AIRTEL MOBILE COMMERCE UGANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2018

AIRTEL MOBILE COMMERCE UGANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

CONTENTS

COMPANY INFORMATION

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

COMPANY SECRETARY

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

COMPANY SOLICITORS

Nangwala, Rezida and Company Advocates
Office Park Suite B5
7-9 Buganda Road
P O Box 10304
Kampala, Uganda

Lex Uganda
1 Colville Street
P O Box 22490
Kampala, Uganda

BANKERS

Equity Bank Uganda Limited
Plot 390, Muteesa 1 Road, Katwe
P O Box 10184
Kampala, Uganda

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

Centenary Bank
Plot 44-46, Kampala Road
P O Box 1892
Kampala, Uganda

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

AUDITORS

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

1. INTRODUCTION

The Directors submit their report on the affairs of the Company together with the financial statements of Airtel Mobile Commerce Uganda Limited ("the Company") and auditor's report for the year ended 31 December 2018.

2. INCORPORATION

The Company is incorporated in Uganda under the Companies Act, 2012 as a limited liability company, and is domiciled in Uganda.

3. PRINCIPAL ACTIVITIES

The principal activity of the Company is to hold the funds for Airtel Money E-value account holders, in the trust.

4. RESULTS

The Company did not engage in trading activities during the year.

5. DIRECTORS

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

Name	Nationality	Appointed on
Mr. V.G Somasekhar **	Indian	20 September 2017
Mr. Rajeev Sethi *	Indian	27 September 2017
Mr. Alok Bafna *	Indian	07 February 2019

* Non-Executive
** Executive

All the Directors do not have any interest in the Company's shareholding. During the period, the Company did not pay any directors' fees.

6. GOVERNANCE

The Board of Directors consists of one non-executive director and one executive director. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets.

The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board delegates the day to day management of the business to the sister company's (Airtel Uganda Limited) Managing Director who is assisted by the Senior Management team of the company. Senior Management is invited to attend board meetings and facilitates the effective control of all the Company's operational activities, acting as a medium of communication and coordination between all the various business units. The Board met 4 times during the year.

The Company is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability.

7. SHAREHOLDING

The shareholding of the Company as at 31 December 2018 is as stated below: -

Name of Share Holder	No. of Shares	% of Shareholding
Airtel Mobile Commerce B.V	99	99%
Airtel Mobile Commerce Holdings B.V.	1	1%
	100	100%

8. RELATED PARTY TRANSACTION

Details of transactions with related parties are disclosed in Notes 6 & 9 to the financial statements.

9. AUDITORS

The auditors, Deloitte & Touche, have expressed their willingness to continue in office in accordance with section 167 (2) of the Companies Act of Uganda, 2012.

By Order of the Board

Secretary

..........26 March..... 2019

AIRTEL MOBILE COMMERCE UGANDA LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2018

The Uganda Companies Act, 2012 requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year. It also requires the Directors to ensure that the company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Uganda Companies Act, 2012 and for such internal controls as Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Nothing has come to the attention of Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this report.

Approval of the financial statements

The financial statements of the Company as indicated above, were approved by the Directors on

...26 March... 2019 and signed on behalf of the Board by:

Director

26 March **2019**

Director

26 March **2019**

Deloitte.

Deloitte & Touche
Certified Public Accountant of Uganda
CPAU Registration No:AF0001
3rd Floor, Rwenzori House
1 Lumumba Avenue
P O Box 10314
Kampala
Uganda

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REPORT OF THE INDEPENDENT AUDITORS
TO THE SHAREHOLDERS OF AIRTEL MOBILE COMMERCE UGANDA LIMITED

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Airtel Mobile Commerce Uganda Limited set out on pages 9 to 20, which comprise the statement of financial position as at 31 December 2018 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Airtel Mobile Commerce Uganda Limited as at 31 December 2018 and of its financial performance, and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act of Uganda, 2012.

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 section of our report. We are independent of the company in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants (IFAC code) and other independence requirements applicable to performing audits of Airtel Mobile Commerce Uganda Limited. We have fulfilled our ethical responsibilities in accordance with the IFAC Code, and in accordance with other ethical requirements applicable to performing the audit of Airtel Mobile Commerce Uganda Limited.
We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Directors are responsible for the other information. The other information comprises the "Directors' Report" as required by the Companies Act of Uganda, 2012. The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Uganda, 2012 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Directors are responsible for overseeing the Company's financial reporting process.

Auditors' responsibility

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

REPORT OF THE INDEPENDENT AUDITORS
TO THE SHAREHOLDERS OF AIRTEL MOBILE COMMERCE UGANDA LIMITED (CONTINUED)

Report on other Legal and Regulatory Requirements

The Uganda Companies Act, 2012 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 Company, so far as appears from our examination of those books; and
- the Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor`s report is Norbert Kagoro Practicing Number P0053.

Deloitte & Touche

Certified Public Accountant of Uganda

NKagoro

Norbert Kagoro
Partner

26 March **2019**

Kampala

AIRTEL MOBILE COMMERCE UGANDA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 Ushs'000	2017 Ushs'000
Revenue		-	-
Operating expenses	5	-	-
Profit/(loss) before taxation		-	-
Taxation charge		-	-
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

AIRTEL MOBILE COMMERCE UGANDA LIMITED

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	Note	2018 Ushs '000	2017 Ushs '000
ASSETS			
Current assets			
Due from related party	6	-	2,000
Cash and cash equivalents	7	218,652,707	246,933,880
TOTAL ASSETS		**218,652,707**	**246,935,880**
EQUITY AND LIABILITIES			
Equity			
Share capital	8	2,000	2,000
Current liabilities			
Due to related party	9	476,345	1,773,405
Due to E-Value holders	10	218,174,362	245,160,475
		218,650,707	**246,933,880**
TOTAL EQUITY AND LIABILITIES		**218,652,707**	**246,935,880**

The financial statements were approved by the Board of Directors on 26 March 2019 and signed on its behalf by:

Director

Director

AIRTEL MOBILE COMMERCE UGANDA LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Share Capital Ushs '000
At 1 January 2017		2,000
Issue of share capital		-
At 31 December 2017	**8**	**2,000**
At 1 January 2018		2,000
Issue of share capital		-
At 31 December 2018	**8**	**2,000**

AIRTEL MOBILE COMMERCE UGANDA LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 Ushs '000	2017 Ushs '000
Cash flows from operating activities		-	-
Changes in working capital			
Increase in amounts due to related party		(1,295,060)	1,120,542
Increase in amounts due to E-value holders		(26,986,113)	99,824,408
Net cash generated from operating activities		(28,281,173)	100,944,950
Net increase in cash and cash equivalents		(28,281,173)	100,944,950
Cash and cash equivalents at beginning of year		246,933,880	145,988,930
Cash and cash equivalents at the end of year	**7**	**218,652,707**	**246,933,880**

1 CORPORATE INFORMATION

Airtel Mobile Commerce Uganda Limited is incorporated in Uganda under the Companies Act, 2012 as a limited liability company, and is domiciled in Uganda. The address of its registered office is Airtel House, Plot 16A Clement Hill Road, Kampala, Uganda. The principal activity of the company is to hold the funds for Airtel Money E-value account holders, in the trust. The company is owned by Airtel Mobile Commerce B.V and Airtel Mobile Commerce Holdings B.V

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

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

New and revised IFRSs in issue effective annual periods beginning on or after 1 January 2018 (continued)

- IFRS 9 financial instruments;
- IFRS 15 revenue from contracts with customers and the related clarifications;
- Amendments to IFRS 2 classification and measurement of share based payment transactions;
- Amendments to IFRS 10 and IAS 28 sale or contribution of Assets between an Investor and its associate or Joint Venture;
- Amendments to IAS 40 transfers of investment property;
- Annual improvements to IFRS 2014 -2016 cycle.

Above amendments does not have material impact on the company except as mentioned below:

Impact of initial application of IFRS 9 Financial Instruments
In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Company's financial statements are described below.
The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 January 2018 have not been restated as the impact has been deemed to be insignificant.

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

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

(a) Classification and measurement of financial assets (Continued)

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.
Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:
- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Company has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL. When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See (b) below.

The directors of the Company reviewed and assessed the Company's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had an insignificant impact on the Company's financial assets as regards their classification and measurement:

- financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

(1) Debt investments measured subsequently at amortised cost or at FVTOCI;
(2) Lease receivables;
(3) Trade receivables and contract assets; and
(4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

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

(b) Impairment of financial assets (Continued)

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

For the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognised on the date of initial application of IFRS 9 (i.e. 1 January 2018), the directors have compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at 1 January 2017.

The result of the assessment is as follows:

Items existing as at 01/01/18 that are subject to the impairment provisions of IFRS 9	**Note**	**Credit risk attributes 1 January 2017 and 1 January 2018**
Other bank balances	7	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised.

Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss. The application of IFRS 9 has had no impact on the classification and measurement of the Company's financial liabilities.

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

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

(d) General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Company's risk management activities have also been introduced.

In accordance with IFRS 9's transition provisions for hedge accounting, the Company has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 January 2018. The Company's qualifying hedging relationships in place as at 1 January 2018 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on 1 January 2018. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Company has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

IFRS 9 requires hedging gains and losses to be recognised as an adjustment to the initial carrying amount of non-financial hedged items (basis adjustment). In addition, transfers from the hedging reserve to the initial carrying amount of the hedged item are not reclassification adjustments under IAS 1 Presentation of Financial Statements and hence they do not affect other comprehensive income. Hedging gains and losses subject to basis adjustments are categorized as amounts that will not be subsequently reclassified to profit or loss in other comprehensive income. This is consistent with the Company's practice prior to the adoption of IFRS 9.

Consistent with prior periods, when a forward contract is used in a cash flow hedge or fair value hedge relationship, the Company has designated the change in fair value of the entire forward contract, i.e. including the forward element, as the hedging instrument.

When the option contracts are used to hedge the forecast transactions, the Company designates only the intrinsic value of the options as the hedging instrument. Under IAS 39 the changes in the fair value of time value of option (i.e. non-designated component) were recognised immediately in profit or loss. Under IFRS 9, the changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised in other comprehensive income and accumulated in the cost of hedging reserve within equity. The amounts accumulated in equity are either reclassified to profit or loss when the hedged item affects profit or loss or removed directly from equity and included in the carrying amount of non-financial item. IFRS 9 requires that the accounting for non-designated time value of option should be applied retrospectively. This only applies to hedging relationships that existed at 1 January 2017 or were designated thereafter.

(e) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Company had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Company has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Company has elected to designate as at FVTPL at the date of initial application of IFRS 9.

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

2.2 New and Revised IFRSs in issue but not yet effective:

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

IFRS 16 – Leases

Amendments to IFRS 9 - Prepayment Features with Negative Compensation
Amendments to IAS 19 Employee - Plan Amendment, Curtailment or Settlement
IFRIC 23 - Uncertainty over Income Tax Treatments

The directors do not expect that the adoption of the Standards listed above will have any impact on the financial statements of the Company in future periods.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparations

The financial statements of Airtel Mobile Commerce Uganda Limited have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act of Uganda, 2012. The financial statements have been prepared on a historical cost basis except where otherwise indicated. The financial statements are presented in Uganda shillings (Ushs) and all values are rounded off to the nearest thousand (Ushs 000), except when otherwise indicated.

For purposes of reporting under the Companies Act of Uganda, 2012, the balance sheet in these financial statements is represented by the statement of financial position.

(b) Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts, held on behalf of E-value account holders of Airtel Uganda Limited. For the purposes of the statement of cash flows, the cash and cash equivalents comprise bank balances.

(c) Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, trade and other receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The company's financial assets include cash and cash equivalents, and amounts due to/from related parties.

Subsequent measurement

The subsequent measurement of the company's financial assets is at amortised cost.

Impairment of financial assets

The company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(c) Financial instruments– initial recognition and subsequent measurement (continued)

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings measured at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus, in the case of loans and borrowings, directly attributable transaction costs.

The company's financial liabilities include other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Other accounts payable

Other accounts payable are carried at amortised cost, which approximates the consideration to be paid in the future for goods and services received.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(c) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The income and expenditure earned and incurred by the entity are netted off in these financial statements as they relate to similar transactions.

(d) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction of transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(e) Statement of cash flows

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

(f) Share capital and share premium

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's activities expose it to a variety of financial risks i.e. Market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the company does not hedge any risks.

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

Credit risk
Credit risk is the risk of financial loss to the company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from trading activities as well as placement and balances with other counterparties, advances to customers, deposits held with various service providers, prepayments and bank balances.

Amount due from the related party and bank balances best represents the company's maximum exposure to the credit risk or concentration of the credit risk. The company only holds funds in trust, and there is no rating on debtors.

Liquidity risk
Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Capital risk management
The company's primary objective is to hold, in trust, the funds owing to the E-value holders and safeguard the safety and sanctity of these funds. The company does not trade and is not allowed to deal in these funds otherwise than to settle obligations arising from genuine transaction of E-value. The principal obligation of the company is not to maximise wealth but to safeguard third party funds.

Operational risk
Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the company's operations and are faced by all business entities.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to management of the company.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company has put in place standards for the management of operational risk in the following areas:

- Appropriate segregation of duties, including the independent authorisation of transactions.
- Reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- The year assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- The reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

	2018 Ushs '000	2017 Ushs '000
5 OPERATING EXPENSES		
Audit Fees	102,010	102,010
Re-imbursement by Airtel	(102,010)	(102,010)
	-	-

Audit fees, like all other operating expenses of the Trust, is accrued and paid by Airtel Uganda Limited

	2018 Ushs '000	2017 Ushs '000
6 DUE FROM RELATED PARTY		
Airtel Uganda Limited	-	2,000

The amounts above relate to a transfer of funds to Airtel Uganda Limited in respect of the paid up share capital as the Mobile Money Regulations set by the Bank of Uganda, require that the trust company is only entitled to holds in their accounts that amounts that relate to customer deposits.

The Step up Company of Airtel Mobile Commerce Uganda Limited and Airtel Uganda Limited is Bharti Airtel International Netherlands B.V.

	2018 Ushs '000	2017 Ushs '000
7 CASH AND CASH EQUIVALENTS		
Barclays Bank	45,450,878	75,700,338
Centenary Bank	17,968,424	2,764,800
Equity Bank	79,007,421	168,468,742
Stanbic Bank	76,225,984	-
Cash at bank	218,652,707	246,933,880

Cash and cash equivalents included in the statement of cash flows comprise the above cash at Bank balance.

	2018 Ushs '000	2017 Ushs '000
8 SHARE CAPITAL		
Authorised and issued;		
2,000 ordinary shares of Ushs 1,000 each, fully paid up	2,000	2,000

9 DUE TO RELATED PARTY

Airtel Uganda Limited	476,345	1,773,405

Amount Due to Airtel Uganda is payable towards consideration received from subscribers for Airtel Money transactions done on behalf of Airtel Uganda Limited. The obligation is settled on a weekly basis.

	2018 Ushs '000	2017 Ushs '000
10 DUE TO E-VALUE HOLDERS		
E-value amounts in circulation	218,174,362	245,160,475

11 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Particulars	**Carrying value as at Ushs '000**		**Fair value as at Ushs '000**	
	2018	**2017**	**2018**	**2017**
Financial Assets				
Amortised Cost				
Due from related party	-	2,000		2,000
Cash and cash equivalents	218,652,707	246,933,880	218,652,707	246,933,880
	218,652,707	**246,935,880**	**218,652,707**	**246,935,880**
Financial Liabilities				
Amortised Cost				
Due to related party	476,345	1,773,405	476,345	1,773,405
Due to E-value holders	218,174,362	245,160,475	218,174,362	245,160,476
	218,650,707	**246,933,880**	**218,650,707**	**246,933,880**

There has been no impact of IFRS9 on the valuation of the above financial assets and liabilities.

12. SUBSEQUENT EVENTS

Subsequent to the balance date Airtel Mobile Commerce BV having 99 shares of the Company, has passed board resolution to transfer all of its 99 shares to Airtel Mobile Commerce Uganda BV, a Company incorporated in Netherlands and wholly owned subsidiary of Airtel Commerce BV. The share transfer process is still in progress.

13. COMMITMENTS AND CONTINGENCIES

Capital commitments

There was no capital commitments entered into by the company as at the reporting date. (2017: None)

Legal claim

There were no known legal cases against the company as at the reporting date. (2017: None)