

AIRTEL MOBILE COMMERCE UGANDA LIMITED

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31ST DECEMBER 2023

AIRTEL MOBILE COMMERCE UGANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023

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AIRTEL MOBILE COMMERCE UGANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023

COMPANY INFORMATION

REGISTERED OFFICE AND PRINCIPAL

PLACE OF BUSINESS

Airtel Mobile Commerce Uganda Limited
Plot 16A Clement Hill Road
P O Box 6771
Kampala, Uganda

COMPANY SECRETARY

Claire Nagimesi
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

Lex Uganda Advocates & Solicitors,
1 Colville Street
P O Box 22490
Kampala, Uganda

K & K Advocates
Plot 67 Lugogo By-Pass,
P O Box 6061
Kampala, Uganda

Verma Jivram & Associates
3rd Floor, FIL Courts
88 Luthuli Avenue, Bugolobi
P O Box 7595
Kampala, Uganda

Katende, Ssempebwa & Co Advocates,
Radiant House
Plot 20, Kampala Road
P O Box 2344,
Kampala, Uganda

AIRTEL MOBILE COMMERCE UGANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023

COMPANY INFORMATION (CONTINUED)

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 34, Church House, Kampala Road
P O Box 10184
Kampala, Uganda

Standard Chartered Bank Uganda Limited
5 Speke Road
P O Box 7111
Kampala, Uganda

Ecobank Uganda Limited
Plot 4, Parliament Avenue
P O Box 7368
Kampala, Uganda

AUDITORS

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

AIRTEL MOBILE COMMERCE UGANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST DECEMBER 2023

DIRECTORS' REPORT

The Directors submit their report and audited financial statements of Airtel Mobile Commerce Uganda limited ("the Company") for the year ended 31 December 2023, which show the state of affairs of the Company.

THE REGULATOR

Airtel Mobile Commerce Uganda Limited (the Company) is licensed and regulated by the Central Bank of Uganda under the National Payment Systems Act, 2020 and its Regulations. The Central Bank carries out offsite supervision and monitors compliance through daily, weekly and quarterly reports submitted by the licensees. The Company has complied with all the regulatory reporting requirements.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the issuance of electronic money in Uganda ("Airtel Money Services") as a Payment Service Provider (PSP) and Payment Systems Operator (PSO). The Company provides access to Mobile Money platform where customers can send and receive money electronically and make merchant payments.

FINANCIAL RESULTS

	2023	2022
	Ushs million	Ushs million
Profit before taxation	357,010	309,288
Taxation charge	(107,119)	(90,720)
	<hr/>	<hr/>
Profit for the year	249,891	218,568
	<hr/> <hr/>	<hr/> <hr/>

RESULTS AND DIVIDEND

The profit for the year amounted to Ushs 249,891 million (2022: UShs 218,568 million). During the year ended 31 December 2023, the directors recommended dividends on 23rd March 2023 amounting to Ushs 22,750 million, on 28th April 2023 amounting to Ushs 47,200 million, on 21st July 2023 amounting to Ushs 57,300 million, and on 31st October 2023; Ushs 64,000 million totalling to Ushs 191,250 million (2022: Ushs 219,500 million) at a rate of Ushs 19,125 per share (refer note 21 of the Financial Statements).

The Directors recommend a final dividend of Ushs 79,800 million i.e., Ushs. 7,980 per share, making a total dividend for the year of Ushs 271,050 million (2022: Ushs 242,250 million).

Subject to the approval of the shareholders at the AGM, the final dividend will be paid to the shareholders on the register by 30 June 2024. This final dividend is not included as a liability in the financial statements.

RESERVES

The reserves of the Company are set out on page 12 in the Statement of Financial Position.

AIRTEL MOBILE COMMERCE UGANDA LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023**

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

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

Mr. Japhet Aritho	-	Executive Director (Appointed effective 5 th October 2022)
Hon. Maria Kiwanuka	-	Non-Executive Director (Appointed effective 14 Feb 2022)
Mr. John Muhaise Bikalemesa	-	Non-Executive Director (Appointed effective 14 Feb 2022)
Mr. Vimal Kumar Ambat	-	Non-Executive Director (Appointed 1 st October 2022)
Mr. Neeraj Jain	-	Non-Executive Director (Appointed 2 June 2021)

Appointment of Directors was approved by Bank of Uganda.

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

SHAREHOLDING

The shareholding of the Company as at 31st December 2023 is as follows

Name of shareholder	No. of shares	% of shareholding
Airtel Mobile Commerce Uganda B. V	9,999,999	99.99999%
Airtel Mobile Commerce Holdings B. V	1	0.00001%

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

22nd MARCH 2024

Kampala

AIRTEL MOBILE COMMERCE UGANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

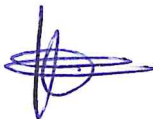
The Companies Act, 2012 of the Laws of Uganda requires the Directors to prepare Financial Statements for each financial year, which give a true and fair view of the State of Financial Affairs of the Company as at the end of the financial year and of its operating results for that year. The Act also requires 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.

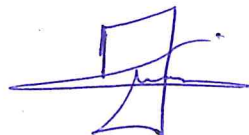
The Directors accept responsibility for the year's Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies 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 22 MARCH 2024 and signed on its behalf by:



Hon. Maria Kiwanuka
Chairperson



Mr. Japhet Aritho
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIRTEL MOBILE COMMERCE UGANDA LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Airtel Mobile Commerce Uganda Limited set out on pages 10 to 41, which comprise the statement of financial position as at 31 December 2023, 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 material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Airtel Mobile Commerce Uganda Limited as at 31 December 2023, and its financial performance and cash flows for the year then ended and are prepared 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 Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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 Directors' report and statement of directors' responsibilities 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.



**NDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AIRTEL MOBILE COMMERCE UGANDA LIMITED (CONTINUED)**

Other information

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

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

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 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.

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

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

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

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

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

Report 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 Paul Ssali, Practicing Number P0508.

Debbie Touche

Certified Public Accountant of Uganda

26 APRIL 2024

Kampala

Paul Ssali

Paul Ssali
Partner



AIRTEL MOBILE COMMERCE UGANDA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2023

	Notes	2023 Ushs Millions	2022 Ushs Millions
Revenue	6 (a)	736,370	631,453
Other income	6(b)	<u>718</u>	<u>145</u>
		737,088	631,598
Expenses			
Sales & Marketing Expense	7(a)	(318,388)	(272,709)
Administrative & General Expenses	7(c)	(42,442)	(29,113)
Employee benefits expense	7(b)	(16,879)	(13,016)
Licence & Regulatory Fees	7(e)	(68)	(17)
Other Expenses	7(d)	(653)	(373)
Depreciation and amortisation	8	(7,136)	(8,270)
Impairment (loss)/reversal	13(b)	<u>-</u>	<u>186</u>
		(385,566)	(323,312)
Operating profit		351,522	308,286
Finance income	9(a)	5,573	2,768
Finance costs	9(b)	<u>(85)</u>	<u>(1,766)</u>
Profit before tax		357,010	309,288
Tax expense	10(a)	<u>(107,119)</u>	<u>(90,720)</u>
Total comprehensive income for the year, net of tax		<u>249,891</u>	<u>218,568</u>

AIRTEL MOBILE COMMERCE UGANDA LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31st DECEMBER 2023

	Notes	2023 Ushs Millions	2022 Ushs Millions
ASSETS			
Non-current assets			
Property plant and equipment	11	13,060	13,744
Capital work-in-progress	11	362	1,403
Intangible assets	12(a)	4,943	2,733
Deferred tax asset (non - current)	10(d)	1,129	3,554
		<u>19,494</u>	<u>21,434</u>
Current assets			
Trade receivables	13	11,349	33,252
Cash and cash equivalents	16	67,762	30,989
Prepayments and other current assets	14	280	427
Loans and Security Deposits	15(b)	41,411	-
		<u>120,802</u>	<u>64,668</u>
TOTAL ASSETS		<u>140,296</u>	<u>86,102</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital	17	10,000	10,000
Retained earnings		84,091	25,450
		<u>94,091</u>	<u>35,450</u>
Current liabilities			
Income tax liabilities	10(c)	6,344	8,669
Trade & other payables	18(a)	39,777	41,938
		<u>46,201</u>	<u>50,607</u>
Non- Current Liabilities			
Other Liabilities	18(b)	84	45
TOTAL EQUITY & LIABILITIES		<u>140,296</u>	<u>86,102</u>

The financial statements on pages 10 to 41 were approved for issue by the Board of Directors on 2024 and signed on its behalf by:



Hon. Maria Kiwanuka
Chairperson



Mr. Japhet Aritho
Director

AIRTEL MOBILE COMMERCE UGANDA LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2023

	Share capital Ushs Millions	Retained earnings Ushs Millions	Total Ushs Millions
At 1 January 2022	10,000	26,382	36,382
Profit for the year	-	218,568	218,568
Dividends – Ref to Note 21	-	(219,500)	(219,500)
At 31 December 2022	<u>10,000</u>	<u>25,450</u>	<u>35,450</u>
At 1 January 2023	10,000	25,450	35,450
Profit for the year	-	249,891	249,891
Dividends – Ref to Note 21	-	(191,250)	(191,250)
At 31 December 2023	<u>10,000</u>	<u>84,091</u>	<u>94,091</u>

AIRTEL MOBILE COMMERCE UGANDA LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 Ushs million	2022 Ushs million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		357,010	309,288
<i>Adjustments for:</i>			
Depreciation & amortisation	8	7,136	8,270
Finance income	9(a)	(3,848)	(1,318)
Unrealised foreign exchange gains		-	58
		<hr/>	<hr/>
Operating cash flow before changes in working capital		360,298	316,298
<i>Changes in working capital;</i>			
(Decrease)/Increase in trade and other payables	18	(2,122)	8,139
Increase in trade and other receivables	13	21,903	(2,081)
Increases in prepayments and current assets	14	147	(265)
		<hr/>	<hr/>
Cash generated from operations before tax		380,226	322,091
Income tax paid	10(e)	(107,019)	(88,433)
		<hr/>	<hr/>
Net cash generated from operating activities		273,207	233,658
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	(3,139)	(8,341)
Purchase of intangible assets	12	(4,482)	(4,432)
Interest Received on deposits		2,437	1,318
Loan given to related parties	15(b)	(40,000)	-
		<hr/>	<hr/>
Net cash used in investing activities		(45,184)	(11,455)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends Paid	21	(191,250)	(219,500)
		<hr/>	<hr/>
Net cash used in financing activities		(191,250)	(219,500)
		<hr/>	<hr/>
Increase in cash and cash equivalents		36,773	2,703
Cash and cash equivalents at 1 January		30,989	28,286
		<hr/>	<hr/>
Cash and cash equivalents at 31 December	16	67,762	30,989
		<hr/> <hr/>	<hr/> <hr/>

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2023

1 CORPORATE INFORMATION

Airtel Mobile Commerce Uganda Limited a Company incorporated under the Laws of Uganda and whose registered office is at Airtel Towers, Plot 16A Clement Hill Road, Nakasero and of P.O. Box 6771 Kampala, Uganda (hereinafter referred to as “AMCUL” which expression shall include its successors in title and permitted assigns) of the other part. AMCUL is duly licensed to provide Mobile Commerce Services in Uganda (“Airtel Money Services”). The Company is subsidiary of Airtel Mobile Commerce Uganda B.V The Ultimate holding Company is Airtel Africa PLC (listed in London stock exchange and Nigeria stock exchange).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS’s)

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

In the current year, the company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

The company has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The IASB has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

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

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

The company has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

Amendments to IAS 12 Income Taxes—International Tax Reform—Pillar Two Model Rules

The company has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules. The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. Following the amendments, the company is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

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

The company has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted.

2.2 New and revised Standards 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 Accounting Standards that have been issued but are not yet effective.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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.

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

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 Mobile Commerce 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 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) Basis of measurement

The Financial Statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is based on the fair value of the consideration given in exchange for goods and services.

Fair value measurement

Fair value is the price at the measurement date, at which an asset can be sold or the price paid to transfer a liability, in an orderly transaction between market participants.

The Company is required to classify the fair valuation method of the financial/non-financial assets and liabilities, either measured or disclosed at fair value in the Financial Statements, using a three level fair-value hierarchy (which reflects the significance of inputs used in the measurement of fair value). Accordingly, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly: and
- Level 3 inputs are unobservable inputs for the asset or liability.

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(c) Revenue recognition

Revenue arises from billing customers for P2P (person to person off net) transactions; cash out (withdrawal) transactions, Airtel Money to bank transactions, collections of funds for customers purchasing goods and services using Airtel Money and commissions on sale of airtime and business revenue arising from bulk payment transactions. Such commissions are recognised as revenue at a point in time on fulfilment of these services by the Company Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payments and excluding taxes or duty. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the transactions have been resolved.

(d) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Uganda Shillings which has been determined to be the entity's functional currency.

(ii) Transactions and balances

"In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions".

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(e) Property, plant and equipment and Capital work in progress

An item is recognised as an asset, if and only if, it is probable that the future economic benefits associated with the item will flow to the Company and its cost can be measured reliably.

All categories of property, plant 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.

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(e) Property, plant and equipment and Capital work in progress (Continued)

When significant parts of PPE are required to be replaced at regular intervals, the Company recognises such parts as separate component of assets. When an item of PPE is replaced, then its carrying amount is de-recognised from the statement of financial position and cost of the new item of PPE is recognised.

The expenditures that are incurred after an item of PPE has been put to use, such as repairs and maintenance, are normally charged to the statement of comprehensive income in the period in which such costs are incurred. However, in situations where the said expenditure can be measured reliably and is probable that future economic benefits associated with it will flow to the Company, it is included in the asset's carrying value or as a separate asset, as appropriate.

Depreciation on PPE is computed using the straight-line method over the estimated useful lives. Freehold land is not depreciated as it has an unlimited useful life. The Company has established the estimated range of useful lives for different categories of PPE as follows:

Categories	Period (Years)
Computer equipment	3
Furniture & fixture and Office Equipment	2-5

The estimated useful lives, residual values and depreciation method are reviewed at each year end. The effect of any changes in estimate is accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in statement of comprehensive income.

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).

PPE in the course of construction is carried at cost, less any accumulated impairment and presented separately as capital work-in-progress ('CWIP') including capital advances in the statement of financial position until capitalised. Such cost comprises of purchase price (including non-refundable duties and taxes but excluding any trade discounts and rebates), and any directly attributable cost.

(f) Intangible assets

Licences (including Operator License-Central bank of Uganda)

The Company's intangible asset comprises of licenses. Licenses are recognised as an asset when it is probable that future economic benefits from the asset will flow to the entity and the cost of the license can be reliably measured.

Licenses are initially measured at cost and subsequently amortised on a straight-line basis over their useful lives. Intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation periods are reviewed annually and adjusted prospectively as required. Gains or losses arising from de-recognition of licenses are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised. Licenses are amortised over a period of 1 to 3 years.

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(g) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and any deposits with original maturities of three months or less (that are readily convertible to known amounts of cash and cash equivalents and subject to an insignificant risk of changes in value). However, for the purpose of the statement of cash flows, in addition to above items, any bank overdrafts that are integral part of the Company's cash management and balance held under mobile money trust are included as a shown separately from the component of cash and cash equivalents. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

(h) 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the relevant obligation, using a pre-tax rate that reflects current market assessments of the time value of money (if the impact of discounting is significant) and the risks specific to the obligation. The increase in the provision due to un-winding of discount over passage of time is recognised within finance costs.

(i) Employee benefits

The Company's employee benefits mainly include wages, salaries, bonuses, defined contribution to plans, defined benefit plans, other long-term benefits including compensated absences and employee stock option plans. The employee benefits are recognised in the year in which the associated services are rendered by the Company employees. Short-term employee benefits are recognised in Statement of comprehensive income at undiscounted amounts during the period in which the related services are rendered. Details of long-term employee benefits are provided below:

Defined contribution plans

The contributions to defined contribution plans are recognised in profit or loss as and when the services are rendered by employees. The Company has no further obligations under these plans beyond its periodic contributions.

Defined benefit plans

The Company has defined benefit plans in form of 'Retirement Benefits' and 'Severance Pay' wherein, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each quarterly reporting periods. The obligation towards the said benefits is recognised in the balance sheet under provisions, at the present value of the defined benefit obligations. The present value of the said obligation is determined by discounting the estimated future cash outflows, using appropriate discount rate.

Defined benefit costs are split into the following categories:

- service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements.
- interest expense; and
- remeasurements.

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(i) Employee benefits (Continued)

Defined benefit plans (Continued)

The Company recognises service costs within profit or loss as employee benefit expenses. Past service, cost is recognised in profit or loss when the plan amendment or curtailment occurs. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Interest cost is calculated by applying a discount rate to the defined benefit liability and is recognised within finance costs. Remeasurements comprising actuarial gains and losses are recognised immediately as a charge or credit to other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income are not reclassified.

Other long-term employee benefits

benefits. Compensated absences benefit comprises encashment and the availing of leave balances that were earned by the employees over the period of past employment.

The employees of the Company are entitled to compensated absences as well as other long-term

The Company provides for the liability (presented under provisions) towards the said benefits on the basis of actuarial valuation carried out quarterly as at the reporting date, by an independent qualified actuary using the projected-unit-credit method. The related re-measurements are recognised in the statement of profit and loss in the period in which they arise.

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. There is an option for employees to contribute over and above the mandatory 5%. 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.

National Social Security Fund

The company contributes to the National Social Security Fund a National savings scheme mandated by Government. Under this scheme, the employee contributes 5% of their gross salary while the employer contributes 10% of each employee's gross salary to NSSF.

Employee Stock Option Plan (ESOP)

The company 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 company'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.

(j) 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.

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(j) Income tax (Continued)

(i) Current tax

The tax rate and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. The payment made in excess/ (shortfall) of the income tax obligation for the respective periods are recognised in the statement of financial position under income tax assets/income tax liabilities, respectively.

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

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

Current tax assets and tax liabilities are offset where the company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(ii) Deferred tax

Deferred 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 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 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 tax liability is settled.

Deferred 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.

Deferred tax assets, recognised and unrecognised, are reviewed at each reporting date and assessed for recoverability based on best estimates of future taxable profits.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

(k) Financial instruments

Recognition, classification and presentation

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(k) Financial instruments (Continued)

Recognition, classification and presentation (Continued)

The Company determines the classification of its financial instruments at initial recognition.

The Company classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Company has classified all non-derivative financial liabilities as measured at amortised cost.

Financial assets with embedded derivatives are considered in their entirety for determining the contractual terms of the cash flow and accordingly, embedded derivatives are not separated. However, derivatives embedded in non-financial instrument/financial liabilities (measured at amortised cost) host contracts are classified as separate derivatives if their economic characteristics and risks are not closely related to those of the host contracts.

Financial assets and liabilities arising from different transactions are off-set against each other and the resultant net amount is presented in the statement of financial position, if and only when, the Company currently has a legally enforceable right to set-off the related recognized amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Measurement – non-derivative financial instruments

(i) Initial measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Other transaction costs are expensed as incurred in the Statement of Comprehensive Income.

(ii) Subsequent measurement – financial assets

The subsequent measurement of non-derivative financial assets depends on their classification as follows:

Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest rate ('EIR') method (if the impact of discounting/any transaction costs is significant). Interest income from these financial assets is included in finance income.

EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability.

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(k) Financial instruments (Continued)

(ii) Subsequent measurement – financial assets (Continued)

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

All equity instruments and financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ('FVTOCI') are measured at FVTPL. Interest (basis EIR method) and dividend income from financial assets at FVTPL is recognized in the profit and loss within finance income/finance costs separately from the other gains/losses arising from changes in the fair value.

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and debt instrument carried at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. If credit risk has not increased significantly, 12 month expected credit loss ('ECL') is used to provide for impairment loss, otherwise lifetime ECL is used.

However, only in case of trade receivables, the Company applies the simplified approach which requires expected lifetime losses to be recognized from initial recognition of the receivables.

(iii) Subsequent measurement – financial liabilities

Financial liabilities are subsequently measured at amortised cost using the EIR method (if the impact of discounting/any transaction costs is significant).

Measurement – derivative financial instruments

Derivative financial instruments, including separated embedded derivatives that are not designated as hedging instruments in a hedging relationship are classified as financial instruments at fair value through profit or loss. Such derivative financial instruments are initially recognized at fair value. They are subsequently measured at their fair value, with changes in fair value being recognized in profit or loss within finance income/finance costs.

(iv) Derecognition

Financial liabilities are recognized from the statement of financial position when the underlying obligations are extinguished, discharged, lapsed, cancelled, expires or legally released. The financial assets are recognized from the statement of financial position when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. The difference in the carrying amount and consideration is recognized in the statement of comprehensive income.

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(l) Impairment of non-financial assets.

Property, plant and equipment, Right-of-use assets, Intangible assets and intangible assets under development

At each reporting period date, the Company reviews the carrying amounts of its PPE, right-of-use assets, CWIP and finite lived intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Intangible assets under development are tested for impairment, at-least annually or earlier, in case circumstances indicate that it may be impaired.

For the purpose of impairment testing, the recoverable amount (that is, higher of the fair value less costs to sell and the value-in-use) is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets, in which case the recoverable amount is determined at the CGU level to which the said asset belongs. If such individual assets or CGU are considered to be impaired, the impairment to be recognised in the statement of comprehensive income is measured by the amount by which the carrying value of the asset/CGU exceeds their estimated recoverable amount and allocated on pro-rata basis.

Reversal of impairment losses

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

(m) Statement of cash flow

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

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(n) 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.

(o) Comparatives

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

(p) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

Deferred tax assets and liabilities, and all assets and liabilities which are not current (as discussed in the below paragraphs) are classified as non-current assets and liabilities.

An asset is classified as current when it is expected to be realised or intended to be sold or consumed in the Company's normal operating cycle, held primarily for the purpose of trading, expected to be

realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is classified as current when it is expected to be settled in the Company's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

(q) 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 recognized and disclosed only where an inflow of economic benefits is probable.

(r) Dividends

Dividend to shareholders is recognized 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 recognized as a liability and deducted from retained earnings, in the year in which the dividends are so declared.

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(s) Operator License with Central bank of Uganda

Licenses under this category comprise of the License from the central bank for Payment Service Provider (Class A) Licence - Large Electronic Money Issuer and Payment Systems Operator - (Electronic Money Systems) Licence - Large Funds Transfer. These Licenses are initially measured at cost and subsequently amortised on a straight-line basis over a period of 12 months.

4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS 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:

(a) Key sources of estimation uncertainty

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.

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.

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT.

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 not exposed to foreign exchange risk arising from various currency exposures.

The Company's foreign exchange risk is limited to the extent of foreign currency cash and cash equivalent and includes formal hedging with Local banks and monitoring of the movement in the rates is done on daily basis to get a favourable and limiting of the amounts traded when the rate is not favourable. Following the significant exchange rate fluctuations historically, Airtel Mobile Commerce Uganda Limited has continuously embarked on aggressive negotiations to have all local suppliers of operational expenditure items charge the Company in local currency.

Foreign Currency Exposure

Particulars	2023 Ushs million	2022 Ushs million
Assets		
Cash & cash equivalents (net)	2,629	2,294
Trade & other receivables	1,230	1,481
Total Assets	3,859	3,775
Liabilities		
Trade & Other Payables	1,247	125
Total Foreign currency exposure (Net)	2,612	3,650

At 31 December 2023, if the Uganda Shilling had weakened/strengthened by 5% to 3,967.94/3,590 against the US Dollar with all other variables held constant, as opposed to actual as at year end of 3,778.99, pre-tax profit for the year would have been as follows;

	Increase/ decrease in the value of Ushs vs. USD	Effect on profit before tax Ushs millions	Effect on Profit after tax and equity Ushs millions
Net effect based on the year end as at 31 December 2023	+5%	(130.6)	(91.42)
	-5%	130.6	91.42

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

a) *Market risk (continued)*

(i) Foreign exchange risk (continued)

	Increase/ decrease in the value of Ushs vs. USD	Effect on profit before tax Ushs millions	Effect on Profit after tax and equity Ushs millions
Net effect based on the year end as at 31 December 2022	+5%	(182.5)	(127.75)
	-5%	182.5	127.75

Note: Above figures are foreign currency denominated assets/liabilities only. The following US Dollar exchange rates applied during the period:

	2023	2022
Average Rate	3,777.34	3,688.02
Closing Rate	3,778.99	3,720.00

(ii) Price risk

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

(iii) Cash flow and interest rate risk

The Company does not have any exposure to market risk for changes in interest rate.

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 2023 is made up as follows:

Particulars	2023 Ushs million	2022 Ushs million
Assets		
Trade debtors	2,857	6,867
Amounts due from related parties	8,492	26,385
Loans to Related parties	41,411	-
	<u>52,760</u>	<u>33,252</u>
Bank balances	<u>37,066</u>	<u>16,905</u>
	<u>89,826</u>	<u>50,157</u>

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b) *Credit risk (continued)*

	Not Past Due Less than 30 days Ushs millions	30 to 60 days Ushs millions	Past Due 60 to 90 days Ushs millions	Above 90 days Ushs millions	Total Ushs millions	Impairment Ushs millions	Net Ushs millions
31 December 2023	11,059	187	-	103	11,349	-	11,349
31 December 2022	14,454	17,950	124	724	33,252	-	33,252

c) *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash balances.

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

The Company does not have any significant financial liabilities that would require any substantial liquidity apart from regular operational cash flows at any given point of time.

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.

Particulars	<1 year Ushs million	1 – 2 years Ushs million	2 - 5 years Ushs million	Total Ushs million
As at 31 December 2023				
Trade and other receivables	11,349	-	-	11,349
Cash and Cash Equivalents	67,762	-	-	67,762
	<u>79,111</u>	<u>-</u>	<u>-</u>	<u>79,111</u>
As at 31 December 2023				
Trade and Other Payables	39,861	-	-	39,861
Net Liquidity gap	<u>39,250</u>	<u>-</u>	<u>-</u>	<u>39,250</u>
At 31 December 2022				
Financial assets				
Trade and other receivables	33,252	-	-	33,252
Cash and Cash equivalents	30,989	-	-	30,989
	<u>64,241</u>	<u>-</u>	<u>-</u>	<u>64,241</u>
Financial liabilities				
Trade payables and other payables	41,983	-	-	41,983
Net liquidity gap	<u>22,258</u>	<u>-</u>	<u>-</u>	<u>22,258</u>

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

	2023 Ushs million	2022 Ushs million
6 (a) REVENUE		
Cash out Revenue	339,326	307,969
Recharge Revenue	124,852	112,409
Money transfer revenue	123,314	94,962
Bill payment Revenue	97,939	85,182
Others	50,939	30,931
	<u>736,370</u>	<u>631,453</u>
6 (b) OTHER INCOME	2023 Ushs million	2022 Ushs million
Grant	718	145
	<u>718</u>	<u>145</u>
7 (a) SALES AND MARKETING EXPENSE		
Sales and distribution expense	314,888	267,458
Marketing expense	3,500	5,251
	<u>318,388</u>	<u>272,709</u>
7(b) EMPLOYEE COSTS		
Salaries	15,315	11,694
Defined Contribution plan	1,100	907
Staff welfare expenses	431	322
Others	33	93
	<u>16,879</u>	<u>13,016</u>
7 (c) ADMINISTRATIVE AND GENERAL EXPENSES		
Legal & professional fees	23,626	11,767
Rates and taxes	3,405	3,874
IT expenses	6,691	6,806
Audit fees	277	200
Others	8,443	6,466
	<u>42,442</u>	<u>29,113</u>

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

7 (d) OTHER EXPENSES

	2023 Ushs million	2022 Ushs million
Directors' fees	295	227
Board Sitting allowance	290	146
Other Travel	68	-
	<u>653</u>	<u>373</u>

7 (e) LICENCE & REGULATORY FEES

Licence & Regulatory Fees	<u>68</u>	<u>17</u>
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8 DEPRECIATION AND AMORTIZATION

	2023 Ushs million	2022 Ushs million
Depreciation of property, plant and equipment (Note 11)	4,864	4,108
Amortisation of intangible assets (Note 12)	2,272	4,162
	<u>7,136</u>	<u>8,270</u>

9 FINANCE INCOME /COSTS

(a) Finance income		
Interest income on deposits	2,437	1,318
Interest on Intercompany loan	1,411	-
Realised exchange fluctuation gain	1,725	1,450
	<u>5,573</u>	<u>2,768</u>
(b) Finance costs		
Realised Exchange Fluctuation Loss	-	1,625
Unrealised Exchange Fluctuation Loss	-	58
Other finance charges	85	83
	<u>85</u>	<u>1,766</u>

10. TAXATION

(a) The Tax expense for the year is attributed to the following:		
Current tax expense	104,694	93,856
Deferred tax expense	2,425	(2,874)
Tax Adjustment in relation to prior years	-	(262)
	<u>107,119</u>	<u>90,720</u>

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

10. TAXATION (CONTINUED)

- (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.

	2023	2022
	Ushs million	Ushs million
Profit before tax	357,010	309,288
Enacted tax rates in Uganda	30%	30%
Tax expense at 30%	107,103	92,786
Adjustments in respect to previous year	-	(2,068)
Expense not deductible (net)	16	2
	<u>107,119</u>	<u>90,720</u>

- (c) Income tax liabilities

Income tax liabilities of Ushs 6,344 million (2022: Ushs 8,669 million)

	2023	2022
	Ushs million	Ushs million
Opening balance	(8,669)	(3,450)
Current tax expense	(104,694)	(93,856)
Advance tax paid	107,019	88,433
Adjustments for Prior Period on withholding tax recoverable	-	(58)
Tax adjustment in relation to prior year	-	262
	<u>(6,344)</u>	<u>(8,669)</u>
Closing Balance	<u>(6,344)</u>	<u>(8,669)</u>

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

10. TAXATION (CONTINUED)

(d) Deferred Tax Asset

The Company has a net deferred tax asset of Ushs 1,129 million (2022: Ushs 3,554 million) arising from accelerated tax depreciation and other temporary differences.

	At 1 Jan 2023 Ushs million	Movement for the year Ushs million	At 31 Dec 2023 Ushs million
Accelerated tax depreciation	1,432	(739)	693
Temporary differences	<u>2,122</u>	<u>(1,686)</u>	<u>436</u>
Net deferred tax Asset	<u>3,554</u>	<u>(2,425)</u>	<u>1,129</u>

	At 1 Jan 2022 Ushs million	Movement for the year Ushs million	At 31 Dec 2022 Ushs million
Accelerated tax depreciation	375	1,057	1,432
Temporary differences	<u>305</u>	<u>1,817</u>	<u>2,122</u>
Net deferred tax Asset	<u>680</u>	<u>2,874</u>	<u>3,554</u>

(e) Income tax paid

	2023 Ushs million	2022 Ushs million
Withholding Tax paid	14,684	11,393
Advance Tax Paid	84,984	73,819
Final Tax Paid for 2022/2021	<u>7,351</u>	<u>3,221</u>
Closing Balance	<u>107,019</u>	<u>88,433</u>

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT

	Office equipment & furniture Ushs million	Buildings and Lease hold Improvements Ushs million	Computers Ushs million	Total Ushs million	Capital work in progress Ushs million
COST					
At 1 January 2023	19,109	266	43,503	62,878	1,403
Additions	-	-	-	-	3,139
Transfer from CWIP	65	-	4,115	4,180	(4,180)
At 31 December 2023	19,174	266	47,618	67,058	362
ACCUMULATED DEPRECIATION					
At 1 January 2023	6,841	37	42,256	49,134	-
Charge for the year	3,683	53	1,128	4,864	-
At 31 December 2023	10,524	90	43,384	53,998	-
NET CARRYING AMOUNT					
At 31 December 2023	8,650	176	4,234	13,060	362

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office equipment & furniture Ushs million	Buildings and Lease hold Improvements Ushs million	Computers Ushs million	Total Ushs million	Capital work in progress Ushs million
COST					
At 1 January 2022	12,417	-	42,207	54,625	1,315
Additions	-	-	-	-	8,341
Transfers from CWIP	6,692	266	1,295	8,253	(8,253)
At 31 December 2022	19,109	266	43,503	62,878	1,403
ACCUMULATED DEPRECIATION					
At 1 January 2022	2,993	-	40,623	43,616	-
Transfer to intangible assets	-	-	1,460	1,460	-
Reclassification	69	-	(119)	(50)	-
Charge for the year	3,779	37	292	4,108	-
At 31 December 2022	6,841	37	42,256	49,134	-
NET CARRYING AMOUNT					
At 31 December 2022	12,268	229	1,247	13,744	1,403

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

12 (a) INTANGIBLE ASSETS

	License Ushs million	Total Ushs million
COST		
At 1 January 2023	23,347	23,347
Additions	<u>4,482</u>	<u>4,482</u>
	<u>27,829</u>	<u>27,829</u>
ACCUMULATED AMORTISATION		
At 1 January 2023	20,614	20,614
Charge for the year	<u>2,272</u>	<u>2,272</u>
At 31 December 2023	<u>22,886</u>	<u>22,886</u>
NET CARRYING AMOUNT		
At 31 December 2023	<u>4,943</u>	<u>4,943</u>
	License Ushs million	Total Ushs million
At 1 January 2022	-	-
Transferred to intangible assets	18,915	18,915
Additions	<u>4,432</u>	<u>4,432</u>
	<u>23,347</u>	<u>23,347</u>
ACCUMULATED AMORTISATION		
At 1 January 2022	-	-
Transferred to intangible assets	16,838	16,838
Charge for the year	4,162	4,162
Reclassification	<u>(386)</u>	<u>(386)</u>
	<u>20,614</u>	<u>20,614</u>
NET CARRYING AMOUNT		
At 31 December 2022	<u>2,733</u>	<u>2,733</u>

Note: Software licenses are included under computers and amortised commencing from the date when the related rights to use is available for intended use. The useful lives range from 1 year to 3 years.

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

13 TRADE AND OTHER RECEIVABLES

	2023 Ushs million	2022 Ushs million
Trade receivables	2,751	974
Amount due from related party (refer Note 15)	8,492	26,385
Claims receivable	106	5,893
	<u>11,349</u>	<u>33,252</u>
Gross trade receivables	11,349	33,252
Provision for impairment	-	-
	<u>11,349</u>	<u>33,252</u>

(b) Impairment Provision

At start of the year	-	409
Credit notes from vendor	-	(186)
Write Off	-	(223)
	<u>-</u>	<u>-</u>
At end of the year	-	-

Trade receivables represent amounts due from related party from International Money Transfer business.

	2023 Ushs million	2022 Ushs million
14 PREPAYMENTS AND OTHER CURRENT ASSETS		
Prepaid expense	220	427
VAT recoverable	60	-
	<u>280</u>	<u>427</u>

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

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

15 (a) RELATED PARTY TRANSACTIONS AND BALANCES

The Company is 100% owned by Bharti Airtel Mobile Commerce Uganda BV incorporated in Netherlands. The receivable and payable balances consist of International Money Transactions and Commission on Easy recharge under Airtel Uganda Limited.

Name of related party	Relationship to Company	2023 Ushs million	2022 Ushs million
Purchase of goods and services			
Airtel Uganda Limited	Fellow subsidiary Intermediate	29,230	19,784
Airtel Mobile Commerce B.V.	Parent Company	20,868	5,629
Airtel Money Tanzania Limited	Fellow subsidiary	17	17
Total		50,115	25,430
Sale of goods and services			
Airtel Uganda Limited	Fellow subsidiary	206,208	190,804
Receivable from related parties			
Airtel Uganda Limited	Fellow subsidiary	7,262	24,904
Airtel Mobile Commerce Limited - Malawi	Fellow subsidiary	333	656
Airtel Mobile Commerce Zambia Limited	Fellow subsidiary	826	331
Airtel Money Tanzania Limited	Fellow subsidiary	71	476
Airtel Networks Kenya Limited	Fellow subsidiary	-	18
		8,492	26,385
Payables to related parties			
Airtel Mobile Commerce Rwanda Limited	Fellow subsidiary	167	125
Airtel Networks Kenya Limited	Fellow subsidiary	175	
Airtel Mobile Commerce B.V.	Intermediate Parent Company	888	5,629
Airtel Money Tanzania Limited	Fellow subsidiary	17	-
		1,247	5,754

- (b) The Company signed an agreement with its related party on 30 Jun 2023 for a facility of Ushs 75,000 million to be drawn in instalments. The Company extended Ushs 20,000 million on 1st September 2023 and Ushs 20,000 million on 6th October 2023, respectively totalling to Ushs 40,000 million with a tenor of One year. The Interest rate on the loan facility is 90-Day Treasury bill rate Plus 2.5% per annum. The interest accrued to date is Ushs 1,411 million.

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

	2023	2022
	Ushs million	Ushs million
16 CASH AND CASH EQUIVALENTS		
Cash at bank	29,508	13,185
Cash at hand	1,466	1,971
Cash held at wallet	29,230	12,113
Fixed deposit	7,558	3,720
	<u>67,762</u>	<u>30,989</u>

17 SHARE CAPITAL

Total number of authorised shares are 10,000,000. The price per share for the 10,000,000 is Ushs 1,000 each details are shown below:

	2023	2022
	Ushs million	Ushs million
(a) Authorised share capital:		
10,000,000 ordinary shares of Ushs 1,000 each	<u>10,000</u>	<u>10,000</u>
(b) Ordinary shares issued and fully paid:		
10,000,000 ordinary shares of Ushs 1,000 each	<u>10,000</u>	<u>10,000</u>

18 (a) TRADE AND OTHER PAYABLES

Trade payables	10,599	13,148
Statutory due payables	22,493	19,393
Equipment supply payables	459	1,002
Other payable	4,979	2,641
Amounts due to related parties (Note 15)	1,247	5,754
	<u>39,777</u>	<u>41,938</u>
(b) Other Liabilities	<u>84</u>	<u>45</u>

Statutory & other payables include excise duty payable, VAT payable which are not yet due for payment.

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

19 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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.

Particulars	Carrying Amount		Fair Value	
	2023 Ushs million	2022 Ushs million	2023 Ushs million	2022 Ushs million
Financial assets				
Assets carried at Fair Value				
Cash and cash equivalents	67,762	30,989	67,762	30,989
Trade and other receivables	11,349	31,171	11,349	31,171
	<u>79,111</u>	<u>62,160</u>	<u>79,111</u>	<u>62,160</u>
Liabilities carried at Fair Value				
Trade & other payables	<u>39,859</u>	<u>41,983</u>	<u>39,859</u>	<u>41,983</u>

20. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at 31 December 2023, there were no legal proceedings pending thus Nil Liability

b) Tax proceedings.

As at 31 December 2023, there were no tax proceedings thus Nil liability.

c) Capital commitments.

Capital commitments of Ushs 13,403 million (2022: Ushs 652 million) represent the unexecuted capital contracts as at 31 December 2023. These are contracts between Airtel Mobile Commerce Uganda Limited and its vendors for the provision of Capital Expense material.

	2023 Ushs million	2022 Ushs million
Within one year	<u>13,403</u>	<u>652</u>

21 DIVIDENDS DECLARED

The profit for the year amounted to Ushs 249,891 million (2022: Ushs 218,568 million). During the year ended 31 December 2023 the directors' recommended dividends, on 23rd March 2023 amounting to Ushs 22,750 million, on 28th April 2023 amounting to Ushs 47,200 million, on 21st July 2023 amounting to 57,300 million, and on 31st October 2023, 64,000 million totalling to Ushs 191,250 million (2022: 219,500 million) at a rate of Ushs 19,125 per share.

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023 (CONTINUED)

21 DIVIDENDS DECLARED (CONTINUED)

	2023	2022
	Ushs million	Ushs million
At 1 January	-	-
Interim Dividend Declared	191,250	219,500
Dividend Paid	<u>(191,250)</u>	<u>(219,500)</u>
At 31 December	<u>-</u>	<u>-</u>

22 SUBSEQUENT EVENTS

The Directors recommend a final dividend of Ushs 79,800 million i.e., Ushs. 7,980 per share making a total dividend for the year of Ushs 271,050 million.

Subject to the approval of the shareholders at the AGM, the final dividend will be paid to the shareholders. This final dividend is not included as a liability in the financial statements.