,379,482	3,693,327
Total undiscounted lease liabilities	**340,958,009**	**354,623,278**

31.4 Amount recognised in statement of profit or loss

	2020 ₦'000	2020 ₦'000
Lease finance charge (Note 12(b))	**30,150,271**	**24,212,314**

32 Employee benefit liability

	2021 ₦'000	2020 ₦'000
Pension fund	101	-
Leave encashment (Note 32.1)	24,601	18,894
Staff bonus	1,495,430	1,411,999
Other employee benefit	99,453	25,224
Long service award (Note 32.2)	24,797	27,354
	1,644,382	**1,483,471**
Non-current	62,285	40,594
Current	1,582,097	1,442,877
	1,644,382	**1,483,471**

Pension fund represents the unremitted part of statutory pension deductions to the relevant Pension Fund Administrators while staff bonus represents the accrued bonus for the employee based on performance as at 31 December 2021 and 2020 respectively.

The leave encashment (compensated leave absences) and long service award for the Company are presented based on the actuarial valuation carried out by Mercer Consulting (India) Private Limited for the year ended 31 December 2021. There are no plan assets as this is an unfunded scheme.

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

Notes to the financial statements

32 Employee benefit liability (continued)

32.1 Leave encashment

Key assumptions:	**31 December 2021**	**31 December 2020**
Discount rate*	11.50% p.a	5.25% p.a
Salary increase rate	12% p.a	10% p.a
Rate of return on plan assets	Not applicable	Not applicable
Mortality Table	Assumed to be implicit in withdrawal rate assumption	
Withdrawal (rate of employee turnover)	12% p.a	14.53% p.a
Retirement Age	60 years	60 years
Leave availment rate	25% p.a from available accrued leave balance of employee	
Weighted average duration	1 year	1 year

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

Amount shown in statement of financial position

	2021	**2020**
	₦'000	**₦'000**
Opening obligation	18,894	9,381
Current service cost	11,770	36,867
Interest expense	211	952
Benefits paid	(6,275)	(28,306)
Total leave encashment	**24,601**	**18,894**
Current net liability	24,601	14,862
Non-current net liability	-	4,032
	24,601	**18,894**

Notes to the financial statements

32 Employee benefit liability (continued)

32.2 Long service award

Key assumptions:	31 December 2021	31 December 2020
Discount rate*	11.50% p.a	5.25% p.a
Salary increase rate	Not applicable	Not applicable
Rate of return on plan assets	Not applicable	Not applicable
Mortality Table	Assumed to be implicit in	withdrawal rate assumption
Withdrawal (rate of employee turnover)	12% p.a	14.53% p.a
Retirement Age	60 years	60 years
Weighted average duration	1 year	1 year

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

Amount shown in statement of financial position

	2021 ₦'000	2020 ₦'000
Opening obligation	27,354	22,639
Current service cost	10,841	10,239
Interest expense	381	1,716
Benefits paid	(13,779)	(7,240)
Total long service awards	**24,797**	**27,354**
Current net liability	7,232	6,357
Non-current net liability	17,565	20,997
	24,797	**27,354**

33 Trade and other payables

	2021 ₦'000	2020 ₦'000
Interconnect creditors (Note 22 (a))	1,829,416	2,259,467
Roaming creditors	311,655	276,113
Trade creditors	52,403,504	73,512,585
Sundry creditors	30,127,192	28,896,919
Due to related companies (Note 33 (a))	14,430,197	13,109,858
Interest accrued	414,721	28,326
Accruals	19,968,752	7,218,777
Dividend payable (Note 33 (b))	4,193,098	54,622
	123,678,535	**125,356,667**

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

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

Notes to the financial statements

33. Trade and other payables (continued)

(a) Due to related companies

	2021 ₦'000	2020 ₦'000
Bharti Airtel Nigeria B.V.	9,268,114	9,091,907
Airtel Kenya	1,054,600	998,235
Airtel Madagascar	13,841	14,449
Airtel Niger	1,339,396	1,140,179
Airtel DRC	632,171	604,326
Airtel Zambia	43,655	63,335
Airtel Congo Brazzaville	108,712	102,912
Airtel Malawi	24,072	22,787
Airtel Chad	286	214
Airtel Gabon	198,164	159,088
Airtel Tanzania	6,808	4,927
Airtel Uganda	33,822	90,960
Airtel Rwanda	36,558	26,599
Airtel Seychelles	52	-
Bharti Airtel Limited	82,069	49,730
Bharti Airtel (UK) Limited	1,466,286	608,131
Bharti International (Singapore) Pte Ltd	8,793	8,322
Bharti Airtel Lanka (Pvt Ltd)	-	-
Nxtra Data Limited	29,647	42,887
Network i2i Limited	16,122	27,688
Africa Towers Services Limited	-	25,252
Bharti Airtel Services Limited	-	-
Bharti Airtel (France) SAS	62,698	24,697
Bharti Airtel International Netherland Limited Kenya	4,317	3,192
Bharti Hexacom Limited	14	41
	14,430,197	**13,109,858**

(b) Dividend payable (net of tax)

	2021 ₦'000	2020 ₦'000
Opening balance	54,622	20,810,542
Dividend declared during the year	58,590,258	5,432,359
Dividend paid	(54,451,782)	(26,188,279)
	4,193,098	**54,622**

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

Notes to the financial statements

34 Derivative financial instruments

	2021 ₦'000	2020 ₦'000
Derivative financial assets		
Derivatives that are not designated as hedging instruments carried at fair value through profit or loss:		
Foreign currency forward contracts	**222,846**	**27,591**
Derivative financial liabilities		
Derivatives that are not designated as hedging instruments carried at fair value through profit or loss:		
Foreign currency forward contracts	**2,439,440**	**111,768**

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

	2021 ₦'000	2020 ₦'000
Derivative financial assets	222,846	27,591
Derivative financial liabilities	(2,439,440)	(111,768)
Net amount of derivatives assets / (liabilities)	(2,216,594)	(84,177)
Cash collateral (received)/paid	-	-
Net amount	**(2,216,594)**	**(84,177)**

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

Notes to the financial statements

35 Related Party

(a) Related party transactions:

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

Name	Nature of transaction	Relationship	Transaction value 2021 ₦'000	Transaction value 2020 ₦'000	Balance receivable 2021 ₦'000	Balance receivable 2020 ₦'000	Balance (payable) 2021 ₦'000	Balance (payable) 2020 ₦'000
Bharti Airtel Nigeria, B.V.	Support Service Fees and Credit Facility/Other services	Shareholder's Interest	7,871,456	(8,322,348)	415,489	-	(9,268,114)	(16,724,081)
Airtel Kenya	Interconnect & Roaming	Fellow Subsidiary	(59,955)	(101,647)	7,550	11,140	(1,054,600)	(998,235)
Airtel Madagascar	Interconnect & Roaming	Fellow Subsidiary	(5,171)	(1,999)	4,295	10,074	(13,841)	(14,449)
Airtel Niger	Interconnect & Roaming	Fellow Subsidiary	466,608	(191,733)	4,629,606	3,963,781	(1,339,396)	(1,140,179)
Airtel DRC	Interconnect & Roaming	Fellow Subsidiary	384,305	631,408	830,921	418,771	(632,171)	(604,326)
Airtel Zambia	Interconnect & Roaming	Fellow Subsidiary	25,841	52,817	116,096	109,935	(43,655)	(63,335)
Airtel Congo Brazzaville	Interconnect & Roaming	Fellow Subsidiary	30,860	32,711	286,027	249,367	(108,712)	(102,912)
Airtel Malawi	Interconnect & Roaming	Fellow Subsidiary	(3,519)	7,525	50,902	53,136	(24,072)	(22,787)
Airtel Chad	Interconnect & Roaming	Fellow Subsidiary	13,899	17,006	248,454	234,483	(286)	(214)
Airtel Gabon	Interconnect & Roaming	Fellow Subsidiary	(34,002)	53,157	94,866	89,792	(198,164)	(159,088)
Airtel Tanzania	Interconnect & Roaming	Fellow Subsidiary	(1,276)	201,331	35,051	34,446	(6,808)	(4,927)
Airtel Uganda	Interconnect & Roaming	Fellow Subsidiary	56,089	(62,035)	20,109	21,158	(33,822)	(90,960)
Airtel Rwanda	Interconnect & Roaming	Fellow Subsidiary	(20,950)	(24,165)	20,230	31,221	(36,558)	(26,599)
Airtel Seychelles	Interconnect & Roaming	Fellow Subsidiary	12,426	522	19,548	7,070	(52)	-
Bharti Airtel Limited	Interconnect, Roaming, Signalling, Lease line/Bandwidth	Common Parent	(10,764)	8,314	160,834	139,259	(82,069)	(49,730)
Bharti Airtel (UK) Limited	Interconnect, Roaming & Lease line/Bandwidth	Common Parent	(422,490)	187,130	2,236,273	1,800,608	(1,466,286)	(608,131)
Bharti International (Singapore) Pte Ltd	Interconnect, Roaming & Lease line/Bandwidth	Common Parent	(9,600)	8,192	18,774	27,903	(8,793)	(8,322)
Bharti Airtel Lanka (Pvt Ltd)	Roaming Services	Common Parent	-	1	-	-	-	-
Nxtra Data Limited	Network Data Maintenance	Common Parent	13,240	(9,902)	-	-	(29,647)	(42,887)
Network i2i Limited	Lease line/Bandwidth	Common Parent	11,566	(15,735)	-	-	(16,122)	(27,688)
Africa Towers Services Ltd	Payment for investment	Common Parent	25,252	(1,830)	-	-	-	(25,252)
Bharti Airtel Services Limited	Manpower Services	Common Parent	-	2,961	-	-	-	-
Bharti Airtel (France) SAS	Lease line/Bandwidth	Common Parent	(39,444)	(9,602)	5,618	7,061	(62,698)	(24,697)
Jersey Airtel Limited	Roaming Services	Common Parent	-	(4)	-	-	-	-
Bharti Hexacom Limited	Roaming	Common Parent	38	(24)	27	16	(14)	(41)
Bharti Airtel International Netherland Limited Kenya		Common Parent	154,788	3,541	162,646	6,733	(4,317)	(3,192)
Airtel Mobile Commerce Nig. Ltd			7,939	-	7,939		-	-
			8,467,136	**(7,534,411)**	**9,371,255**	**7,215,954**	**(14,430,197)**	**(20,742,032)**

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

Notes to the financial statements

35. Related Party (continued)

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

(c) **Investment in Subsidiary**
In the year 2019, Airtel Networks Limited invested in 99.9% of the shares of Airtel Mobile Commerce Nigeria Limited, a limited liability company registered under the laws of Nigeria. As at 31 December 2021, the company is yet to commence operations. The Company has paid for the acquisition of the licence from the Central Bank of Nigeria. The IFRS 10 exemption on preparation of a consolidated financial statements have been followed as per the Company' policy in Note 3.4.

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

	2021 ₦'000	2020 ₦'000
Investment in subsidiary:		
Airtel Mobile Commerce Nigeria Limited	**50,000**	**50,000**

Notes to the financial statements

35. Related party (continued)

(d) **Key management personnel (Directors)**
Key management personnel are those who have authority and responsibility for planning, directing and controlling the activities of Company. The Company's key management personnel are considered to be the members of the Board.

Compensation to Directors

Short term compensation	**2021 ₦'000**	**2020 ₦'000**
Fees	33,344	39,026
Sitting allowance	3,153	3,986
	36,496	**43,012**
Chairman emoluments (excluding pension contribution)	**16,672**	**16,672**
The fees and emoluments of the highest paid Director	**16,672**	**16,672**

There are no long term benefits, post-employment benefits and terminal benefits given to the Directors of the Company.

Directors' mix	**2021 Number**	**2020 Number**
Executive Director	1	1
Non-executive Directors	8	8
	9	**9**

The non-executive directors that received compensation as at 31 December 2021 were three (3) (2020: 3) in numbers. The other non-executive directors are representative of the parent company and are not entitled to receive compensation.

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

Range (₦)	**2021 Number**	**2020 Number**
0 – 9,999,999	-	-
10,000,000 – 10,999,999	-	-
11,000,000 – 11,999,999	-	-
12,000,000 – 12,999,999	2	2
13,000,000 – 13,999,999	-	-
14,000,000 – 14,999,999	-	-
15,000,000 – 15,999,999	-	-
16,000,000 – 16,999,999	1	1
	3	**3**

Notes to the financial statements

36 Guarantee and financial commitments

(a) Bank guarantee

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

(b) Purchase order (PO)

The Company had authorised and contracted purchase orders amounting to ₦43.65 billion (2020: ₦61.99 billion) as at the reporting date.

(c) Letters of credit (LC)

The Company has unfunded Letters of Credit amounting to ₦264.58 million (2020: ₦816.75 million) and confirmed Letters of Credit of ₦4.05 billion (2020: Nil) with various banking institutions in respect of imports.

37 Financial instruments

37.1 Categories of financial instruments and their fair value

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

	Amortised cost ₦'000	Fair value through profit or loss ₦'000	Carrying value ₦'000
As at 31 December 2021			
Trade and other receivables	30,822,280	-	30,822,280
Other financial asset	11,677,627	-	11,677,627
Cash and bank balance	127,210,769	-	127,210,769
Derivative financial assets	-	222,846	222,846
Total financial assets	**169,710,676**	**222,846**	**169,933,522**
Trade and other payables	123,678,535	-	123,678,535
Derivative financial liabilities	-	2,439,440	2,439,440
Interest bearing loans and borrowings	94,278,996	-	94,278,996
Total financial liabilities	**217,957,531**	**2,439,440**	**220,396,971**
As at 31 December 2020			
Trade and other receivables	14,503,462	-	14,503,462
Other financial asset	250,084	-	250,084
Cash and bank balance	127,670,939	-	127,670,939
Derivative financial assets	-	27,591	27,591
Total financial assets	**142,424,485**	27,591	**142,452,075**
Trade and other payables	125,356,667	-	125,356,667
Derivative financial liabilities	-	111,768	111,768
Interest bearing loans and borrowings	40,868,933	-	40,868,933
Total financial liabilities	**166,225,600**	**111,768**	**166,337,368**

Notes to the financial statements

37. Financial instruments (continued)

37.1 Categories of financial instruments and their fair value (continued)

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

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

- Long-term fixed-rate and variable-rate borrowings and/or receivable are evaluated by the Company based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2021, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

As at 31 December 2021, the changes in counterparty credit risk had no material effect on the financial instruments recognised at fair value.

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

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

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

	Total ₦'000	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000
At 31 December 2021				
Other financial asset	11,498,492	11,498,492	-	
Derivative financial assets	222,846	222,846	-	-
At 31 December 2020				
Other financial asset		-	-	
Derivative financial assets	27,591	27,591	-	-

During the reporting period ending 31 December 2021, there were no transfers between Level 1 and Level 2 (2020: Nil). The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Notes to the financial statements

37. Financial instruments (continued)

37.1 Categories of financial instruments and their fair value (continued)

Fair Value (continued)

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

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

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

As at 31 December 2021, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

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

Notes to the financial statements

37. Financial instruments (continued)

37.1 Categories of financial instruments and their fair value (continued)

Fair Value (continued)

Description of significant unobservable inputs to valuation:
The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2021 and 2020 are as shown below:

Particulars	Valuation techniques	Inputs Used	Quantitative information about significant unobservable inputs	Sensitivity of the input to fair value
Loans to staff	DCF method	Monthly future expected cash flows Monthly market interest rate Tenor of loan repayment	0.65% (2020: 0.65%) 36 / 48 months	1% (2021: 1%) increase (decrease) would result in an increase (decrease) in fair value by ₦1.79 million (2020: ₦1.6 million)
Derivative financial assets	DCF method	Expected future cash flows, Forward foreign currency exchange rates		The fair value of derivative would increase/decrease in same proportion to increase or decrease in the expected future pay-outs

Reconciliation of fair value measurement of derivative assets and liabilities

	Derivative financial assets	Derivative financial liabilities	Net derivative liabilities
	₦'000	**₦'000**	**₦'000**
As at 1 January 2020	-	-	-
Recognised in statement of profit or loss during the year	27,591	(111,768)	(84,177)
As at 31 December 2020	**27,591**	**(111,768)**	**(84,177)**
Recognised in statement of profit or loss during the year	195,255	(2,327,672)	(2,132,417)
As at 31 December 2021	**222,846**	**(2,439,440)**	**(2,216,594)**

Notes to the financial statements

37. Financial instruments (continued)

37.2 Financial risk management

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

(a) **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of interest rate risk and foreign currency risk. Financial instruments affected by market risk include loans and borrowings, forward foreign currency contracts to hedge the exchange rate risk and deposits. The sensitivity analyses in the following sections relate to the position as at 31 December in 2021 and 2020. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant. The analyses exclude the impact of movements in market variables on the carrying value of provisions and on the non-financial assets and liabilities. The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks

Interest rate risk

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

Interest rate sensitivity

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

	2021 ₦'000	2020 ₦'000
Interest bearing loans and borrowings		
Non-current portion of loans	20,533,333	27,139,779
Current portion of loans	73,745,663	13,729,154
Overdraft	-	-
	94,278,996	**40,868,933**
Effective Interest Rate	**4.23%**	**4.90%**

Basis point		**Strengthening**	**Weakening**
2021		**₦'000**	**₦'000**
	+1	9,428	(9,428)
	+5	47,139	(47,139)
2020		**₦'000**	**₦'000**
	+1	4,087	(4,087)
	+5	20,434	(20,434)

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

Notes to the financial statements

37.2 Financial risk management (continued)

(a) **Market risk (continued)**

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

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

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

	31 December 2021		31 December 2020	
	USD'000	EUR'000	USD'000	EUR'000
Financial asset				
Trade and other receivables	21,843	(20)	19,522	(16)
Derivative financial assets	538	-	70	-
Financial liability				
Borrowings	(227,936)	-	(104,457)	-
Lease liabilities	(372,073)	-	(374,402)	-
Trade and other payables	(250,043)	(260)	(227,789)	16
Derivative financial liabilities	(5,886)	-	(285)	-
Net statement of financial position exposure	**(883,558)**	**(280)**	**(687,340)**	**-**

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

		Effect on profit before tax ₦'000
As at 31 December 2021	USD (5 per cent strengthening)	17,273,396
	Euro (5 per cent strengthening)	6,560
	USD (5 per cent weakening)	(17,273,396)
	Euro (5 per cent weakening)	(6,560)
As at 31 December 2020	USD (5 per cent strengthening)	13,480,851
	Euro (5 per cent strengthening)	(21)
	USD (5 per cent weakening)	(13,480,851)
	Euro (5 per cent weakening)	21

The following exchange rates were applied during the year:

	Average rate		Closing rate	
	2021	2020	2021	2020
	₦	₦	₦	₦
US Dollar	409.41	382.07	414.45	392.26
Euro	484.39	436.17	469.28	481.87

Notes to the financial statements

37. Financial instruments (continued)

37.2 Financial risk management (continued)

(b) Credit risk

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

Trade receivables

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

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

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

		Past due but not impaired			
	Less than 90days	**90-180 days**	**181-270 days**	**Above 270 days**	**Total**
At 31 December 2021	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Subscribers	976,388	-	-	-	976,388
Roaming	144,949	-	-	-	144,949
Interconnect	4,139,250	1,031,032	2,503,577	-	7,673,859
Leased line	191,423	-	-	-	191,423
Dealers	8,622,594	-	-	-	8,622,594
Net trade receivables	**14,074,604**	**1,031,032**	**2,503,577**	**-**	**17,609,213**
At 31 December 2020					
Subscribers	921,592	-	-	-	921,592
Roaming	38,371	-	-	-	38,371
Interconnect	1,618,845	229,896	183,623	-	2,032,364
Leased line	226,567	-	-	-	226,567
Dealers	3,560,380	-	-	-	3,560,380
Net trade receivables	**6,365,756**	**229,896**	**183,623**	**-**	**6,779,274**

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

Notes to the financial statements

37. Financial instruments (continued)

37.2 Financial risk management (continued)

(c) Liquidity risk

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

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

	Total ₦'000	On demand ₦'000	Less than 3 months ₦'000	3 to 12 months ₦'000	1 to 3 years ₦'000	4 to 5 years ₦'000
31 December 2021						
Interest bearing loans and borrowings	94,278,996	-	73,745,663	-	20,533,333	-
Lease liabilities	340,958,009		22,361,261	61,578,086	149,922,222	107,096,440
Trade and other payables	119,485,437	-	50,822,320	68,663,117	-	-
Derivative financial liabilities	2,439,440	-	-	2,439,440	-	-
Dividend payable	4,193,098	-	4,193,098	-	-	-
Total	**561,354,980**	**-**	**151,122,342**	**132,680,643**	**170,455,555**	**107,096,440**
31 December 2020						
Interest bearing loans and borrowings	40,868,933	-	13,729,154	-	27,139,779	-
Lease liabilities	229,868,138			45,629,201	167,675,258	16,563,679
Trade and other payables	125,302,045	-	36,420,135	88,881,910	-	-
Derivative financial liabilities	111,768	-	-	111,768	-	-
Dividend payable	54,622	-	54,622	-	-	-
Total	**396,205,506**	**-**	**50,203,911**	**134,622,879**	**194,815,038**	**16,563,679**

Notes to the financial statements

37. Financial instruments (continued)

37.2 Financial risk management (continued)

(d) Capital risk management

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

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

	2021 ₦'000	2020 ₦'000
Gearing Ratio		
Interest-bearing loans and borrowings	94,278,996	40,868,933
Lease liabilities	282,600,507	229,868,138
Trade and other payables	123,678,535	125,356,667
Less: cash and cash equivalent	(127,210,769)	(127,670,939)
Net debt	**373,347,269**	**268,422,799**
Total Equity	**296,576,506**	**247,735,962**
Equity and net debt	**669,923,775**	**516,158,761**
Gearing ratio	**55.7%**	**52.0%**

38. Net cash adjustment – statement of cash flow

38.1 Net foreign exchange difference

	2021 ₦'000	2020 ₦'000
Net foreign exchange differences (Note 13)	(17,439,907)	(16,383,180)
Lease Liability Exchange Difference (Note 31.1)	(3,051,349)	2,851,998
Term Loan Exchange Difference (Note 28(a))	2,166,601	645,131
Share Holder Loan Exchange Difference (Note 28(b))	299,033	520,695
Effect of foreign exchange on cash and cash equivalent	103,622	114,422
	(17,922,000)	**(12,250,933)**

38.2 Other Non-Cash Item

	2021 ₦'000	2020 ₦'000
Intangible assets adjustment (Note 18)	-	(4,098)
Staff loan re-measurement (Note 12)	6,350	5,421
Loan written off (Note 28(a))	-	(889)
Interest on long service award and leave encashment (Note 13)	(3,578)	(2,668)
Lease adjustment (Note 31.1)	(2,096,174)	(242,317)
Right of use cost retirement (Note 19)	2,000,127	-
Right of use accumulated depreciation retirement (Note 19)	(625,094)	-
Interest on asset retirement obligation (Note 13)	(1,101)	(6,650)
	(719,470)	**(251,201)**

Notes to the financial statements

39 Going concern

The Company reported a net profit for the year ended 31 December 2021 of ₦170.69 billion (2020: ₦131.37 billion) and as at that date, the current liabilities exceeded its current assets by ₦147.50 billion (2020: ₦94.56 billion) while total assets exceeded total liabilities by ₦296.58 billion (2020: ₦247.74 billion). There was a foreign exchange loss for the year which is due to a depreciation of the Naira from ₦392.26/$ in December 2020 to ₦414.45/$ in December 2021. Total foreign exchange loss recognised for the year ended 31 December 2021 is ₦17.44 billion (2020: loss of ₦16.38 billion).

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

As at 31 December 2021, the Company has ₦215 billion credit line with local banks and $78.5 with foreign banks which it could access and all the loans of the Company have been guaranteed either by the Company's All Assets Debenture or the holding company (BAIN). The Company also has a $280 million shareholder loan commitment from the holding company that is available for drawdown. The Company paid a total of N63.45 billion to her shareholder as dividend during the year and had already declared an interim dividend of ₦4.88 billion in 2022. The company also repurchase its shares with a total amount of ₦67.55 billion and held it as treasury stock which can be subsequently re-issue to raise capital.

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

Notes to the financial statements

40 Information relating to employees

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

	2021 Number	2020 Number
CEO's office and corporate affairs	40	38
Engineering /operation	134	132
Sales and marketing	393	382
Customer experience	37	26
Information systems	22	15
Human resources	16	15
Finance	54	51
	696	**659**

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

Range (₦)	2021 Number	2020 Number
Less than – N5,000,0000	131	129
N5,000,001- N10,000,000	164	163
N10,000,001- N15,000,000	144	165
N15,000,001- N20,000,000	110	85
N20,000,001 and above	147	117
	696	**659**

41 Contingent liabilities and Contingent assets

As at 31 December 2021, the Company had contingent liabilities of ₦14.6 million (2020: ₦110 million) in respect of legal cases. No provision has been made in these financial statements as management does not consider that there is a probable loss.

There was no contingent asset as at 31 December 2021 (2020: NIL).

Notes to the financial statements

42 Regulatory Sanctions - Nigerian Communications Act of 2003

In compliance with the directive of the Nigerian Communication Commission (NCC), pursuant to the provisions of Section 53(1) of the Nigerian Communication Act 2003, below are the sanctions on the Company during the year 2021.

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

43 Subscriber base

	2021 Numbers '000	2020 Numbers '000
Opening subscriber base	55,642	50,187
Net subscriber connection added / reduction during the year	(1,715)	5,455
Closing subscriber base	**53,927**	**55,642**

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

44 Segment reporting

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

45 Reclassification of prior year balances

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

Notes to the financial statements

46 Events after the reporting period

a. **Impact of COVID-19 on Business Operations:**

Management has assessed the impact of the COVID-19 pandemic on the operations of the business and its ability to continue as a going concern. Based on the facts available to management and the mitigating plans in place, management do not anticipate the COVID-19 pandemic to have a significant impact on the operations of the business. In Nigeria, where the Company operates, telecommunication operators have been pronounced as essential service providers and have therefore been exempted from complete shutdown. Furthermore, in order to mitigate the impact of the pandemic on business operations, management has put in place a comprehensive business continuity plan which addresses key aspects of the business including network availability.

Notwithstanding the above, management expects the business to be impacted by macroeconomic factors which include devaluation of the local currency. To mitigate the impact of potential devaluation of local currency, the treasury function of the business is pursuing viable foreign exchange risk management tools including forward contracts, re-denomination, netting and use of its foreign exchange earnings in order to meet dollar payments to strategic vendors.

OTHER NATIONAL DISCLOSURES

Value Added Statement

For the year ended 31 December

	2021 ₦'000	%	2020 ₦'000	%
Revenue	734,818,969		575,909,834	
Bought-in-materials and services				
- Local	(313,980,158)		(249,115,174)	
-Imported	(18,651,916)		(16,985,194)	
Value added by operating activities	**402,186,895**		**309,809,466**	
Non trading items:				
Other income	809,330		575,363	
Finance income	3,646,186		766,838	
Value Added	**406,642,411**	**100**	**311,151,666**	**100**
Applied as follows:				
To pay employees' salaries, wages and fringe benefits	16,855,582	4	15,443,935	5
To pay providers of capital - interest	33,445,993	8	25,120,995	8
Current taxation	41,077,128	10	28,739,285	9
Deferred Tax	39,764,382	10	25,002,275	8
To provide for depreciation of fixed assets	51,107,054	13	41,468,337	13
To provide for depreciation of right of use assets	41,399,463	10	32,932,045	11
To provide for amortisation of intangible assets	12,307,420	3	11,072,820	4
Profit retained for operations	170,685,389	42	131,371,975	42
Value Added	**406,642,411**	**100**	**311,151,666**	**100**

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

Five-Year Financial Summary

	2021 ₦'million	2020 ₦'million	2019 ₦'million	2018 ₦'million	2017 ₦'million
Statement of Comprehensive Income					
Revenue from operations	734,819	575,910	468,961	382,096	315,463
Gross profit	443,000	347,847	284,119	188,432	127,089
EBITDA	346,145	273,447	252,520	159,653	98,629
Gain on sale of towers and assets	-	-	2,367	-	349
Customer acquisition cost	-	-	1,911	-	-
LTE Modernization	-	-	(1,842)	(15,023)	(5018)
Profit/(Loss) before taxation	251,527	185,114	167,999	65,684	(148)
Taxation	(80,842)	(53,742)	(39,551)	47,890	(5,712)
Profit/(Loss) for the year	**170,685**	**131,372**	**128,448**	**113,574**	**(5,860)**
Statement of financial position					
Property, plant and equipment	385,340	322,168	240,784	209,371	182,218
Right of use	172,038	114,760	88,386	-	-
Intangible assets	106,445	46,758	22,130	20,931	25,960
Deferred tax assets	23,404	63,171	88,173	99,168	45,669
Investment in subsidiary	50	50	50	-	-
Other Non-current assets	6,037	6,995	7,014	670	1,239
Net current liabilities	(147,496)	(94,561)	(157,705)	(194,426)	(175,930)
Interest bearing loans and borrowings (non-current)	(20,533)	(27,140)	-	(4,880)	(46,719)
Employee benefits liability (non-current)	(62)	(41)	(29)	(21)	(28)
Deferred revenue - (non-current)	(131)	(149)	(98)	(15)	(7)
Provisions (non-current)	(39)	(37)	(25)	(24)	(163)
Finance leases obligation (non-current)	(228,477)	(184,239)	(166,430)	(105,879)	(121,701)
Net assets	**296,576**	**247,736**	**122,250**	**24,895**	**(89,462)**
Equity					
Share capital	13,287	4,127	4,127	201	201
Treasury Shares	(67,554)				
Share premium	67,235	67,235	67,235	67,235	67,235
Retained earnings/(loss)	283,608	176,374	50,888	(42,541)	(156,898)
Equity attributable to owners of the Company	**296,576**	**247,736**	**122,250**	**24,895**	**(89,462)**
Earnings/(loss) per share:					
- Basic	₦12.93	₦9.89	₦9.67	₦564.15	₦(29.11)
- Diluted	₦12.93	₦9.89	₦9.67	₦564.15	₦(29.11)