

AIRTEL MOBILE COMMERCE UGANDA LIMITED

ANNUAL REPORT AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2020

AIRTEL MOBILE COMMERCE UGANDA LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2020

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AIRTEL MOBILE COMMERCE UGANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

COMPANY INFORMATION

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

COMPANY SECRETARY

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

COMPANY SOLICITORS

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

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

BANKERS

Equity Bank Uganda Limited
Plot 34, Church House, Kampala road
P O Box 10184
Kampala, Uganda

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

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

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

AUDITORS

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

**DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2020**

1. INTRODUCTION

The Directors submit their report on the affairs of the Company together with the financial statements of Airtel Mobile Commerce Uganda Limited ("the Company") and auditor's report for the year ended 31 December 2020.

2. INCORPORATION

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

3. PRINCIPAL ACTIVITIES

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

4. RESULTS

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

5. DIRECTORS

The Directors who held office during the year were as follows:

Name	Nationality	
Mr. Manoj Murali	Indian	Executive Director appointed on 01 st November 2020
Mr. V.G Somasekhar	Indian	Executive Director appointed on 20 th September 2017 and resigned on 31 st October 2020
Mr. Alok Bafna	Indian	Non-executive Director
Mr. Ashish Kumar	Indian	Non-executive Director appointed on 6th June 2019 and resigned on 10th January 2020

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

6. GOVERNANCE

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

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

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

DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2020

6. GOVERNANCE (CONTINUED)

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

7. SHAREHOLDING

The shareholding of the Company as at 31 December 2020 is as stated below -

Name of Share Holder	No. of Shares	% of Shareholding
Airtel Mobile Commerce Uganda B.V	1,999	99.95%
Airtel Mobile Commerce Holdings B.V.	<u>1</u>	<u>0.05%</u>
	<u>2,000</u>	<u>100%</u>

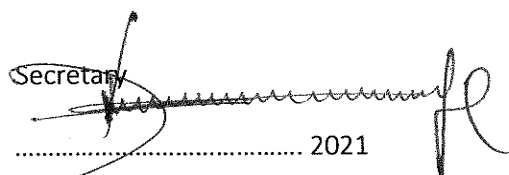
8. RELATED PARTY TRANSACTION

Details of transactions with related parties are disclosed in Note 8 to the financial statements.

9. AUDITORS

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

By Order of the Board

Secretary

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2020**

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


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

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

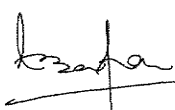
Nothing has come to the attention of Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this report.

Approval of the financial statements

The financial statements of the Company as indicated above, were approved by the Directors on ----- day of March 2021 and signed on behalf of the Board by:



Manoj Murali
Director



Alok Bafna
Director

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Airtel Mobile Commerce Uganda Limited set out on pages 9 to 20, which comprise the statement of financial position as at 31 December 2020 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Airtel Mobile Commerce Uganda Limited as at 31 December 2020 and of its financial performance, and cash flows for the year then ended and are prepared in accordance with International Financial Reporting Standards (“IFRSs”) and the requirements of the Companies Act of Uganda, 2012.

Basis for Opinion

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

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

Other Information

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

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

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

**REPORT OF THE INDEPENDENT AUDITORS
TO THE SHAREHOLDERS OF AIRTEL MOBILE COMMERCE 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 of Uganda, 2012 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibility

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Uganda Companies Act, 2012 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- the Company's statement of financial position (Balance Sheet) and statement of comprehensive income (Profit and Loss) 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 no. P0053.

Deloitte & Touche

Certified Public Accountant of Uganda

30 March 2021
Kampala

Norbert Kagoro

Norbert Kagoro
Partner

AIRTEL MOBILE COMMERCE UGANDA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 Ushs'000	2019 Ushs'000
Revenue		-	-
Operating expenses	5	-	-
		<hr/>	<hr/>
Profit/(loss) before taxation		-	-
Taxation charge		-	-
		<hr/>	<hr/>
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive income for the year		-	-
		<hr/> <hr/>	<hr/> <hr/>

AIRTEL MOBILE COMMERCE UGANDA LIMITED

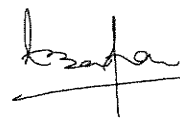
**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Note	2020 Ushs '000	2019 Ushs '000
ASSETS			
Current assets			
Financial assets			
Balance held under mobile money trust	6	401,823,881	275,259,082
TOTAL ASSETS		401,823,881	275,259,082
EQUITY AND LIABILITIES			
Equity			
Share capital	7	2,000	100
Share Application Money	7	-	1,900
		2,000	2,000
Current liabilities			
Financial liabilities			
Mobile money wallet balance	8	401,821,881	275,257,082
		401,821,881	275,257,082
TOTAL EQUITY AND LIABILITIES		401,823,881	275,259,082

The financial statements were approved by the Board of Directors on day of March 2021 and signed on its behalf by:



Manoj Murali
Director



Alok Bafna
Director

AIRTEL MOBILE COMMERCE UGANDA LIMITED

STATEMENT OF CHANGES IN EQUITY

	Share Capital Ushs '000	Share Application Money Ushs '000	Total Ushs '000
At 1 January 2019	100	1,900	2,000
Issued during the year	-	-	-
At 31 December 2019	<u>100</u>	<u>1,900</u>	<u>2,000</u>
At 1 January 2020	100	1,900	2,000
Issued & Allotted during the year	1,900	(1,900)	-
At 31 December 2020	<u>2,000</u>	<u>-</u>	<u>2,000</u>

AIRTEL MOBILE COMMERCE UGANDA LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 Ushs '000	2019 Ushs '000
Cash flows from operating activities			
Profit before taxation		-	-
Operating cash flow before changes in working capital--		<u> </u>	<u> </u>
Changes in working capital			
Increase in mobile money wallet balance		126,564,799	56,606,375
		<u> </u>	<u> </u>
Net cash generated from operating activities		126,564,799	56,606,375
		<u> </u>	<u> </u>
Net increase in cash and cash equivalents		126,564,799	56,606,375
Cash and cash equivalents at beginning of year		275,259,082	218,652,707
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of year*	6	<u><u>401,823,881</u></u>	<u><u>275,259,082</u></u>

* It represents balances held under Mobile Money trust of Ushs 401,823,881 (2019: Ushs 275,259,082) on behalf of mobile money customers which are not available for use by the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. CORPORATE INFORMATION

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

(a) New and amended IFRS Standards that are effective for the current year ended 31 December 2020

The following pronouncements issued by the IASB are relevant to the company and effective for annual periods beginning on or after 1 January 2020. The company's financial reporting will be presented in accordance with these requirements, which are being evaluated but not expected to have a material impact on the financial position or cash flows of the company, from 1 Jan 2020.

- i) Amendments to References to the Conceptual Framework in IFRS Standards
- ii) Amendments to IAS 1 and IAS 8 Definition of material

(b) New and revised Standards in issue but not yet effective

The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

- | | |
|---|--|
| i) Amendments to IAS 1 | Classification of Liabilities as Current or Non-current |
| ii) Amendments to IFRS 3 | Reference to the Conceptual Framework |
| iii) Amendments to IAS 16 | Property, Plant and Equipment—Proceeds before Intended Use |
| iv) Annual Improvements to IFRS Standards 2018-2020 Cycle | |

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Cash and cash equivalents

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

(c) Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

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

Subsequent measurement

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

Impairment of financial assets

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

De-recognition

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

i) Financial assets (continued)

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

ii) Financial liabilities

Initial recognition and measurement

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

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

The company's financial liabilities include other payables.

Subsequent measurement

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

Other accounts payable

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

De-recognition

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

iii) Offsetting

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

iv) Fair value of financial instruments

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

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

(d) Statement of cash flows

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

(e) 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.

(f) Comparatives

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's activities expose it to a variety of financial risks i.e. Market risk (including currency risk, 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.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

i) Foreign exchange risk

Foreign exchange risk arises from financial instruments held in foreign currencies. The Company operates wholly within Uganda and its assets and liabilities are mainly denominated in local currency. As such, the Company has no significant exposure to foreign exchange risk.

ii) Price risk

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

iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure arises mainly from the interest rate movements on the borrowings. However, the Company doesn't engage in borrowing activities as its obligation is to hold cash in trust.

Credit risk

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

Bank balances best represent the company's maximum exposure to the credit risk or concentration of the credit risk. The company only holds funds in trust.

	2020 Ushs '000	2019 Ushs '000
Balance held under mobile money trust	401,823,881	275,259,082

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. The Company holds the funds for the Airtel Money e-value holder and hence there is no liquidity risk.

Capital risk management

The company's primary objective is to hold, in trust, the funds owing to the E-value holders and safeguard the safety and sanctity of these funds. The company does not trade and is not allowed to deal in these funds otherwise than to settle obligations arising from genuine transaction of E-value. The principal obligation of the company is not to maximise wealth but to safeguard third party funds. Capital of the company is Share capital. Further as the company holds funds for e-value holders on behalf and there is no capital risk.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Operational risk

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

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

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

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

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

	2020 Ushs '000	2019 Ushs '000
5. OPERATING EXPENSES		
Audit Fees	128,178	126,975
Re-imburement by Airtel Uganda Limited	(128,178)	(126,975)
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>

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

	2020 Ushs '000	2019 Ushs '000
6. BALANCE HELD UNDER MOBILE MONEY TRUST		
Barclays Bank	162,649,231	72,107,790
Centenary Bank	8,190,934	25,248,105
Equity Bank	108,640,356	70,444,265
Stanbic Bank	122,343,360	107,458,922
	<hr/>	<hr/>
	401,823,881	275,259,082
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	2020 Ushs '000	2019 Ushs '000
7. SHARE CAPITAL		
a) Authorised share capital: 2,000 ordinary shares of 1,000 each	2,000	2,000
b) Ordinary shares issued and fully paid: 2000 Shares of 1,000 each (2019:100 Shares of 1,000 each)	2,000	100
c) Share Application Money 1900 Shares of 1,000 each	-	1,900

During the year 1,900 shares have been allotted to Airtel Mobile Commerce Uganda B.V.
Against the share application money as at 1st January 2020

	2020 Ushs '000	2019 Ushs '000
8. MOBILE MONEY WALLET BALANCE		
Amounts due to related party *	9,620,232	5,504,352
Amounts due to E-value holders	<u>392,201,649</u>	<u>269,752,730</u>
	<u>401,821,881</u>	<u>275,257,082</u>

* Amounts due to related party is payable towards consideration received from subscribers for Airtel Money transactions done on behalf of Airtel Uganda Limited. The obligation has been settled.

9. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Particulars	Carrying value as at		Fair value as at	
	Dec 31, 2020 Ushs '000	Dec 31, 2019 Ushs '000	Dec 31, 2020 Ushs '000	Dec 31, 2019 Ushs '000
Financial Assets				
Amortised Cost				
Balance held under mobile money trust	<u>401,823,881</u>	<u>275,259,082</u>	<u>401,823,881</u>	<u>275,259,082</u>
	401,823,881	275,259,082	401,823,881	275,259,082
Financial Liabilities				
Amortised Cost				
Mobile money wallet balance	<u>401,821,881</u>	<u>275,257,082</u>	<u>401,821,881</u>	<u>275,257,082</u>
	<u>401,821,881</u>	<u>275,257,082</u>	<u>401,821,881</u>	<u>275,257,082</u>

There has been no expected Credit loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

10. SUBSEQUENT EVENTS

There are no events after the reporting date that require amendment or adjustment to the financial statements as at the date of this report. (2019: Nil)

11. COMMITMENTS AND CONTINGENCIES

Capital commitments

There were no capital commitments entered into by the company as at the reporting date. (2019: Nil).

Contingent claim

There were no known legal or tax cases against the company as at the reporting date. (2019: Nil).