AIRTEL UGANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2018

AIRTEL 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 Uganda Limited Plot 16A Clement Hill Road P O Box 6771 Kampala, Uganda
COMPANY SECRETARY	Dennis Kakonge Airtel Uganda Limited Plot 16A Clement Hill Road P O Box 6771 Kampala, Uganda
COMPANY SOLICITORS	Nangwala, Rezida & Company Advocates Suite 3B 3rd Floor, Plot 9 Yusuf Lule Road P O Box 10304 Kampala, Uganda
	Verma Jivram & Associates 3rd Floor, FIL Courts 88 Luthuli Avenue, Bugolobi P O Box 7595 Kampala, Uganda
	Lex Uganda Advocates & Solicitors, 1 Colville Street P O Box 22490 Kampala, Uganda
	Katende, Ssempebwa & Co Advocates, Radiant House Plot 20, Kampala Road P O Box 2344, Kampala, Uganda
	K&K Advocates Plot 67 Lugogo By-Pass, P O Box 6061 Kampala, Uganda
BANKERS	Citibank Uganda Limited 4, Centre Court Ternan Avenue P. O. Box 7505 Kampala, Uganda
	Stanbic Bank (U) Ltd 10th Floor, Short Tower 17 Hannington Road Crested Towers Kampala, Uganda
	Equity Bank Uganda Limited Plot 390, Muteesa 1 Road, Katwe P O Box 10184 Kampala, Uganda

COMPANY INFORMATION (CONTINUED)

BANKERS (CONTINUED)	Standard Chartered Bank Uganda Limited 5 Speke Road P O Box 7111 Kampala, Uganda
	Barclays Bank Uganda Limited P O Box 7101 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

The Directors submit their report and audited financial statements of Airtel Uganda Limited ("the company") for the year ended 31 December 2018, which show the state of affairs of the company.

PRINCIPAL ACTIVITIES

The principal activities of the company are the operation of a cellular telephone network in Uganda and the provision of telecommunication services.

FINANCIAL RESULTS

	2018 Ushs million	2017 Ushs million
Profit before taxation	432,338	377,490
Taxation charge	(94,256)	(132,474)
Profit for the year	338,082	245,016

RESULTS AND DIVIDEND

The profit for the year amounted to Ushs 338,082 million (2017: Ushs 245,016 million). The directors recommend a dividend for the year ended 31 December 2018 amounting to Ushs 225,280 million (2017: 31,440). The per share dividend amounts to Ushs 16,000 per ordinary share.

RESERVES

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

DIRECTORS

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

Hannington Karuhanga	-	Chairman (Appointed effective 1 April 2016)
VG Somasekhar	-	Member (Appointed effective 1 September 2017)
Alok Bafna	-	Member (Appointed effective 1 April 2017)
Daddy Bijitu Mukadi	-	Member (Resigned effective 1 February 2019)
Rama Krishna Lella	-	Member (Appointed effective 1 February 2019)
Rajeev Sethi	-	Member (Appointed effective 1 February 2019)

The Directors were in office for the entire period unless otherwise stated.

Shareholding
The shareholding of the Company as at 31st December 2018 is as follows

Name of shareholder	No. of shares	% of shareholding
Bharti Airtel Africa BV	10	0.0001%
Bharti Airtel Uganda Holdings BV	14,080,000	99.9999%

AUDITORS

Deloitte & Touche, Certified Public Accountant of Uganda, have expressed their willingness to continue in office in accordance with the provisions of Section 167 (2) of the Companies Act, 2012 of the laws of Uganda.

By Order of the Board

Secretary
26 March **2019**

Kampala

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act, 2012 of the laws of Uganda requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of financial affairs of the company as at the end of the financial year and of its operating results for that year. The Act also requires the Directors to ensure 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 ultimately responsible for the internal control. The Directors delegate responsibility for internal control to Management. Standards and systems of internal control are designed and implemented by Management to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of the company's assets. Appropriate accounting policies supported by reasonable and prudent judgments and estimates, are applied on a consistent and using the going concern basis. These systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

The Directors accept responsibility for the year's 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 Companies Act, 2012 of Uganda. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. 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.

The financial statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

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

VG Somasekhar	**Hannington Karuhanga**
Director	**Chairman**

Deloitte.

Deloitte & Touche
Certified Public Accountant of Uganda
CPAU Registration No:AF0001
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AIRTEL UGANDA LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Airtel Uganda Limited set out on pages 9 to 53, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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 Uganda Limited as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2012 of the laws of Uganda.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants (IFAC code) and other independence requirements applicable to performing audits of Airtel Uganda Limited. We have fulfilled our other ethical responsibilities in accordance with the IFAC Code, and in accordance with other ethical requirements applicable to performing the audit of Airtel Uganda Limited.

We believe that the 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, which comprises the information included in the 'Report of the Directors' as required by the Companies Act, 2012 of the laws of Uganda. 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AIRTEL UGANDA LIMITED (CONTINUED)

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, 2012 of the laws of Uganda 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.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

We communicate with 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AIRTEL UGANDA LIMITED (CONTINUED)

Report on other legal requirements

As required by the Companies Act, 2012 of the laws of Uganda, we report to you based on our audit, that:

(i) 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;

(ii) in our opinion, proper books of account have been kept by the company so far as appears from our examination of those books; and

(iii) 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

N Kagoro

Norbert Kagoro
Partner

26 March **2019**

Kampala

AIRTEL UGANDA LIMITED

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

	Note	2018 Ushs million	2017 Ushs million
Revenue	7	1,210,726	1,155,030
Other operating income	8	5,968	10,004
		1,216,694	1,165,034
Loss on disposal of investment	9	-	(1,129)
Operating expenses	10	(603,722)	(622,167)
Other operating expenses	12	-	(512)
Net operating profit		612,972	541,226
Depreciation and amortisation		(148,934)	(133,073)
Profit from operations before tax, finance income/(costs) and expenses		464,038	408,153
Finance income	13(a)	25,769	1,989
Finance costs	13(b)	(57,469)	(31,063)
Network upgrade expenses	14(a)	-	(1,589)
Profit before taxation	14(b)	432,338	377,490
Taxation charge	15(a)	(94,256)	(132,474)
Profit for the year		338,082	245,016
Other comprehensive gain/ (loss) for the year, net of tax	29	43	(18)
Total comprehensive income for the year, net of tax		338,125	244,998

AIRTEL UGANDA LIMITED

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

	Note	2018 **Ushs million**	2017 **Ushs million**
ASSETS			
Non-current assets			
Property, Plant and equipment	16	728,591	657,189
Investment property	17	-	21
Intangible assets	18	118,305	118,540
Loan to Related Parties	23(b)	935,060	363,789
		1,781,956	1,139,539
Current assets			
Inventories	20	1,384	672
Trade and other receivables	21	26,904	35,121
Income tax recoverable	15(d)	22,251	1,859
Prepayments and other current assets	22	36,537	38,723
Amounts due from related parties	23(a)	10,078	20,939
Cash and cash equivalents	24	13,898	66,810
		111,052	164,124
TOTAL ASSETS		**1,893,008**	**1,303,663**
EQUITY AND LIABILITIES			
Equity			
Issued capital	25(a)	1,408	1,408
Preference shares	25(b)	-	11,168
Share premium	25(c)	16,128	183,647
Retained Earnings		125,612	44,250
Other reserve		25	(18)
		143,173	240,455
Non-current liabilities			
Borrowings	26	-	444,347
Provisions	29	1,619	49,388
Derivative Financial Liability	19	-	834
Deferred tax liability	15(c)	55,692	50,631
Finance lease liability	30	223,010	217,621
		280,321	761,821
Current liabilities			
Amounts due to related parties	23(a)	6,453	4,507
Borrowings	26	1,118,734	43,593
Deferred revenue	28	19,695	28,519
Provisions	29	488	11,031
Derivative financial liabilities	19	-	417
Finance lease liability	30	31,524	25,935
Dividend Payable	33	112,640	-
Trade and other payables	27	179,980	186,385
		1,469,514	300,387
TOTAL EQUITY AND LIABILITIES		**1,893,008**	**1,303,663**

The financial statements on pages 9 to 53 were approved for issue by the Board of Directors on 26 MARCH **2019** and signed on its behalf by:

VG Somasekhar
Director

Hannington Karuhanga
Chairman

AIRTEL UGANDA LIMITED

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

	Issued Capital Ushs million	Share premium Ushs million	Preference Shares Ushs million	Equity contribution Ushs million	Accumulated Losses/gains Ushs million	Other Components of Equity Ushs million	Total Equity Ushs million
At 1 January 2017	1,408	183,647	11,168	131,031	(331,797)	-	(4,543)
Equity contribution re-class	-	-	-	(131,031)	131,031	-	-
Profit for the year	-	-	-	-	245,016	-	245,016
Actuarial Valuation of Leave Encashment & Severance Pay	-	-	-	-	-	(18)	(18)
At 31 December 2017	**1,408**	**183,647**	**11,168**	**-**	**44,250**	**(18)**	**240,455**
At 1 January 2018	1,408	183,647	11,168	-	44,250	(18)	240,455
Redemption of Preference share	-	(167,519)	(11,168)	-	-	-	(178,687)
Profit for the year	-	-	-	-	338,082	-	338,082
Dividend FY 2017	-	-	-	-	(31,440)	-	(31,440)
Interim Dividend FY 2018	-	-	-	-	(225,280)		(225,280)
Actuarial Valuation of Leave Encashment & Severance Pay	-	-	-	-	-	43	43
At 31 December 2018	**1,408**	**16,128**	**-**	**-**	**125,612**	**25**	**143,173**

AIRTEL UGANDA LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 Ushs million	2017 Ushs million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		432,338	377,490
Adjustments for:			
Depreciation	16	148,539	132,493
Amortisation of Investment property	17	21	47
Amortisation of intangible assets	18	374	533
Interest income	13(a)	(25,769)	(1,989)
Unrealised foreign exchange gains	13(b)	(18,077)	(15,077)
Interest expense	13(b)	34,040	16,526
Debt Origination Cost	13(b)	693	892
Interest expense on finance lease obligation	13(b)	17,377	16,546
Loss on disposal of Investment	9	-	1,129
Profit before working capital changes		589,536	528,590
Changes in working capital;			
(Increase)/Decrease in inventories	20	(712)	1,562
Decrease in trade and other receivables	35(c)	8,217	23,743
Decrease/(Increase) in prepayments and other current assets	22	2,186	(10,093)
Decrease in due from related parties	23(a)	10,861	1,167
Decrease in trade and other payables	35(d)	(29,436)	(28,676)
(Decrease) in other liabilities	35(h)	(32,695)	(903)
Increase/(Decrease) in amounts due to related parties	23(a)	1,946	(9,668)
Cash flows generated from operating activities		549,902	505,722
Income Taxation Paid	15(e)	(109,586)	(21,033)
Net cash generated from operating activities		**443,316**	**484,778**
CASH FLOWS FROM INVESTING ACTIVITES			
Purchase of property and equipment	35(a)	(165,178)	(108,067)
Proceeds from sale of asset	35(a)	-	184
Loans to Related Parties	23(b)	(537,250)	(363,700)
Deferred Consideration paid to Dhabi Group	29	(35,692)	-
Interest Income	35(g)	463	1,811
Net cash used in investing activities		**(737,657)**	**(469,772)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	26	1,015,945	363,700
Repayment of borrowings	26	(384,067)	(326,815)
Interest expense paid	35(i)	(29,672)	(10,843)
Interest expense on finance lease obligations	35(j)	(17,841)	(16,486)
Repayment of Tower lease obligation	26	(24,755)	(22,829)
Dividends Paid for FY 2017 & FY18	33	(144,080)	-
Redemption of Preference Shares	25	(178,687)	-
Net cash generated from/(used in) financing activities		**236,843**	**(13,273)**
Increase in cash and cash equivalents		(60,497)	1,644
Cash and cash equivalents at 1 January	24	66,810	49,508
Unrealised foreign exchange gains/(losses)		7,585	15,658
Cash and cash equivalents at 31 December	24	**13,898**	**66,810**

1 CORPORATE INFORMATION

Airtel Uganda Limited is incorporated in Uganda under the Companies Act 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. Its principal activities are the operation of a cellular telephone network in Uganda and the provision of telecommunication services. The Company is owned 100% by Bharti Airtel Uganda Holdings BV.

The financial statements of the company for the year ended 31 December 2018 were authorized for issue in accordance with a resolution of the Directors on 11 March 2019.

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.

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.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS's) (CONTINUED)

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

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.

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.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS's) (CONTINUED)

2.1 New and amended Standards that are effective for the current year (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**
Amount due from related parties	23	Amounts due from related parties are assessed regarding credit risk at each reporting date. As the same are closely monitored and controlled by the same management, there is no provision matrix being followed on ageing basis. There have been no instances observed in the past where collection are assumed to be at risk for such related party receivable
Trade and other receivables	21	The Company uses a provision matrix to measure the expected credit loss of trade receivables. Based on the industry practices and the business environment in which the entity operates, management considers that the trade receivables are credit impaired if the payments are more than 90 days past due (Interconnect more than 9 Months).
Cash and bank	24	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) (CONTINUED)

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) (CONTINUED)

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

Impact of application of IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue Standards and Interpretations upon its effective date:

- IAS 18 Revenue;
- IAS 11 Construction Contracts;
- IFRIC 13 Customer Loyalty Programmes;
- IFRIC 15 Agreements for the Construction of Real Estate;
- IFRIC 18 Transfers of Assets from Customers; and
- SIC 13 Revenue-Barter Transactions involving advertising services

As suggested by the title of the new Revenue Standard, IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's activities in exchange for consideration. Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IAS 39 (or IFRS 9 if it is early adopted).

As mentioned above, the new Revenue Standard has a single model to deal with revenue from contracts with customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Far more prescriptive guidance has been introduced by the new Revenue Standard:

- Whether or not a contract (or a combination of contracts) contains more than one promised good or service, and if so, when and how the promised goods or services should be unbundled.

- Whether the transaction process allocated to each performance obligation should be recognised as revenue over time or at a point in time. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, which is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Unlike IAS 18, the new Standard does not include separate guidance for 'sale of goods' and 'provision of services" rather' the new Standard requires entities to assess whether revenue should be recognised over time or a particular point in time regardless of whether revenue relates to 'sales of goods 'or 'provision of services'.

- When the transaction price includes a variable consideration element, how it will affect the amount and timing of revenue to be recognised. The concept of variable consideration is broad; a transaction price is considered variable due to discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and contingency arrangements. The new standard introduces a high hurdle for variable consideration to be recognised as revenue – that is, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS's) (CONTINUED)

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

When costs incurred to obtain a contact and costs to fulfil a contract can be recognised as an asset.

- In April 2016, the IASB issued clarifications to IFRS 15 in response to feedback received by the IASB/FASB Joint Transition Resource Group for Revenue Recognition, which was formed to address potential issues associated with the implementation of IFRS 15 and the US GAAP equivalent, ASC topic 606. The Clarification to IFRS 15 clarified the following areas:
- Identify performance obligations; by providing illustrative factors for consideration in assessing whether the promised goods or services are distinct.
- Principal versus agent considerations; by clarifying that an entity should assess whether it is a principal or agent for each distinct good or service promised to the customer, and by amending and reframing the indicators to assess whether an entity is a principal or agent; and
- Licensing application guidance: in determining whether the license grants customers a right to use the underlying intellectual property ("IP") (which would result in point in time revenue recognition) or a right to access the IP (which would result in revenue recognition over time), an entity is required to determine whether (i) its ongoing activities are expected to significantly change the form or the functionality of the IP or (ii) the ability to the customer to obtain benefit from the IP is substantially derived from or dependent upon those activities.

IFRS 15, together with the clarifications, is effective for reporting periods beginning on or after 1 January 2018 with early application permitted. Entities can choose to apply the Standard retrospectively or to use a modified transition approach, which is to apply the standard retrospectively only to contracts that are not completed contracts at the date of initial application (for example, 1 January 2018 for an entity with a 31 December year-end). The clarifications to IFRS also introduces additional practical expedients for entities transition to IFRS 15 on (i) contracts modifications that occurred prior to the beginning of the earliest period presented and

(ii) contracts that were completed at the beginning of the earliest period presented.

The Directors do not anticipate any changes to the recognition of revenue of the company's services customers. The company recognises revenue when control of the services underlying a particular performance obligation is transferred to the customer.

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 a material impact on the financial statements of the Company in future periods, except as noted below:

IFRS 16 Leases:

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the following lease standard and interpretations when it becomes effective for annual periods beginning on or after 1 January 2019:

- IAS 17 leases;
- IFRIC 4 determining whether an arrangement contains a lease;
- SIC-15 operating leases – incentives; and
- SIC -27 evaluating the substance of transactions involving the legal form of a lease.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS's) (CONTINUED)

2.2 New and Revised IFRSs in issue but not yet effective (continued)

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right of use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 models the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Lessee accounting

IFRS 16 introduces significant changes to leases accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right – of – use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases if low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

If a lessee elects not to apply the general requirements of IFRS 16 to short-term leases (i.e. one that does not include a purchase option and had a lease tern at commencement date of 12 months or less) and leases if low value assets, the lessee should recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, similar to the current accounting for operating leases.

Lessor accounting

In contrast to lessee accounting, the IFRS 16 lessor accounting requirements remain largely unchanged from IAS 17, which continue to require a lessor to classify a lease either as an operating lease or a finance lease.

In addition, IFRS 16 also provides guidance on the accounting for sale and leaseback transactions. Extensive disclosure is also required by the new Standard.

IFRS 16 is effective for reporting periods beginning on or after 1 January 2019 with early application permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. A lessee can apply IFRS 16 either by a full retrospective approach of a modified retrospective approach. If the latter approach is selected, an entity is not required to restate the comparative information and the cumulative effect of initially applying IFRS 16 must be presented to opening retained earnings (or other component of equity as appropriate).

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS's) (CONTINUED)

2.2 New and Revised IFRSs in issue but not yet effective (continued)

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9. The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement:

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this re-measurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as re-measured under IAS 19.99 with the discount rate used in the re-measurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied. The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so. The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

The Annual Improvements include amendments to four Standards.

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a Company; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

- If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- If no, the entity should reflect the effect of uncertainty in determining its accounting tax position. The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of Airtel Uganda Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2012 of the laws of Uganda. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Uganda Shillings and all values are rounded to the nearest million.

For purposes of reporting under the Companies Act, 2012 of the laws of Uganda, the balance sheet in these financial statements is represented by the statement of financial position and the profit and loss account is represented by the statement of profit or loss and other comprehensive income.

The accounting policies adopted are consistent with those used in the previous year

(b) Revenue recognition

Revenue from operations consist of recurring revenue, such as billings to customers for monthly subscription fees, roaming, leased line and airtime usage fees, and non-recurring revenue, such as one-time connection fees and telephone equipment and accessory sales. Recurring revenue is recognised when the related service is rendered. Revenue for airtime usage and subscription fees is recognised when the service is provided. Interconnect revenue is recognised in the month when the service is provided and is based on relevant network/system reports. Interconnect revenue is billed once the traffic has been reconciled with the relevant interconnect partner. Revenue from connection fees is recognised when the customer is connected and able to use the service. Other revenue, which arises from service contracts, sales of telephones and accessories or other services, is recognised in the month during which the services or goods are provided.

Prepaid cards enable the forward purchase of a specified amount of airtime by customers. Revenue is recognised as and when the cards are used. Direct costs associated with these cards which includes both the cost of manufacturing the cards as well as dealer margins, are recognised at the point of sale while the airtime costs are recognised as and when the revenue is being recognised. Unused airtime is carried in the statement of financial position and is included under deferred income within accrued expenses and other current liabilities.

Specific customer acquisition costs are charged to marketing expenses or dealer commissions in the month incurred.

(c) Functional currency and translation of foreign currencies

Transactions are recorded on initial recognition in Uganda Shillings, being the currency of the primary economic environment in which the Company operates (the functional currency). Transactions in foreign currencies are converted into Uganda Shillings using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'.

All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other (losses)/gains – net'. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, Plant and equipment

All categories of property and equipment are initially recorded at cost and subsequently stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight line method to allocate their cost amounts less their residual values over their estimated useful lives, as follows:

Categories	**Years**
Buildings	20
Cellular infrastructure excluding towers (active)	8-10
Furniture and equipment	5
Towers	20
Billing equipment	3
Mobile telephones	1-2
Motor vehicles	5
Computer equipment	3

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

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining profit.

Following the sale of Uganda Towers Limited to Eaton Towers Uganda Limited, the towers that were not absorbed by Eaton were taken over by Airtel Uganda Limited and recorded in its plant and equipment. The Asset Retirement Obligation related to the towers is classified as liabilities directly associated with the towers.

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequently, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with infinite lives are amortised over their economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The telecoms operating licence is amortised over validity period of the license whilst computer software is amortised over three years.

Goodwill represents the cost of the acquired business in excess of the fair value of identifiable net assets purchased. Goodwill is not amortised, however, it is tested annually for impairment and carried at cost less any accumulated impairment losses.

(f) Accounting for leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and involves an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether or not the arrangement conveys a right to use the asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Accounting for leases (continued)

Finance leases

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item to the lessee are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Where a finance lease results from a sale and lease back transaction, any excess of the sale proceeds over the carrying amount of the asset is deferred and amortised over the lease term.

Capitalised leased assets are depreciated over the shorter of the estimated useful lives of the assets, or the lease term if there is no reasonable certainty that the company will obtain ownership by the end of the lease term.

Operating leases

Operating leases are all leases that are not finance leases. Operating lease payments are recognised as expenses in the profit or loss on the straight line basis over the lease term.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis.Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(h) Trade receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. The company policy is to provide 100% for receivables aged over 90 days and interconnect receivables for 9 months and beyond. The amount of the provision is the difference between the carrying amount and the present value of expected cash flows, discounted at the effective interest rate and this amount of the provision is recognised in the profit and loss account.

The Company uses a provision matrix to measure the expected credit loss of trade receivables. Refer note 21 for details on the impairment of trade receivables. Based on the industry practices and the business environment in which the entity operates, Management considers that the trade receivables are credit impaired if the payments are more than 90 days past due and in case of interconnect receivables more than 9 months.

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

(j) Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

(k) Cash and cash equivalents

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Provisions

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

(m) Employee benefits

Retirement benefit obligations

The company contributes to the statutory National Social Security Fund (NSSF), which is a defined contribution scheme registered under the National Social Security Fund Act, 1985. Under this scheme, the employee contributes 5% of their gross salary while the employer contributes 10% of each employee's gross salary. The total remittance to the fund per month in respect of each employee is 15%. The contribution is charged to the statement of comprehensive income in the year in which it is incurred.

Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

Provident Fund

The Company contributes to the Staff Provident Fund. Under this scheme, the employee contributes 5% of their gross salary while the employer contributes 5% of each employee's gross salary. The total remittance to the fund per month in respect of each employee is 10%. The contribution is charged to the statement of comprehensive income in the year in which it is incurred.

Employee Stock Option Plan (ESOP)

The Group issues cash-settled share based options to senior management of the company. These are measured at fair value on the date of grant. The fair value determined on the grant date of the cash settled share based options is expensed over the vesting period, based on the Group's estimates of the shares that will eventually vest. At the end of each reporting period, until the liability is settled, and at the date of settlement, liability is re-measured at fair value, with any changes in fair value pertaining to the vesting period till the reporting date is recognised immediately in profit or loss.

(n) Income tax

Income tax expense is the aggregate of the charge to the profit or loss in respect of current income tax and deferred income tax. Tax is recognised in profit or loss account unless it relates to items recognised directly in equity, in which case it is also recognised directly in equity. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Ugandan Income Tax Act.

Deferred income tax is recognised, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, the deferred income tax is not accounted for if it arises 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Borrowings

Borrowings are recognised initially at fair value. Borrowings are subsequently stated at amortised cost using the effective interest rate method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

Borrowings are classified as current liabilities if settlement of the liability is due within the year and as noncurrent liabilities if settlement of the liability is due at least 12 months after the reporting date.

Interest on the Bharti Airtel Africa BV (AAABV) loan is capitalised as part of the loan in the appropriate period and relating withholding tax payable on discharge of the interest accrued for.

(p) Financial instruments

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and 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 and financial liabilities at initial recognition. Financial instruments are initially recognised when the company becomes party to the contractual terms of the instruments and are measured at fair value of the consideration given (financial asset) or received (financial liability) for it plus, in the case of instruments not at fair value through profit or loss, directly attributable transaction costs. The company's financial assets include cash and short-term deposits, trade and other receivables and derivatives.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Derivatives
Derivatives, including separated embedded derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial assets are designated upon initial recognition at fair value through profit or loss when the same are managed on the basis of their fair value and their performance is evaluated on fair value basis in accordance with a documented risk management or investment strategy. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Trade receivables
Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments

Other receivables

Other receivables are carried at amortised cost which approximates the original invoice amount less provision made for impairment losses. An allowance for impairment of other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables

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
- 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.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligation

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1) The financial instrument has a low risk of default,
2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event;
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
e) the disappearance of an active market for that financial asset because of financial difficulties.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments (continued)

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, 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 and in the case of loans and borrowings, plus directly attributable transaction costs. The company's financial liabilities include trade payables, borrowings, derivatives and other payables.

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

Trade payables

After initial recognition, trade payables are subsequently measured at amortised cost. Gains and losses on derecognition and amortisation is recognised in profit or loss.

Borrowings

After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

Other accounts payable

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

Derivatives

Derivatives, including separated embedded derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the statement of comprehensive income.

Derecognition

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Offsetting of financial instruments

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

(r) Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. The recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group's of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

(s) Asset Retirement obligation (ARO)

This is a provision for costs expected in the future to dismantle telecommunication towers and restore the sites to their condition prior to installation of the Company's equipment. The costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement liability. The unwinding of the discount is expensed as incurred and recognised in profit or loss as a finance cost. The estimated future costs of ARO are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

(t) Investment property

This is property held to earn rental income or capital appreciation or for both, but not for sale in the ordinary course of business, or administration purposes. Investment property is measured at cost.

When the use of the property changes, it is reclassified either to property and equipment or inventories, and it fair value at the date of reclassification becomes its cost for subsequent accounting.

(u) Statement of cash flow

Cash flows are reported using the indirect method as per IAS-7"Statemetn 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.

(v) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Comparatives
Where necessary, comparative figures have been adjusted to confirm with changes in presentation in the current year.

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

(y) Dividends
Dividend to shareholders is recognised as a liability and deducted from equity, in the year in which the dividends are approved by the shareholders. However, interim dividends declared by the Board of directors, which does not need shareholders' approval, are recognised as a liability and deducted from retained earnings, in the year in which the dividends are so declared.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the company's financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Income taxes
The company is subject to income taxes under the Income Tax Act 1997 (as amended). Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Fair value of financial instruments
Where the fair value of the financial assets and the financial liabilities recorded in the statement of financial position cannot be determined from active markets, they are determined using valuation techniques including discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Currently, the Company does not have any financial instruments held at fair value except for the embedded Derivatives.

Property, Plant and equipment
Estimates of residual values are based on management judgment in addition to the estimates of expected useful lives of property, plant and equipment. The depreciation rates are set out in accounting policy in note 3(d).

Intangible assets
Intangible assets are amortised over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors.

Asset retirement obligation
Decommissioning costs will be incurred by the company at the end of the operating life of certain of the company's facilities and properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, the emergence of new restoration techniques or experience at other sites. The expected timing and amount of expenditure can also change. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Impairment losses for doubtful debts

The company reviews its debtors at each reporting date to assess whether an allowance for impairment should be recorded in the statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual may differ, resulting in future changes to the allowance.

Inventory Obsolescence

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

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's activities expose it to a variety of financial risks: 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.

a) Market risk

(i) Foreign exchange risk

The company 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 adverse changes in the local/ operating currency rates to other foreign currencies for which commercial transactions occur in the course of operation and from recognised assets and liabilities.

The company's foreign exchange risk management does not include formal hedging but monitoring of the movement in the rates and only trading when the rate is favourable and limiting the amounts traded when the rate is not favourable. Following the significant exchange rate fluctuations during the year, Airtel has embarked on aggressive negotiations to have all local suppliers of operational expenditure items charge the company in local currency. These include Nokia Siemens Contract, security services and local part of capex projects.

At 31 December 2018, if the Uganda Shilling had weakened/strengthened by 5% to 3,899/3,527 against the US Dollar with all other variables held constant, as opposed to actual as at year end of 3,713.52, pre-tax profit for the year would have been Ushs 2,448 million (2017: Ushs 3,502 million) lower/higher mainly as a result of US Dollar liabilities exceeding the US Dollar assets.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign Currency Exposure

Particulars	**2018 Ushs million**	**2017 Ushs million**
Cash & cash equivalents (net)	5,907	35,927
Trade receivables	29,744	40,669
Trade payables	(57,677)	(65,887)
Borrowings	(965,620)	(460,889)
Amount due to related party	(6,453)	(4,507)
Amount due From related party	10,078	20,939
Loan to Related Companies	935,060	363,987
Total Foreign currency exposure (Net)	**(48,961)**	**(69,761)**

Note: Above figures are foreign currency denominated assets/liabilities only

The following US Dollar exchange rates applied during the period:

	2018	**2017**
Average Rate	3,712.66	3,620.00
Closing Rate	3,713.52	3,637.00

(ii) Price risk

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

(iii) Cash flow and interest rate risk

The company's exposure to market risk for changes in interest rate relates primarily to the company's long-term debt obligations. The company's policy is to manage its interest cost using negotiated variable rates resulting in cash flow and interest rate risk. In principle, interest on loans is at 5% over the London Interbank Offer Rate (LIBOR) & 1.05% to 2.5% over the London Interbank Offer Rate (LIBOR) for Bharti Airtel Uganda Holdings BV (BAUHBV) loan and external loans respectively.

(b) Credit risk

Credit risk arises from trade and other receivables. The credit control function assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual credit limits are set based on internal or external factors including a percentage of the security deposit made or in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

Barring and denial of services is enforced for those customers that have not paid within the required time.

The amount that best represents the company's maximum exposure to credit risk at 31 December 2018 is made up as follows:

	2018 Ushs million	**2017 Ushs million**
Trade debtors	19,253	19,058
Interconnect debtors	25,734	31,092
Roaming receivables	1,836	859
Other receivables	586	161
Deferred consideration	1,166	1,142
	48,575	**52,312**
Bank balances	13,017	65,508
Employee receivables	326	128
Amounts due from related parties	10,078	20,939
	71,996	**138,887**

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

The company offers standard credit terms of 30 days for its customers. All receivables less than 30 days are therefore neither past due nor impaired whilst receivables between 31 to 90 days are deemed past due but not impaired.

The ageing of the trade receivables is shown below:

	2018 Ushs million	2017 Ushs million
0 to 90 days	19,263	20,994
Total neither past due nor impaired	19,263	20,994
91 days and above	7,641	14,217
Total past due not impaired	7,641	14,217
Total not impaired	26,904	35,211
91 days and above	21,671	17,101
Impaired	21,671	17,101

All trade receivables past their due date by more than 90 days are 100% provided for while all other receivables are carried at estimated recoverable value. All Interconnect receivables are impaired after 9months and are provided for 100%. There is collateral/security deposits held whose fair value is the cash amount paid which is equivalent to Ushs 3,346 million (2017: Ushs 3,450 million) and whose credit quality of assets is not past due. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

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

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

The table below analyses the company's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

The amounts disclosed in the breakdown below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

	<1 year Ushs million	1 - 2 years Ushs million	2-5 years Ushs million	Total Ushs million
At 31 December 2017:				
Borrowings	43,593	9,498	429,156	482,247
Interest on borrowings	5,693	-	-	5,693
Trade and other accrued liabilities	186,385	-	-	186,385
	235,671	**9,498**	**429,156**	**674,325**
At 31 December 2018:				
Borrowings	1,118,734	-	-	1,118,734
Interest on borrowings	5,191	-	-	5,191
Trade and other accrued liabilities	180,932	-	-	182,932
	1,304,857	**-**	**-**	**1,304,857**

Capital management

The Company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to maximize 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 company may issue new capital or sell assets or change who holds the risks and benefits of the assets say through leasing or consignment stock arrangements to reduce debt. The company monitors capital and its objective is to increase the percentage of equity held to debt and thus improving on gearing ratio over time.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as loans and borrowings less cash and cash equivalents.

The gearing ratios at 31 December 2018 and 31 December 2017 were as follows:

	2018 Ushs million	2017 Ushs million
Total borrowings	1,118,734	487,940
Total Finance lease Obligation	254,534	243,556
Less: cash and cash equivalents	(13,898)	(66,810)
Net Debt	**1,359,370**	**664,686**
Total equity	143,173	240,455
Total capital and Net Debt	1,502,543	905,141
Gearing ratio (%)	90.0	73.4

6 GOING CONCERN

In 2018, the company realized a net profit after income tax of Ushs 338,082 million (2017: net profit after income tax of Ushs 245,016 million) for the year. At 31 December 2018, the accumulated profits were Ushs 125,612 million (2017: Profits Ushs 44,250 million). The company is in a net asset position of Ushs 143,173 million (2017: net asset Ushs 240,455 million). The continuous growth in business profits has resulted in independent stability in financial position of the company. This affirms the company's ability to run its operations as a going concern and meet all its financial obligations.

The Directors are confident that based on above financial position and performance of the company described above the company have sufficient funds to support its obligations as required and that it is therefore appropriate to prepare the financial statements on a going concern basis.

7 REVENUE

	2018 Ushs million	2017 Ushs million
Airtel money	184,789	190,773
Airtime revenue	577,953	506,908
Interconnect revenue	67,089	76,567
Roaming revenue	9,448	8,624
VAS & Data revenue	371,447	372,158
	1,210,726	1,155,030

8 OTHER OPERATING INCOME

Equipment sales	2,721	2,547
Other income	3,247	7,457
	5,968	10,004

9 LOSS ON DISPOSAL OF INVESTMENT

Loss on disposal of investment	-	1,129

In 2017, Airtel Uganda Limited (AUL) re-negotiated the terms of sale of passive equipment to Uganda Towers Limited (UTL). Some of the conditions, however, within the terms of sales were not adhered to which resulted in the renegotiation of new terms of sales.

As a result of this, the deferred consideration was reduced by Ushs 1,129 million which was subsequently recorded as loss on disposal of investment.

10. OPERATING EXPENSES

	2018 Ushs million	2017 Ushs million
Access charges	43,657	59,508
License fees, revenue share and spectrum charges	36,784	28,662
Network operation costs - note 11(a)	203,192	155,728
Employee costs	56,865	55,635
Selling and general administration expenses - note 11(b)	263,135	322,453
Charity and donations	89	181
	603,722	622,167

	2018 Ushs million	2017 Ushs million
11 (a) NETWORK OPERATING COSTS		
Internet access and bandwidth charges	828	1,262
Rent expenses	39,580	35,200
Electricity and water	4,432	4,487
Repair and maintenance	39,787	16,102
Site sharing expenses	973	1,231
Tower charges	107,118	90,541
Others	10,474	6,905
	203,192	155,728
11 (b) SELLING AND GENERAL ADMINISTRATIVE EXPENSES		
General administrative expenses	69,125	88,184
Sales and marketing expenses	194,010	234,208
Equipment costs	-	61
	263,135	322,453
12 OTHER OPERATING EXPENSES		
Bad debts write off	-	512
13 FINANCE COSTS / INCOME		
(a) **Finance income**		
Interest income	25,769	1,989
(b) **Finance costs**		
Interest expense on finance lease	17,377	16,546
Interest expense	34,040	16,526
Debt Origination cost	693	892
Unrealised foreign exchange gains	(18,077)	(15,077)
Realised foreign exchange losses	23,436	12,176
	57,469	31,063

14(a) NETWORK UPGRADE EXPENSES

During the year ended December 31, 2017, the Company embarked on a massive project which required the upgrade of its network equipment. Accordingly, the Company has initiated network modernisation drive by refarming of 900 MHZ spectrum and the launch of 4G LTE in Airtel Uganda Limited. The modernisation will lead to improved connectivity, better experience for customers and will allow the company to remain competitive in the market. The cost of Ushs 1,589 million is attributable to the subsequent accelerated depreciation and dismantling of the old equipment which have been replaced. This has not occurred in the year ended 31st December 2018.

14(b) PROFIT BEFORE TAX

The profit before tax is stated after charging:

	2018 Ushs million	2017 Ushs million
Depreciation of property and equipment	148,539	132,493
Amortisation of Investment Property	21	47
Amortisation of intangible assets	374	533
Provision for bad debts	4,570	3,192
Provision for stock	237	(291)
Auditors' remuneration	661	452
Foreign exchange (gains)/losses	5,359	(2,901)
Loss on disposal of investment	-	1,129

15 TAXATION

(a) The Tax expense for the year is attributed to the following

	2018 Ushs million	2017 Ushs million
Current Tax Expense	(88,704)	-
Deferred Tax Expense	(5,061)	(111,640)
Income tax (Expense) – Non Recoverable	(206)	(20,668)
Current Tax – Rental Income	(285)	(166)
	(94,256)	**(132,474)**

The company has paid withholding tax on interest payments which accrued on shareholder's loan balances. The withholding tax paid above is not recoverable from shareholders as well as Uganda revenue authority.

(b) The reconciliation between the amounts computed by applying the statutory income tax rate to the profit before tax and income tax expense is summarized below.

	2018 Ushs million	2017 Ushs million
Profit before tax	432,338	377,490
Enacted tax rates in Uganda	30%	30%
Tax expense @ 30%	129,701	113,247
Effect of:		
Adjustments in respect to previous years	(29,196)	(7,645)
Witholding Tax for which credit is not allowed	206	20,668
(Income) / expense not (taxable) / deductible (net)	(6,456)	6,204
Income tax (credit) / expense	**94,256**	**132,474**

15 TAXATION (CONTINUED)

(c)Deferred income tax

The company has a net deferred income tax liability of Ushs 55,692 million (2017: deferred tax liability Ushs 50,631 million) arising from accelerated tax depreciation and other temporary differences.

	At 1 January 2018 Ushs million	Movement for the year Ushs million	At 31 December 2018 Ushs million
Accelerated tax depreciation	92,497	(13,015)	79,482
Short term timing differences	(33,606)	9,816	(23,790)
Tax losses carried forward	(8,260)	8260	-
Net deferred tax Liability	**50,631**	**5,061**	**55,692**

	At 1 January 2017 Ushs million (Not Recognised)	Movement for the year Ushs million	At 31 December 2017 Ushs million
Accelerated tax depreciation	89,539	2,958	92,497
Short term timing differences	(35,759)	2,153	(33,606)
Tax losses carried forward	(114,789	106,529	(8,260)
Net deferred tax Liability	**(61,009)**	**111,640**	**50,631**

(d) Income tax recoverable

Income tax recoverable of Ushs 22,251 million (2017: Ushs 1,859 million) is attributable to advance tax paid based on provisional tax return by end of December 31, 2018 as per Income Tax Act in Uganda. Such Advance tax can be utilized as credit to set-off against payment of corporation taxes without any limitation of period for subsequent years.

(e)Income taxation paid

	2018 Ushs million	2017 Ushs million
Other Tax*	(206)	(20,668)
Current Tax – Rental Income	(299)	(166)
Withholding Tax deducted	(96)	(199)
Advance Tax Paid	(108,985)	-
Income Taxation paid	(109,586)	(21,033)

* Tax paid to Uganda Revenue Authority as withholding tax on interest paid to shareholders.

16 PROPERTY PLANT AND EQUIPMENT

	Leasehold land Ushs million	Plant & machinery Ushs million	Buildings & Leasehold Improvements Ushs million	Office equipment & furniture Ushs million	Computers Ushs million	Motor Vehicles Ushs million	Capital work in progress Ushs million	Tower Finance Lease Ushs million	Total Ushs million
At 1 January 2018	-	877,191	25,966	21,085	151,570	4,683	27,372	250,034	1,357,901
Additions	-	128,770	4,588	11,285	16,137	441	20,263	38,260	219,744
Site Lease Retirement##	-	-	-	-	-	-	-	(2,689)	(2,689)
Adjustments*	-	(2,071)	-	-	-	-	-	-	(2,071)
Transfer from Prepaid expenses#	7,930	-	-	-	-	-	-	-	7,930
Reclassifications	-	(343)	245	1,584	19	-	-	-	1,524
At 31 December 2018	**7,930**	**1,003,566**	**30,799**	**33,954**	**167,726**	**5,124**	**47,635**	**285,605**	**1,582,339**
ACCUMULATED DEPRECIATION									
At 1 January 2018	-	473,471	12,886	15,173	136,446	1,969	-	60,767	700,712
Site Lease Retirement##	-	-	-	-	-	-	-	(809)	(809)
Transfer to prepaid Expenses#	5,156	-	-	-	-	-	-	-	5,156
Adjustments*	-	(1,367)	-	-	-	-	-	-	(1,367)
Charge for the year	431	92,699	2,960	5,438	18,865	1,154	-	26,992	148,539
Reclassifications	-	810	245	1,333	(869)	(1)	-	-	1,516
At 31 December 2018	**5,587**	**565,613**	**16,091**	**21,943**	**154,442**	**3,122**	**-**	**86,950**	**853,748**
NET CARRYING AMOUNT									
At 31 December 2018	**2,343**	**437,953**	**14,708**	**12,011**	**13,284**	**2,002**	**47,635**	**198,655**	**728,591**
At 1 January 2017	7,930	836,765	26,205	17,352	143,227	5,023	7,313	238,421	1,282,236
Additions	-	44,122	23	5,741	8,327	-	20,059	14,078	92,350
Transfer to prepaid Expenses##	(9,428)	-	-	-	-	-	-	-	(9,428)
Transfer to Investment Property	-	-	(17)	-	-	-	-	-	(17)
Disposals*	-	(4,468)	-	-	33	(340)	-	(2,465)	(7,240)
Reclassifications	1,498	772	(245)	(2008)	(17)	-	-	-	-
At 31 December 2017	**-**	**877,191**	**25,966**	**21,085**	**151,570**	**4,683**	**27,372**	**250,034**	**1,357,901**
ACCUMULATED DEPRECIATION									
At 1 January 2017	5,113	396,201	11,510	12,843	115,494	992	-	37,283	579,436
Disposal	-	(4,468)	-	-	33	(156)	-	(538)	(5,129)
Transfer to prepaid Expenses##	(6,655)	-	-	-	-	-	-	-	(6,655)
Transfer to investment property	-	-	(3)	-	-	-	-	-	(3)
Charge to Exceptional items**	-	570	-	-	-	-	-	-	570
Charge for the year	178	81,168	1,490	3,564	20,938	1,133	-	24,022	132,493
Reclassifications	1,364	-	(111)	(1,234)	(19)	-	-	-	-
At 31 December 2017	**-**	**473,471**	**12,886**	**15,173**	**136,446**	**1,969**	**-**	**60,767**	**700,712**
NET CARRYING AMOUNT									
At 31 December 2017	**-**	**403,720**	**13,080**	**5,912**	**15,124**	**2,714**	**27,372**	**189,267**	**657,189**

During the year Finance lease for 12 Towers have been terminated which are retired from the asset register and also the corresponding liability has been retired from finance lease obligation

* During the year assets located on Nakitoma site was burnt due to fire having carrying value of Ushs 704 million have been written off and impact has been recorded in general administration expense. Also the contract closure with Ericsson and Huawei has resulted some benefit which have been adjusted to Gross block to the tune of Ushs 1,367 million and accumulated depreciation of Ushs 1,367 million.

\# During the previous year leasehold land were moved to prepared expense and during the current year it has been re-instated back to lease hold land Gross block and accumulated depreciation and as a result a reclassification of NBV of Ushs 2,773 has been transferred from prepaid expenses.

17 INVESTMENT PROPERTY

	2018 Ushs million	2017 Ushs million
COST		
At 1 January	1,116	1,099
Prior period adjustment	-	17
At 31 December 2018	1,116	1,116
DEPRECIATION		
At 1 January 2017	1,095	1,045
Transfer from PPE	-	3
Depreciation for the year	21	47
At 31 December 2018	1,116	1,095
NET CARRYING AMOUNT	**-**	**21**

During the year 2016, management decided to seek for a tenant for three floors of its building property on Plot 40, Wampewo Avenue, Kampala. The company applies the cost model for its investment property and therefore the investment property is not fair valued by an independent valuer. The depreciation method used for the depreciation is the straight line method. The depreciation rate of the property is 5% whereas the useful life is 20 years.

18 INTANGIBLE ASSETS

	Licence Ushs million	Bandwidth Ushs million	Goodwill Ushs million	Customer Base Ushs million	Dealer Network Ushs million	Grand Total Ushs million
COST						
At 1 January 2018	1,081	6,921	112,908	3,633	1,592	126,135
Additions	-	146	-	-	-	146
Reclassifications		(14)	-	-	-	(14)
At 31 December 2018	**1,081**	**7,053**	**112,908**	**3,633**	**1,592**	**126,267**
ACCUMULATED AMORTISATION						
At 1 January 2018	1,008	1,362	-	3,633	1,592	7,595
Charge during the year	13	361	-	-	-	374
Adjustment/reclassifications	-	(7)	-	-	-	(7)
At 31 December 2018	**1,021**	**1,716**	**-**	**3,633**	**1,592**	**7,962**
NET CARRYING AMOUNT						
At 31 December 2018	**60**	**5,337**	**112,908**	**-**	**-**	**118,305**

18 INTANGIBLE ASSETS (CONTINUED)

	Licence Ushs million	Bandwidth Ushs million	Goodwill Ushs million	Base Ushs million	Customer Network Ushs million	Dealer Grand Total Ushs million
COST						
At 1 January 2017	1,081	6,921	112,908	3,633	1,592	126,135
Additions	-	-	-	-	-	-
At 31 December 2017	**1,081**	**6,921**	**112,908**	**3,633**	**1,592**	**126,135**
ACCUMULATED AMORTISATION						
At 1 January 2017	997	840	-	3,633	1,592	7,062
Charge during the year	13	520	-	-	-	533
Adjustment/reclassifications	(2)	2	-	-	-	-
At 31 December 2017	**1008**	**1,362**	**-**	**3,633**	**1,592**	**7595**
NET CARRYING AMOUNT						
At 31 December 2017	**73**	**5,559**	**112,908**	**-**	**-**	**118,540**

19 DERIVATIVES

	2018 Ushs million	2017 Ushs million
Derivative financial liability		
Embedded derivative: current portion	-	417
Embedded derivative: non-current portion	-	834
	-	1,251

The company entered into a technology outsourcing contract under which pay-outs are linked to revenue during the contract period. The portion of the pay-out payable at spot rate of foreign currency, results in an embedded derivative. The significant inputs to the valuation model of these embedded derivatives are future revenue projections and USD/INR forward rates over the contract period. The revenue projections, being based on the rolling ten years financial plan approved by management, constitute a significant unobservable input to the valuation, thereby resulting in the embedded derivative financial liability being classified into current and non-current portion. During the year the contract as mentioned above has been terminated hence all the Embedded derivative has been de-recognised.

20 INVENTORIES

	2018 Ushs million	2017 Ushs million
Telephones and accessories	1,974	1,178
Sim cards and scratch cards	346	346
	2,320	1,524
Less: Stock provision	(936)	(852)
	1,384	672

21 TRADE AND OTHER RECEIVABLES

	2018 Ushs million	2017 Ushs million
Trade receivables	19,253	19,058
Interconnect receivables	25,734	31,092
Roaming receivables	1,836	859
Other receivables	586	71
Deferred consideration	1,166	1,142
Gross trade receivables	48,575	52,222
Provision for impairment	(21,671)	(17,101)
	26,904	35,121

Trade receivables represent amounts due from channel partners, corporate customers and post-paid customers which are generally on 15-30 days terms. Interconnect receivables represent airtime revenue on the interconnection from other telecommunication companies. The related interconnect liabilities are included in Note 27.

Deferred consideration consists the balance yet to be received from Eaton Towers Uganda Limited (ETUL) towards sale of shares of Uganda Towers Limited.

Movement in the provision for impairment of trade debtors and other receivables is as follows:

	2018 Ushs million	2017 Ushs million
At 1 January	17,101	13,909
Provision for the year	4,570	3,192
At 31 December	21,671	17,101

For the purpose of assessing the impact due to 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 and it remains the same based on expected credit loss assessment policy of the Company.

22 PREPAYMENTS AND OTHER CURRENT ASSETS

	2018 Ushs million	2017 Ushs million
Advance rent	2,980	2,004
Employee receivables	303	122
Prepaid expenses	17,329	21,119
VAT recoverable	10,023	13,929
Others	5,902	1,549
	36,537	38,723

The carrying value disclosed is approximately equal to their fair value as they are short term in nature.

23 RELATED PARTY TRANSACTIONS AND BALANCES

The Company is 100% owned by Bharti Airtel Uganda Holdings BV (BAUHBV) incorporated in Netherlands.

The purchases represent purchases from related parties. This mainly consists of network equipment. Other related party companies are subsidiaries to Airtel Africa BV. The purchases and sales are recharge for expenses incurred on behalf of the counter party.

Name of related party	Relationship to Company	2018 Ushs million	2017 Ushs million
Purchase of goods and services			
Airtel Networks Zambia Plc	Fellow subsidiary	65	24
Airtel Networks Kenya Limited	Fellow subsidiary	8,361	5,153
Airtel Malawi Limited	Fellow subsidiary	21	3
Airtel Tanzania Limited	Fellow subsidiary	520	3,673
Airtel Madagascar S.A	Fellow subsidiary	2	1
Airtel Congo S.A	Fellow subsidiary	0	1
Airtel (Seychelles) Limited	Fellow subsidiary	5	5
Airtel Networks Limited(Nigeria)	Fellow subsidiary	551	427
Airtel Gabon S.A	Fellow subsidiary	0	2
Airtel Tchad S.A.	Fellow subsidiary	1	-
Airtel Ghana Limited @	Joint venture	0	4
Airtel Congo (RDC) S.A.	Fellow subsidiary	987	3,526
Airtel Rwanda Limited	Fellow subsidiary	3,282	3,217
Network I2I Limited	Step up Parent	500	701
Bharti Airtel Limited	Step up Parent	5,689	6,320
Nxtra Data Limited	Fellow subsidiary	447	-
Bharti Airtel International Netherlands BV	Fellow subsidiary	19,860	-
Centum Learning Limited	Fellow subsidiary	891	-
Bharti Airtel Services Limited	Fellow subsidiary	1,345	-
Bharti International Singapore pte Ltd	Step up Parent	2,671	-
Bharti Airtel UK Limited	Fellow subsidiary	2,173	-
Total		**47,371**	**23,057**
Sale of goods and services			
Airtel Networks Zambia Plc	Fellow subsidiary	21	15
Airtel Networks Kenya Limited	Fellow subsidiary	9,177	2,309
Airtel Malawi Limited	Fellow subsidiary	39	18
Airtel Tanzania Limited	Fellow subsidiary	416	781
Airtel Madagascar S.A	Fellow subsidiary	18	4
Airtel Congo S.A	Fellow subsidiary	3	6
Airtel (Seychelles) Limited	Fellow subsidiary	46	1
Airtel Networks Limited(Nigeria)	Fellow subsidiary	5,252	1,426
Airtel Gabon S.A	Fellow subsidiary	1	2
Airtel Tchad S.A	Fellow subsidiary	2	5
Celtel Niger S.A	Fellow subsidiary	98	2
Airtel Ghana Limited @	Joint venture	3	2
Airtel Congo (RDC) S.A.	Fellow subsidiary	516	970
Airtel Rwanda Limited	Fellow subsidiary	1,889	2,054
Network I2I Limited	Step up Parent		3
Bharti Airtel Limited	Step up parent	20,335	13,147
Bharti Airtel UK Limited	Fellow subsidiary	2,638	-
Singapore telecommunication	Fellow subsidiary	8	-
Jersey Airtel Limited	Fellow subsidiary	-	1
Bharti Airtel Kenya B.V.	Fellow subsidiary	-	5
Total		**40,462**	**20,751**

23 (a) RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Name of related party	Relationship to Company	2018 Ushs million	2017 Ushs million
Receivable from related parties			
Airtel Networks Kenya Limited	Fellow subsidiary	565	2,130
Airtel Malawi Limited	Fellow subsidiary	578	533
Airtel Tanzania Limited	Fellow subsidiary	-	6
Airtel Madagascar S.A	Fellow subsidiary	288	282
Airtel Networks Limited(Nigeria)	Fellow subsidiary	2,020	1,093
Airtel Niger S.A.	Fellow subsidiary	99	1,819
Airtel Rwanda Limited	Fellow subsidiary	2,863	4,149
Africa Towers N.V.	Fellow subsidiary	34	36
Airtel Money Trust Company	Fellow subsidiary	476	1,773
Bharti Airtel Limited	Step up parent	3,019	8,657
Singapore Telecommunications	Fellow subsidiary	5	-
Bharti Airtel UK Limited	Fellow subsidiary	131	461
Total		**10,078**	**20,939**
Payables to related parties			
Bharti Airtel International Netherlands B.V.	Step up parent	1,807	1,014
Airtel Networks Zambia Plc	Fellow subsidiary	58	10
Airtel Tanzania Limited	Fellow subsidiary	224	-
Airtel Congo (RDC) S.A.	Fellow subsidiary	337	819
Network I2I Limited	Step up parent	1,375	884
Airtel Money B.V	Fellow subsidiary	374	366
Bharti Airtel Services Limited	Fellow subsidiary	622	250
Nxtra Data Limited	Fellow subsidiary	395	7
Centum Learning Limited	Fellow subsidiary	117	-
Bharti Int'l Singapore Pte ltd	Step up parent	395	-
Bharti Airtel Uganda Holdings BV	Step up parent	749	-
Bharti Airtel Kenya B.V.	Fellow subsidiary	-	1,157
Total		**6,453**	**4,507**

@Airtel Ghana Limited ceased to be a fellow subsidiary in 2017 and turned into Joint venture of the group following the merger with another telecom Company in Ghana.

23(b). LOAN FACILITY TO RELATED PARTIES

During the year ended December 31, 2017 the Company entered into a Loan Facility agreement to step up parent Bharti Airtel Africa B.V. This loan is set to mature at December 31, 2021 or it can be closed early based on mutual consent of both the parties in writing. As at the year ended December 2018, the total outstanding amount of loan including interest is USD 251.79 Mn.

Particulars	Interest Rate	Drawdown Date
Loan US $ 100 Mn	3 Month LIBOR+1.25%	Dec 28, 2017
Loan USD $ 20 Mn	3 Month LIBOR+1.25%	Jan 25, 2018
Loan USD $ 50 Mn	1 Month LIBOR+1.70%	Jan 25, 2018
Loan USD $ 75 Mn	3 Month LIBOR+2.0%	Oct 3, 2018

Movement of loan and interest accrued is as follows:

	2018 Ushs million	2017 Ushs million
At 1 January	363,789	-
Loan addition	537,250	363,700
Interest Accrued but not due	25,306	89
Unrealised Forex Gain/(Loss)	8,715	-
At 31 December	**935,060**	**363,789**

	2018 Ushs million	2017 Ushs million
24 CASH AND CASH EQUIVALENTS		
Cash at bank	13,018	65,508
Cash at hand	880	1,302
	13,898	66,810

25 EQUITY

Share capital

During 2008, the shareholders increased authorised share capital by an additional Ushs 14,400,000,000 in new capital divided into 14,400,000 shares of Ushs 1,000 each.

Total number of authorised shares is 28,800,000. The price per share for the first 14,400,000 is Ushs 100. The price per share for the next 14,400,000 is Ushs 1,000.

Out of these new shares, 11,167,913 shares were issued to Bharti Airtel Uganda Holdings BV (BAUHBV) as redeemable preference shares at a premium of Ushs 15,000 per share. These shares are redeemed through board resolution on 13th December 2017 and the amounts were paid on 27th March 2018 at par value including share premium.

Details are shown below:

	2018 Ushs million	2017 Ushs million
Authorised share capital:		
14,400,000 ordinary shares of Ushs 100	1,440	1,440
3,232,087 ordinary shares of Ushs1,000	3,232	3,232
11,167,913 preference shares of Ushs 1,000	11,168	11,168
	15,840	15,840
a) Ordinary shares issued and fully paid:		
14,080,010 ordinary shares of Ushs 100 each	1,408	1,408
b) Preference shares issued and fully paid:		
11,167,913 preference shares of Ushs 1,000 each	-	11,168
c) Share premium		
6,080,000 ordinary shares of Ushs 100 each issued at a premium of Ushs 900 in October 1994	5,472	5,472
8,000,000 ordinary shares of Ushs 100 each issued at a premium of Ushs 1,332 in September 2000	10,656	10,656
11,167,913 preference shares of Ushs 1,000 each issued at a premium of Ushs 15,000 in October 2008	-	167,519
	16,128	183,647

26 BORROWINGS

	Effective Interest Rate	Maturity	2018 Ushs million	2017 Ushs million
Current				
Bank overdraft	T-Bill+2.75%		74,482	-
EKN Facility	Libor + 1%	2019	9,697	13,852
Barclays Bank- US$ 36.5 M	Libor + 4%	2019	-	19,962
Barclays Bank- Ushs 40.5 B	PLR+ 4%	2019	-	10,125
Bank of America US$ 100M	Libor+1.05%	2019	371,352	-
Standard Chartered Bank $25M	Libor+2.5%	2019	92,838	-
Barclays Bank- US$ 40M	Libor + 1.8%	2019	148,542	-
Barclays Bank- Ushs 18.9B	T-bill+3.3%	2019	18,940	-
Barclays Bank- Ushs 59.8B	T-bill+3.3%	2019	59,792	-
Barclays Bank- US$ 79M	Libor+1.8%	2019	293,368	
Citi Bank DIFC – US$ 50M	Libor+1.5%	2019	15,473	-
Citi Bank DIFC – US$ 37M	Libor+1.5%	2019	34,350	-
Debt origination fees			(100)	(346)
			1,118,734	43,593
Non-Current				
Bharti Airtel Holding BV	Libor + 5%	2021	-	18,944
EKN Facility	Libor + 1%	2018	-	9,498
Barclays Bank- US$ 36.5 M	Libor + 4%	2019	-	34,933
Barclays Bank- Ushs 40.5 B	PLR + 4%	2019	-	17,719
Bank of America US$ 100M	Libor+1.05%	2019	-	363,700
Debt origination fees			-	(447)
			-	444,347
Total			1,118,734	487,940

The movement in borrowings was as follows:

	2018 Ushs million	2017 Ushs million
At 1 January	487,940	443,928
Proceeds from borrowings	1,015,945	363,700
Repayment of borrowings	(384,067)	(326,815)
Movement in Debt Origination Cost	693	892
Interest accrued and Capitalised	-	5,694
Unrealised Forex Gain/(Loss)	(1777)	541
At 31 December	1,118,734	487,940

Bharti Airtel Uganda Holdings BV

The Bharti Airtel Uganda Holdings BV (BAUHBV) loan were fully paid during the year ended December 31, 2018 (2017: Ushs 18,944 million).

External Borrowings

During the year, Airtel Uganda Limited received Ushs 1,015,945 million and paid back Ushs 365,123 million towards the external loans.

a) Bank overdraft

During the year the company has utilised the bank overdraft facility from Citi Bank and Standard chartered bank to make payments for taxes and to other suppliers. The overdraft sanction limit is USD 13 Mn from Citi Bank and USD 8 Mn from Standard Chartered Bank. This facility is fungible based on the payment requirements.

26 BORROWINGS (CONTINUED)

b) EKN Facility

The Company obtained a loan of USD 40 million from The Swedish Export Credit Authority named EKN at a rate of London Interbank Offer Rate (LIBOR) plus 1% to finance Ericsson AB payables with USD 14.71 million drawn down as at 31 December 2014 and with Standard Chartered Bank as Facility Agents. Annual repayments will be to the tune of USD 4.7 million with a final maturity date of 31 March 2019. All the loan repayments will be made in US Dollars.

The loans were acquired to facilitate the capital expenditure and working capital needs of the Company, repayment of shareholder loans, refinancing part or all of the existing loan facilities of the Company and settlement of all fees, taxes and any other administrative costs related to the facility. The loan facilities are secured by a debenture over all the active assets of the Company; a legal mortgage on the land and buildings of the Company's offices (situated on Plot 40 Jinja Road, Kampala); a subordination deed between SCB, Airtel Uganda Limited and Bharti Airtel International (Netherlands) BV, and a corporate guarantee of Bharti Airtel Limited.

c) Barclays Bank term loan facility

The Company acquired two loan facilities of USD 36.5 million and Ushs 40.5 billion from Barclays Bank which were fully drawn down as at 31 December 2015. Interest on both loans is payable at a rate of London Interbank Offer Rate (LIBOR) plus 4% on the outstanding balance of the loans. The repayment of the loans will be in annual instalments of USD 3 million and Ushs 3,375 million respectively both commencing in July 2016 with a final maturity date of March 2019 for both.

Due to availability of free cash flows a pre-closure of the loan were completed during June 2018.

The Company obtained an additional loan facility of Ushs 18,940 million and Ushs 59,792 million to during the month of November 2018 and December 2018 respectively for the purpose of operational working capital and tax payments. The Interest rate on the loan is margin rate of 3.30% plus Treasury bill rate.

During the month of October 2018 the company obtained a loan facility of USD 79 million at a interest rate of Libor+1.8% repayable after one year.

Further, during the month of December 2018 the company obtained a loan facility of USD 40 million at a interest rate of Libor+1.8% repayable after one year.

d) Bank of America term loan facility

The Company acquired a loan facility of USD 100 million from Bank of America, National Association, Hong Kong Branch which was fully drawn as at 31 December 2017. The Interest on loan is payable at a rate of London Interbank Offer Rate (LIBOR) plus 1.05% on the outstanding balance of the loans. The loan has a final maturity date of 28th December 2019.

e) CITIBANK-DIFC DUBAI

The Company acquired two loan facilities of USD 50 million and USD37 million from Citi Bank which were fully drawn down as at 29th January 2018 and 27th March 2018 respectively. The Interest on loan is payable at a rate of London Interbank Offer Rate (LIBOR) plus 1.5% on the outstanding balance of the loans. The loan has a final maturity date of 29th January 2019 and 26th March 2019.

f) Standard Chartered Bank

The Company acquired a loan to facility of USD 25 million refinancing of existing loans including Share holder loans, dividends payments, extending intercompany loans, working capital and cashflow mismatches which was drawn on 22nd June 2018. The Interest on loan is payable at a rate 6 months LIBOR plus 2.6% per annum. The loan has final maturity date of 21st June 2019.

26 BORROWINGS (CONTINUED)

Reconciliation of liabilities arising from financing activities

	At 1 Jan 2018	Financing Cash in flows	Financing Cash out flows	Non Cash Changes	At Dec 31 2018
Loans from financial Institutions	468,996	1,015,945	(365,123)	(1,084)	1,118,734
Other borrowings	18,944	-	(18,944)	-	-
Finance leases	243,556	-	(24,755)	35,733	254,534

27 TRADE AND OTHER PAYABLES

	2018 Ushs million	2017 Ushs million
Trade payables	98,176	115,392
Equipment supply payables	41,156	21,985
Interconnect payables	216	1,057
Interest Accrued but not due	5,191	823
Other payables	35,241	47,128
	179,980	186,385

Interconnect charges payable represent interconnection costs with other telecommunication companies. The related interconnect debtors are included in Note 21.

28 DEFERRED REVENUE

	2018 Ushs million	2017 Ushs million
Deferred income	19,695	28,519

Deferred income relates to payments received in advance for airtime services offered to prepaid customers which have not yet been consumed.

29 PROVISIONS

	2018 Ushs million	2017 Ushs million
Current		
Leave encashment	470	451
Severance Pay	18	15
Deferred consideration provision	-	10,565
	488	11,031
Non-current		
Leave encashment	1,477	1467
Severance Pay	142	146
Asset Retirement Obligation	-	1,235
Deferred consideration provision	-	46,540
	1,619	49,388

Leave Encashment

During the year ended 31st December 2017, the Company adopted a policy of actuarial valuation for employee benefits, specifically applicable to leave encashment and severance pay in line with IAS 19. The valuation is performed on a quarterly basis by a third party, and all assumptions considered for evaluation are revised on an annual basis.

There's change in assumptions of discount rate to 17% as against 14.3% which resulted in impact of Ushs 43 Million recorded as other comprehensive income during the year.

29 PROVISIONS (CONTINUED)

Deferred consideration provision

During the year ended December 31, 2018, a deferred Consideration liability of Ushs 57,105 million was paid as full and final settlement value of Ushs 35,692 million and reversal of excess liability amounting to Ushs 21,413 million was recorded under operating expenses.

Asset retirement obligation

During the year ended December 2015, the Company took on 96 towers from Uganda Towers Limited and recognized an asset retirement obligation of Ushs 3,591 million in relation to these towers. As at 31 December 2018, the Company dismantled remaining 20 sites and hence the provision is reduced to NIL (2017: Ushs 1,235 million)

30 FINANCE LEASE LIABILITY

	Effective Interest Rate	**2018 Ushs million**	**2017 Ushs million**
Current			
Finance lease (Tower lease)	6.8%	30,427	25,194
Finance lease (Vehicle lease)	6.0%	1,097	741
		31,524	25,935
Non-Current			
Finance lease (Tower lease)	6.8%	222,827	215,874
Finance lease (Vehicle lease)	6.0%	183	1,747
		223,010	217,621

At the inception of the lease term, the company recognises a lease liability equal to the carrying amount of the leased asset. In subsequent periods, the liability decreases by the amount of lease payments made to the lessors using the effective interest method. The interest component of the lease payments is recognised in profit or loss.

The future minimum lease payments of the above finance leases are as follows:

	2018 Ushs million	**2017 Ushs million**
Within one year	31,524	25,935
After one year but not more than five years	142,965	157,080
More than five years	80,045	60,541
	254,534	243,556

Towers finance lease

During the year ended 31 December 2015, the Company went into a finance lease transaction with Eaton Towers Uganda Limited for the lease of 478 towers. The finance asset and the finance liability obligation have been recorded at the lower of the fair value of the towers and the present value of the minimum lease payment. They have been recorded at Ushs 253,254million (2017: 241,068 million) which is the present value of the minimum lease payment.

30 FINANCE LEASE LIABILITY (CONTINUED)

During the year, the financing cost relating to the lease was Ushs 17,249 million (2017: 16,411 million).

The movement on Tower finance lease was as follows:

	2018 Ushs million	2017 Ushs million
At 1 January	241,068	251,990
Additional lease obligations	35,733	11,040
Lease repayment	(23,547)	(21,962)
At 31 December	253,254	241,068

Vehicle finance lease

During the year ended 31 December 2016, the company entered into a vehicle finance lease arrangement with Vehicle and Equipment Leasing Limited. This was marked by the signing of a Master Lease Agreement between the two companies commencing on 26 April 2016 for a period of 5 years. The finance lease asset and the finance lease obligation have been recorded at the lower of the Net Present Value (NPV) of the minimum lease repayments and the fair value of the vehicles leased. These have been recorded at Ushs 3,683 million which is the NPV of the minimum lease repayments. After repayments in the year, the finance lease obligation now stands at Ushs 1,280 million (2017: Ushs 2,488 million). During the year, the finance cost relating to this lease was Ushs 128 million (2017: Ushs 135 million).

The movement on Vehicle finance lease was as follows:

	2018 Ushs million	2017 Ushs million
At 1 January	2,488	3,263
Additional lease obligations	-	-
Lease repayment	(1,208)	(775)
At 31 December	1,280	2,488

31 FAIR VALUE OF FINANCIAL ASSETS AND LIABILTIES

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

	Carrying Amount		**Fair Value**	
Particulars	**At 31 December 2018**	**At 31 December 2017**	**At 31 December 2018**	**At 31 December 2017**
Financial assets				
Assets carried at amortised cost				
Cash and cash equivalents	13,898	66,810	13,898	66,810
Trade and other receivables	26,904	35,121	26,904	35,121
Loan to Related Parties	935,060	363,789	935,060	363,789
Amounts due from related parties	10,078	20,939	10,078	20,939

31 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial Liabilities				
Liabilities carried at fair value through profit or loss				
- Embedded derivatives	-	1,251	-	1,251
Liabilities carried at amortised cost				
Borrowings- fixed rate	-	-	-	-
Borrowings- floating rate	1,118,734	487,940	1,118,734	487,940
Trade & other payables	179,980	186,385	179,980	186,385
Amounts due to related parties	6,453	4,507	6,453	4,507
Other financial liabilities	254,534	243,556	254,534	243,556
Dividend payable	112,640	-	112,640	-

Level wise disclosure of assets/Liabilities measured at fair value

	As of 31 December 2018			As of 31 December 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial liabilities						
- Embedded derivatives	-	-	-	-	1,251	-

Following table describes the valuation techniques used and key inputs thereto for the Level 2 financial assets / liabilities as of December 31, 2017

Particulars	Fair value hierarchy	Valuation technique	Inputs used
Financial liabilities			
- Embedded derivatives	Level 2	Discounted Cash Flow	Amount payable in future, Forward foreign currency exchange rates, Interest rates to discount future cash flow

32 COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at 31 December 2018, there were legal proceedings valued at Ushs 10,774 million (2017: Ushs 8,065 million) outstanding against the company. A provision of Ushs 3,492 million (2017: 2,147 million) has been made as estimated by the legal counsel as the value of probable loss that may arise from these cases.

b) Capital commitments

Capital commitments of Ushs 110,210 million (2017: Ushs 159,515 million) represent the unexecuted capital contracts as at 31 December 2018. These are contracts between Airtel Uganda Limited and its vendors for the provision of Capex material.

	2018 Ushs million	2017 Ushs million
Within one year	110,210	159,515

33 DIVIDENDS DECLARED

The profit for the year amounted to Ushs 338,042 million (2017: Ushs 245,016 million). The directors recommended an interim dividend for the year ended 31 December 2018 amounting to Ushs 225,280 million which was declared as interim dividend as at 12th November 2018(2017: Ushs 31,440 million). The interim dividend per ordinary share amounts to Ushs 16,000.

	2018 Ushs million	2017 Ushs million
At 1 January	-	-
Dividend declared FY2017	31,440	-
Interim Dividend declared FY2018	225,280	
Dividend Paid	(144,080)	-
At 31 December	**112,640**	-

34 SUBSEQUENT EVENTS

Except for the matter raised above, there were no major subsequent events after reporting date

35 NOTES TO CASH FLOW STATEMENT

The disclosure relates to movements done between accounts in order to correctly disclose the cash flows relating to the balances. The closing balances are taken to the Statement of Cash Flows.

		Note	2018 Ushs million	2017 Ushs million
(a)	Property and equipment			
	Net Movement of property and equipment	**16**	(71,403)	45,611
	Net Movement of Investment Property	**17**	21	-
	Net Movement of Intangibles	**18**	235	
	Disposal of Vehicles		-	(184)
	Transfer to Investment Property (Net)		-	(13)
	Add back depreciation		(148,934)	(132,493)
	Movement Equipment Supply Payable	**27**	19,171	(32,028)
	Addition of Tower Lease Liability	**30**	35,733	11,040
	Adjusted proceeds(Payments) from the purchase of Property Plant & Equipment		**(165,178)**	**(108,067)**
(b)	**Deferred Consideration**			
	Loss on disposal of investment	**9**	-	1,129
	Decrease in Deferred Consideration		-	**(1,129)**
	Cash proceeds from the loss on sale of assets			-
(c)	Movement in trade and other receivables	**21**	8,217	(24,872)
	Decrease in Deferred Consideration	**9**	-	1,129
	Decrease in trade and other receivables		**8,217**	**(23,743)**

35 NOTES TO CASH FLOW STATEMENT (CONTINUED)

			2018	2017
			Ushs million	**Ushs million**
d)	Decrease in trade and other payables	**27**	(6,404)	(60,686)
	Movement Equipment Supply Payable	**27**	(19,171)	32,028
	Interest Accrued but not due - External Loans	**27**	(4,368)	-
	Interest Accrued but not due - FLO		464	-
	OCI, Leave Encashment & Severance pay		43	(18)
	Decrease in trade and other payables		**(29,436)**	**(28,676)**
e)	Movement of finance lease liability	**30**	10,978	(11,789)
	Additional Liability	**30**	(35,733)	(11,040)
	Repayment of tower lease obligation		**(24,755)**	**(22,829)**
(f)	**Other Comprehensive income**		43	(18)
	Non-Cash Impact reclassified from Trade Payable		(43)	18
	Net Disclosed as per Cash Flow		-	-

			2018	2017
			Ushs million	**Ushs million**
(g)	Interest Income as per Statement of profit & Loss	**13(a)**	25,769	1,989
	Interest Accrued but not due		(25,306)	(188)
	Net Income Received		**463**	**1,811**
(h)	Provisions Non-Current	**29**	(47,769)	17,578
	Provisions Current	**29**	(10,543)	(17,005)
	Deferred Revenue	**28**	(8,824)	(2,249)
	Derivative financial liabilities (current)		(417)	226
	Derivative financial liabilities (Non-current)		(834)	547
	Deferred consideration paid to Dhabi Group	**29**	35,692	-
	(Decrease)/Increase in other Liabilities		(32,695)	(903)
(i)	Interest Expense	**13(b)**	(34,040)	(16,526)
	Interest Accrued but not due	27	4,368	5,683
	Net Interest Paid		**(29,672)**	**(10,843)**
(j)	Interest Expense on FLO	**13(b)**	(17,377)	(16,546)
	Interest Accrued but not due		(464)	60
	Net Interest on FLO Paid		**(17,841)**	**(16,486)**