



AIRTEL (SEYCHELLES) LIMITED

Airtel House, Perseverance, Mahé, Seychelles

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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AIRTEL (SEYCHELLES) LIMITED
(Formerly Telecom (Seychelles) Limited)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present herewith their report and audited financial statement of the company for the year ended 31 December 2021.

Activities

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

Revenue (Note 4) increased by 6% (2020: decreased by 7%) in the current year to SCR 322M (2020: SCR 302M) as the economy recovers from the negative impact of the Covid-19 pandemic on the tourism industry in the prior year.

Direct costs (Note 5) further dropped by 5% (2020: dropped 19%) as a result of increased cost control.

The Profit before tax of SCR 190M (2020: Loss before tax SCR 100M) is on account of recovery in revenues explained above and appreciation of local currency by 31% leading to exchange gains.

Share of results in Associate

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

Results

The Company's operating profit for the current year is SCR 76M (2020: Profit of SCR 57M). This is a result of increase in revenues as detailed above. Profit before tax has turned positive SR 190M (2020: loss of 100M) arising from exchange gains explained above.

The operating expenses in current year has increased by 3% (2020: 4% increased) due to increase in depreciation (new data center) and network costs.

During the year the company has contributed SCR 70M Net (2020: SCR 72M) to the exchequer on account of VAT, License fees, Business Tax, Income Tax, Tourism Marketing Tax, CSR Tax and Withholding Tax.

During the year dividend was paid to the tune of SR 72M (2020: SCR Nil). The Directors have declared dividend of SCR 65M in the board meeting held on 14 March 2022.

Capital Expenditure

Significant capital expenditure was made in 2021 to the tune of SCR 70M (2020: SCR 104M) to finalized the construction of a new Tier 3 data centre and Head office on Perseverance Island, the final cost of which was SR 90M and to expand the retail footprint through roll out of additional shops.

Property plant and equipment and right of use assets with definite lives are reviewed for impairment regularly or whenever events or changes in circumstances indicate that their carrying values may not be recoverable. There was no impairment during the year 2021 (2020: SCR Nil).

Employees

As at 31 December 2021 the company employed 77 staff (2020: 58 staff) including new shops employees. The board gratefully acknowledges the wholehearted and sincere efforts made by its employees in making it possible for the company to achieve continuous revenue growth in a saturated market like Seychelles.

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

Statutory disclosures under section 153 of the Companies Ordinance 1972

Principal Activities

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

AIRTEL (SEYCHELLES) LIMITED
(Formerly Telecom (Seychelles) Limited)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Directors and their interest in the company

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

	Citizenship	Shares held	
		1 January	31 December
Amadou Mahamat Dina (appointed on 14 November 2014)	Tchadian	-	-
Alok Bafna (appointed on 28 November 2017)	Indian	-	-
Ramakrishna Lella (appointed on 28 November 2017)	Indian	-	-
Rogany Ramiah (appointed on 17 September 2019)	South African	-	-
Michael Patrick Foley (appointed on 13 May 2021)	Canadian	-	-

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

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

Statement of directors' responsibilities

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

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

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

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

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

Auditors

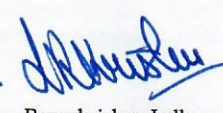
M/S Pool and Patel, Chartered Accountants, retire and being eligible offers themselves for appointment.

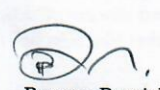
Acknowledgements


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


Amadou Mahamat Dina


Alok Bafna


Ramakrishna Lella


Rogany Ramiah


Michael Patrick Foley

Date: 13 May 2022

INDEPENDENT AUDITOR'S REPORT

AIRTEL (SEYCHELLES) LIMITED

Opinion

We have audited the financial statements of Airtel (Seychelles) Limited set out on pages 5 to 28, which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a five year financial summary and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2021, and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS) and requirements of the Seychelles Companies Act, 1972.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Seychelles, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Uncertainty related to solvency and going concern

We draw attention to the statement of financial position which shows the Company's current liabilities exceed its current assets by SCR 87.3m, out of which SCR 34.6m (net) is payable to related parties and current borrowings of SCR 50.8m is secured by a corporate guarantee from the step-up parent.

In view of the above, the directors of the Company are confident that the company can continue to operate in case of solvency issues and are of the opinion that the going concern basis of preparation of these financial statements remains appropriate for the foreseeable future.

Our opinion is not modified in respect of this matter.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITOR'S REPORT (cont...)

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

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

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

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

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



AIRTEL (SEYCHELLES) LIMITED

Statement of profit or loss and other comprehensive income

Financial statements are prepared in Seychelles Rupees

	Note	For the year ended 31 December	
		2021	2020
Income			
Revenue	4	321,687,280	302,867,517
Expenses			
Direct costs	5	(18,109,873)	(19,157,237)
Network operating expenses	6	(71,225,695)	(67,188,185)
License fee		(16,902,295)	(16,756,477)
Employee benefits expense	8	(39,839,539)	(38,170,493)
Sales and marketing expenses		(12,157,156)	(10,733,678)
Other expenses	7	(37,358,931)	(39,764,652)
Depreciation and amortisation	11/12	(50,155,631)	(53,503,782)
		(245,749,118)	(245,274,501)
Operating profit		75,938,161	57,593,016
Share of operating profit in associate	13	21,751,470	15,823,090
Finance Income/(costs)	10	91,894,109	(173,878,275)
Profit/(Loss) before income tax		189,583,741	(100,462,169)
Tax (expense)/credit	14	(60,342,601)	35,969,721
Profit/(Loss) for the year		129,241,140	(64,492,448)
Other comprehensive income/ (loss)			
Re-measurement gain/(loss) on defined benefit plans	19	(407,437)	(798,014)
Deferred Tax on re-measurement gain on defined benefit plans		134,455	284,805
Share of associate	13	(27,706,395)	30,948,113
Total comprehensive income for the year		101,261,762	(34,057,544)

The notes on pages 10 to 29 are an integral part of these financial statements.

AIRTEL (SEYCHELLES) LIMITED

Statement of changes in equity

Financial statements are prepared in Seychelles Rupees.

	Share capital (Note 17)	Retained earnings Total	Other reserves Total	Total
At 1 January 2020	35,969,000	48,691,816	(6,942,561)	77,718,255
Interim dividend declared	-	(39,656,900)	-	(39,656,900)
Profit / (loss) for the year	-	(64,492,448)	-	(64,492,448)
Other comprehensive income(1)			30,434,905	30,434,905
At 31 December 2020	35,969,000	(55,457,532)	23,492,344	4,003,811
At 01 January 2021	35,969,000	(55,457,532)	23,492,344	4,003,811
Dividend Declared	-	-	-	-
Profit/(loss) for the year	-	129,241,140	-	129,241,140
Other comprehensive income(1)	-	-	(27,979,377)	(27,979,377)
At 31 December 2021	35,969,000	73,783,607	(4,487,034)	105,265,574

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

The notes on pages 10 to 29 are an integral part of these financial statements.

AIRTEL (SEYCHELLES) LIMITED

Statement of financial position

Financial statements are prepared in Seychelles Rupees

	Note	As at 31 December	
		2021	2020
Assets			
Non-current assets			
Property, plant and equipment	11	316,585,096	293,426,097
Right of use assets	12.1	12,230,056	13,930,329
Investment in associate	13	88,614,016	94,568,942
Deferred tax asset (net)	14	-	28,140,375
Other non-current assets	15	108,710,213	89,070,377
		526,139,381	519,136,119
Current assets			
Inventories	16	5,289,434	8,419,649
Trade and other receivables	17	39,056,041	36,602,799
Other current assets	15	12,806,557	10,980,919
Cash and cash equivalents	22	38,660,529	25,144,382
		95,812,561	81,147,749
Total assets		621,951,942	600,283,868
Liabilities			
Non-current liabilities			
Borrowings	20	307,259,312	-
Lease liabilities	12.2	11,096,119	13,496,526
Deferred tax liability (net)	14	11,033,359	-
Employee benefit obligations	19	4,165,879	3,656,111
		333,554,669	17,152,637
Current liabilities			
Borrowings	20	50,885,689	397,188,690
Lease liabilities	12.2	2,939,720	2,508,616
Trade and other payables	21	118,324,963	165,221,618
Deferred Revenue	4	7,113,280	8,282,108
Current tax liabilities (net)	14	1,878,658	3,229,121
Employee benefit obligations	19	1,989,390	2,697,267
		183,131,700	579,127,420
Total liabilities		516,686,369	596,280,056
Equity			
Share capital	18	35,969,000	35,969,000
Retained earnings		73,783,607	(55,457,532)
Other reserves		(4,487,034)	23,492,344
		105,265,573	4,003,811
Total liabilities and equity		621,951,942	600,283,868

The notes on pages 10 to 29 are an integral part of these financial statements.

Directors

Amadou Mahamat Dina

13 May 2022

Alok Bafna

Ramakrishna Lella

Rogany Ramiah

Michael Patrick Foley

AIRTEL (SEYCHELLES) LIMITED

Cash flow statement

Financial statements are prepared in Seychelles Rupees.

	Note	For the year ended 31 December	
		2021	2020
Cash flows from operating activities			
Profit before tax		189,583,741	(100,462,169)
Adjustments for:-			
Depreciation and amortisation	11/12	50,155,631	53,503,782
Provision for employee benefits	19	1,180,022	1,639,732
Share of operating profit in associate	13	(21,751,470)	(15,823,090)
Provision for bad and doubtful debts	17	(710,621)	6,812,482
Loss on disposal of Property, plant and equipment		164,527	-
Finance costs	10	(91,894,109)	173,878,275
Operating cash flow before changes in working capital		126,727,721	119,549,012
Decrease in inventories	16	3,130,217	3,993,121
(Increase)/ Decrease in trade and other receivables	17	(2,453,242)	2,097,833
(Increase)/ Decrease in other current and non current assets		(21,465,474)	14,281,047
(Decrease) in deferred revenue		(1,168,828)	(2,730,295)
Increase in trade and other payables		6,595,265	3,134,424
Net cash generated from operations before tax		111,365,659	140,325,142
Tax paid	14	(22,519,330)	(20,617,041)
Net cash generated from operating activities		88,846,329	119,708,101
Cash flows from investing activities			
Payments to acquire property, plant & equipment	11	(70,014,859)	(104,867,967)
Loss on disposal	10	-	-
Payments to acquire assets in associate	11	-	-
Proceeds from sale of property, plant & equipment	11	82,393	-
Net cash used in investing activities		(69,932,466)	(104,867,967)
Cash flow from financing activities			
Proceeds from borrowings	20	83,135,000	-
Loans paid	20.1/12.2	(2,358,964)	-
Interest paid	20.1/12.2	(10,289,983)	(10,801,845)
Repayment of borrowings	23.5	-	-
Repayment of lease liabilities	12.2	(3,789,704)	(3,765,167)
Dividend paid	23.4	(72,028,500)	-
Net cash flow from / (used in) financing activities		(5,332,151)	(14,567,012)
Increase in cash and cash equivalents		13,581,712	273,122
Cash & cash equivalent at 1 January		25,144,382	25,039,174
Exchange adjustments on cash & cash equivalent	10	(65,565)	(167,914)
Cash & cash equivalents 31 December	22	38,660,529	25,144,382

The notes on pages 10 to 29 are an integral part of these financial statements.

AIRTEL (SEYCHELLES) LIMITED**FIVE YEAR FINANCIAL SUMMARY - 31 DECEMBER 2021**

Financial statements are prepared in Seychelles Rupees

	In SCR' 000				
	2021	2020	2019	2018	2017
Statement of financial position					
Share capital					
Authorised	35,969	35,969	35,969	35,969	35,969
Issued and fully paid	35,969	35,969	35,969	35,969	35,969
Retained earnings	73,783	(55,458)	48,691	57,143	113,414
Net assets employed	109,752	(19,489)	84,660	93,112	149,383
Statement of income					
Revenue	321,687	302,868	324,666	314,201	320,863
Profit before income tax	189,584	(100,462)	64,757	61,318	70,933
Tax expense	(60,343)	35,970	(23,550)	(20,192)	(34,641)
Profit for the year	129,241	(64,492)	41,207	41,126	36,292
Dividend Declared	-	(39,657)	(49,659)	(97,397)	-
	129,241	(104,149)	(8,452)	(56,271)	36,292
Retained earnings - 1 January	(55,458)	48,691	57,143	113,414	77,122
Retained earnings - 31 December	73,783	(55,458)	48,691	57,143	113,414

AIRTEL (SEYCHELLES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Financial statements are prepared in Seychelles Rupees

1 *Corporate Information*

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

The company provides telecommunication services in Seychelles.

The financial statements for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 14 March 2022.

2 *New and revised Standard in Issue but not effective*

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

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

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

- Amendments to IAS 37 in relation to 'Onerous contracts- cost of fulfilling contracts'
- Amendments to IAS 1 in relation to 'classification of liabilities as current and non-current'

3 *Summary of significant accounting policies*

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

3.1 *Basis of presentation*

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are

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

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

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

3.2 *Functional and reporting currency*

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

3.3 *Foreign Currency Translation*

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

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

AIRTEL (SEYCHELLES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Financial statements are prepared in Seychelles Rupees

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

3.3 Foreign Currency Translation (Cont...)

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

The Banks closing-rate for the period were:

Currency	Exchange rates at 31 December			Changes in percent (SCR)	
	2021	2020	2019	2021-2020	2020-2019
SCR/US \$	15.06	21.75	14.19	31%	-53%
SCR/Euro	17.05	26.72	15.31	36%	-75%
SCR/UK Pound	20.36	29.58	17.96	31%	-65%

3.4 Comparatives

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

3.5 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

3.6 Intangibles

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

AIRTEL (SEYCHELLES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Financial statements are prepared in Seychelles Rupees

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

3.6 *Intangibles (Cont...)*

Amortisation is recognised in Statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use or placed in service. The amortisation period and the amortisation method for an intangible asset is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

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

3.7 *Inventories*

Inventories are carried at the lower of cost and net realisable value. Cost is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. 100% provision is made for sim cards on purchase.

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

3.8 *Tax*

The tax expense for the period comprises of current business, corporate social responsibility, tourism marketing taxes and deferred tax. Tax is recognised in the statement of income, except that a charge attributable to an item of income or expense as recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

3.9 *Financial Instruments*

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial statements are prepared in Seychelles Rupees

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

3.9 Financial Instruments (cont...)

3.10.1 Financial assets

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

Classification of financial assets

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

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

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

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

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

Investment in equity is always measured at fair value.

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

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

Impairment of financial assets

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

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

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

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

Write-off policy

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

Derecognition of financial assets

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

3.10.2 Financial liabilities

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

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

Foreign exchange gains and losses

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

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

Derecognition of financial liabilities

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

3.11 Share capital and share premium

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

3.12 Employee benefits

3.12.1 Retirement benefit obligations

The company operates a defined contribution scheme for all its employees. The company and all its local employees also contribute to the Seychelles Pension Scheme Fund, which is a defined contribution scheme. A defined contribution plan is a retirement benefit plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

3.12.2 Other entitlements

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

3.13 Impairment of non-financial assets

Property plant and equipment, right of use assets and intangible assets with definite lives are reviewed for impairment, whenever events or changes in circumstances indicate that their carrying values may not be recoverable. For the purpose of impairment testing, the recoverable amount (that is, higher of the fair value less costs to sell and the value-in-use) is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets, in which case the recoverable amount is determined at the cash-generating-unit ('CGU') level to which the said asset belongs. If such individual assets or CGU are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the asset / CGU exceeds their estimated recoverable amount and allocated on pro rata basis. Impairment losses, if any, are recognised in statement of profit and loss.

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

Reversal of impairment losses

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

3.14 Dividends

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

3.15 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

3.16 Contingencies

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

3.17 Critical accounting estimates and judgements

3.17.1 Critical accounting estimates and assumptions

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

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

Receivables

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

Taxes

1 Current income tax

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

2 Deferred tax

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

Determination of residual values and useful lives

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

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

3.17 *Critical accounting estimates and judgements (cont..)*

3.17.2 *Critical judgments in applying the entity's accounting policies*

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

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

(a) *Multiple element contracts with vendors*

The Company has entered into multiple element contracts for supply of goods and rendering of services. In certain cases, the consideration paid is determined independent of the value of supplies received and services availed. Accordingly, the supplies and services are accounted for based on their relative fair values to the overall consideration. The supplies with finite life under the contracts have been accounted under Property, Plant and Equipment and / or as Intangible assets, since the Company has economic ownership in these assets and represents the substance of the arrangement.

(b) *Arrangement containing lease*

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

3.18 *Cash and cash equivalents*

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

3.19 *Trade receivables*

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

3.20 *Trade payables*

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

3.21 *Leases*

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

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

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

Subsequent to initial recognition, right-of-use asset are stated at cost less accumulated depreciation and any impairment losses and adjusted for certain remeasurements of the lease liability. Depreciation is computed using the straight-line method from the commencement date to the end of the useful life of the underlying asset or the end of the lease term, whichever is shorter.

3.22 *Revenue recognition*

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

3.22 Revenue recognition

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

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

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

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

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

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

Revenues recognised in excess of amounts invoiced are classified as unbilled revenue. If amounts invoiced / collected from a customer are in excess of revenue recognised, a deferred revenue / advance income is recognised.

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

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

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

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

4 Revenue

	For the year ended 31 December	
	2021	2020
<i>Analysis of revenue by category</i>		
Mobile	259,534,402	244,647,399
Fixed & leased line	39,293,324	34,302,888
Interconnect and roaming revenue	16,252,314	14,997,640
Sale of handsets	6,183,585	8,452,034
Other services including sales of other equipment	423,656	467,556
Total	321,687,280	302,867,517

Performance obligations that are unsatisfied (or partially unsatisfied) amounting to SCR 7,13,280 at 31 December 2021 and SCR 8,282,108 as at 31 December 2020 will be satisfied within a period of next one year respectively.

Transfers from unbilled revenue recognized at the beginning of the period to receivables is SCR 14,596,681 for 2021 (2020: SCR 13,861,584).

5 Direct costs

	For the year ended 31 December	
	2021	2020
Cost of goods sold	6,286,463	7,378,465
Interconnect & roaming expenses	11,823,409	11,778,771
Total	18,109,873	19,157,237

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6 <i>Network operating expenses</i>	For the year ended 31 December	
	2021	2020
Bandwidth charges	30,361,136	26,195,576
Maintenance Charges	20,292,997	23,421,089
Electricity	17,550,943	16,301,233
Other network expenses	3,020,619	1,270,287
Total	71,225,695	67,188,185

7 <i>Other expenses</i>	2021	2020
	Security	775,403
Repairs and maintenance	2,021,363	1,495,803
Travelling and transport	2,388,977	1,309,649
Utility	59,316	150,254
Rental of offices and showrooms	5,694,115	4,653,229
Legal and professional fees	2,556,832	2,529,184
Postage, courier, and stationery	2,532,528	905,146
Provision for bad and doubtful debts (note 16)	(710,621)	6,812,482
Management Fees	14,325,028	16,482,106
Office operational costs	7,715,988	4,430,103
Total	37,358,931	39,764,652

8 <i>Employee benefits expense</i>	For the year ended 31 December	
	2021	2020
Salaries	34,371,702	32,540,969
Employers' contribution to defined contribution scheme	397,125	358,267
Employee benefit obligation (note 18)	1,180,022	1,455,806
Performance linked bonuses	2,226,603	2,185,217
Staff welfare expenses	1,664,087	1,630,234
Total	39,839,539	38,170,493

9 <i>Profit for the year</i>	For the year ended 31 December	
	2021	2020
Profit for the year has been arrived at after charging:		
Auditors remuneration	330,000	330,000
Depreciation and amortisation	50,155,631	53,503,782
Management fees	14,325,028	16,482,106

10 <i>Finance costs / (Income)</i>	For the year ended 31 December	
	2021	2020
Interest on loan (note 19.1 & 22.5)	11,640,540	13,512,242
Interest on lease liabilities (note 11.2)	1,157,413	1,126,551
Interest on employee benefit obligations (note 18)	380,887	183,927
Exchange loss / (gain) on borrowings (note 19.1 & 22.5)	(122,327,695)	136,726,019
Exchange loss / (gain) on cash and cash equivalents	65,565	167,914
Exchange loss on others	17,189,181	22,161,622
Total	(91,894,109)	173,878,275

11 <i>Property, plant and equipment</i>	Leasehold improvements	Office & network equipment	Vehicles	Capital Work In Progress	Total
	Cost				
At 1 January 2020	2,026,653	598,555,474	7,373,381	12,278,147	620,233,655
Additions	-	-	-	104,867,967	104,867,967
Transfers from capital work in progress	-	17,770,651	-	(17,770,651)	-
At 31 December 2020	2,026,653	616,326,125	7,373,381	99,375,463	725,101,622

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Leasehold improvements	Office & network equipment	Vehicles	Capital Work In Progress	Total
Accumulated depreciation and impairment					
At 1 January 2020	1,445,090	374,278,385	6,821,106	-	382,544,581
Depreciation charge	45,786	48,627,829	457,330	-	49,130,944
At 31 December 2020	1,490,876	422,906,214	7,278,436	-	431,675,525
Carrying amount					
At 1 January 2020	581,563	224,277,089	552,275	12,278,147	237,689,074
At 31 December 2020	535,777	193,419,911	94,945	99,375,463	293,426,097
Cost					
At 1 January 2021	2,026,653	616,326,125	7,373,381	99,375,463	725,101,622
Additions	8,189,957	52,926,656	-	8,898,246	70,014,859
Disposals	(14,282)	(19,616,675)	-	-	(19,630,957)
Transfers from capital work in progress	22,263,891	76,213,079	-	(98,476,970)	-
At 31 December 2021	32,466,219	725,849,185	7,373,381	9,796,739	775,485,524
Accumulated depreciation and impairment					
At 1 January 2021	1,490,876	422,906,214	7,278,436	-	431,675,525
Depreciation charge	665,388	45,874,623	94,946	-	46,634,956
Disposals	(3,351)	(19,406,703)	-	-	(19,410,054)
At 31 December 2021	2,152,913	449,374,134	7,373,381	-	458,900,428
Carrying amount					
At 1 January 2021	535,777	193,419,911	94,945	99,375,463	293,426,097
At 31 December 2021	30,313,306	276,475,051	(0)	9,796,739	316,585,096

11.1 Right of Use Assets

	Upon application of IFRS 16		Total
	Land and Building	Plant & machinery	
Cost			
At 1 January 2020	4,942,569	14,156,324	19,098,892
Additions	1,561,262	2,568,875	4,130,137
Deletions	-	-	-
At 31 December 2020	6,503,831	16,725,199	23,229,029
Accumulated depreciation			
At 1 January 2020	2,760,957	2,164,906	4,925,863
Depreciation charge	1,460,339	2,912,498	4,372,837
At 31 December 2020	4,221,296	5,077,404	9,298,700
Carrying amount			
At 31 December 2020	2,282,535	11,647,795	13,930,328
Cost			
At 1 January 2021	6,503,831	16,725,199	23,229,029
Additions	-	1,820,401	1,820,401
Deletions	-	-	-
At 31 December 2021	6,503,831	18,545,600	25,049,430

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11.1 Right of Use Assets (Cont...)

	Upon application of IFRS 16		Total
	Land and Building	Plant & machinery	
Accumulated depreciation			
At 1 January 2021	4,221,296	5,077,404	9,298,700
Depreciation charge	496,800	3,023,875	3,520,675
At 31 December 2021	4,718,096	8,101,279	12,819,375
Carrying amount			
At 31 December 2020	2,282,535	11,647,795	13,930,329
At 31 December 2021	1,785,735	10,444,321	12,230,056

12 Lease liabilities

	2021	2020
Discounted lease liability		
At 1 January	16,005,142	15,640,172
Additions in the year	1,820,401	4,130,137
Interest cost	1,157,413	1,126,551
Repayments	(4,947,117)	(4,891,718)
At 31 December	14,035,840	16,005,142

Amounts recognised in the the Statement of financial position

	2021	2020
Current	2,939,720	2,508,616
Non-current	11,096,119	13,496,526
Total	14,035,840	16,005,142

Amounts recognised in the Statement of profit or loss

	2021	2020
Interest on lease liabilities (note 9)	1,157,413	1,126,551

	2021	2020
Maturity analysis:		
Less than one year	3,784,882	3,872,107
One to five years	8,706,929	9,591,048
More than five years	3,306,088	4,701,627
Total undiscounted lease liabilities	15,797,899	18,164,782
Total discounted lease liabilities	14,035,840	16,005,142

13 Investment in associate

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

	Holding	2021	2020
Investment in associate at cost	26%	49,861,046	49,861,046
Foreign exchange adjustment in accounting for initial cost (recognized in other comprehensive income)		(5,077,098)	22,629,297
Share of profit in associate		43,830,068	22,078,598
Total		88,614,016	94,568,941
Share of operating profit in associate (recognized in statement of profit or loss)		21,751,470	15,823,090

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

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14 Tax

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

	2021	2020
Current income tax		
- For the year	18,500,000	19,600,000
- Adjustments for prior periods	728,541	(6,615,229)
	19,228,541	12,984,771
Deferred tax		
- For the year	39,173,734	(51,520,106)
Corporate social responsibility & Tourism marketing Tax		
- For the year	1,940,326	2,565,615
Total	60,342,601	(35,969,721)

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

	2021	2020
Profit/ (Loss) before tax less share of profit in associate	167,832,271	(116,285,260)
Enacted tax rate in the country	33%	33%
Tax expense with enacted rate	55,384,649	(38,374,136)
<i>Effect of:</i>		
Adjustments in respect to previous years	728,541	(6,615,229)
Net tax charge on account of permanent differences	2,289,085	6,454,029
Corporate social responsibility & Tourism marketing Tax	1,940,326	2,565,615
Total tax expense	60,342,601	(35,969,721)

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

	2021	2020
Deferred tax liabilities (net)		
i) Deferred tax liability due to		
Depreciation / amortisation on PPE / intangible assets	46,337,277	47,516,947
ii) Deferred Tax asset arising out of		
Provision for Impairment of trade receivables / advances	(24,882,385)	(25,116,891)
Fair valuation of financial instruments and exchange differences	(7,969,234)	(48,337,373)
Provision for compensation and obsolete stock	(2,452,299)	(2,203,058)
Total	11,033,359	(28,140,375)

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

	2021	2020
Deferred tax expenses/(benefit)		
Depreciation / amortisation on PPE / intangible assets	(1,179,672)	(892,101)
Provision for Impairment of trade receivables / advances	234,505	(2,248,119)
Fair valuation of financial instruments and exchange differences	40,368,139	(47,889,555)
Provision for compensation and obsolete stock	(249,238)	(490,331)
Total	39,173,734	(51,520,106)

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

	2021	2020
Opening balance	(28,140,375)	23,379,731
Tax loss/(income) recognised in statement of profit & loss	39,173,734	(51,520,106)
Closing balance	11,033,359	(28,140,375)

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

	2021	2020
Opening balance	3,229,121	8,295,776
Adjustments for prior periods	728,541	(6,615,229)
Tax expense recognised for the year	18,500,000	19,600,000
Corporate social responsibility & Tourism marketing Tax	1,940,326	2,565,615
Paid during the year	(22,519,330)	(20,617,041)
Closing balance	1,878,658	3,229,121

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15 Other assets

	2021	2020
Prepaid expenses		
Prepayments for STM1s	114,948,635	97,323,910
Other prepayments	6,568,135	2,727,386
Total	121,516,770	100,051,296

Amortisation of prepaid right of use fiber optic network is on a straight-line basis, and is expensed to network costs.

Classified as:

Current	12,806,557	10,980,919
Non-current	108,710,213	89,070,377

16 Inventories

	2021	2020
Handsets and accessories	5,289,430	8,419,649
Scratch cards	36,638	35,953
Starter packs	436,170	286,605
Less: Provision for obsolescence	(472,804)	(322,558)
Total	5,289,434	8,419,649

17 Trade and other receivables

	2021	2020
Trade receivables	101,107,250	98,713,496
Less: Provision for bad debts	(75,401,166)	(76,111,787)
Trade receivable net of provision	25,706,084	22,601,709
Receivable from related parties (note 22.3)	10,190,915	12,995,056
Deposits	(0)	78,000
Others	3,159,042	928,034
Total	39,056,041	36,602,799

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

	2021	2020
1 January	76,111,787	69,299,305
Provisions made/(reversed) in the year	(710,621)	6,812,482
Total	75,401,166	76,111,787

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

18 Authorised & issued capital

	2021	2020
Authorised, issued and allotted 35,969 shares of SCR 1,000 each	35,969,000	35,969,000
Total	35,969,000	35,969,000

19 Employee benefit obligations

	2021	2020
1 January	6,353,378	4,758,937
Current service cost	1,180,022	1,455,806
Interest Cost	380,887	183,927
Remeasurements (amount recognised in other comprehensive income)	(407,437)	513,208
Benefits paid	(1,351,581)	(558,500)
Total	6,155,269	6,353,378

Classified as:

Current	1,989,390	2,697,267
Non-current	4,165,879	3,656,111

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19 Employee benefit obligations (Cont...)

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

• Discount rate	-	8.5% p.a.
• Salary increase rate	-	7% p.a.
• Mortality Table	-	implicit withdrawal rate assumption
• Withdrawals	-	17% p.a. (rate of employee turnover)
• Retirement age	-	55 years
• Leave availment rate	-	4% p.a. of accrued leave of employees

20 Borrowings

	2021	2020
Due to:		
HSBC Bank - Mauritius (note 19.1)	225,900,000	326,250,000
Mauritius Commercial Bank (Seychelles) (note 19.2)	80,776,036	-
Step up parent - Bharti Airtel Africa BV (note 22.5)	51,468,965	70,938,690
Total	358,145,001	397,188,690

Classified as:

Current	50,885,689	397,188,690
Non-current	307,259,312	-

20.1 Loan from financial institution (HSBC)

	US\$ 2021	US\$ 2020	SCR 2021	SCR 2020
At 1 January	15,000,000	15,000,000	326,250,000	212,790,000
Received in the year	-	-	-	-
Interest Accrued during the year	556,342	562,896	8,911,159	9,740,452
Repaid during the year	(556,342)	(562,896)	(8,911,159)	(9,675,294)
Exchange difference	-	-	(100,350,000)	113,394,843
At 31 December	15,000,000	15,000,000	225,900,000	326,250,000

The loan matures on 30 June 2023 and attracts interest at a rate of libor + 345 bps per annum

The loan is secured by a corporate guarantee from the step up parent.

20.2 Loan from financial institution (MCB)

	SCR 2021	SCR 2020
At 1 January	-	-
Received in the year	83,135,000	-
Interest Accrued during the year	221,411	-
Interest paid during the year	(221,411)	-
Loan repaid during the year	(2,358,964)	-
Exchange difference	-	-
At 31 December	80,776,036	-

The loan matures on 31 December 2024 and attracts interest at a rate of 8.5% minus a margin of 1%

The loan is secured by a corporate guarantee from the step up parent.

21 Trade and other payables

	2021	2020
Trade payables	13,051,489	7,379,592
Payable to related parties (note 22.4)	44,759,284	40,501,492
Interconnect and roaming partners	2,099,346	1,242,436
Security deposits	3,494,476	2,154,714
Accruals for network maintenance & other services	30,932,239	21,065,272
Dividend payable (note 22.4)	17,287,582	89,316,082
Other taxes payable	6,700,545	3,562,031
Total	118,324,963	165,221,619

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

22 Cash and cash equivalents

	2021	2020
Cash at Bank	35,050,237	21,811,298
Cash at Hand	3,610,292	3,333,084
Total	38,660,529	25,144,382

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23 Related parties and transactions
23.1 Services provided to related parties:

Name of related party	Relationship to Company	2021	2020
Sale of goods and services			
Airtel Networks Zambia Plc	Fellow subsidiary	3,876	363
Airtel Networks Kenya Limited	Fellow subsidiary	221,729	167,832
Airtel Malawi Limited	Fellow subsidiary	2,407	-
Airtel Tanzania Limited	Fellow subsidiary	16,247	12,421
Airtel Madagascar S.A	Fellow subsidiary	707	1,256
Airtel Gabon S.A	Fellow subsidiary	197	-
Airtel Tchad S.A	Fellow subsidiary	40	43
Airtel Nigeria S.A	Fellow subsidiary	10,827	1,176
Celstel Niger S.A	Fellow subsidiary	-	3,583
Airtel Uganda Limited	Fellow subsidiary	2,713	7,356
Airtel Congo (DRC) S.A	Fellow subsidiary	654	617
Airtel Congo B	Fellow subsidiary	511	-
Airtel Rwanda Limited	Fellow subsidiary	3	124,969
Bharti International Singapore Pte Limited	Fellow subsidiary	-	2,593,504
Bharti Airtel Lanka (Pvt Ltd), Sri Lanka	Fellow subsidiary	3	440
Jersey Airtel Limited	Fellow subsidiary	603	3
Bharti Airtel (France) SAS	Fellow subsidiary	-	395,501
Bharti Airtel Limited	Step up parent	3,330	783,825
Bharti Airtel (UK) Limited	Fellow subsidiary	13,850,614	11,497,876
Airtel Mobile Commerce Seychelles Ltd	Fellow subsidiary	512,066	329,328
Nxtra Data Limited	Fellow subsidiary	-	12,943
Bharti Airtel International (Netherlands) B.V.	Step up parent	-	209,447
Bharti Hexacom Limited	Fellow subsidiary	46	653
Eritel Mauritius	Other related party	9,022	4,441
Singapore Telecommunications Limited	Other related party	14,102	13,572
Total		14,649,697	16,161,148

23.2 Services received from related parties

Name of related party	Relationship to Company	2021	2020
Purchase of goods and services			
Airtel Networks Zambia Plc	Fellow subsidiary	-	16
Airtel Networks Kenya Limited	Fellow subsidiary	(76,867)	604,536
Airtel Malawi Limited	Fellow subsidiary	5	463
Airtel Tanzania Limited	Fellow subsidiary	2,308,786	2,126,040
Airtel Madagascar S.A	Fellow subsidiary	36	639
Airtel Tchad S.A	Fellow subsidiary	2,088	295
Airtel Nigeria S.A	Fellow subsidiary	438,884	158
Airtel Uganda Limited	Fellow subsidiary	190	129
Airtel Congo (DRC) S.A	Fellow subsidiary	-	13
Airtel Congo B	Fellow subsidiary	-	40
Airtel Rwanda Limited	Fellow subsidiary	43	157,977
Network i2i Limited	Fellow subsidiary	5,008,757	3,272,217
Bharti Airtel Lanka (Pvt Ltd), Sri Lanka	Fellow subsidiary	440	537
Bharti Airtel Limited	Step up parent	2,242,283	1,092,668
Bharti International Singapore Pte Limited	Fellow subsidiary	3,614,404	1,359,113
Bharti Airtel (UK) Limited	Fellow subsidiary	8,176,804	5,241,354
Bharti Airtel International (Netherlands) B.V.	Step up parent	1,375,983	1,766,688
Bharti Airtel International (Netherlands) Kenya Branch	Step up parent	8,221,482	10,321,377
Bharti Airtel International (Netherlands) Dubai Branch	Step up parent	1,876,182	-
Seychelles Cable Systems Company Limited	Associate	4,162,633	7,572,656
Airtel Mobile Commerce Seychelles Ltd	Fellow subsidiary	830,515	684,952
Bharti Airtel (France) SAS	Fellow subsidiary	1,612,351	563,627
Bharti Hexacom Limited	Fellow subsidiary	8	32

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23.2 Services received from related parties (cont...)

Name of related party	Relationship to Company	2021	2020
Emtel Mauritius	Other related party	1,225	1,315
Jersey Airtel Limited	Fellow subsidiary	15	447
Singapore Telecommunications Limited	Other related party	1,001	1,499
Nxtra Data Limited	Fellow subsidiary	(298,951)	127,170
Total		39,498,296	34,861,976

23.3 Receivables from related parties

Name of related party	Relationship to Company	2021	2020
Airtel Networks Zambia Plc	Fellow subsidiary	-	12
Airtel Networks Kenya Limited	Fellow subsidiary	110,913	127,700
Airtel Malawi Limited	Fellow subsidiary	577	-
Airtel Tanzania Limited	Fellow subsidiary	1,874	3,257
Airtel Madagascar S.A	Fellow subsidiary	-	343
Airtel Uganda Limited	Fellow subsidiary	207	3,439
Celstel Niger S.A	Fellow subsidiary	128,236	185,201
Airtel Rwanda Limited	Fellow subsidiary	135,540	195,750
Bharti Airtel Lanka (Pvt Ltd), Sri Lanka	Fellow subsidiary	635	3,709
Airtel Mobile Commerce Seychelles Ltd	Fellow subsidiary	6,345,208	6,797,564
Bharti Airtel (UK) Limited	Fellow subsidiary	2,669,900	4,531,363
Bharti Airtel Limited	Step up parent	781,040	1,124,988
Bharti Hexacom Limited	Fellow subsidiary	9,591	12,661
Bharti Airtel Services Limited	Fellow subsidiary	-	3
Emtel Mauritius	Other related party	1,991	509
Singapore Telecommunications Limited	Other related party	5,202	8,556
Total		10,190,915	12,995,056

23.4 Payables to related parties

Name of related party	Relationship to Company	2021	2020
Airtel Networks Zambia Plc	Fellow subsidiary	-	-
Airtel Networks Kenya Limited	Fellow subsidiary	2,584,917	3,816,938
Airtel Malawi Limited	Fellow subsidiary	214,518	309,792
Airtel Tanzania Limited	Fellow subsidiary	5,525,061	4,724,405
Airtel Madagascar S.A	Fellow subsidiary	34	84
Airtel Congo (DRC) S.A	Fellow subsidiary	15,693	-
Airtel Rwanda Limited	Fellow subsidiary	337	459
Airtel Tchad S.A	Fellow subsidiary	453	103,382
Airtel Uganda Limited	Fellow subsidiary	1,508	1,914
Airtel Nigeria S.A	Fellow subsidiary	710,311	392,001
Bharti Airtel Limited	Step up parent	562,434	822,441
Bharti Airtel Lanka (Pvt Ltd), Sri Lanka	Fellow subsidiary	257	3,674
Bharti International (Singapore) Pte Ltd	Fellow subsidiary	5,272,461	3,471,731
Bharti Airtel International (Netherlands) Kenya Branch	Step up parent	20,497,322	12,636,145
Bharti Airtel International (Netherlands) B.V.	Step up parent	(2,462,389)	3,598,980
Bharti Airtel International (Netherlands) Dubai Branch	Step up parent	1,876,182	-
Seychelles Cable Systems Company Limited	Associate	4,037,112	5,456,572
Singapore Telecommunications Limited	Other related party	-	165
Network I2I Limited	Fellow subsidiary	2,578,250	2,804,202

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23.4 Payables to related parties (cont...)

Name of related party	Relationship to Company	2021	2020
Bharti Airtel (UK) Limited	Fellow subsidiary	1,572,141	1,051,021
Bharti Hexacom Limited	Fellow subsidiary	173	247
Emtel Mauritius	Other related party	-	97
Airtel Mobile Commerce Seychelles Ltd	Fellow subsidiary	-	133,700
Bharti Airtel (France) SAS	Fellow subsidiary	1,446,376	472,329
Nxtra Data Limited	Fellow subsidiary	326,131	701,213
Indian Ocean Telecom Limited	Parent	17,287,582	89,316,082
Total		62,046,866	129,817,574

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

	US\$ 2021	US\$ 2020	SCR 2021	SCR 2020
At 1 January	3,261,546	3,088,133	70,938,690	43,835,724
Received in the year	-	-	-	-
Interest accrued during the year	156,044	173,413	2,507,970	3,771,790
Repaid during the year	-	-	-	-
Exchange difference	-	-	(21,977,695)	23,331,176
At 31 December	3,417,590	3,261,546	51,468,965	70,938,690

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

23.6 Directors emoluments, pensions or compensation

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

Director	Salary for Management		Fees, Pensions & Others	
	2021	2020	2021	2020
Amadou Mahamat Dina	2,177,525	3,083,227	1,457,974	1,936,685
Alok Bafna	-	-	-	-
Ramakrishna Lella	-	-	-	-
Rogany Ramiah	-	-	-	-
Michael Patrick Foley	-	-	-	-
Total	2,177,525	3,083,227	1,457,974	1,936,685

23.7 Parent and other controlling interests

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

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

24 Capital commitments

Capital commitments in the form of Open Purchase orders as at 31 December 2021 were to the tune of SCR 14M (2020: SCR 68M) dedicated for IT Servers and IT infrastructure upgades. These commitments are self financed by the company.

25 Financial risk management objectives and policies

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

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

Market Risk

(i) Foreign exchange risk

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

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

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

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

Market Risk (cont...)

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

	Change in currency exchange rate ⁽¹⁾	Effect on Profit before tax ⁽²⁾ SCR	Effect on equity (OCI) ⁽²⁾ SCR
For the year ended 31 December 2020			
US Dollars	+5%	19,859,435	-
	-5%	(19,859,435)	-
Euro	+5%	-	4,728,447
	-5%	-	(4,728,447)

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

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

(ii) Price Risk

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

Credit Risk

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

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

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

The amount that best represents the company's maximum exposure to credit risk at 31 December 2021 is made up as follows

	Note	SCR 2021	SCR 2020
Cash and cash equivalents	22	38,660,529	25,144,382
Trade receivables (net)	16	25,706,084	22,601,709
Receivable from related parties	16	10,190,915	12,995,056

Liquidity Risk

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

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

	Note	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2021					
- Borrowings	20	50,885,689	255,790,347	51,468,965	-
- Trade and other payables	21	118,324,963	-	-	-
- Lease liabilities	11.2	3,784,882	3,066,032	5,640,897	3,306,088
At 31 December 2020					
- Borrowings	20	397,188,690	-	-	-
- Trade and other payables	21	165,221,619	-	-	-
- Lease liabilities	11.2	2,511,309	4,607,222	5,131,367	3,898,269

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

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

Classes and categories of financial instruments and their fair values

The following table combines information about:

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

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

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

	Carrying value		Fair value		
	FVTPL - mandatorily measured	Amortised cost	Level 1	Level 2	Level 3
31 December 2021					
Financial Assets					
Cash and bank balances	-	38,660,529	-	-	-
Trade and other receivables	-	25,706,084	-	-	-
Amounts due from related parties	-	10,190,915	-	-	-
Investment in Associates	-	88,614,016	-	-	-
Financial Liabilities					
Trade and other payables	-	66,865,133	-	-	-
Amounts due to related parties	-	44,759,284	-	-	-
Lease liabilities	-	14,035,840	-	-	-
Term loans	-	358,145,001	-	-	-
31 December 2020					
Financial Assets					
Cash and bank balances	-	25,144,382	-	-	-
Trade and other receivables	-	22,679,709	-	-	-
Amounts due from related parties	-	12,995,056	-	-	-
Investment in Associates	-	94,568,941	-	-	-
Financial Liabilities					
Trade and other payables	-	121,158,096	-	-	-
Amounts due to related parties	-	40,501,492	-	-	-
Lease liabilities	-	16,005,142	-	-	-
Term loans	-	397,188,690	-	-	-

27 Contingencies

The directors are not aware of any outstanding contingent liabilities at 31 December 2021. (2020: Nil)