

MTN Uganda Limited

Annual Report and Consolidated Financial Statements

For the year ended 31 December 2022





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Directors' Report

The directors submit their report together with the audited financial statements for the year ended 31 December 2022 which disclose the state of affairs of MTN Uganda Limited and its subsidiary, MTN Mobile Money (U) Limited and its dormant subsidiaries, MTN Publicom (Uganda) Limited and MTN Village Phone (Uganda) Limited (together "the Group").

Principal activity

The principal activity of the Group is to provide telecommunication and mobile financial services.

Staffing

The number of persons employed by the Group at 31 December 2022 was 563 (2021: 543 employees), excluding contract employees. The average number of persons employed by the Group for the year ended 31 December 2022 was 549 (2021: 527 employees).

Results and dividends

The Group made a net profit for the year ended 31 December 2022 of Shs 406,050 million (2021: Shs 340,410 million). During the year ended 31 December 2022, the Group declared a dividend of Shs 338,212 million (2021: Shs 230,206 million). The directors recommend the payment of a final dividend of Shs 123,140 million (2021: Shs 105,363 million).

Directors

The directors who held office during the period and to the date of this report were:

Charles Mbire	Chairman
Karabo Nondumo	Director
Sylvia Mulinge	Director. Appointed 1 October 2022
Wim Vanhelleputte	Director. Resigned 31 July 2022
Sugentharem Perumal	Director
Andrew Bugembe	Director
Yolanda Cuba	Director

Auditor

The Group's auditor, PricewaterhouseCoopers, Certified Public Accountants, will in the next financial year be replaced by Ernst & Young, Certified Public Accountants in office in accordance with Section 167(1) of the Ugandan Companies Act.

By order of the Board,

SECRETARY
Enid Edroma

Date: 9 March 2023

Statement of Directors' Responsibilities

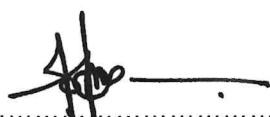
The Ugandan Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the Group keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group. They are also responsible for safeguarding the assets of the Group.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Ugandan Companies Act. The directors are of the opinion that the financial statements, which have been prepared in accordance with International Financial Reporting Standards and the Ugandan Companies Act, give a true and fair view of the Group's state of the financial affairs and its profit for the year. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as responsibility for such internal control that the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

The Group operates in an established control environment, which is documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Group will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the Group.

PricewaterhouseCoopers Certified Public Accountants have audited the Group's financial statements and their report is presented on pages 3 to 8. The financial statements set out on pages 9 to 59 were approved for issue by the Board of Directors on 9 March 2023 and are signed on its behalf by:



Chairman



Director



REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MTN UGANDA LIMITED

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of MTN Uganda Limited and its subsidiary, MTN Mobile Money (U) Limited, (together the "Group") as at 31 December 2022, and of its consolidated profit and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been prepared in the manner required by the Ugandan Companies Act.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("the IESBA Code") together with the ethical requirements that are relevant to our audit of financial statements in Uganda, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's consolidated financial statements for the year ended 31 December 2022. These matters were addressed in the context of our audit of the Group's consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers Certified Public Accountants, Communications House, 1 Colville Street, P. O. Box 882, Kampala Uganda. Registration Number 113042

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**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF
MTN UGANDA LIMITED (continued)**

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Recognition of revenue from contracts with customers.</i></p> <p>As disclosed in notes 2 (B) and 5 of these consolidated financial statements, the Group earned its Shs 2,286 billion revenue from disparate revenue streams each driven by different contractual arrangements with customers.</p> <p>We considered revenue recognition as a key audit matter because the Group's revenue recognition process relies on the use of multiple, and in some cases complex, information technology systems to apply distinct tariff structures and pricing models to the Group's products and services.</p> <p>The variations in and the complexity of the Group's revenue recognition systems and processes heightened the risk of revenue misstatement.</p>	<p>Our procedures to address this key audit matter included:</p> <ul style="list-style-type: none"> evaluating the Group's revenue recognition accounting policies for alignment with IFRS 15 – Revenue from Contracts with Customers. testing the design and operating effectiveness of controls over the integrity of key revenue Information Technology systems, including the general and application controls applicable to revenue billing systems. for selected revenue streams, performing substantive analytical procedures that involve comparing actual revenues to expected revenues. tracing revenue amounts on a sample basis to source systems and other supporting documents. checking the adequacy of the relevant disclosures for revenues in the Group's consolidated financial statements.
<p><i>Recognition of lease liabilities in accordance with IFRS 16 Leases.</i></p> <p>As disclosed in note 18 (b) of these consolidated financial statements, the Group's lease liabilities at 31 December 2022 amounted to Shs 1,072 billion. This liability is recognized in line with the Group's accounting policy described in note 2 (G).</p> <p>Management applied a number of judgments and estimates in deriving the Group's lease liability. The significant judgements applied include:</p>	<p>Our procedures to address this key audit matter included:</p> <ul style="list-style-type: none"> evaluating the Group's lease liability accounting policies for alignment with IFRS 16 – Leases. evaluating management's processes, systems and controls for identifying and accounting for leases. checking management's basis for determining and excluding non-lease components in the computation of lease liabilities, and where applicable, tracing management's conclusions to supporting documentation.

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF
MTN UGANDA LIMITED (continued)**

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Recognition of lease liabilities in accordance with IFRS 16 Leases (continued)</i></p> <ul style="list-style-type: none"> - identifying and excluding cash flows for non-lease components in the derivation of the lease liability. - determining the applicable lease terms for each lease including estimating the lease term implied in the renewal clauses in the lease contracts. - determining the appropriate incremental borrowing rate for discounting lease liability cash flows. - identifying and recognizing lease liabilities for lease modifications. <p>We considered the recognition of lease liabilities as a key audit matter on account of the significant judgements involved and because lease liabilities are a material item representing 35% of total liabilities.</p>	<p>Our procedures to address this key audit matter included:</p> <ul style="list-style-type: none"> • for a sample of lease additions, disposals, and repayments, tracing lease cash flows to the lease model and to supporting documents. • checking the reasonableness of the incremental borrowing rate applied in discounting lease cash flows. • performing analytical procedures to check the reasonableness of the interest charge on lease liabilities. • evaluating management's conclusions on whether there are any lease modifications arising during the year. • checking the adequacy of the lease liability disclosures for in the Group's consolidated financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report and the Statement of Directors' Responsibilities which we obtained prior to the date of this auditor's report, and additional sections of the Group's annual report which are expected to be made available to us after that date, but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 that we 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.

When we read the additional sections of the Group's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MTN UGANDA LIMITED (continued)

Report on the audit of the consolidated financial statements (continued)

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Ugandan Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MTN UGANDA LIMITED (continued)

Report on the audit of the consolidated financial statements (continued)

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.



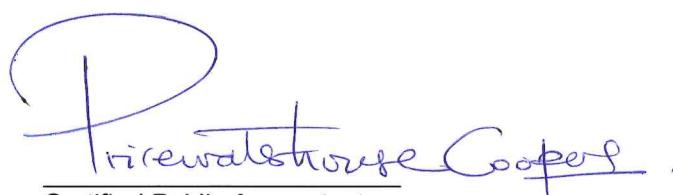
REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MTN UGANDA LIMITED (continued)

Report on other legal and regulatory requirements

The Ugandan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- in our opinion proper books of account have been kept by the Group, so far as appears from our examination of those books; and
- the consolidated statement of financial position and the consolidated statement of comprehensive income are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is CPA Cedric Mpobusingye - P0213.



PricewaterhouseCoopers
Certified Public Accountants
Kampala
Date: 25 April 2023



CPA Cedric Mpobusingye



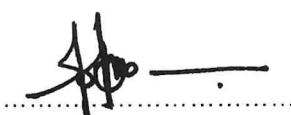
Consolidated Statement of Comprehensive Income

	Notes	2022 Shs'000	2021 Shs'000
Revenue from contracts with customers	5	2,286,251,974	2,060,086,932
Other Income		827,339	-
Direct network operating costs	7	(284,343,020)	(237,846,075)
Government and regulatory costs	8	(57,935,672)	(53,115,865)
Cost of handsets and other accessories sold		(23,878,564)	(22,613,391)
Interconnect and roaming		(49,455,209)	(62,075,504)
Employee benefits expenses	9	(126,574,477)	(105,422,345)
Selling, distribution and marketing expenses	10	(414,176,823)	(358,212,198)
Increase in impairment of trade receivables	22	(7,797,794)	(9,230,223)
Other operating expenses	11	(143,525,853)	(153,995,224)
Depreciation: property and equipment and right of use assets	18	(330,505,073)	(303,600,259)
Amortisation of intangible assets	19	(76,609,606)	(117,699,567)
Operating profit		772,277,222	636,276,281
Finance income	12	37,923,920	22,501,091
Finance costs	12	(219,172,077)	(167,834,272)
Profit before tax		591,029,065	490,943,100
Income tax expense	13	(184,978,704)	(150,532,726)
Profit for the year		406,050,361	340,410,374
Other comprehensive income for the year net of tax		-	-
Total comprehensive income for the year		406,050,361	<u>340,410,374</u>
Basic/ diluted earnings per share	14	18.14	<u>15.20</u>

	Notes	2022 Shs'000	2021 Shs'000
Assets			
Non-current assets			
Property and equipment	18(a)	949,189,267	863,704,661
Right-of-use assets	18(b)	949,357,815	636,870,389
Intangible assets	19	357,716,576	382,814,913
Deferred Tax assets	17	14,615,302	6,456,748
Contract assets	5(b)	10,702,428	9,564,790
Receivables and prepayments	20	55,876,044	53,073,072
		2,337,457,432	<u>1,952,484,573</u>
Current assets			
Inventories	21	27,432,437	7,810,731
Current income tax recoverable	13	429,270	2,351,797
Contract assets	5(b)	10,585,068	9,949,198
Trade and other receivables	22	185,363,265	176,992,789
Mobile money deposits	23	1,207,758,423	959,991,495
Cash and cash equivalents	24	200,772,719	188,814,310
		1,632,341,182	<u>1,345,910,320</u>
Total assets		3,969,798,614	<u>3,298,394,893</u>
Equity			
Ordinary share capital	15	22,389,044	22,389,044
Retained earnings		881,608,509	813,769,826
		903,997,553	<u>836,158,870</u>
Liabilities			
Non-current liabilities			
Borrowings	27	82,897,391	165,460,344
Lease liabilities	18(b)	965,891,796	627,943,283
Provisions	26	31,728,658	23,185,594
		1,080,517,845	<u>816,589,221</u>
Current liabilities			
Trade and other payables	25	460,430,472	351,713,442
Contract liabilities	5(b)	16,507,615	7,709,821
Current income tax payable	13	4,323,181	-
Borrowings	27	166,675,565	198,693,425
Lease liabilities	18(b)	106,595,075	104,276,553
Mobile money deposits	23	1,207,758,423	959,991,495
Provisions	26	22,992,885	23,262,066
		1,985,283,216	<u>1,645,646,802</u>
Total liabilities		3,065,801,061	<u>2,462,236,023</u>
Total equity and liabilities		3,969,798,614	<u>3,298,394,893</u>

The financial statements on pages 9 to 59 were approved by the board of directors on
and signed on its behalf by:

9 March 2023



Chairman



Director



Consolidated Statement of Changes in Equity

	Ordinary share capital Shs'000	Retained earnings Shs'000	Total equity Shs'000
Year ended 31 December 2021			
At start of year	3,764	725,950,972	725,954,736
Comprehensive income:			
Profit for the year	-	340,410,374	340,410,374
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	340,410,374	340,410,374
Transactions with owners:			
Bonus share issue	22,385,280	(22,385,280)	-
Dividends paid (note 16)	-	(230,206,240)	(230,206,240)
	22,385,280	(252,591,520)	(230,206,240)
At end of year	<u>22,389,044</u>	<u>813,769,826</u>	<u>836,158,870</u>
Year ended 31 December 2022			
At start of year	<u>22,389,044</u>	<u>813,769,826</u>	<u>836,158,870</u>
Comprehensive income:			
Profit for the year	-	406,050,361	406,050,361
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	406,050,361	406,050,361
Transactions with owners:			
Bonus share issue	-	-	-
Dividends paid (note 16)	-	(338,211,678)	(338,211,678)
	-	(338,211,678)	(338,211,678)
At end of year	<u>22,389,044</u>	<u>881,608,509</u>	<u>903,997,553</u>



Consolidated Statement of Cash Flows

	Notes	2022 Shs'000	2021 Shs'000
Operating activities			
Cash generated from operations	28	1,237,180,299	1,092,317,616
Interest received	12	28,046,231	5,314,139
Interest paid on Mobile Money deposits	12	(20,706,131)	-
Interest paid on borrowings	27	(29,191,791)	(31,861,851)
Income tax paid	13	(186,891,550)	(171,980,729)
Net cash generated from operating activities		<u>1,028,437,058</u>	<u>893,789,175</u>
Cash flow from investing activities			
Purchase of property and equipment	18(a)	(295,573,672)	(212,796,427)
Proceeds from disposal of property and equipment		4,832,840	2,942,523
Purchase of intangible assets	19	(42,085,919)	(106,618,286)
Net cash used in investing activities		<u>(332,826,751)</u>	<u>(316,472,190)</u>
Financing activities			
Repayments of borrowings	27	(120,451,228)	(70,777,880)
Proceeds from borrowings	27	-	50,000,000
Repayments of lease liability	18(b)	(220,753,172)	(194,365,454)
Dividends paid	16	(338,211,678)	(230,206,240)
Net cash used in financing activities		<u>(679,416,078)</u>	<u>(445,349,574)</u>
Net increase in cash at bank and in hand		<u>16,194,229</u>	<u>131,967,411</u>
Movement in cash at bank and in hand			
At start of year		188,814,310	59,170,525
Increase		16,194,229	131,967,411
Exchange losses on cash at bank and in hand		(4,235,820)	(2,323,626)
At end of year	24	<u>200,772,719</u>	<u>188,814,310</u>



Notes

1 General information

MTN Uganda Limited is incorporated in the Republic of Uganda under the Companies Act and is domiciled in Uganda. The address of its registered office and the registration number are:

Plot 69-71, Jinja Road
P.O. Box 24624
Kampala
Uganda
Reg. No: 37058

MTN Uganda Limited is a subsidiary of MTN International (Mauritius) Limited. MTN Group Limited is the Group's ultimate parent and holding company, which is incorporated in the Republic of South Africa and is listed on the Johannesburg Stock Exchange Limited.

For Ugandan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of comprehensive income in these financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below and in the related notes to the Group financial statements. The principal accounting policies applied are consistent with those adopted in the prior year.

A Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with the requirements of the Ugandan Companies Act. The Group has adopted all new accounting pronouncements that became effective in the current reporting period, none of which had a material impact on the Group.

The financial statements have been prepared on the historical cost basis, except otherwise stated in the accounting policies below. Amounts are rounded to the nearest thousand with the exception of the number of ordinary share capital (note 15), earnings per share (note 14) and dividends per share (note 16). The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in note 4.

Changes in accounting policy and disclosures

i) New and amended standards adopted by the Group

The following standards and amendments have been applied by the Group for the first time for the financial year beginning 1 January 2022, with no material impact.

- IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment - provides lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. It is effective for annual periods beginning on or after 1 April 2021. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result



Notes (continued)

2 Summary of significant accounting policies (continued)

A Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

i) *New and amended standards adopted by the Group (continued)*

in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

- Annual improvements cycle 2018-2020 - these amendments include minor changes to: IFRS 1, 'First time adoption of IFRS', IFRS 9, 'Financial Instruments' IFRS 16, 'Leases' and IAS 41, 'Agriculture'. These are effective for annual periods beginning on or after 1 January 2022.
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract - clarifies which costs an entity includes in assessing whether a contract will be loss-making. These are effective for annual periods beginning on or after 1 January 2022.
- Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use - prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. These are effective for annual periods beginning on or after 1 January 2022.
- Amendment to IFRS 3, 'Business combinations' - refer to the 2018 Conceptual Framework for Financial Reporting; adding a new exception in IFRS 3 for liabilities and contingent liabilities; and clarifying that the acquirer should not recognise contingent assets. It is effective for annual periods beginning on or after 1 January 2022.

(ii) *New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2023 and have not been applied in preparing these financial statements. These standards, which are not expected to have a significant effect on the financial statements of the Group, are set out below:

- IFRS 17, 'Insurance contracts'. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. It is effective for annual periods beginning on or after 1 January 2023.
- IFRS 17, Insurance contracts Amendments. In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway. It is effective for annual periods beginning on or after 1 January 2023.

2 Summary of significant accounting policies (continued)

A Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted

- Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current. The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment. It is effective for annual periods beginning on or after 1 January 2023.
- Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. It is effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted.
- Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates. It is effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted.

B Revenue recognition

The Group principally generates revenue from providing mobile telecommunications services, such as network services (comprising voice, data and SMS), digital services (which include mobile financial services and other digital offerings), interconnect and roaming services, as well as from sale of mobile devices. Products and services may be sold separately or in bundled packages. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or services to a customer. For bundled packages, the Group accounts for individual products and services separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells mobile devices and network services separately.

Network services and digital and fintech services

The Group provides mobile telecommunication services, including network services and digital and fintech services. Network services (comprising voice, data and SMS) are considered to represent a single performance obligation as all are provided over the MTN network and transmitted as data representing a digital signal on the network. The transmission of voice, data and SMS all consume network bandwidth and therefore, irrespective of the nature of the communication, the subscriber ultimately receives access to the network and the right to consume network bandwidth. Network services are, therefore viewed as a single performance obligation represented by capacity on the MTN network.

Digital and fintech services include value-added services, rich media services, mobile money, insurance, airtime lending and e-commerce. Customers either pay in advance for these services or pay monthly in instalments over the contractual period. A contract liability is recognised for amounts received in advance, until the services are provided or when the usage of services becomes remote.

2 Summary of significant accounting policies (continued)

B Revenue recognition (continued)

Network services and digital and fintech services (continued)

The Group recognises revenue from these services as they are provided. Revenue is recognised based on actual units of network services/digital and fintech services provided during the reporting period as a proportion of the total units of network services/digital and fintech services to be provided. The customer receives and uses the benefits of these services simultaneously. Units of network services/digital and fintech services outside of post-paid contracts are recognised as the service is provided.

When the Group expects to be entitled to breakage (forfeiture of unused value or network services), the Group recognises the expected amount of breakage in proportion to network services provided versus the total expected network services to be provided. Any unexpected amounts of breakage are recognised when the unused value of network services expire or when usage thereof becomes remote. Assessment of breakage is updated each reporting period and any resulting change is accounted for prospectively as a change in estimate in terms of IAS 8 Accounting policies, changes in accounting estimates and errors.

Mobile devices

The Group sells a range of mobile devices. The Group recognises revenue when customers obtain control of mobile devices, being when the customers take possession of the devices. For mobile devices sold separately, customers pay in full at the point of sale. For mobile devices sold in bundled packages, customers usually pay monthly in equal instalments over agreed upon periods.

Interconnect and roaming

The Group provides interconnect and roaming services. The Group recognises interconnect and roaming revenue and debtors as the service is provided unless it is not probable (based on historical information) on transaction date that the interconnect revenue will be received, in which case interconnect revenue is recognised only when the cash is received or where a right of set-off exists with interconnect parties in settling amounts.

Payment for interconnect and roaming is generally received on a monthly basis. Some interconnect and roaming debtors have a historical pattern of late payment due to economic challenges in their operating environments. The Group has continued to provide services to these debtors where the recovery of principal is significantly delayed beyond the contractual terms. The Group has considered historical payment patterns (i.e. customary business practice) in assessing whether the contract contains a significant financing component. For contracts containing a significant financing component, the Group reduces interconnect and roaming revenue and recognises interest revenue over the period between satisfying the related performance obligation and payment.

Other income

Other income is recognised when the related services are provided to the customers and payment is generally due on a monthly basis.

Notes (continued)

2 Summary of significant accounting policies (continued)

B Revenue recognition (continued)

Capitalisation of subscriber acquisition costs

The Group expects that incremental subscriber acquisition costs for obtaining and renewing contracts are recoverable. These costs include agents' commission on post-paid contracts and SIM activation costs on prepaid contracts. The Group has therefore capitalised these costs as contract costs. Capitalised contract costs are amortised on a systematic basis over the average customer life and included in selling, distribution and marketing expenses in profit or loss.

In terms of a practical expedient, the Group has elected to recognise the incremental costs of obtaining contracts as a selling, distribution and marketing expense in profit or loss, when incurred, if the amortisation period of the assets that the Group otherwise would have recognised is 12 months or less.

Contract costs are assessed for impairment in terms of IAS 36, Impairment of Assets when there is an indication of impairment.

C Functional currency and translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency that best reflects the primary economic environment in which the Group operates (the functional currency). The Group financial statements are presented in Uganda Shillings, which is the functional and presentation currency of the Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

D Property and equipment

Property and equipment are measured at historical cost less accumulated depreciation and impairment losses. Property and equipment acquired through business combinations are initially shown at fair value and are subsequently carried at the initially determined fair value less accumulated depreciation and impairment losses.

The cost of property and equipment includes expenditure that is directly attributable to the acquisition or construction of the assets, any other costs directly attributable to bringing the assets to the location and condition for their intended use and the present value of estimated decommissioning costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

Property and equipment under construction are measured at initial cost and depreciated from the date the assets are available for use in the manner intended by management over their estimated useful lives. Assets are transferred from capital work-in-progress to an appropriate category of property and equipment when commissioned and ready for their intended use.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

The Group capitalises general and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. A qualifying asset is deemed to be an asset which takes more than 12 months to acquire, construct or produce.

2 Summary of significant accounting policies (continued)

D Property and equipment (continued)

Borrowing costs include general and specific borrowings directly attributable to the acquisition, construction or production of qualifying assets. Other borrowing costs are expensed in profit or loss.

Asset exchange transactions are transactions where one or more items of property and equipment are acquired in exchange for non-monetary assets, or a combination of monetary and non-monetary assets. In circumstances whereby the Group enters into an asset exchange transaction, the Group determines whether such an exchange has commercial substance. Commercial substance depends on the extent to which the Group's future cash flows are expected to change as a result of the transaction. A transaction has commercial substance if the difference in either of the points below is significant relative to the fair value of the assets exchanged:

- the configuration of the cash flows of the asset received differs from the configuration of the cash flows of the asset given up; or
- the entity-specific value of the part of the operations affected by the transaction changes as a result of the exchange.

Property and equipment acquired in an exchange transaction is measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received, nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up. Any consideration paid or payable is included in the cost of the asset received.

In instances whereby the Group receives assets for no consideration, the Group accounts for these at cost in accordance with IAS 16 *Property, Plant and Equipment*, being zero value.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation is calculated using the straight-line method to write down their cost to their residual values over their estimated useful lives. In determining residual values, the Group uses historical sales and management's best estimate based on market prices of similar items.

Useful lives of property and equipment are based on management estimates and take into account historical experience with similar assets, the expected usage of the asset, physical wear and tear, technical or commercial obsolescence and legal restrictions on the use of the assets.

The estimated useful lives of property and equipment are as follows:

Buildings leased	Over the period of the lease
Leasehold improvements	Over the period of the lease
Building owned	2%
Telecommunications equipment	5 % to 33.3%
Mobile phones	33.3 %
Computer equipment	25% to 33.3%
Furniture and equipment	14.3 %
Motor vehicles	25 %

Notes (continued)

2 Summary of significant accounting policies (continued)

D Property and equipment (continued)

Useful lives and residual values are reviewed on an annual basis and the effects of any changes in estimates are accounted for on a prospective basis.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Right of use assets are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the expected term of the relevant lease.

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between sales proceeds and the carrying amount of the asset and is included in operating profit.

E Impairment of non – financial assets

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss. An impairment loss in respect of goodwill is not reversed.

F Intangible assets

Intangible assets with an indefinite useful life or not yet available for use.

Intangible assets with an indefinite useful life or not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Property and equipment and intangible assets with finite useful lives

Intangible assets are measured at historical cost less accumulated amortisation and impairment losses. The Group annually reviews the carrying amounts of its property and equipment and intangible assets with finite useful lives in order to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amounts of the assets are estimated in order to determine the extent, if any, of the impairment loss.

Amortisation is calculated on a straight-line basis to write off the cost of intangible assets over their estimated useful lives. The estimated useful lives are as below:

Network licenses	Over the period of the licence
Network software licenses	Over the period of the licence
Software	3 years
Other intangible assets	3 years

2 Summary of significant accounting policies (continued)

F Intangible assets (continued)

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the proceeds from the disposal and the carrying amount of the asset and is included in profit or loss.

Costs associated with maintaining intangible assets are recognised as an expense as incurred.

Costs that are directly associated with the production of identifiable intangible assets controlled by the Group, and that will probably generate economic benefits, are capitalised when all the criteria for capitalisation are met.

Expenditure that enhances or extends the performance of intangible assets beyond their original specifications is recognised as a capital improvement and added to the original cost of the assets. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

G Leases

The Group leases various network sites, offices, motor vehicles and other property. Rental contracts are typically made for fixed periods of 2 years to 10 years but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and
- amounts expected to be payable by the Group under residual value guarantees.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group:

2 Summary of significant accounting policies (continued)

G Leases (continued)

i) where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and

ii) makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at historical cost less accumulated depreciation and accumulated impairment. Cost comprises of the following:

- 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.

iii) Modification on Network sites leases

With the initial adoption of IFRS 16 Network site costs were split into lease (78%) and non-lease (22%) where lease represented the Right of use costs and non-lease was the maintenance and power bills from the lessor. This resulted into 22% of tower rent for ATC to be allocated as maintenance and fluctuating lease costs for Eaton because of the single bill which included power.

ATC lease contracts have been modified to align with current operations and provide a more realistic allocation of costs between lease and non-lease costs based on the detailed cost simulations done during contract review.

All tower rent costs will be lease costs and all power and maintenance costs will be non-lease costs.

The new contract for ATC Blue required a disposal of the old leases on 31 August 2022 and new leases were added commencing 01st September 2022. Effective 01st January 2022, all new sites for ATC Red will have all tower use assigned to lease and the power and maintenance costs assigned to non-lease.

The impact on 2022 financial statements has been a transfer of an additional portion of tower use costs from OPEX to leases which resulted into increase of ROU additions by Ush 51.5 billion, depreciation by Ush 1.9 billion and Finance costs by Ush 3.2billion. The change in Eaton Contract resulted into increase in ROU additions by Ush 389.2billion depreciation by UShs 0.75billion and Finance costs by Ush 8.8 billion.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.



Notes (continued)

2 Summary of significant accounting policies (continued)

G Leases (continued)

Extension and termination options

Extension and termination options are included in several property leases. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

Indefeasible right of use (IRU) arrangements

The Group applies the principles of IFRS 16 in order to assess whether its IRU arrangements constitute or contain leases. The requirements to be met in order to conclude that an IRU arrangement constitutes or contains a lease are as follows:

- the provision of a service in terms of the IRU arrangement should be dependent on the use of one or more specific assets; and
- the IRU arrangement must convey a right to use these assets.

The Group applies its principal accounting policies for leases to account for IRU arrangements which constitute or contain leases. All other IRU arrangements that do not constitute or contain leases are treated as service level agreements; the costs are expensed as incurred.

The IRU assets are amortised on a straight-line basis to write off the cost of assets over their contract period.

H Inventories

Inventory mainly comprises items of handsets, SIM cards and accessories held for sale and consumable items. Inventories are measured at the lower of cost and net realisable value. The cost of inventory is determined using the weighted average method. Cost comprises direct materials and, where applicable, overheads that have been incurred in bringing the inventories to their present location and condition, excluding borrowing costs. Net realisable value represents the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Where appropriate, an impairment provision is raised in respect of obsolete and defective inventories and the inventory carrying value will be net of this provision.

I Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in (W) below.

J Income tax

The tax expense for the period comprises current, deferred tax and withholding tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity. For these items the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes (continued)

2 Summary of significant accounting policies (continued)

J Income Tax (continued)

Current tax

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date in the countries where the Group operates and generate taxable income, and any adjustment to tax payable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements for financial reporting purposes. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction, affects neither accounting nor taxable profit nor loss. Deferred tax is measured at tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply to temporary differences when they reverse.

K Borrowings

Borrowings are accounted for as financial liabilities. Fees paid on the establishment of loan facilities are recognised as transaction costs and capitalised to the extent that it is probable that some or all of the facilities will be drawn down. When the draw down is made, the transaction costs are amortised to profit or loss using the effective interest method. To the extent that it is not probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

L Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call and investments in money market instruments, net of bank overdrafts, all of which are available for use by the Group. Bank overdrafts are included within current liabilities on the statement of financial position, unless the Group has a legally enforceable right to set off the amounts and intends to settle on a net basis, or realise the asset and settle the liability simultaneously.

Notes (continued)

2 Summary of significant accounting policies (continued)

M Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event for which it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

The amount recognised as provision shall be the best estimate of the expenditure required to settle the obligation at the end of the reporting period.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract.

The provision is measured at the present value of the lower of the expected cost of terminating the contract or the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

Bonus provision

The bonus provision consists of a performance-based bonus, which is determined by reference to the overall Group performance with regard to a set of predetermined key performance measures. Bonuses are payable annually after the Group annual results have been approved.

Provision for cash-settled share-based payments

For the accounting policy on cash-settled share-based payments, refer to V (Employee benefits).

N Dividends

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's directors. Proposed dividends are shown as a separate component of equity until declared.

O Trade payables

Trade payables are accounted for as financial liabilities. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Other payables are stated at their nominal values.

P Share capital

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new ordinary shares or share options are recognised in equity as a deduction net of tax from the proceeds.



Notes (continued)

2 Summary of significant accounting policies (continued)

Q Finance income and costs

Finance income

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and interest expense on lease liabilities. All borrowing costs are recognised in profit or loss using the effective interest method, unless the borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, in which case the directly attributable borrowing costs are capitalised.

R Contingent liabilities

Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group.

Contingent liabilities also represent present obligations that arise from past events but are not recognised because an outflow of resources is not probable or a reliable estimate cannot be made. The Group does not recognise contingent liabilities in the statement of financial position until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is raised.

S Consolidation

The Company has prepared consolidated financial statements which incorporate the results of its subsidiaries, all of which are wholly owned. These subsidiaries are: MTN Mobile Money (U) Limited and the dormant entities, MTN Publicom (Uganda) Limited and MTN VillagePhone (Uganda) Limited. The Company directly holds 100% of the ordinary shares and the voting rights of the aforementioned subsidiaries.

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Notes (continued)

2 Summary of significant accounting policies (continued)

S Consolidation (continued)

Business combinations

The group accounts for business combinations using the acquisition method when control is obtained by the group. A business is defined as an integrated set of activities and assets that are capable of being conducted and managed for the purposes of providing a return directly to investors or other owners, members or participants. The consideration transferred is measured at the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are recognised in profit or loss. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests. For business combinations under common control – where control is not transitory - the Group applies predecessor accounting, transferring the assets and liabilities at the carrying book values, accounting for this prospectively.

T Related party transactions

Related party transactions constitute the transfer of resources, services or obligations between the Group and a party related to the Group, regardless of whether a price is charged. For the purposes of defining related party transactions with key management, key management has been defined as directors and the Group's executive committee and includes close members of their families and entities controlled or jointly controlled by these individuals.

U Employee benefits

(i) Short-term employee benefits

Remuneration to employees in respect of services rendered during a reporting period is expensed in that reporting period. A liability is recognised for accumulated leave when there is a present legal or constructive obligation as a result of past service rendered by employees.

(ii) Share-based payment transactions

MTN Group Limited, the Group's ultimate holding Group, operates two staff share incentive schemes, the MTN Group share and the MTN Group Share Appreciation Rights scheme which applies to MTN Uganda Ltd as a subsidiary of the Group.

These schemes are accounted for as cash settled share-based payments to employees at subsidiary level. Cash settled share-based payments are measured at fair value (excluding the effect of no-market-based vesting conditions) at valuation date which is each financial year end.

Each NSO (Notional Share Option) may only be exercised by a participant as a factor of continuous employment with MTN Uganda Limited with the following time frame for allocations granted before 2014:

- up to 20% after two years;
- up to 40% after three years;
- up to 70% after four years; and
- up to 100% after five years of granting the notional options.

Each allocation of NSO's granted will remain in force for a period of 10 years from the date of offer. Exercising refers to the decision by the participant to cash out any net realisable increase in value over and above the NSO's offer price of vested NSO's.

Notes (continued)

2 Summary of significant accounting policies (continued)

U Employee benefits (continued)

(ii) Share-based payment transactions (continued)

For allocations granted after 2014, these are granted annually, with 100% vesting after 3 years and expiring after 5 years.

The fair value is expensed over the vesting period on a straight-line basis based on the Group's estimate of the shares that will eventually vest.

(iii) Retirement benefit obligations

The Group operates a defined contribution plan. A defined contribution plan is a post-employment benefit plan (such as a pension plan) under which the Group pays a fixed percentage of employees' remuneration as contributions into a separate entity (a fund) and will have no further legal or constructive obligations to pay additional contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans in respect of services rendered during a period are recognised as an employee benefit expense when they are due.

(iv) Termination benefits

Termination benefits may be payable when an employee's employment is terminated before the normal retirement date due to retrenchment or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises termination benefits at the earlier of the following dates:

- when the Group can no longer withdraw the offer of those benefits; and
- when the Group recognises costs for a restructuring that are within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

V Comparatives

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

2 Summary of significant accounting policies (continued)

W Financial instruments

Accounting for financial instruments

Financial assets and liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at fair value, including transaction costs except for those classified as at fair value through profit or loss which are initially measured at fair value, excluding transaction costs. 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.

Financial assets and liabilities are classified as current if expected to be realised or settled within 12 months; if not, they are classified as non-current.

Offsetting financial instruments

Offsetting of financial assets and liabilities arises when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The net amount is reported in the statement of financial position.

Interconnect and roaming balances have been presented on a net basis and the net impact to Trade receivables and payables is Shs 17,966 millions (2021: Shs 18,638 millions)

Financial instrument classification

The Group classifies its financial instruments into the following categories:

- Financial assets at amortised cost; and
- Financial liabilities at amortised cost.

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The classification is dependent on the purpose for which the financial instruments were acquired. Management determines the classification of financial instruments at initial recognition. Financial instruments comprise trade and other receivables, cash and cash equivalents, borrowings and trade and other payables.



Notes (continued)

2 Summary of significant accounting policies (continued)

W Financial instruments (continued)

Subsequent measurement

Subsequent to initial recognition, financial instruments are measured as described below.

Financial assets

Financial assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial liabilities

Financial liabilities comprise trade and other payables, bank overdrafts, borrowings, and other non-current liabilities (excluding provisions).

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

Impairment losses on trade and other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

De-recognition

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Impairment of financial assets

The Group's trade and other receivables are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss is immaterial.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been analysed based on shared credit risk characteristics and the days past due.

The loss allowances for trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect forward looking information to the extent that there is a strong correlation between the forward-looking information and the expected credit losses.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.



Notes (continued)

2 Summary of significant accounting policies (continued)

X Mobile Money deposits

Mobile Money (MoMo) deposits are balances that are held with banks for and on behalf of MoMo customers. MoMo regulations require that these balances with banks are held in a manner to ensure that they are not co-mingled with the Group's cash and cash equivalents and that these are ring-fenced to settle MoMo customers' obligations. The deposits held are accounted for at amortised cost.

Upon recognition of the MoMo financial asset, the Group recognises a corresponding current liability, in the ordinary course, to refund MoMo customers for the deposits made.

The Group earns transactional fees on these MoMo balances and recognises transactional fees as part of digital and fintech services revenue. Transactional fees are recognised over time as the transactions occur. The Group accounts for fees paid to agents as a commission expense in selling, distribution, and marketing expenses.

Cash flows that relate to the principal MoMo deposit balances and corresponding liabilities are reflective of customer transactions, but only interest received and paid to customers in relation relating to these balances is recorded on the Company's statement of cash flows.

Y Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board has appointed an executive committee which assesses the financial performance and position of the Group and makes strategic decisions. The executive committee, has been identified as being the chief operating decision maker.

Z Direct Network Costs

These are costs incurred by the business in maintaining the network and telecommunications equipment.

AA Government and Regulatory Fees

These are costs relating to the annual gross revenue levy and spectrum fees paid to the regulator.

AB Handset and Accessories costs

These are costs relating to the handsets, data devices and accessories sold by the company.

AC Interconnect and Roaming costs

Interconnect costs are charges resulting from our customers making calls to another operator and roaming costs result from our customers using another network when they travel and leave our network.

Notes (continued)

2 Summary of significant accounting policies (continued)

AD Earnings per Share

The Group calculates basic earnings per share by dividing the profit or loss after tax attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares in issue during the period. On the other hand, dilutive EPS are calculated by adjusting profit or loss attributable to ordinary equity holders of the Group and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk (foreign exchange and interest rate risk). This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Market risk

(i) Foreign exchange risk

The Group operates locally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from recognised assets and liabilities.

The Group aims to manage exposure to fluctuations in foreign currency exchange rates by keeping a proportion of its cash balance in foreign currency. As a policy, the Group does not utilise forward contracts or other methods of hedging foreign exchange risk that are speculative in nature.

At 31 December 2022, if the Shilling had weakened/strengthened by 5% (2021: 5%) against the US dollar with all other variables held constant, post-tax profit for the year would have been Shs 1,736 million lower/higher (2021: Shs 5,931 million), mainly as a result of US dollar receivables, payables, borrowings and bank balances. The Group's exposure to the US Dollar currency risk expressed in Ugandan shillings, is as follows:

	2022 Shs'000	2021 Shs'000
Trade and other receivables	60,847,265	38,587,153
Cash and cash equivalents	28,655,771	51,091,159
Trade and other payables	(39,902,096)	(78,870,876)
Current borrowings	-	(46,674,513)
Non-current borrowings	-	(91,085,344)
	<hr/> 49,600,940	<hr/> (126,952,421)

(ii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings and leases. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group regularly monitors financing options available to ensure optimum interest rates are obtained.

At 31 December 2022, an increase/decrease of 5% in the interest rate would have resulted in a decrease/increase in post-tax profit impact of Shs 1,022 million (2021: Shs 1,115 million).



Notes (continued)

3 Financial risk management (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

The Group's exposure to interest rate risk is as follows:

	2022		2021	
	LIBOR Shs'000	T-Bill rate Shs'000	LIBOR Shs'000	T-Bill rate Shs'000
Current borrowings	-	(166,675,565)	(47,120,729)	(151,572,696)
Non-current borrowings	-	(82,897,391)	(91,085,344)	(74,375,000)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	(249,572,956)	(138,206,073)	(225,947,696)

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

i) Risk management

Credit risk on financial assets with banking institutions is managed by dealing with institutions with strong balance sheets and a proven track record.

The Group does not have any significant concentrations of credit risk. The Group credit controller assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

ii) Impairment of financial assets

Trade receivables are subject to the Expected Credit Loss (ECL) model. Details of impairment of trade and other receivables are included in note 22. While contract assets, Mobile money deposits and cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss is immaterial since they are considered very low risk.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The ECL for trade receivables, which comprise post-paid debtors, dealer debtors, mobile money debtors, interconnect debtors and roaming debtors is arrived at as a product of the probability of default, loss given default and exposure at default. The expected loss rates are based on the payment profiles of sales over a period of 24 months to December 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group identified the inflation rate and the impact of the COVID-19 pandemic to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. Related party receivable balances are assessed for impairment based on the counterparty's ability to settle on demand.

The ECL for contract assets is arrived at as a product of the probability of default, loss given default and exposure at default.



Notes (continued)

3 Financial risk management (continued)

Credit risk (continued)

ii) Impairment of financial assets (continued)

Cash and cash equivalents and Mobile money deposits have been assessed for credit loss based on the credit rating of the financial institutions holding the assets.

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

	2022 Shs'000	2021 Shs'000
Cash and cash equivalents (note 24)	200,730,533	188,812,485
Mobile money deposits (note 23)	1,207,758,423	959,991,495
Trade receivables (note 22)	71,942,929	94,090,935
Other receivables (note 22)	23,879,077	15,807,193
Non-current trade receivables (note 20)	6,554,173	9,030,717
Receivables from related companies (note 22)	<u>52,465,661</u>	<u>28,123,009</u>
	<u>1,563,330,796</u>	<u>1,295,855,834</u>

iii) Security

With the exception of post-paid and dealer trade receivables, no collateral is held for any of the above assets. Some post-paid subscribers are required to pay a security deposit before being connected onto the Group's network. Dealer debtors are also required to present post-dated cheques and bank guarantees before being granted credit. The Group does not grade the credit quality of receivables. The fair value of security deposit held was Shs 2,984 million (2021: Shs 3,033 million). In case of default, the security deposit is used to clear the receivable balance.

All receivables that are neither past due nor impaired are within their approved credit limits. The dealer debt's terms were renegotiated, increasing the term over which it is to be repaid.

None of the above assets are past due or impaired except for the following amounts in trade receivables (which are due within 30 days of the end of the month in which they are invoiced):

	2022 Shs'000	2021 Shs'000
Past due, but not impaired (Trade receivables)	<u>48,026,980</u>	<u>40,098,177</u>
Impaired (Trade receivables)	<u>20,878,863</u>	<u>15,366,253</u>

This excludes the impairment provision for intercompany and other receivables of Shs 1,554 million (2021: Shs 804 million).

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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



Notes (continued)

3 Financial risk management (continued)

Liquidity risk (continued)

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	More than 5 years Shs'000	Total Shs'000
At 31 December 2022:					
- trade and other payables	349,386,474	-	-	-	349,386,474
- mobile money deposits	1,207,758,423	-	-	-	1,207,758,423
- borrowings	199,588,884	101,516,324	16,130,792	-	317,236,000
- lease liabilities	267,134,959	265,086,341	720,373,798	579,530,248	1,832,125,346
	2,023,868,740	366,602,665	736,504,590	579,530,248	3,706,506,243
At 31 December 2021:					
- trade and other payables	245,874,202	-	-	-	245,874,202
- mobile money deposits	959,991,495	-	-	-	959,991,495
- borrowings	227,045,752	110,380,674	84,692,188	-	422,118,614
- lease liabilities	217,384,708	164,987,411	316,202,232	446,604,347	1,145,178,698
	1,650,296,157	275,368,085	400,894,420	446,604,347	2,773,163,009

The trade payables balances in the liquidity risk exclude tax and regulatory fees accruals amounting to Shs 111,044 million (2021: Shs 105,839 million).

	2022 Shs'000	2021 Shs'000
Financial assets at amortised cost		
Mobile Money deposits	1,207,758,423	959,991,495
Financial liabilities at amortised cost		
Mobile Money deposits	1,207,758,423	959,991,495
Financial assets at amortised cost		
Cash and cash equivalents (note 24)	200,772,719	188,814,310
Mobile money deposits (note 23)	1,207,758,423	959,991,495
Non-current trade receivables and other receivables (note 20)	6,554,173	9,030,717
Trade and other receivables (note 22)	148,287,667	138,021,137
	1,563,372,982	1,295,857,659
Financial liabilities at amortised cost		
Trade and other payables	349,386,474	245,874,202
Mobile money deposits (note 23)	1,207,758,423	959,991,495
Borrowings (note 27)	249,572,956	364,153,769
Lease liabilities (note 18(b))	1,072,486,871	732,219,836
	2,879,204,724	2,302,239,302



Notes (continued)

3 Financial risk management (continued)

Fair value

The Group adopted the amendment to IFRS 7 for financial instruments that are measured at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The Group had no financial instruments measured at fair value as at 31 December 2022 and 31 December 2021. As such, there were no movements between levels in 2022 and 2021. Since most of the financial assets are current assets, there is no significant non-current exposure therefore most of the carrying amount of other financial assets is a reasonable approximation of their fair value.

Financial liabilities that are measured at amortised cost. Non-current borrowings and leases have their fair values disclosed in the liquidity risk assessment.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including lease liabilities) less cash and cash equivalents. Total capital is calculated as equity plus net debt. The Group does not have a target gearing ratio or externally imposed capital requirements. The gearing ratios at 31 December 2022 and 2021 were as follows:

	2022 Shs'000	2021 Shs'000
Total borrowings and lease liabilities (note 27 and 18(b))	<u>1,322,059,828</u>	1,096,373,605
Less: cash and cash equivalents (note 24)	<u>(200,772,719)</u>	(188,814,310)
Net debt	<u>1,121,287,109</u>	907,559,295
Total equity	<u>903,997,553</u>	836,158,870
Total capital	<u>2,025,284,662</u>	1,743,718,165
Gearing ratio	<u>55%</u>	52%



Notes (continued)

4 Critical accounting estimates and judgements

Estimates and judgements 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. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the asset or liability affected.

(i) Critical accounting estimates and assumptions

Property and equipment

Critical estimates in determining the useful lives of property and equipment are made by the directors in determining depreciation rates for property and equipment. The rates used are set out in 2(D) above. The directors have established over the lifetime of the business that the depreciation rates have been consistent with the useful lives of the Group's assets. As at 31 December 2022, an increase/decrease in the annual depreciation rate of 5% would have resulted in an increase/decrease in the net book value of approximately Shs 9,708 million (2021: Shs 9,622 million).

(ii) Critical judgements in applying the Group's accounting policies

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations, the costs and business disruption required to replace the leased asset and the business planning horizon, which is 5 years.

Extension options have been included in the lease liability to the extent that they are within the Group's current business plan.

As at 31 December 2022, potential future cash outflows of Shs 758,197 million (undiscounted) have been included in the lease liability because it is reasonably certain that the leases will be extended (or not terminated) (2021: Shs 321,101 million).



Notes (continued)

5 Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major service and product lines:

	2022 Shs'000	2021 Shs'000
Revenue earned over time		
Network services	1,472,553,328	1,381,281,155
Interconnect and roaming	90,333,606	91,297,270
Digital and fintech services	660,799,119	529,748,593
Other revenue	<u>42,241,720</u>	<u>37,900,183</u>
 Revenue earned over time	 <u>2,265,927,773</u>	 <u>2,040,227,201</u>
Mobile devices	<u>20,324,201</u>	<u>19,859,731</u>
 2,286,251,974	 <u>2,060,086,932</u>	

Network services, interconnect and roaming, digital services and other revenue are recognised over time, whereas mobile devices are recognised at a point in time. Network services revenues relate to outgoing voice revenue, outgoing sms revenue and mobile data revenues. Other revenue primarily relates to ICT revenue and IT services provided to MTN Zambia and MTN Swazi. The revenue is recognised based on the output method in consideration of actual minutes called, sms sent or bytes utilised. This is most appropriate as these are concluded within short periods of time. Network services are earned within the consumer business segment (Shs 1,331 million), Enterprise Business Unit (EBU) (Shs 133,118 million) and Wholesale and Carrier (Shs 7,940 million). Interconnect revenue is recognised within wholesale and carrier services. Mobile devices revenue is primarily within the consumer business segment. Digital and fintech services are within mobile financial services (Shs 664,550 million), the consumer business segment (Shs 3,907 million) and Enterprise Business Unit (Shs 155 million). Other revenue is within EBU sales (Shs 42,242 million).

(b) Assets and liabilities related to contracts with customers

	2022 Shs'000	2021 Shs'000
Trade receivables	92,821,792	109,457,188
Loss allowance (note 22)	<u>(20,878,863)</u>	<u>(15,366,253)</u>
 Total trade receivables (note 22)	 <u>71,942,929</u>	 <u>94,090,935</u>
 Contract liabilities - deferred revenue	 <u>16,507,615</u>	 <u>7,709,821</u>

Deferred revenue represents unused activated airtime subscriber balances for prepaid products, as well as the cash equivalent of any unused bonus points on the 1-4-1 customer loyalty promotion.

Revenue is recognised in profit or loss as calls are made, sms's sent and data used on the unused activated airtime. Revenue in relation to the customer loyalty program is recognised when the points are redeemed through calls or when they expire 12 months after the initial sale.

(i) Significant changes in trade receivables and contract liabilities

The increase in trade receivables and other receivables was primarily driven by the increase in amounts due from related parties especially MTN Global Connect Solutions and MTN Management Services. The Group has related payables that will be used to settle the bulk of these receivables. Refer to Note 22 for further information on loss allowances recognised. The increase in contract liabilities is as a result of an increase in outstanding airtime and data balances on account of the increase in subscribers.



Notes (continued)

5 Revenue from contracts with customers (continued)

(b) Assets and liabilities related to contracts with customers (continued)

(ii) Revenue recognised in respect of contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2022 Shs'000	2021 Shs'000
Revenue recognised that was included in deferred revenue at start of year	<u>7,709,821</u>	<u>10,648,572</u>

(iii) Assets recognised from costs to fulfil a contract

The incremental subscriber acquisition costs are capitalised as contract costs and are amortised on a systematic basis over the average customer life of 3 years.

The movement of the contract assets is as below:

	2022 Shs'000	2021 Shs'000
At start of year	<u>19,513,988</u>	<u>14,821,899</u>
Additions	<u>10,691,895</u>	<u>18,174,081</u>
Amortised as costs in the year	<u>(8,918,387)</u>	<u>(13,481,992)</u>
At end of year	<u>21,287,496</u>	<u>19,513,988</u>
Current contract costs	<u>10,585,068</u>	<u>9,949,198</u>
Non-current contract costs	<u>10,702,428</u>	<u>9,564,790</u>
	<u>21,287,496</u>	<u>19,513,988</u>



Notes (continued)

6 Segment reporting

Operating segments reflect the Group's management structure and the way financial information is regularly reviewed. The Group has identified reportable segments that are used by the executive committee (EXCO) to make key operating decisions, allocate resources and assess performance. The EXCO primarily focuses on revenue at the segment level. The structure of the business is such that the assets and liabilities are primarily utilised across the segments, so are reviewed for the entire Group. The reportable segments are identified as below:

- i. Telecommunications services.
- ii. Mobile Financial services This relates to Digital and Fintech services.

Nature of operations:	Telecommunications	Mobile Financial services	Total
	Shs'000	Shs'000	Shs'000
2022 Revenue	1,663,241,262	623,010,712	2,286,251,974
2021 Revenue	1,534,661,090	525,425,842	2,060,086,932
2022 Profit After Tax	237,957,259	168,093,102	406,050,361
2021 Profit After Tax	215,162,632	125,247,742	340,410,374
2022 Total Assets	2,583,596,125	1,386,202,489	3,969,798,614
2021 Total Assets	2,223,312,173	1,075,082,720	3,298,394,893
2022 Total Liabilities	1,774,309,163	1,291,491,898	3,065,801,061
2021 Total Liabilities	1,458,737,655	1,003,498,368	2,462,236,023

The EXCO also focuses on revenue by customer segment for internal revenue reporting. The structure of the business is such that the assets and liabilities are primarily utilised across the segments, so are reviewed for the entire Group. The reportable segments are identified as below:

- i. Consumer – This comprises prepaid subscriber revenue.
- ii. Enterprise Business Unit – This comprises revenue earned from corporate customers, SMEs, governments and post-paid customers.
- iii. Wholesale and Carrier services – This relates to revenue earned from other telecommunication companies that provide support services such as Interconnect, roaming and leased lines services.
- iv. Mobile Financial services – This relates to revenue earned from Digital and Fintech services

Nature of operations	Consumer	Enterprise Business Unit	Wholesale & Carrier services	Mobile Financial services	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
2022 Revenue	1,383,783,191	172,948,870	106,509,201	623,010,712	2,286,251,974
2021 Revenue	1,289,503,971	142,135,119	103,022,000	525,425,842	2,060,086,932
2022 EBITDA					1,179,391,901
2021 EBITDA					1,057,576,107
2022 Profit After Tax					406,050,361
2021 Profit After Tax					340,410,374



Notes (continued)

		2022 Shs'000	2021 Shs'000
7 Direct Network Operating Costs			
Leased Line costs	15,883,248	17,088,122	
TowerCo related costs	150,784,226	114,870,184	
Network and IT maintenance	<u>117,675,546</u>	<u>105,887,769</u>	
	<u>284,343,020</u>	<u>237,846,075</u>	
8 Government and Regulatory Fees			
Spectrum Fees	19,361,833	17,815,259	
Regulatory Fees and Levies	<u>38,573,839</u>	<u>35,300,606</u>	
	<u>57,935,672</u>	<u>53,115,865</u>	
9 Employee benefits expenses			
Salaries and wages	80,752,780	67,702,516	
MTN Uganda Limited Provident Fund contributions [note 31 (vii)]	2,787,233	2,828,670	
Contributions to National Social Security Fund	7,779,793	6,829,243	
Notional share options (note 26)	11,736,465	11,855,844	
Other staff costs	<u>23,518,206</u>	<u>16,206,072</u>	
	<u>126,574,477</u>	<u>105,422,345</u>	
Remuneration for the Company's permanent employees is disclosed under salaries and wages. Staff welfare costs together with costs for the Company's contract personnel are disclosed under Other staff costs.			
10 Selling, distribution and marketing expenses			
Commissions	360,581,578	312,580,057	
Marketing	46,601,170	39,254,818	
Revenue ceded to content and service providers	<u>6,994,075</u>	<u>6,377,323</u>	
	<u>414,176,823</u>	<u>358,212,198</u>	
11 Other operating expenses			
Professional and consulting	4,739,778	11,174,177	
Auditor's remuneration	2,958,250	2,814,408	
Directors' fees	367,772	2,106	
General expenses	51,915,116	25,500,348	
Gain on disposal of Property and Equipment and leases	(29,972,075)	-	
Motor vehicle and insurance	10,645,396	7,487,060	
Security costs	1,112,422	1,247,413	
Communication costs	2,533,685	1,388,733	
Management fees	72,424,185	85,063,232	
MTN Foundation [note 31 (viii)]	5,755,342	2,970,598	
Travel and entertainment	3,589,451	1,457,616	
Electricity and diesel - non network	8,380,956	8,576,673	
Other utilities - non network	51,907	10,350	
Information technology fees	4,959,564	3,825,171	
Office building and maintenance	<u>4,064,104</u>	<u>2,477,339</u>	
	<u>143,525,853</u>	<u>153,995,224</u>	



Notes (continued)

12 Finance income/ (costs)	2022 Shs'000	2021 Shs'000
Finance income:		
- Interest income on Mobile Money deposits	20,706,131	-
- Other Interest income	7,340,100	5,314,139
- Foreign exchange gains	9,877,689	17,186,952
	<u>37,923,920</u>	<u>22,501,091</u>
Finance costs:		
- Interest expense and other charges on borrowings (note 27)	(29,091,127)	(32,389,113)
- Interest expense on lease liabilities (note 18[b])	(141,072,847)	(115,043,904)
- Interest expense on Mobile Money deposits	(20,706,131)	-
- Other interest expenses	(642,168)	(73,783)
- Foreign exchange losses	(27,659,804)	(20,327,472)
	<u>(219,172,077)</u>	<u>(167,834,272)</u>
13 Income tax expense	2022 Shs'000	2021 Shs'000
Current income tax	193,137,258	166,854,627
Deferred income tax credit (note 17)	<u>(8,158,554)</u>	<u>(16,321,901)</u>
	<u>184,978,704</u>	<u>150,532,726</u>
The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:		
	2022 Shs'000	2021 Shs'000
Profit before income tax expense	591,029,065	490,943,100
Tax calculated at a rate of 30% (2021: 30%)	177,308,719	147,282,930
Tax effect of:		
expenses not deductible for tax purposes	3,494,189	3,656,459
prior year under provision of current income tax	4,715,072	94,563
prior year under provision of deferred income tax asset	<u>(539,276)</u>	<u>(501,226)</u>
	<u>184,978,704</u>	<u>150,532,726</u>
The movement in current income tax (recoverable)/ payable is as follows:		
	2022 Shs'000	2021 Shs'000
At start of year	(2,351,797)	2,774,305
Current income tax charge	193,137,258	166,854,627
Tax paid	<u>(186,891,550)</u>	<u>(171,980,729)</u>
At end of year	<u>3,893,911</u>	<u>(2,351,797)</u>
The current income tax payable / (recoverable) relates to:		
Income tax payable - Company	4,323,181	-
Income tax recoverable - Subsidiary	<u>(429,270)</u>	<u>(2,351,797)</u>
	<u>3,893,911</u>	<u>(2,351,797)</u>



Notes (continued)

14 Earnings per share

The Group calculates basic earnings per share by dividing the profit or loss after tax attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares in issue during the period. On the other hand, dilutive EPS is calculated by adjusting profit or loss attributable to ordinary equity holders of the Group and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period; a reasonable approximation of the weighted average is adequate in many circumstances. The weighted average number of ordinary shares outstanding during the period and for all periods presented is adjusted for events, other than the conversion of potential ordinary shares, that have changed the number of ordinary shares outstanding without a corresponding change in resources.

	2022 Shs'000	2021 Shs'000
Weighted average number of shares at 31 December	<u>22,389,044</u>	22,389,044
Profit from continuing operations attributable to shareholders	<u>406,050,361</u>	340,410,374
 Basic/ Diluted Earnings per share	<u>18.14</u>	15.20

At the reporting date, the basic and diluted earnings per share were the same. There are no outstanding shares with a potential dilutive effect on the weighted average number of ordinary shares in issue.

15 Share capital

	2022 Number of shares	2022 Par Value	2022 Ordinary share capital Shs'000	2021 Number of shares	2021 Par Value	2021 Ordinary share capital Shs'000
Authorised:						
Ordinary shares	<u>28,000,000,000</u>	1	<u>28,000,000</u>	<u>28,000,000,000</u>	1	28,000,000
Issued and fully paid:						
Ordinary shares	<u>22,389,044,239</u>	1	<u>22,389,044</u>	<u>22,389,044,239</u>	1	22,389,044

The holders of ordinary shares are entitled to participate in dividends and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

16 Dividends

	2022 Dividend per share Shs'000	2022 Total Shs'000	2021 Dividend per share Shs'000	2021 Total Shs'000
Dividends paid	15	<u>338,211,678</u>	10	230,206,240
Dividends paid and proposed	21	<u>461,351,421</u>	15	335,569,082

Payment of dividends is subject to withholding tax at rates depending on the residence of the respective shareholders. The directors recommend the payment of a final dividend of Shs 123,140 million (2021: Shs 105,363 million.).



Notes (continued)

17 Deferred income tax

Because of the uncertainty in estimating the extent to which the Group's deferred income tax assets and liabilities will crystallise within 12 months from the year end, the Group's entire net deferred income tax asset has been classified as a non-current asset.

Deferred income tax is calculated using the enacted income tax rate of 30% (2021: 30%). The movement on the deferred income tax account is as follows:

	2022 Shs'000	2021 Shs'000
At start of year	6,456,748	(9,865,153)
Credit to profit or loss	<u>8,158,554</u>	<u>16,321,901</u>
At end of year	<u>14,615,302</u>	<u>6,456,748</u>

Deferred income tax assets and liabilities and the deferred income tax charge in profit or loss are attributable to the following items:

Year ended 31 December 2022	1 January 2022 Shs'000	Credit/ (charge) to profit or loss Shs'000	31 December 2022 Shs'000
	(13,280,008)	(461,284)	(13,741,292)
Deferred income tax liabilities:			
Accelerated tax depreciation	17,817,978	4,468,176	22,286,154
	(601,609)	1,429,370	827,761
	<u>2,520,387</u>	<u>2,722,292</u>	<u>5,242,679</u>
	<u>19,736,756</u>	<u>8,619,838</u>	<u>28,356,594</u>
Net deferred income tax asset	6,456,748	8,158,554	14,615,302
 Year ended 31 December 2021			
Year ended 31 December 2021	1 January 2021 Shs'000	Credit/ (charge) to profit or loss Shs'000	31 December 2021 Shs'000
	(28,162,849)	14,882,841	(13,280,008)
Deferred income tax liabilities:			
Accelerated tax depreciation	12,614,239	5,203,739	17,817,978
	2,488,885	(3,090,494)	(601,609)
	<u>3,194,572</u>	<u>(674,185)</u>	<u>2,520,387</u>
	<u>18,297,696</u>	<u>1,439,060</u>	<u>19,736,756</u>
Net deferred income tax (liability) / asset	(9,865,153)	16,321,901	6,456,748



Notes (continued)

18(a) Property and equipment

	PPE	Land and buildings	Leasehold improvements	Tele-communications equipment	Furniture, computers and other equipment	Motor vehicles	Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 31 December 2022								
Opening net book amount	45,612,535	5,732,634	764,323,781	39,437,149	1,189,783	7,408,779	863,704,661	
Additions	1,971,766	4,750,591	257,541,772	23,165,761	140,135	8,003,647	295,573,672	
Transfers*								
- cost								
- accumulated depreciation								
Disposals:								
- cost								
- accumulated depreciation								
Reallocations**								
Impairment								
Depreciation charge	(2,475,135)	(3,369,317)	(169,856,626)	(18,283,475)	(182,299)			
Closing net book amount	45,646,352	7,069,056	843,931,243	41,740,921	1,099,532	9,702,163	949,189,267	
At 31 December 2022								
Cost	52,391,599	29,725,183	2,191,793,569	208,046,416	12,586,318	9,702,163	2,504,245,248	
Accumulated amortisation	(6,745,247)	(22,656,127)	(1,347,862,326)	(166,305,495)	(11,486,786)	-	(1,555,055,981)	
Net book amount	45,646,352	7,069,056	843,931,243	41,740,921	1,099,532	9,702,163	949,189,267	



Notes (continued)

18(a) Property and equipment (continued)

Year ended 31 December 2021	Land and buildings			Leasehold improvements			Furniture, computers and other equipment			Motor vehicles		Work in progress		Total Shs'000
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	
Opening net book amount	37,068,176	7,332,120	9,952,347	697,492,157	42,817,225	15,154,129	1,026,649	39,682,188	4,769,145	825,418,515	212,796,427			
Additions	9,952,347	3,637,298	178,740,336											
Transfers*														
- cost				31,680,594	851,809	-	-	-		(32,532,403)	-			
- accumulated depreciation														
Disposals:														
- cost				(3,200)	(9,046,962)	(6,753,367)	(3,889,389)			-	(19,692,918)			
- accumulated depreciation				3,200	7,396,420	6,409,135	3,657,678			-	17,466,433			
Reallocations**:														
- cost														
- accumulated depreciation				360,738	(16,874)	24,084,496	131,622	119,598	(4,510,151)	20,169,429				
Depreciation charge				(49)	-	10,996	(13,769)	(487)	-	(3,309)				
				(1,768,677)	(5,219,910)	(166,034,256)	(19,159,635)	(267,438)	-	(192,449,916)				
Closing net book amount	45,612,535	5,732,634	764,323,781	39,437,149	1,189,783	7,408,779	7,408,779	863,704,661						
At 31 December 2021														
Cost	49,882,647	30,166,226	1,982,671,880	204,329,810	13,619,129	7,408,779	2,288,078,471							
Accumulated depreciation	(4,270,112)	(24,433,592)	(1,218,348,099)	(164,892,661)	(12,429,346)	-	(1,424,373,810)							
Net book amount	45,612,535	5,732,634	764,323,781	39,437,149	1,189,783	7,408,779	863,704,661							

Notes (continued)

18(b) Leases

i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2022 Shs'000	2021 Shs'000
Right-of-use assets		
Network sites	930,780,307	616,469,909
Offices and services centres	5,006,339	14,419,126
Motor vehicles	<u>13,571,169</u>	<u>5,981,354</u>
	949,357,815	636,870,389
Lease liabilities		
Current	106,595,075	104,276,553
Non-current	<u>965,891,796</u>	<u>627,943,283</u>
	1,072,486,871	732,219,836

ii) Amounts recognised in profit or loss

	2022 Shs'000	2021 Shs'000
Depreciation charge for right-of-use assets		
Network sites	128,929,090	103,649,502
Offices and services centres	4,027,981	5,949,116
Motor vehicles	<u>3,381,150</u>	<u>1,551,725</u>
	136,338,221	111,150,343

iii) The movement in right-of-use assets is as follows:

At 1 January 2022	636,870,389	571,232,914
Additions	616,998,075	155,151,018
Remeasurements	31,071,924	23,361,765
Amortisation	(136,338,221)	(111,150,343)
Disposal	<u>(199,244,352)</u>	<u>(1,724,965)</u>
At end of year	949,357,815	636,870,389
At end of the year		
Cost	1,272,590,629	923,519,732
Accumulated Depreciation	<u>(323,232,814)</u>	<u>(286,649,343)</u>
Net right of use asset	949,357,815	636,870,389

iv) The movement in lease liabilities is as follows:

At 1 January 2022	732,219,836	635,537,229
Additions	616,998,075	155,151,018
Remeasurements	31,071,924	23,361,765
Interest expense	141,072,847	115,043,904
Repayments	(220,753,172)	(194,365,454)
Foreign exchange (gains)/ losses	1,093,788	(735,038)
Disposal	<u>(229,216,427)</u>	<u>(1,773,588)</u>
At end of year	1,072,486,871	732,219,836

See note 2 (G) for the accounting policies relevant to leases.



Notes (continued)

19. Intangible assets	License fee	IT software	Total
	Shs'000	Shs'000	Shs'000
Year ended 31 December 2022			
Opening net book amount	333,344,537	49,470,376	382,814,913
Additions	-	42,085,919	42,085,919
Amortisation	(31,761,572)	(44,848,034)	(76,609,606)
Reallocation	-	9,873,386	9,873,386
Impairment	-	-	-
Disposal:	-	-	-
- cost	-	(9,702,762)	(9,702,762)
- accumulated depreciation	-	9,254,726	9,254,726
 Closing net book amount	 301,582,965	 56,133,611	 357,716,576
 At 31 December 2022			
Cost	380,988,858	194,154,112	575,142,970
Accumulated amortisation	(79,405,893)	(138,020,501)	(217,426,394)
 Net book amount	 301,582,965	 56,133,611	 357,716,576
 Year ended 31 December 2021			
Opening net book amount	364,317,764	53,819,391	418,137,155
Additions	49,219,168	57,399,118	106,618,286
Amortisation	(80,192,395)	(37,507,172)	(117,699,567)
Reclassifications	-	(22,090,125)	(22,090,125)
Write-offs			
- cost	(50,267,807)	(25,300,355)	(75,568,162)
- accumulated depreciation	50,267,807	23,149,519	73,417,326
 Closing net book amount	 333,344,537	 49,470,376	 382,814,913
 At 31 December 2021			
Cost	380,988,858	151,897,570	532,886,428
Accumulated amortisation	(47,644,321)	(102,427,194)	(150,071,515)
 Net book amount	 333,344,537	 49,470,376	 382,814,913

License fee

The Company's initial license to operate as a telecommunications company in Uganda expired on 20 October 2018 after 20 years. Uganda Communications Commission (UCC) granted MTN Uganda Limited a formal long-term licence in July 2021 for a period of 12 years.

Software

Software that is separately identifiable from components of the Group's plant and equipment has been recognised as an intangible asset. This software is amortised over its useful life which is considered to be 3 years.



Notes (continued)

20 Receivables and prepayments	2022 Shs'000	2021 Shs'000
IRU assets		
At start of year	50,289,239	52,342,466
Additions	21,797,425	13,335,273
Charge for the year	(14,462,644)	(15,388,500)
At end of year	57,624,020	50,289,239
IRU assets – current	8,302,149	6,246,884
IRU assets – non-current	49,321,871	44,042,355
Total IRU assets	57,624,020	50,289,239
Non-current receivables and prepayments		
IRU non-current receivables	49,321,871	44,042,355
Other non-current receivables	6,554,173	9,030,717
Net book amount at end of year	55,876,044	53,073,072
The Other non-current receivables are the amounts due from the dealers that the Group expects to collect within two to three years from the end of the reporting period. These amounts are guaranteed by banks. The fair value of the receivables is not significantly different from their carrying amount. The prepaid site and lease rentals primarily relate to Indefeasible right of use arrangements with MTN Global Connect on undersea cables.		
21 Inventories	2022 Shs'000	2021 Shs'000
Sim cards, phones and accessories	29,189,912	9,498,482
Provision for obsolete stock	(1,757,475)	(1,687,751)
	27,432,437	7,810,731
Inventories expensed during the year	(23,878,564)	(22,613,391)
Reversal/(Addition) of impairment provision during the year	(69,724)	474,684
22 Trade and other receivables		
Trade receivables	92,821,792	109,457,188
Loss allowance	(20,878,863)	(15,366,253)
Trade receivables – net	71,942,929	94,090,935
Receivables from related parties – net (Note 31 (iv) a)	52,465,661	28,123,009
Prepayments	37,075,598	38,971,652
Other receivables	23,879,077	15,807,193
	185,363,265	176,992,789

In the opinion of the directors, the carrying amounts of the receivables approximates their fair value.



Notes (continued)

22 Trade and other receivables (continued)

The closing loss allowances for trade receivables as at 31 December reconciles to the opening loss allowances as set out below.

	2022 Shs'000	2021 Shs'000
As at start of year	16,170,196	9,523,183
Increase in loss allowance recognised in profit or loss	7,797,794	9,230,223
Receivables written off during the year as uncollectible	(1,535,183)	(2,583,210)
At end of year	22,432,807	16,170,196
Consisting of:		
Trade receivables	20,878,863	15,366,253
Other receivables	1,553,944	803,943
	22,432,807	16,170,196

Trade receivables are written off when there is no reasonable expectation of recovery.

23 Mobile money deposits

	2022 Shs'000	2021 Shs'000
Mobile money deposits	1,207,758,423	959,991,495

Mobile money (MoMo) deposits are balances that are held with banks for and on behalf of MoMo customers. MoMo regulations require that these balances with banks are not co-mingled with MTN's cash and cash equivalents and that these are ring-fenced to settle MoMo customers' obligations. The Group recognises mobile money balances held by the respective banks and the customers' rights to these balances as an obligation (financial liability) in the ordinary course to repay the balances to the MoMo customers and a right to claim the corresponding amounts from the relevant banks (financial asset). Cash flows that relate to the principal mobile money deposit balances and corresponding liabilities are reflective of customer transactions and, consequently, are not recorded in the Group's statement of cash flows.

24 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held on call, all of which are available for use by the Group. Below is breakdown of cash and cash equivalents.

	2022 Shs'000	2021 Shs'000
Cash at bank	191,872,549	179,566,910
Cash at hand	42,186	1,825
Deposits on call (mobile money)	8,857,984	9,245,575
	200,772,719	188,814,310



Notes (continued)

25 Trade and other payables

	2022 Shs'000	2021 Shs'000
Trade payables	174,203,551	81,122,753
Payables to related parties [note 31 (iv) b]	39,885,901	17,164,578
Other creditors and accruals	<u>246,341,020</u>	<u>253,426,111</u>
	<u>460,430,472</u>	<u>351,713,442</u>

Trade and other payables are unsecured and usually paid within 30 days of recognition. The carrying amounts of the above trade and other payables approximate their fair values. Other creditors and accruals mostly relate to accruals for goods received but not invoiced, statutory deductions and other payables.

26 Provisions

	2022 Shs'000	2021 Shs'000
Non-current contract liabilities	12,215,045	10,831,409
Non-current provisions	<u>19,513,613</u>	<u>12,354,185</u>
	<u>31,728,658</u>	<u>23,185,594</u>
Current provisions	<u>22,992,885</u>	<u>23,262,066</u>
Total provisions	<u>54,721,543</u>	<u>46,447,660</u>

Year ended 31 December 2022	At start of year Shs'000	Additional provisions Shs'000	Utilised/ reversed Shs'000	At end of year Shs'000	Non- current provision Shs'000		Current provision Shs'000
					Shs'000	Shs'000	
Bonus provision	9,827,567	13,175,994	(10,349,549)	12,654,012		-	12,654,012
Notional share options	25,788,684	11,736,465	(12,564,943)	24,960,206	19,513,613	5,446,593	
Contract liabilities	10,831,409	2,215,521	(831,885)	12,215,045	12,215,045		-
Other provisions	-	4,892,280	-	4,892,280		-	4,892,280
	46,447,660	32,020,260	(23,746,377)	54,721,543	31,728,658	22,992,885	

Year ended 31 December 2021

Bonus provision	8,600,685	11,050,652	(9,823,770)	9,827,567		-	9,827,567
Notional share options	19,562,445	11,855,844	(5,629,605)	25,788,684	12,354,185	13,434,499	
Contract liabilities	3,240,024	8,260,686	(669,301)	10,831,409	10,831,409		-
	31,403,154	31,167,182	(16,122,676)	46,447,660	23,185,594	23,262,066	

Bonus provisions represent a performance incentive paid to employees based on the achievement of key performance indicators. The provision for the year is based on an estimate of a percentage of each of the employees' annual basic salary. Bonus payment is expected in March 2023.



Notes (continued)

26 Provisions (continued)

The board approved a share incentive scheme to eligible employees effective 1 April 2004. The first vesting under the terms of this scheme was due on 1 April 2007 and specific amounts vest annually over a four-year period. The value of the notional share options is based on MTN Group Limited's share price and performance of the Group (note 2 (U)). Set out below is a summary of the notional share options.

	2022		2021	
	Number of shares	Total Shs'000	Number of shares	Total Shs'000
As at 31 December	<u>960,980</u>	<u>24,960,206</u>	<u>1,329,290</u>	<u>25,788,684</u>
Vested and exercisable at 31 December	<u>172,452</u>	<u>5,446,593</u>	<u>491,050</u>	<u>13,434,499</u>

27 Borrowings

		2022	2021
		Shs'000	Shs'000
Borrowings comprise a syndicated loan facility broken down below:			
Currency			
(i) Loan facility A	Shs	62,900,321	90,431,353
(ii) Loan facility A – Stanbic Bank	Shs	12,550,685	25,076,582
(iii) Loan facility B – Stanbic Bank	USD	-	22,191,528
(iv) Loan facility B – Revolving credit	Shs	77,577,000	112,760,722
(v) Loan facility C	USD	-	115,568,329
(vi) Loan facility D (Amalgamated)	Shs	97,785,634	-
Interest bearing loans		250,813,640	366,028,514
Capitalised transaction costs		(1,240,684)	(1,874,745)
Total borrowings		249,572,956	364,153,769

None of the facilities is secured against assets of the Group.

The movement in borrowings is as follows:

At start of year	364,153,769	388,224,948
Proceeds from borrowings	-	50,000,000
Interest expense	28,468,677	31,839,142
Amortisation of transaction costs	622,450	549,971
Principal repayments	(120,451,228)	(70,777,880)
Interest repayments	(29,191,791)	(31,861,851)
Unrealised foreign exchange (loss)/ gain	5,971,079	(3,820,561)
At end of year	249,572,956	364,153,769

The maturity profile of the above borrowings is as follows:

More than one year but not exceeding two years	66,858,140	83,944,153
More than two years but not exceeding five years	16,039,251	81,516,191
Non - current borrowings	82,897,391	165,460,344
Current borrowings	166,675,565	198,693,425
	249,572,956	364,153,769

27 Borrowings (continued)

The Group's borrowings are in respect of an unsecured syndicated loan facility that the Group obtained from Stanbic Bank Uganda Limited (Stanbic Bank), Standard Bank, Standard Chartered Bank, ABSA Bank Uganda Limited (Absa Bank) and Citibank on 4 February 2016. This facility was refinanced on 25 February 2020, and the values reported are the carrying amounts which approximate fair value. The Group also has an unsecured loan facility from Stanbic Bank Uganda Limited which runs from 21 December 2018. The facilities denominated in USD were extinguished in December 2022 and converted to a Uganda Shillings facility from Stanbic Bank and Absa Bank which runs from 31 December 2022. There were no penalties at conversion.

None of the borrowings was in default at any time during the year.

Capitalised transaction costs relate to costs that are directly attributable to the acquisition of the above facilities.

- (i) **Loan facility A**
This facility has a limit of Shs 110,000 million. At 31 December 2022, the principal loan outstanding in respect of this facility amounted to Shs 61,875 million. The loan is repayable in 16 quarterly instalments starting May 2021 with the final payment due in February 2024. The rate of interest on this facility is the aggregate of the Ugandan Government 182-day Treasury Bill rate plus a margin of 3.25%. The average interest rate for the year was 13.09 % (2021: 13.1%).
- (ii) **Loan facility A – Stanbic Bank**
This facility has a limit of Shs 50,000 million. At 31 December 2022, the loan outstanding in respect of this facility amounted to Shs 12.5 billion. The loan is repayable in 16 quarterly instalments which started in March 2020 with the final payment due in December 2023. The rate of interest on this facility is the aggregate of the Ugandan Government 182-day Treasury Bill rate plus a margin of 2.5%. The average interest rate for the year was 12.25% (2021:12.1%).
- (iii) **Loan facility B - Revolving Credit**
This facility has a limit of Shs 110,000 million. At 31 December 2022, the principal loan outstanding in respect of this facility amounted to Shs 75 billion. The loan is repayable in either 3, 6, 9, or 12 months with an option to re-draw any amounts paid to a maximum of Shs 110 billion depending on the cash requirements. The rate of interest on this facility is the aggregate of the Ugandan Government 182-day Treasury Bill rate plus a margin of 3.5%. The average interest rate for the year was 13.01% (2021: 13.21%).
- (iv) **Loan facility D – Stanbic Bank and ABSA Bank**
This facility has a limit of Ush 98 billion. At 31 December 2022, the principal loan outstanding in respect of this facility amounted to Ush 97.7 billion. The loan is repayable in 9 quarterly instalments, which started in February 2023 with the final payment due in February 2025. The rate of interest on this facility is the aggregate of the Ugandan Government 182-day Treasury Bill rate plus a margin of 1.85%. The average interest rate for the year was 11.14%.
- (v) **Loan Facility B&C** denominated in USD were extinguished on 28 December 2022 and converted into a new facility, Facility D.

Unutilised facilities

The Group had an unutilised overdraft and short-term loan facilities of Shs 37,236 million (2021: Shs 17,750 million). These facilities are unsecured. The overdraft interest rate is the aggregate of the Ugandan Government 90-day Treasury Bill rate plus a margin of 3.25%.

Bonds and Guarantees

At 31 December 2022, the Group had letters of credit and guarantee facilities from the following banks: Standard Chartered Bank Uganda Limited – Shs 32,792 million (2021: Shs 1,930 million); Stanbic Bank – NIL (2021: 17,750 million).

Notes (continued)

27 Borrowings (continued)

Compliance with covenants

The Group complied with the financial covenants of its borrowing facilities during the 2022 and 2021 reporting periods. The section below sets out an analysis of net debt and the movements in net debt.

Net debt	2022 Shs'000	2021 Shs'000		
Cash and cash equivalents (note 24)	200,772,719	188,814,310		
Borrowings	(249,572,956)	(364,153,769)		
Lease liabilities [note 18 (b)]	(1,072,486,871)	(732,219,836)		
At end of year	(1,121,287,108)	(907,559,295)		
Net debt reconciliation	Cash Shs'000	Leases Shs'000	Borrowings Shs'000	Total Shs'000
Year ended 31 December 2021				
At 1 January 2021	59,170,525	(635,537,229)	(388,224,948)	(964,591,652)
Cash flows	131,967,411	194,365,454	52,639,731	378,972,596
Foreign exchange (losses)/ gains	(2,323,626)	735,038	3,820,561	2,231,973
Other changes	-	(291,783,099)	(32,389,113)	(324,172,212)
Net debt at 31 December 2021	188,814,310	(732,219,836)	(364,153,769)	(907,559,295)
Year ended 31 December 2022				
At 1 January 2022	188,814,310	(732,219,836)	(364,153,769)	(907,559,295)
Cash flows	16,194,229	220,753,172	149,643,019	386,590,420
Foreign exchange losses	(4,235,820)	(1,093,788)	(5,971,079)	(11,300,687)
Other changes	-	(559,926,419)	(29,091,127)	(589,017,546)
Net debt at 31 December 2022	200,772,719	(1,072,486,871)	(249,572,956)	(1,121,287,108)

Other changes in the net debt reconciliation above include amortisation of transaction costs, the net of interest accruals and payments as well as additions and disposals of leases.



Notes (continued)

28	Cash generated from operations	2022 Shs'000	2021 Shs'000
Reconciliation of profit before income tax to cash generated from operations:			
Profit before income tax		591,029,065	490,943,100
Profit before income tax			
Adjustments for:			
Depreciation and amortisation notes 18(a) and 18(b)		330,505,073	303,600,259
Amortisation of intangible assets (note 19)		76,609,606	117,699,567
Impairment of Property and Equipment		509,391	-
Loss/ (Gain) on sale of property and equipment		706,597	(716,038)
Loss on disposal of intangible assets		448,036	2,150,836
Other movements in intangible assets (note 19)		-	1,924,005
Interest and other changes in borrowings (note 27)		35,062,206	28,568,552
Interest and other changes in lease liabilities [note 18(b)]		142,166,635	114,308,866
Gain on disposal of right of use asset and lease liabilities		(29,972,075)	(48,623)
Interest expense on Mobile Money deposits (note 12)		20,706,131	-
Interest income (note 12)		(28,046,231)	(5,314,139)
Other foreign exchange movements		4,235,820	2,323,626
Changes in working capital:			
- Inventories		(19,621,706)	353,704
- Trade and other receivables		(11,173,448)	(22,339,115)
- Contract assets		(1,773,508)	(4,692,089)
- Contract liabilities		8,797,794	(2,938,751)
- Trade and other payables		108,717,030	51,449,350
- Provisions		8,273,883	15,044,506
Cash generated from operations		1,237,180,299	1,092,317,616
29	Capital commitments		
Capital commitments at the balance sheet date not recognised in the financial statements are as follows:			
		2022 Shs'000	2021 Shs'000
Property and equipment			
Authorised and contracted for		64,813,671	127,127,559
Authorised but not contracted for		193,999,603	334,099,254
		258,813,274	461,226,813
Intangible assets - software			
Authorised and contracted for		1,544,463	7,049,300
Authorised but not contracted for		70,578,203	48,820,821
		72,122,666	55,870,121
		330,935,940	517,096,934



Notes (continued)

30 Contingent liabilities

i) Following a tax audit conducted by the Uganda Revenue Authority (URA) covering the financial years of 2003 to 2009, the URA disallowed certain expenses and issued revised income tax assessments in December 2011 for those periods. The impact of this would be Shs 10,500 million. The Company did not agree with these assessments and declared a dispute, following which the matter was referred to the court mediation process stipulated in the Uganda Income Tax Act. The key tax issues referred to mediation included the treatment of brand expense and management fees.

As part of this case, the Company has also decided to allow the Mutual Agreement Procedure (MAP) to be concluded as provided for under the provisions of the Double Taxation Agreement (DTA) between Uganda and South Africa. Although the contingency virtually cancels out from a Group perspective, it should be noted that the Company holds the view that the URA is unlikely to succeed with their claim.

ii) The Group is also a defendant in a number of other legal suits. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions will not give rise to a significant loss.

31 Related party transactions

The Group is controlled by MTN International (Mauritius) Limited incorporated in Mauritius. The ultimate parent and ultimate controlling party of the Company is MTN Group Limited, incorporated in South Africa. The other related party companies whose transactions are disclosed below are sister companies controlled by MTN Group Limited except for Nilecom that is majority owned by a shareholder who has influence on the entity. The following transactions were carried out with related parties, with whom the Company has common shareholdings or common directorships:

i) Sale of goods and services	2022 Shs'000	2021 Shs'000
Nilecom (U) Limited	1,252,517	980,905
MTN Rwandacell (sister company)	180,326	1,534,496
MTN South Africa (sister company)	-	154,357
MTN Zambia (sister company)	828,525	671,361
MTN Swaziland (sister company)	339,951	331,584
Global Connect Fibre Kenya (sister company)	488,811	563,248
MTN South Sudan (sister company)	28,065	188,092
MTN Global Connect Solutions Limited (sister company)	75,103,530	76,152,066
MTN Sudan (sister company)	-	8,594
MTN Management Services (sister company)	107,126	48,087
MTN Nigeria (sister company)	-	2,647
	<u>78,328,851</u>	<u>80,635,437</u>
ii) Purchase of goods and services	2022 Shs'000	2021 Shs'000
MTN Rwandacell (sister company)	180,767	2,319,919
Belgacom International Carrier Services*	-	5,537
MTN Global Connect Solutions Limited (sister company)	43,150,014	48,780,683
	<u>43,330,781</u>	<u>51,106,139</u>

*In 2022, Belgacom is not a sister company and therefore its activities are not included as part of related party purchases

Purchases and sales of goods relate to sim card sales and accessories as well as interconnect and roaming charges amongst the various partners.



Notes (continued)

31 Related party transactions (continued)

iii) Management, technical and other fees

	2022 Shs'000	2021 Shs'000
Invesco Uganda Limited	-	14,403,618
MTN International (Mauritius) Limited (Parent company)	<u>70,642,773</u>	69,029,982
Global Trading Company (sister company)	<u>1,781,412</u>	1,629,632
	<u>72,424,185</u>	<u>85,063,232</u>

iv) Outstanding balances arising from sale and purchase of goods/services

	2022 Shs'000	2021 Shs'000
a) Receivables from related parties (note 22)		
MTN Management Services Company (sister company)	4,287,019	1,630,176
MTN Rwandacell (sister company)	34,251	121,312
MTN Swaziland (sister company)	540,360	270,389
MTN South Sudan (sister company)	18,062	36,891
MTN Zambia (sister company)	<u>7,589,359</u>	7,449,939
MTN Botswana (sister company)	-	46,160
MTN Iran (sister company)	2,795	2,668
MTN Nigeria (sister company)	18,618	-
MTN Ghana (sister company)	20,974	7,700
MTN Guinea Bissau (sister company)	45,110	43,062
MTN South Africa (sister company)	855,984	1,546,087
MTN Global Connect Fibre Kenya Limited (sister company)***	<u>1,788,453</u>	1,667,972
MTN Liberia (sister company)	117,679	58,930
MTN Conakry (sister company)	352,723	315,860
MTN Congo Brazzaville (sister company)	308,256	161,668
MTN Global Connect Solutions Limited (sister company)	<u>36,479,997</u>	14,758,447
MTN Afghanistan Limited (sister company)	<u>6,021</u>	<u>5,748</u>
Receivables from related parties - net	<u>52,465,661</u>	<u>28,123,009</u>
Unamortised IRU Prepayments		
MTN Global Connect Solutions Limited (sister company)	35,146,093	26,054,913
MTN Dubai Limited (sister company)	<u>16,712,322</u>	19,574,003
	<u>51,858,415</u>	<u>45,628,916</u>

*** MTN Global Connect Fibre Kenya Limited was formerly MTN Business Solutions Kenya Limited



Notes (continued)

31 Related party transactions (continued)

iv) Outstanding balances arising from sale and purchase of goods/services (continued)

b) Payables to related parties (note 25)	2022 Shs'000	2021 Shs'000
MTN International (Mauritius) Limited - management fees	6,402,081	3,862,034
MTN Dubai Limited (Sister company)	911,102	-
MTN South Africa (sister company)	15,392	14,693
MTN Group Management Services Company (sister company)	7,117,299	837,038
MTN Rwandacell (sister company)	43,564	150,026
MTN Ghana (sister company)	-	21,023
MTN Global Trading Company	149,293	178,312
MTN Botswana (sister company)	-	7,178
MTN Zambia (sister company)	9,142	8,727
MTN Swaziland (sister company)	6,937	4,024
Interserve BV (sister company)	1,362,455	1,300,601
MTN Afghanistan Ltd (sister company)	18,356	17,523
MTN Irancell (sister company)	205,698	196,359
MTN Global Connect Solutions Limited (sister company)	23,639,231	10,557,194
MTN Congo Brazzaville (sister company)	5,351	9,846
	<u>39,885,901</u>	<u>17,164,578</u>
v) Key management compensation	2022 Shs'000	2021 Shs'000
Short term employee benefits	10,746,732	8,125,759
Post-employment benefits	-	832,483
Notional share options	<u>197,066</u>	<u>199,070</u>
	<u>10,943,798</u>	<u>9,157,312</u>
vi) Directors' remuneration		
Directors' remuneration	<u>367,772</u>	<u>2,106</u>
vii) Contributions to the MTN Uganda Limited Staff Provident Fund		
Employer contributions	<u>2,787,233</u>	<u>2,828,670</u>
viii) Contributions to the MTN Foundation		
Contributions	<u>5,755,342</u>	<u>2,970,598</u>
ix) Dividends paid		
MTN International (Mauritius) Limited	280,878,124	221,032,241
Invesco Uganda Limited	-	9,173,999
Other Shareholders	<u>57,333,554</u>	<u>-</u>
	<u>338,211,678</u>	<u>230,206,240</u>



Notes (continued)

32 Going concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within its current funding levels.

After making enquiries and in spite of the current liabilities exceeding the current assets, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing the financial statements.

33 Retirement benefit plans

The Group set up a defined contributory provident fund scheme for its employees in 1999. The provident fund is a defined contribution fund and is designed to provide a lump sum on retirement and not a guaranteed pension. The lump sum is dependent upon the investment performance of the fund. Both employees and the Group contribute to the provident fund on a fixed contribution basis.

Under this plan, the Group does not have any legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to pay all employees' benefits relating to the employee service in the current or prior period. Consequently, no actuarial valuation of the fund is required.

34 Interest rate benchmarks and reference interest rate reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as the USD LIBOR and other inter-bank offered rates ('IBORs') has become a priority for global regulators. There remains some uncertainty around the timing and precise nature of these changes. The IASB 'phase 2' amendments address issues arising during interest rate benchmark reform. They require that for financial instruments measured using amortised cost, measurement changes to the basis for determining the contractual cash flows are reflected by adjusting their effective interest rate. For lease liabilities where there is a change to the basis for determining the contractual cash flows, as a practical expedient, the lease liability is remeasured by discounting the revised lease payments using a discount rate that reflects the change in the interest rate where the change is required by IBOR reform.

The alternative benchmark that the Company has transitioned to is the Secured Overnight Financing Rate (SOFR). At the time of reporting, all the management was in the early stages of managing the transition, considering changes to processes, risk management and valuation models, as well as managing any related tax and accounting implications.

The Company's borrowing contracts previously denominated in USD which referenced the USD LIBOR and extend beyond 2021 were fully repaid and new facilities obtained in Uganda Shillings. The Company also has USD lease liabilities now discounted at SOFR. These contracts are disclosed within the table below:

	2022 Shs'000	2021 Shs'000
Measured at amortised cost:		
Borrowings	-	137,759,857
Lease liabilities	<u>13,243,020</u>	<u>6,025,033</u>
Total liabilities exposed to USD LIBOR	<u>13,243,020</u>	<u>143,784,890</u>



Notes (continued)

35 Events after the reporting period

There were no adjusting or non-adjusting subsequent events that would have an impact on the financial statements as at 31 December 2022.

36 Impact of Russia Ukraine war and COVID-19 pandemic on the business

COVID-19 Pandemic Impact

The pandemic resulted in the implementation of moderate to strict government restrictions since April 2020 but in 2021 all restrictions were eased and the economy was fully opened up with the education sector being the last on in January 2022. The commercial trends are still doing well with high growth seen in data and Fintec and promotional activities that had halted in the past years have resumed. Roaming traffic is also up due to increase in cross border movements.

Russia – Ukraine war

In February 2022, Russian troops invaded Ukraine and this led to a year war that is still ongoing causing over 2 million Ukrainian people to flee their country and many more have lost their lives. Many of the Western nations have issued sanctions to Russia and this includes Russian companies high ranking government officials and businessmen supporting the government. The war has led to global disruptions in the supply chain for food items as well as oil and gas since the 2 countries were high production areas. The most direct impact to the Group was the increase in fuel prices that led to increased network costs until towards the end of Q4 2022 when prices started dropping. The impact of the sanctions on Russia is likely to be very low.