AIRTEL UGANDA LIMITED

ANNUAL REPORT AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2020

CONTENTS PAGE

COMPANY INFORMATION

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	Airtel Uganda Limited Plot 16A Clement Hill Road P O Box 6771 Kampala, Uganda
COMPANY SECRETARY	Dennis Kakonge Airtel Uganda Limited Plot 16A Clement Hill Road P O Box 6771 Kampala, Uganda
COMPANY SOLICITORS	Nangwala, Rezida & Company Advocates Suite 3B 3rd Floor, Plot 9 Yusuf Lule Road P O Box 10304 Kampala, Uganda
	Verma Jivram & Associates 3rd Floor, FIL Courts 88 Luthuli Avenue, Bugolobi P O Box 7595 Kampala, Uganda
	Lex Uganda Advocates & Solicitors, 1 Colville Street P O Box 22490 Kampala, Uganda
	Katende, Ssempebwa & Co Advocates, Radiant House Plot 20, Kampala Road P O Box 2344, Kampala, Uganda
	K & K Advocates Plot 67 Lugogo By-Pass, P O Box 6061 Kampala, Uganda

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
Absa Bank Uganda Limited Plot 2/4 Hannigton Road P O Box 7101 Kampala, Uganda	Ecobank Uganda Limited Plot 4, Parliament Avenue P O Box 7368 Kampala, Uganda
United Bank for Africa (UBA) Uganda Plot 2, Jinja Road PO BOX 7396 Kampala, Uganda	DFCU Uganda Plot 26, Kyadondo Road Nakasero, P O Box 70 Kampala, Uganda

AUDITORS

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

DIRECTORS' REPORT

The Directors submit their report and audited financial statements of Airtel Uganda Limited ("the Company") for the year ended 31 December 2020, which show the state of affairs of the Company.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

	2020 Ushs million	2019 Ushs million
Profit before taxation	581,614	450,215
Taxation charge	(175,746)	(133,540)
Profit for the year	**405,868**	**316,675**

RESULTS AND DIVIDEND

The profit for the year amounted to Ushs 405,868 million (2019: Ushs 316,675 million). The Directors declared interim dividends for the year ended 31 December 2020 amounting to Ushs 263,296 million (2019: 172,480) at a rate of Ushs 18,700 per share (refer note 30 of the Financial Statements).

The Directors recommend a final dividend of Ushs 135,168 million at a rate of Ushs. 9,600 per share making a total dividend for the year of Ushs 398,464 million (2019: 293,568 million) at a rate of Ushs 28,300 per share for the year ended 31 December 2020.

Subject to the approval of the shareholders at the AGM, the final dividend will be paid on or before 30 June 2021 to the shareholders on the register at the close of business on 31 March 2021. This final dividend is not included as a liability in the financial statements.

RESERVES

The reserves of the Company are set out on page 11 in the Statement of Financial Position.

DIRECTORS

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

Hannington Karuhanga	-	Non-Executive Director (Appointed Member effective 6 September 2000 and Chairman effective 1 April 2016)
Manoj Murali	-	Executive Director (Appointed effective 1 November 2020)
VG Somasekhar	-	Executive Director (Appointed effective 1 September 2017 and Resigned effective 31 October 2020)
Alok Bafna	-	Non-Executive Director (Appointed effective 1 April 2017)
Rama Krishna Lella	-	Non-Executive Director (Appointed effective 6 February 2019)
Ian Basil Ferrao	-	Non-Executive Director (Appointed effective 16 September 2019)

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

DIRECTORS' REPORT (CONTINUED)

Shareholding

The shareholding of the Company as at 31 December 2020 is as follows

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

COVID-19

The Covid-19 pandemic has interrupted business growth across the world, however, the telecom sector remained a pivot sector amidst tough times providing unabated connectivity of network and data. Our network response team was quick to respond to customers' demand across the country to ensure uninterrupted service for our customers while ensuring complete safety for our field staff. Partnering with our strategic and operations partners, we continuously worked to keep the network running to provide essential telecom service across Uganda. Based on the Company's assessment, no material impact has been noted due to the pandemic.

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

2021

Kampala

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 **11th day of March, 2021** and signed on its behalf by:

Manoj Murali	**Hannington Karuhanga**
Director	**Chairman**

Deloitte & Touche
Certified Public Accountant of Uganda
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIRTEL UGANDA LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Airtel Uganda Limited set out on pages 10 to 59, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Airtel Uganda Limited as at 31 December 2020, 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 Federation of Accountants' Code of Ethics for Professional Accountants (IFAC code) and other independence requirements applicable to performing audits of Airtel Uganda Limited. We have fulfilled our other ethical responsibilities in accordance with the IFAC Code, and in accordance with other ethical requirements applicable to performing the audit of Airtel Uganda Limited.

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

Other information

The Directors are responsible for the other information, which comprises the information included in the 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.

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

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

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

Responsibilities of the Directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

- 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 Norbert Kagoro, Practicing Number P0053.

Deloitte & Touche

Certified Public Accountant of Uganda

Norbert Kagoro
Partner

30 March **2021**
Kampala

AIRTEL UGANDA LIMITED

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

	Note	2020 Ushs million	2019 Ushs million
Income			
Revenue	6	1,551,642	1,276,738
Other income	6(b)	2,271	2,414
		1,553,913	**1,279,152**
Expenses:			
Network operating expenses	7(b)	(201,405)	(163,806)
Access charges	7	(39,148)	(43,052)
License fee/spectrum usage charges	7	(43,380)	(47,298)
Employee benefit expenses	7(c)	(70,009)	(59,217)
Sales and marketing expenses	7(a)	(202,916)	(168,066)
Other expenses	7(d)	(108,462)	(89,846)
Depreciation & amortisation	8	(235,789)	(206,743)
		(901,109)	**(778,028)**
Net operating profit		**652,804**	**501,124**
Finance income	9(a)	6,297	36,847
Finance costs	9(b)	(77,487)	(87,756)
Profit before tax		581,614	450,215
Tax expense	10(a)	(175,746)	(133,540)
Profit for the year		405,868	316,675
Other comprehensive income for the year			
Re-measurement gain on defined benefit plans		4	27
Total comprehensive income for the year, net of tax		**405,872**	**316,702**

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020

	Note	2020 Ushs million	2019 Ushs million
ASSETS			
Non-current assets			
Property, plant and equipment	11	611,803	570,817
Capital work-in-progress	11	14,189	52,252
Right of use assets	12	422,245	409,743
Investment property	13	-	-
Intangible assets	14	470,876	112,956
Prepayments and other Non - current assets	17 (b)	18,545	8,343
		1,537,658	1,154,111
Current assets			
Inventories	15	1,944	2,618
Trade and other receivables	16	58,321	37,620
Prepayments and other current assets	17 (a)	62,069	65,536
Cash and cash equivalents	19	34,254	48,493
Income tax recoverable (Net)	10(c)	7,869	9,762
		164,457	164,029
TOTAL ASSETS		**1,702,115**	**1,318,140**
EQUITY AND LIABILITIES			
Equity			
Share capital	20(a)	1,408	1,408
Share premium	20(b)	16,128	16,128
Retained earnings		142,881	121,397
Other reserve		56	52
		160,473	138,985
Non-current liabilities			
Borrowings	21	145,270	368,267
Lease liabilities	25	427,265	428,622
Provisions	24	2,091	2,084
Deferred tax liability	10(d)	74,352	59,760
Other non current liabilities	26 (a)	115,192	-
		764,170	858,733
Current liabilities			
Borrowings		21	447,287
Lease liabilities	25	97,155	80,973
Trade and other payables	22	213,691	224,537
Deferred revenue	23	15,083	13,953
Provisions	24	761	652
Other current liabilities	26 (b)	1,989	-
Derivative Financial Instrument	27	1,506	307
		777,472	320,422
TOTAL EQUITY AND LIABILITIES		**1,702,115**	**1,318,140**

The financial statements on pages 10 to 59 were approved for issue by the Board of Directors on **11th day of March,2021** and signed on its behalf by:

Manoj Murali
Director

Hannington Karuhanga
Chairman

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share Capital Ushs million	Share premium Ushs million	Retained Earnings Ushs million	Other Components of Equity Ushs million	Total Equity Ushs million
At 1 January 2019	**1,408**	**16,128**	**125,612**	**25**	**143,173**
IFRS-15 Adjustments	-	-	839	-	839
Transition adjustment on adoption of IFRS 16*	-	-	(36,609)	-	(36,609)
At 1 January 2019 (Adjusted)	**1,408**	**16,128**	**89,842**	**25**	**107,403**
Profit for the year	-	-	316,675	-	316,675
Dividends - Final Dividend FY18 Ref to Note 30	-	-	(112,640)	-	(112,640)
Dividends - Interim Dividend FY19 Ref to Note 30			(172,480)		(172,480)
Other comprehensive income	-	-	-	27	27
At 31 December 2019	**1,408**	**16,128**	**121,397**	**52**	**138,985**
At 1 January 2020	**1,408**	**16,128**	**121,397**	**52**	**138,985**
Profit for the year	-	-	405,868	-	405,868
Dividends - Final Dividend FY19 Ref to Note 30	-	-	(121,088)	-	(121,088)
Dividends - Interim Dividend FY20 Ref to Note 30			(263,296)		(263,296)
Other comprehensive income	-	-	-	4	4
At 31 December 2020	**1,408**	**16,128**	**142,881**	**56**	**160,473**

*This transition adjustment includes recognition of right of use assets, lease liability and corresponding deferred tax asset.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 Ushs million	2019 Ushs million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		581,614	450,215
Adjustments for:			
Depreciation & amortisation	8	235,789	206,743
(Gain)/Loss on disposal of property, plant and equipment	11	(13)	25
Gain on retirement of Right of Use assets		-	(237)
Interest income	9(a)	(2,746)	(25,842)
Unrealised foreign exchange gains	9(a)	(3,551)	(11,129)
Interest on borrowings	9(b)	23,837	42,673
Interest on finance lease	9(b)	42,494	41,337
Interest on spectrum fees	9(b)	4,292	-
Gain on retirement of lease asset		(257)	-
Debt origination cost	21	-	100
Operating cash flow before changes in working capital		881,459	703,885
Changes in working capital;			
Decrease/(Increase) in inventories	15	674	(1,234)
Decrease in trade and other receivables	16	(20,700)	(637)
Decrease in prepayments and other current assets	17	(10,547)	(27,421)
Increase in trade and other payables	22	20,794	23,700
Increase/(Decrease) in other liabilities	24	1,246	(3,623)
Cash generated from operations before tax		872,926	694,670
Income tax paid	10(e)	(158,403)	(101,026)
Net cash generated from operating activities		**714,523**	**593,644**
CASH FLOWS FROM INVESTING ACTIVITES			
Purchase of property, plant and equipment	11	(178,320)	(211,074)
Purchase of intangibles	14	(242,708)	(4,619)
Proceeds from sale of property, plant and equipment	11	210	-
Loans to related parties	18(b)	-	935,060
Interest received	9(a)	2,746	25,842
Net cash used in investing activities		**(418,072)**	**745,209**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	21	145,270	-
Repayment of borrowings	21	-	(749,932)
Interest paid on borrowing	9	(22,354)	(46,738)
Interest paid on finance lease	25	(42,494)	(41,337)
Repayment of finance lease obligation	25	(75,580)	(68,491)
Repayment of deferred spectrum fee		(11,333)	-
Dividends Paid	30	(384,384)	(397,760)
Net cash used in financing activities		**(390,875)**	**(1,304,258)**
(Decrease)/increase in cash and cash equivalents		(94,424)	34,595
Cash and cash equivalents at 1 January	19	48,493	13,898
Cash and cash equivalents at 31 December	19	**(45,931)**	**48,493**

1 CORPORATE INFORMATION

Airtel Uganda Limited is incorporated in Uganda under the Companies Act as a limited liability Company, and is domiciled in Uganda. The address of its registered office is Airtel House, Plot 16A Clement Hill Road, Kampala, Uganda. Its principal activities are the operation of a cellular telephone network in Uganda, provision of telecommunication services and mobile money services. The Company is subsidiary of Bharti Airtel Uganda 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)

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

In the current financial year, the Company has not been impacted by the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

Amendments to References to the Conceptual Framework in IFRS Standards

The Company has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

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

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

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID- 19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b. Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c. There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Company has not been impacted by the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.

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

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

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

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 to all years presented, unless otherwise stated.

(a) Basis of preparation

The Financial Statements of Airtel Uganda Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2012 of the Laws of Uganda. The 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, except for the change in accounting policies set out below.

Changes in accounting policies and disclosures

Deferred Spectrum Payments:

During the year ended 31 December 2020, the Company has capitalized deferred spectrum license payments, for which the Company is under an obligation for payment till the expiry of the license period. Consequently, intangible assets have been recognized at the present value of such payments amounting to Ushs 130,662mn with a corresponding liability of Ushs 126,849mn and reversal of prepayments of Ushs 3,813mn.

(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 paid to transfer a liability, in an orderly transaction between market participants. The Company's accounting policies require, measurement of certain financial/non-financial assets and liabilities at fair value (either on a recurring or non-recurring basis). Also, the fair values of financial instruments measured at amortised cost are required to be disclosed.

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). 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of measurement

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.

(c) Revenue recognition

Revenue is recognised upon transfer of control of promised products or services to the customer at the consideration which the Company has received or expects to receive in exchange of those products or services, net of any taxes/duties and discounts. When determining the consideration to which the Company is entitled for providing promised products or services via intermediaries, the Company assesses whether the intermediary is a principal or agent in the onward sale to the end customer. To the extent that the intermediary is considered a principal, the consideration to which the Company is entitled is determined to be that received from the intermediary. To the extent that the intermediary is considered an agent, the consideration to which the Company is entitled is determined to be the amount received from the customer; the upfront discount provided to the intermediary is recognised as a cost of sale.

The Company has entered into certain multiple-element revenue arrangements, which involve the delivery or performance of multiple products, services or rights to use assets. At the inception of the arrangement, all the deliverables therein are evaluated to determine whether they represent distinct performance obligations, and if so, they are accounted for separately.

Total consideration related to the multiple element arrangements is allocated to each performance obligation based on their relative standalone selling prices. The stand-alone selling prices are determined based on the list prices at which the Company sells equipment and network services separately.

Revenue is recognised when, or as, each distinct performance obligation is satisfied. The main categories of revenue and the basis of recognition are as follows:

- **Service revenue**

Service revenue is derived from the provision of telecommunication services and mobile money services to customers. The majority of the customers of the Company subscribe to the services on a pre-paid basis.

Telecommunication service revenues mainly pertain to usage, subscription charges for voice, data, messaging and value added services and customer onboarding charges, which include activation charges.

Telecommunication services (comprising voice, data and SMS) are considered to represent a single performance obligation as all are provided over the Company's network and transmitted as data representing a digital signal on the network. The transmission consumes network bandwidth and therefore, irrespective of the nature of the communication, the customer ultimately receives access to the network and the right to consume network bandwidth.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Revenue recognition (continued)

Majority of the customers pay in advance for services of the Company, these cash amounts are recognised in deferred income on the statement of financial position and transferred to the income statement when the service obligation has been performed/when the usage of services becomes remote.

The Company recognises revenue from these services over time as they are provided. Revenue is recognised over time based on actual units of telecommunication services provided during the reporting period as a proportion of the total units of telecommunication services to be provided.

Subscription charges are recognised over the subscription pack validity period. Customer onboarding revenue is recognised upon successful onboarding of customers i.e. upfront.

Revenues recognised in excess of amounts invoiced are classified as unbilled revenue. If amounts invoiced/collected from a customer are in excess of revenue recognised, a deferred revenue/advance income is recognised.

Service revenues also includes revenue from interconnection/roaming charges for usage of the Company's network by other operators for voice, data, messaging and signaling services. These are recognised upon transfer of control of services being transferred over time.

Revenues from long distance operations comprise voice services and bandwidth services (including installation), which are recognised on provision of services and over the period of respective arrangements.

The Company has interconnect agreements with local and foreign operators. This allows customers from either network to originate or terminate calls to each other's network. Revenue is earned and recognised as per bilateral agreements when other operators' calls are terminated to the Company's network i.e. the service is rendered.

As part of the mobile money services, the Company earns commission from merchants for facilitating recharges, bill payments and other merchant payments. It also earns commissions on transfer of monies from one customer wallet to another. Such commissions are recognised as revenue at a point in time on fulfilment of these services by the Company.

Costs to obtain or fulfil a contract with a customer

The Company defers costs to obtain or fulfil contracts with customers over expected average customer life.

- **Equipment sales**

Equipment sales mainly pertain to sale of telecommunication equipment and related accessories for which revenue is recognised when the control of equipment is transferred to the customer i.e. transferred at a point in time.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Functional currency and translation of foreign currencies

Functional and presentation currency

The items included in the financial statements of the Company are measured using the currency of primary economic environment in which the entity operates (i.e. 'functional currency').

The financial statements are presented in Uganda Shillings, which is also the functional, and presentation currency of the Company.

Transactions and balances

Transactions in foreign currencies are initially recorded in the relevant functional currency at the rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing exchange rate prevailing as at the reporting date with the resulting foreign exchange differences, on subsequent re-statement/settlement, recognised in the Statement of Comprehensive Income within finance costs/finance income. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevalent, at the date of initial recognition (in case they are measured at historical cost) or at the date when the fair value is determined (in case they are measured at fair value) – with the resulting foreign exchange difference, on subsequent re-statement/settlement, recognised in the profit and loss, except to the extent that it relates to items recognised in the other comprehensive income or directly in equity.

The equity items denominated in foreign currencies are translated at historical exchange rate.

(e) Property, plant and equipment

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

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)
Leasehold Land	Lower of Period of lease or 20 Years
Buildings	20
Plant and Machinery	3-25
Computer equipment	3
Furniture & fixture and Office Equipment	2-5
Motor vehicles	3-5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date so as to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. The effect of any change in the estimated useful lives, residual values and/or depreciation method are accounted prospectively, and accordingly, the depreciation is calculated over the PPE's remaining revised useful life.

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

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

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

Identifiable intangible assets are recognised when the Company controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Company and the cost of the asset can be measured reliably.

Intangible assets acquired separately are measured on initial recognition at cost. Subsequently, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with infinite lives are amortised over their economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (continued)

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

The Company has established the estimated useful lives of different categories of intangible assets as follows:

- **Software**
  Software are amortised over the period of the license, generally not exceeding three years.

- **Licences (including spectrum)**

  Acquired licenses and spectrum are amortised commencing from the date when the related network is available for intended use in the relevant jurisdiction. The useful life is ten years.

  In addition, the Company incurs a fee on licenses/spectrum that is calculated based on the revenue amount of the period. Such revenue-share based fee is recognised as a cost in the statement of comprehensive income when incurred.

Other acquired intangible assets

Other acquired intangible assets include the following:

Customer relationship - Over the estimated life of such relationships which ranges from one year to five years.

The useful lives and amortisation method are reviewed, and adjusted appropriately, at least at each financial year end so as to ensure that the method and period of amortisation are consistent with the expected pattern of economic benefits from these assets. The effect of any change in the estimated useful lives and/or amortisation method is accounted prospectively, and accordingly, the amortisation is calculated over the remaining revised useful life.

Further, the cost of intangible assets under development includes the amount of spectrum allotted to the Company and related costs for which services are yet to be rolled out and are presented separately in the statement of financial position.

(g) Accounting for leases

At inception of a contract, the Company assesses a contract as, or containing, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the contract involves the use of an identified asset, the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Company has the right to direct the use of the asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Accounting for leases (continued)

Company as a lessee

The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee in the statement of financial position. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), variable lease payments that are based on consumer price index ('CPI'), the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments including due to changes in CPI or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or when the lease contract is modified and the lease modification is not accounted for as a separate lease. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the related right-of-use asset has been reduced to zero.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

Subsequent to initial recognition, right-of-use asset are stated at cost less accumulated depreciation and any impairment losses and adjusted for certain remeasurements of the lease liability. Depreciation is computed using the straight-line method from the commencement date to the end of the useful life of the underlying asset or the end of the lease term, whichever is shorter. The estimated useful lives of right-of-use assets are determined on the same basis as those of the underlying property, plant and equipment.

In the statement of financial position, the right-of-use assets and lease liabilities are presented separately.

When a contract includes lease and non-lease components, the Company allocates the consideration in the contract on the basis of the relative stand-alone prices of each lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Accounting for leases (continued)

Company as a lessor

Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under a finance lease are recognised as receivables at an amount equal to the net investment in the leased assets. Finance lease income is allocated to the periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

The Company enters into 'Indefeasible right to use' ('IRU') arrangements wherein the right to use the assets is given over the substantial part of the asset life. However, as the title to the assets and the significant risks associated with the operation and maintenance of these assets remains with the Company, such arrangements are recognised as operating lease. The contracted price is recognised as revenue during the tenure of the agreement. Unearned IRU revenue received in advance is presented as deferred revenue within liabilities in the statement of financial position.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis.Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The costs comprise its purchase price and any directly attributable cost of bringing it to its present location and condition.

(i) 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 also included as a component of cash and cash equivalents. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

(k) 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.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Employee benefits (continued)

Other long-term employee benefits

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

(l) Income tax

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

Deferred income tax is recognised, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Borrowing Cost

Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

(n) Financial instruments

Recognition, classification and presentation

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (continued)

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.

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 recognised 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 recognised 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 recognised at fair value. They are subsequently measured at their fair value, with changes in fair value being recognised in profit or loss within finance income/finance costs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (continued)

iv) Hedging activities

Fair value hedge

The Company uses derivative financial instruments (e.g. interest rate/currency swaps) to manage/mitigate their exposure to the risk of change in fair value of the borrowings. The Company designates certain interest swaps to hedge the risk of changes in fair value of recognised borrowings attributable to the hedged interest rate risk. The effective and ineffective portion of changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit and loss within finance income/finance costs, together with any changes in the fair value of the hedged liability that is attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortised to profit or loss over the period to remaining maturity of the hedged item.

Cash flow hedge

The Company uses derivative financial instruments (e.g. foreign currency forwards, options, swaps) to manage their exposure to foreign exchange and price risk. Further, the Company designates certain derivative financial instruments (or its components) as hedging instruments for hedging the exchange rate fluctuation risk attributable to either a recognised item or a highly probable forecast transaction ('Cash flow hedge'). The effective portion of changes in the fair value of derivative financial instruments (or its components) that are designated and qualify as cash flow hedges, are recognised in other comprehensive income and held as cash flow hedge reserve ('CFHR') – within other components of equity. Any gains/(losses) relating to the ineffective portion, are recognised immediately in profit or loss within finance income/finance costs. The amounts accumulated in equity are re-classified to the profit and loss in the periods when the hedged item affects profit/(loss).

When a hedging instrument expires or is sold, or when a cash flow hedge no longer meets the criteria for hedge accounting, any cumulative gains/(losses) existing in equity at that time remains in equity and is recognised (on the basis as discussed in the above paragraph) when the forecast transaction is ultimately recognised in the profit and loss. However, at any point of time, when a forecast transaction is no longer expected to occur, the cumulative gains/(losses) that were reported in equity is immediately transferred to the profit and loss within finance income/finance costs.

v) Derecognition

Financial liabilities are derecognised from the statement of financial position when the underlying obligations are extinguished, discharged, lapsed, cancelled, expires or legally released. The financial assets are derecognised 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 recognised in the statement of comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of non-financial assets

Goodwill

Goodwill is tested for impairment, at least annually or earlier, in case circumstances indicate that their carrying value may exceed the recoverable amount (higher of fair value less costs of sell and the value -in- use). For the purpose of impairment testing, the goodwill is allocated to a cash-generating-unit ('CGU') or group of CGUs ('CGUs') which are expected to benefit from the acquisition-related synergies and represent the lowest level within the entity at which the goodwill is monitored for internal management purposes, but not higher than an operating segment. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Impairment occurs when the carrying value of a CGU/CGUs including the goodwill, exceeds the estimated recoverable amount of the CGU/CGUs. The recoverable amount of a CGU/CGUs is the higher of its fair value less costs to sell and its value in use. Value-in-use is the present value of future cash flows expected to be derived from the CGU/CGUs.

The total impairment loss of a CGU/CGUs is allocated first to reduce the carrying value of goodwill allocated to that CGU/CGUs and then to the other assets of that CGU/CGUs - on pro-rata basis of the carrying value of each asset.

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.

(p) Asset Retirement obligation (ARO)

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Investment property

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

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

(r) 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.

(s) 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.

(t) Comparatives

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

(u) 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 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 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.

Derivatives designated in hedging relationship and separated embedded derivatives are classified based on the hedged item and the host contract respectively.

The Financial Statements of the Company for the year ended 31 December 2020 were authorized for issue in accordance with a resolution of the Directors on 11th March 2021.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Contingencies

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

(w) Dividends

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

4 CRITICAL ACCOUNTING ESTIMATES, 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

4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

Contingent liabilities and provisions

The Company is involved in various legal, tax and regulatory matters, the outcome of which may not be favorable to the Company. Management in consultation with the legal, tax and other advisers assess the likelihood that a pending claim will succeed. The Company has applied its judgement and has recognized liabilities based on whether additional amounts will be payable and has included contingent liabilities where economic outflows are considered possible but not probable.

Inventory obsolescence

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

(b) Critical judgements in applying the Company's accounting policies

The critical judgements, which the management has made in the process of applying the Company's accounting policies and have the most significant impact on the amounts recognised in the financial statements, are discussed below:

Separating lease and non-lease components

The consideration paid by the Company in telecommunication towers lease contracts include the use of land and passive infrastructure as well as maintenance, security, provision of energy etc. services. Therefore, in determining the allocation of consideration between lease and non-lease components, for the additional services that are not separately priced, the Company performs detailed analysis of cost split to arrive at relative stand-alone prices of each of the components.

Determining the incremental borrowing rate for lease contracts

The Company has recognised lease liabilities at present value using the incremental borrowing rate (IBR) based on considerations specific to the lease agreement. Since determination of incremental borrowings is not directly available for the given markets in which Company operates, the Company has used judgement in determining the IBR by taking into consideration risk free borrowing rate based on the IBR used across the Company of 6.99% for USD leases and 9.75% for Ushs leases.

Determining the lease term

Under IFRS 16 if it is reasonably certain that a lease will be extended, the Company is required to estimate the expected lease period in excess of the current contractual terms. The Company has various lease agreements with a right to extend /renew wherein it considers the nature of the contractual terms and economic factors to determine. The Company has used judgement in determining the lease period considering such factors and the lease liability has been calculated using the remaining contractual lease period for all of such lease contracts.

4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

4.1 Significant transactions/new developments

(a) National Payment System for Mobile services

On 4th September, 2020, a new law, the National Payment Systems Act, 2020 was enacted to regulate Payment Systems and Services (including Mobile (Electronic) Money Services). The Act replaces the Mobile Money Guidelines, 2013. The Act regulates operators of payment systems, payments service providers, issuers of payment instruments and issuers of electronic money. All these will now require licences issued by Bank of Uganda with the exception of payment systems operated by the BOU. The Act has a transitional provision that requires holders of existing licences issued by the BOU to operate a system to apply for a licence in accordance with the Act within 12 months of its commencement.

As a result, Airtel Money operations will have to be separated from GSM operations based on National Payment System (NPS) regulation and guidelines which are yet to be issued by Bank of Uganda.

(b) Licence Renewal of PSP License

In October 2020, the Company renewed its Public Service Provider Licence (PSP) for 20 years with Uganda Communication Commission and this has been recorded as Intangible Assets. The Licence renewal runs for period July 2020 to June 2040. The payment of Ugx 277bn has been made for the period covering July 2020 to June 2030.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

a) Market risk

(i) Foreign exchange risk

The Company operates locally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from adverse changes in the local/ operating currency rates to other foreign currencies for which commercial transactions occur in the course of operation and from recognised assets and liabilities.

The Company's foreign exchange risk management 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 has continuously embarked on aggressive negotiations to have all local suppliers of operational expenditure items charge the Company in local currency.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a) Market risk (continued)

At 31 December 2020, if the Uganda Shilling had weakened/strengthened by 5% to 3,833/3,468 against the US Dollar with all other variables held constant, as opposed to actual as at year end of 3,650.25, pre-tax profit for the year would have been Ushs 30,873 million (2019: Ushs 31,523 million) lower/higher mainly as a result of US Dollar liabilities exceeding the US Dollar assets.

Foreign Currency Exposure

Particulars	2020 Ushs million	2019 Ushs million
Cash & cash equivalents (net)	13,839	1,324
Trade receivables	43,917	34,496
Trade payables	(52,764)	(60,966)
Borrowings	(288,370)	(289,535)
Amount due to related party	(6,295)	(6,727)
Amount due From related party	34,784	12,674
Lease liabilities	(362,652)	(321,723)
Total Foreign currency exposure (Net)	**(617,541)**	**(630,457)**

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

	2020	2019
Average Rate	3,665.10	3,674.01
Closing Rate	3,650.25	3,665.00

(ii) Price risk

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

(iii) Cash flow and interest rate risk

The Company's exposure to market risk for changes in interest rate relates primarily to the Company's long-term debt obligations. The Company's policy is to manage its interest cost using negotiated variable rates resulting in cash flow and interest rate risk. In principle, interest on loans is at 1.05% to 3.3% over the London Interbank Offer Rate (LIBOR). The local loan facilities have been drawn with interest rates ranging from 10.04% to 13.051% (note 22).

At 31 December 2020, if the Interest rate would decrease/increase by 1% with all other variables held constant, pre-tax profit for the year would have been increased/decreased by Ushs 5,926 million (2019: Ushs 3,683 million) mainly as a result of interest rate change.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 2020 is made up as follows:

	2020 Ushs million	2019 Ushs million
Trade debtors	20,320	19,478
Interconnect debtors	22,101	26,422
Roaming receivables	906	2,586
Amounts due from related parties	34,784	12,674
Other receivables	1,122	689
	79,233	**61,849**
Bank balances	27,061	18,455
Employee receivables	196	395
	106,490	**80,699**

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

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

The ageing of the trade receivables is shown below:

	2020 Ushs million	2019 Ushs million
0 to 90 days	13,769	17,467
Total neither past due nor impaired	13,769	17,467
91 days and above	7,143	7,479
Total past due not impaired	7,143	7,479
Total not impaired	58,321	37,620
91 days and above	20,912	24,229
Impaired	**20,912**	**24,229**

All trade receivables past their due date by more than 90 days are 100% provided for while all other receivables are carried at estimated recoverable value. All Interconnect receivables are impaired after 9months and are provided for 100%. There are collateral/security deposits held whose fair value is the cash amount paid which is equivalent to Ushs 3,995 million (2019: Ushs 3,828 million) and whose credit quality of assets is not past due. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.
Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow.

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

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

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.

	<1 year Ushs million	1 - 2 years Ushs million	>2 years Ushs million	Total Ushs million
At 31 December 2019:				
Borrowings	-	368,267	-	368,267
Trade and other accrued liabilities	224,537	-	-	224,537
Lease liabilities	80,973	95,219	333,403	509,595
	305,510	**463,486**	**333,403**	**1,102,399**
At 31 December 2020:				
Borrowings	447,287	70,270	75,000	592,557
Trade and other accrued liabilities	213,691	-	-	213,691
Other liabilities	1,989	3,359	111,833	117,181
Lease liabilities	97,155	99,787	327,478	524,420
	760,122	**173,416**	**513,311**	**1,447,849**

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maximize returns for Shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue new capital or sell assets or change who holds the risks and benefits of the assets say through leasing or consignment stock arrangements to reduce debt. The Company monitors capital and its objective is to increase the percentage of Equity held to Debt and thus improving on gearing ratio over time.

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

The gearing ratios at 31 December 2020 and 31 December 2019 were as follows:

	2020 Ushs million	2019 Ushs million
Total borrowings	592,557	368,267
Total Lease Obligation	524,420	509,595
Less: Cash and Cash equivalents	(34,254)	(48,493)
Net Debt	**1,082,723**	**829,369**
Total equity	160,473	138,985
Total capital and Net Debt	**1,243,196**	**968,354**
Gearing ratio (%)	87.1	85.6

6 REVENUE

	2020 Ushs million	2019 Ushs million
Service revenue Note 6(a)	1,543,933	1,271,530
Sale of products	7,709	5,208
Total	**1,551,642**	**1,276,738**

6 (a) SERVICE REVENUE

Airtime revenue	648,864	579,988
VAS & Data revenue	562,521	418,516
Airtel money	261,974	194,895
Interconnect revenue	66,702	68,516
Roaming revenue	3,872	9,615
Total	**1,543,933**	**1,271,530**

Primary commissions (Trade Discount) is discount provided to distributors on the sales price of RCVs or E-top-ups. The discount is calculated as a percentage of the sales price and is contractually defined per contracts in place between the Company and the Distributors. The Company recognises revenue net of this commission expenses in line with IFRS 15.

Performance obligations that are unsatisfied (or partially unsatisfied) amounting to 15,083 million at 31 December 2020 and 13,953 million as at 31 December 2019 will be satisfied within a period of one year, respectively.

Revenue recognised that was included in the deferred revenue balance at the beginning of the year is 13,953 million (2019: 19,695 million).

6 (b) OTHER INCOME

	2020 Ushs million	2019 Ushs million
Miscellaneous income	**2,271**	**2,414**

7 (a) SALES AND MARKETING

Sales and distribution Expense	182,812	150,182
Marketing Expense	20,104	17,884
	202,916	**168,066**

		2020 Ushs million	2019 Ushs million
7 (b) NETWORK OPERATING COSTS			
Site Running		126,722	111,018
Repair and maintenance		59,208	39,803
Internet access and bandwidth		10,148	8,258
Electricity and water		5,327	4,727
		201,405	**163,806**
7 (c) EMPLOYEE COSTS			
Salaries		58,845	48,920
Defined contribution plan cost		4,862	4,668
Defined benefit plan cost		648	563
Staff welfare expenses		5,130	4,697
Others		524	369
		70,009	**59,217**
7 (d) OTHER EXPENSES			
Cost of goods sold		8,853	6,232
Repair and maintenance		6,249	4,243
Legal & professional fees		37,572	34,021
Rates and taxes		15,667	9,058
Content cost		6,802	3,642
IT expenses		14,731	13,436
Travel and conveyance		5,532	3,445
Auditor's remuneration		623	688
Customer care expenses		8,388	9,083
Charitable donation		1,274	227
Others		2,771	5,771
		108,462	**89,846**
8 DEPRECIATION & AMORTISATION			
Depreciation of property, plant and equipment	11	135,247	134,147
Depreciation of right of use assets	12	85,092	72,580
Amortisation of intangible assets	14	15,450	16
		235,789	**206,743**

9 FINANCE INCOME/COSTS

(a) Finance income

	2020 Ushs million	2019 Ushs million
Interest income on deposits	2,746	1,186
Interest income on others	-	24,656
Unrealised Exchange Fluctuation Gain	3,551	11,005
	6,297	**36,847**

(b) Finance costs

	2020 Ushs million	2019 Ushs million
Interest expense on finance lease	42,494	41,337
Interest expense on borrowing	23,837	41,141
Interest on deferred spectrum	4,292	-
Realised exchange loss	5,948	4,033
Other finance charges	916	1,245
	77,487	**87,756**

10 TAXATION

The Tax expense for the year is attributed to the following

	2020 Ushs million	2019 Ushs million
Current tax expense	161,154	113,515
Deferred tax expense	14,592	20,025
	175,746	**133,540**

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.

	2020 Ushs million	2019 Ushs million
Profit before tax	581,614	450,215
Enacted tax rates in Uganda	30%	30%
Tax expense at 30%	174,484	135,065
Effect of:		
Adjustments in respect to previous years	-	(1,856)
(Income) / expense not (taxable) / deductible (net)	1,262	331
Income tax expense	175,746	133,540

10 TAXATION (CONTINUED)

(c) Income tax recoverable

Income tax recoverable of Ushs 7,869 million (2019: Ushs 9,762 million).

	2020 Ushs million	2019 Ushs million
Opening balance	9,762	22,251
Advance tax paid	158,403	101,026
Current tax expense	(161,154)	(108,429)
Adjustments for Prior Period	858	(5,086)
Closing Balance	**7,869**	**9,762**

(d) Deferred income tax

The Company has a net deferred income tax liability of Ushs 74,352 million (2019: deferred tax liability Ushs 59,760 million) arising from accelerated tax depreciation and other temporary differences.

	At 1 January 2020 Ushs million	Movement for the year Ushs million	At 31 December 2020 Ushs million
Accelerated tax depreciation	91,118	12,385	103,503
Short term timing differences	(31,358)	2,207	(29,151)
Net deferred tax liability	**59,760**	**14,592**	**74,352**

	At 1 January 2019 Ushs million	Movement for the year Ushs million	At 31 December 2019 Ushs million
Accelerated tax depreciation	79,482	11,636	91,118
Short term timing differences	(23,790)	(7,568)	(31,358)
Net deferred tax Liability	**55,692**	**4,068**	**59,760**

In 2019 Deferred tax asset of Ushs 15,957 million was recorded directly under Equity as transitional impact of recognition of Right of Use assets under IFRS 16 implementation.

(e) Income tax paid

	2020 Ushs million	2019 Ushs million
Withholding Tax deducted	(394)	(183)
Advance Tax Paid	(150,601)	(100,843)
Final Tax for 2019	(7,408)	-
Income Taxation paid	**(158,403)**	**(101,026)**

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

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land Ushs million	Plant & machinery Ushs million	Buildings & Leasehold Improvements Ushs million	Office equipment & furniture Ushs million	Computers Ushs million	Motor Vehicles Ushs million	Capital work in progress Ushs million	Tower Finance Lease Ushs million	Total Ushs million
At 1 January 2020	-	1,188,517	33,480	38,270	202,521	1,678	52,253	-	1,516,719
Additions	-	149,383	2,023	8,178	16,673	174	(38,064)	-	138,367
Disposal	-	(438)	-	-	-	(26)	-	-	(464)
Retirement	-	(20,796)	-	(2)	(5)	-	-	-	(20,803)
Reclassifications	-	-	-	-	-	-	-	-	-
At 31 December 2020	**-**	**1,316,666**	**35,503**	**46,446**	**219,189**	**1,826**	**14,189**	**-**	**1,633,819**
ACCUMULATED DEPRECIATION									
At 1 January 2020	-	670,283	21,526	29,119	171,602	1,120	-	-	893,650
Disposal	-	(259)	-	-	-	(8)	-	-	(267)
Charge for the year	-	100,914	3,239	6,152	24,716	226	-	-	135,247
Retirement	-	(20,796)	-	(2)	(5)	-	-	-	(20,803)
Reclassifications	-	(2)	10	(5)	-	(3)	-	-	-
At 31 December 2020	**-**	**750,140**	**24,775**	**35,264**	**196,313**	**1,335**	**-**	**-**	**1,007,827**
NET CARRYING AMOUNT									
At 31 December 2020	**-**	**566,526**	**10,728**	**11,182**	**22,876**	**491**	**14,189**	**-**	**625,992**
At 1 January 2019	7,930	1,003,566	30,799	33,954	167,726	5,124	47,635	285,605	1,582,339
Transfer to Right of Use Asset (Note 12)	(7,930)	-	-	-	-	(3,684)	-	(285,605)	(297,219)
Additions	-	191,438	3,859	2,012	28,869	244	4,618	-	231,040
Disposal	-	-	-	-	-	(6)	-	-	(6)
Retirement	-	(553)	-	-	-	-	-	-	(553)
Reclassifications	-	(5,934)	(1,178)	2,304	5,926	-	-	-	1,118
At 31 December 2019	**-**	**1,188,517**	**33,480**	**38,270**	**202,521**	**1,678**	**52,253**	**-**	**1,516,719**
ACCUMULATED DEPRECIATION									
At 1 January 2019	5,587	565,613	16,091	21,943	154,442	3,122	-	86,950	853,748
Transfer to Right of Use Asset (Note 12)	(5,587)	-	-	-	-	(2,292)	-	(86,950)	(94,829)
Disposal	-	-	-	-	-	(1)	-	-	(1)
Charge for the year	-	105,624	3,879	7,193	17,160	291	-	-	134,147
Retirement	-	(533)	-	-	-	-	-	-	(533)
Reclassifications	-	(421)	1,556	(17)	-	-	-	-	1,118
At 31 December 2019	**-**	**670,283**	**21,526**	**29,119**	**171,602**	**1,120**	**-**	**-**	**893,650**
NET CARRYING AMOUNT									
At 31 December 2020	**-**	**518,234**	**11,954**	**9,151**	**30,919**	**558**	**52,253**	**-**	**623,069**

12 RIGHT OF USE ASSETS

	Leasehold Building Ushs million	Telecom equipment Ushs million	Motor vehicle Ushs million	Grand Total Ushs million
COST				
At 1 January 2020	11,000	561,226	3,684	575,910
Additions	493	98,749	-	99,242
Asset retirement	-	(3,361)	-	(3,361)
Reclassification	6	-	-	6
At 31 December 2020	**11,499**	**656,614**	**3,684**	**671,797**
ACCUMULATED AMORTISATION				
At 1 January 2020	7,206	155,748	3,213	166,167
Charge during the year	1,687	82,935	471	85,092
Asset retirement	-	(1,713)	-	(1,713)
Reclassification	6	-	-	6
At 31 December 2020	**8,899**	**236,969**	**3,684**	**249,552**
NET CARRYING AMOUNT				
At 31 December 2020	**2,600**	**419,645**	**-**	**422,245**
COST				
At 1 January 2019	10,631	487,356	3,684	501,671
Additions	369	76,783	-	77,152
Asset retirement	-	(2,913)	-	(2,913)
At 31 December 2019	**11,000**	**561,226**	**3,684**	**575,910**
ACCUMULATED AMORTISATION				
At 1 January 2019	5,587	86,950	2,292	94,829
Charge during the year	1,619	70,040	921	72,580
Asset retirement	-	(1,242)	-	(1,242)
At 31 December 2019	**7,206**	**155,748**	**3,213**	**166,167**
NET CARRYING AMOUNT				
At 31 December 2019	**3,794**	**405,478**	**471**	**409,743**

13 INVESTMENT PROPERTY

	2020 Ushs million	2019 Ushs million
COST		
At 1 January	1,116	1,116
At 31 December 2020	**1,116**	**1,116**
ACCUMULATED DEPRECIATION		
At 1 January 2019	1,116	1,095
Depreciation for the year	-	-
At 31 December 2020	**1,116**	**1,116**
NET CARRYING AMOUNT	-	-

The investment property located on Plot 40, Wampewo Avenue, Kampala has been rented out to multiple tenants since 2017. The Company applies the cost model for its investment property and therefore the investment property is not fair valued by an independent valuer. The depreciation method used for the depreciation is the straight line method. The depreciation rate of the property is 5% whereas the useful life is 20 years.

14 INTANGIBLE ASSETS

	Licence/Spectrum Ushs million	Bandwidth Ushs million	Goodwill Ushs million	Customer Base Ushs million	Dealer Network Ushs million	Grand Total Ushs million
COST						
At 1 January 2020	1,082	-	112,908	3,633	1,592	119,215
Additions**	373,370	-	-	-	-	373,370
Adjustments	(889)	-	-	-	-	(889)
At 31 December 2020	**373,563**	**-**	**112,908**	**3,633**	**1,592**	**491,696**
ACCUMULATED AMORTISATION						
At 1 January 2020	1,034	-	-	3,633	1,592	6,259
Charge during the year	15,450	-	-	-	-	15,450
Adjustment	(889)	-	-	-	-	(889)
At 31 December 2020	**15,595**	**-**	**-**	**3,633**	**1,592**	**20,820**
NET CARRYING AMOUNT						
At 31 December 2020	**357,968**	**-**	**112,908**	**-**	**-**	**470,876**
COST						
At 1 January 2019	1,081	7,053	112,908	3,633	1,592	126,267
Additions	-	4,619	-	-	-	4,619
Adjustments*	1	(11,672)	-	-	-	(11,671)
At 31 December 2019	**1,082**	**-**	**112,908**	**3,633**	**1,592**	**119,215**
ACCUMULATED AMORTISATION						
At 1 January 2019	1,021	1,716	-	3,633	1,592	7,962
Charge during the year	13	3	-	-	-	16
Adjustments*	-	(1,719)	-	-	-	(1,719)
At 31 December 2019	**1,034**	**-**	**-**	**3,633**	**1,592**	**6,259**
NET CARRYING AMOUNT						
At 31 December 2019	**48**	**-**	**112,908**	**-**	**-**	**112,956**

*As part of IFRS 16 implementation, indefeasible right to use of bandwidth has been re-classed to prepaid expenses and is being expensed under Network Operating Expense over the period of contracts.

**Acquired licenses and spectrum are amortised commencing from the date when the related network is available for intended use in the relevant jurisdiction. The useful lives range from two to twenty-five years. remaining amortisation period of license as of 31 December 2020 for National Telecom licence is 9.5 years and Spectrum License is 19.5 years.

15 INVENTORIES

	2020 Ushs million	2019 Ushs million
Telephones and accessories	2,396	2,955
Sim cards and scratch cards	327	524
	2,723	3,479
Less: Stock provision	(779)	(861)
	1,944	2,618
Stock Provision		
Opening Balance	861	936
Additions	1,220	702
Utilisation	(1,302)	(777)
Closing Balance	**779**	**861**

16 TRADE AND OTHER RECEIVABLES

	2020 Ushs million	2019 Ushs million
Trade receivables	20,320	19,478
Interconnect receivables	22,101	26,422
Roaming receivables	906	2,586
Other receivables	1,122	689
Amount due from related party refer to (18a)	34,784	12,674
Gross trade receivables	79,233	61,849
Provision for impairment	(20,912)	(24,229)
	58,321	**37,620**

Trade receivables represent amounts due from channel partners, corporate customers and post-paid customers. Interconnect receivables represent airtime revenue on the interconnection from other telecommunication companies. The related interconnect liabilities are included in Note 22.

Roaming receivable represents the amounts outstanding with operators whose customers use the network of the Company while travelling to Uganda and balances are being settled on monthly basis through clearing house.

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2020 Ushs million	2019 Ushs million
As at 1 January	24,229	21,671
IFRS 9 charge	1,928	2,558
Receivable write off	(2,038)	-
Bad debt recovery	(3,207)	-
At 31 December	**20,912**	**24,229**

17 (a) PREPAYMENTS AND OTHER CURRENT ASSETS

	2020 Ushs million	2019 Ushs million
Prepaid expense	36,062	46,754
VAT recoverable	17,199	12,034
Advance rent	2,405	3,959
Advance to suppliers	3,558	-
Others	2,649	2,394
Employee receivables	196	395
At 31 December	**62,069**	**65,536**

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

17 (b) PREPAYMENTS AND OTHER NON CURRENT ASSETS

	2020 Ushs million	2019 Ushs million
Prepaid expense	**18,545**	**8,343**

18 RELATED PARTY TRANSACTIONS AND BALANCES

The Company is 100% owned by Bharti Airtel Uganda Holdings BV (BAUHBV) incorporated in Netherlands. The purchases mainly consist of network equipment including related software & services. Other related party companies are group companies to Airtel Africa Plc. The purchases and sales are recharge for expenses incurred on behalf of the counter party.

Bharti Airtel International Netherlands BV	Step up Parent	27,738	25,438
Bharti Airtel Limited	Step up Parent	10,455	10,127
Airtel Networks Kenya Limited	Fellow subsidiary	9,344	8,365
Airtel Rwanda Limited	Fellow subsidiary	3,148	3,049
Bharti Airtel UK Limited	Fellow subsidiary	1,605	2,563
Airtel Tanzania Limited	Fellow subsidiary	1,369	417
Airtel Congo (DRC) S.A.	Fellow subsidiary	446	637
Network I2I Limited	Step up Parent	441	470
Nxtra Data Limited	Fellow subsidiary	427	510
Airtel Networks Limited(Nigeria)	Fellow subsidiary	369	381
Airtel Networks Zambia Plc	Fellow subsidiary	313	509
Bharti International Singapore Pte Ltd	Fellow subsidiary	294	-
Airtel Malawi Limited	Fellow subsidiary	123	21
Centum Learning Limited	Fellow subsidiary	56	103
Airtel Ghana Limited	Joint venture of fellow subsidiary	21	1
Celtel Niger S.A	Fellow subsidiary	6	1
Airtel (Seychelles) Limited	Fellow subsidiary	2	3
Bharti Hexacom Limited	Fellow subsidiary	1	-
Airtel Madagascar S.A	Fellow subsidiary	0	1
Airtel Congo S.A	Fellow subsidiary	0	1
Airtel Gabon S.A	Fellow subsidiary	0	0
Airtel Tchad S.A.	Fellow subsidiary	0	0
Bharti Airtel Services Limited	Fellow subsidiary	0	683
Bharti Airtel Africa B.V.	Step up Parent	-	5,651
Total		**56,158**	**58,931**

Sale of goods and services			
Airtel Networks Kenya Limited	Fellow subsidiary	21,505	15,049
Bharti Airtel Limited	Step up parent	19,972	26,488
Airtel Networks Zambia Plc	Fellow subsidiary	6,214	22
Bharti Airtel UK Limited	Fellow subsidiary	6,116	4,812
Airtel Malawi Limited	Fellow subsidiary	5,138	570
Airtel Rwanda Limited	Fellow subsidiary	4,814	946
Airtel Tanzania Limited	Fellow subsidiary	3,157	337
Airtel Networks Limited(Nigeria)	Fellow subsidiary	2,166	1,342
Airtel Congo (DRC) S.A.	Fellow subsidiary	1,381	422
Bharti Airtel Kenya B.V.	Step up parent	10	-
Singapore telecommunication Limited	Entity having significant influence over the group	3	7
Airtel Tchad S.A	Fellow subsidiary	1	0
Airtel Ghana Limited	Joint venture of fellow subsidiary	1	0
Bharti Airtel Africa B.V	Step up Parent	0	27
Airtel Madagascar S.A	Fellow subsidiary	0	1
Airtel Congo S.A	Fellow subsidiary	0	2
Airtel (Seychelles) Limited	Fellow subsidiary	0	0
Airtel Gabon S.A	Fellow subsidiary	0	1
Celtel Niger S.A	Fellow subsidiary	0	14
Jersey Airtel Limited	Fellow subsidiary	0	1
Total		**70,478**	**50,043**

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

Name of related party	Relationship to Company	2020 Ushs million	2019 Ushs million
Receivable from related parties			
Airtel Networks Kenya Limited	Fellow subsidiary	17,135	7,150
Airtel Malawi Limited	Fellow subsidiary	4,863	572
Bharti Airtel UK Limited	Fellow subsidiary	4,748	1,305
Bharti Airtel Limited	Step up parent	3,005	2,317
Airtel Rwanda Limited	Fellow subsidiary	2,404	795
Airtel Congo (DRC) S.A.	Fellow subsidiary	1,008	-
Airtel Networks Limited(Nigeria)	Fellow subsidiary	650	78
Airtel Networks Zambia Plc	Fellow subsidiary	551	
Airtel Madagascar S.A	Fellow subsidiary	282	284
Airtel Niger S.A.	Fellow subsidiary	104	111
Africa Towers N.V.	Fellow subsidiary	34	34
Bharti Hexacom Limited	Fellow subsidiary	0	-
Singapore Telecommunications Limited	Entity having significant influence over the group	0	28
Total		**34,784**	**12,674**
Payables to related parties			
Bharti Airtel International Netherlands B.V.	Step up parent	4,942	4,911
Airtel Money B.V	Fellow subsidiary	367	429
Bharti Int'l Singapore Pte ltd	Fellow subsidiary	365	394
Network I2I Limited	Step up Parent	294	296
Nxtra Data Limited	Fellow subsidiary	182	431
Bharti Airtel Services Limited	Fellow subsidiary	75	75
Airtel Tanzania Limited	Fellow subsidiary	69	23
Centum Learning Limited	Fellow subsidiary	1	41
Bharti Airtel Sri Lanka (Private) Limited	Fellow subsidiary	0	1
Airtel Ghana Limited	Joint venture of fellow subsidiary	0	1
Airtel Networks Zambia Plc	Fellow subsidiary	-	13
Airtel Congo (DRC) S.A.	Fellow subsidiary	-	112
Total		**6,295**	**6,727**

Key management compensation

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director, whether executive or otherwise. Remuneration to key management personnel were as follows.

	2020 Ushs million	2019 Ushs million
Key Management Compensation	5,787	5,847

20 Share capital and Share premium

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

	2020 Ushs million	2019 Ushs million
Authorised share capital:		
14,400,000 ordinary shares of Ushs 100	1,440	1,440
14,400,000 preference shares of Ushs 1,000	14,400	14,400
	15,840	**15,840**
a) Ordinary shares issued and fully paid:		
14,080,010 ordinary shares of Ushs 100 each	**1,408**	**1,408**
b) Share premium		
6,080,000 ordinary shares of Ushs 100 each issued at a premium of Ushs 900 in October 1994	5,472	5,472
8,000,000 ordinary shares of Ushs 100 each issued at a premium of Ushs 1,332 in September 2000	10,656	10,656
	16,128	**16,128**

21 BORROWINGS

	Note	Maturity	2020 Ushs million	2019 Ushs million
Non-Current				
DFCU	21(d)	2025	75,000	-
ABSA Bank Group	21(b)	2021	367,102	368,267
Stanbic Bank	21(c)	2022	55,956	-
Standard Chartered Bank	21(e)	2022	14,886	
Debt origination fees	21(c&d)	2022	(572)	-
Less: Current maturity of long term debt			(367,102)	-
			145,270	**368,267**
Current				
Bank overdraft	21(a)		80,185	
Current maturity of long term debt			367,102	-
			447,287	**-**

21 BORROWINGS (CONTINUED)

The movement in borrowings was as follows:

At 1 January	368,267	1,118,734
Proceeds from Term Loan	145,842	-
Proceeds from Bank Overdraft	80,185	-
Repayment	-	(749,932)
Debt origination cost	(572)	100
Unrealised foreign exchange gain	(1,165)	(635)
At 31 December	**592,557**	**368,267**

External Borrowings:
Bank overdraft

a) The Company utilised the bank overdraft facility from Citi Bank and Standard chartered bank to make payments for taxes, dividends and to other suppliers. The overdraft sanction limit is USD 13 Mn from Citi Bank and USD 8 Mn from Standard Chartered Bank. This facility is fungible based on the payment requirements

b) **ABSA Bank Group term loan facility**
The Company obtained loan facility of Ushs 18,940 million and Ushs 59,792 million during the months of November 2018 and December 2018 respectively for the purpose of operational working capital and tax payments. The Interest rate on the loan is margin rate of 3.30% plus Treasury bill rate. These facilities have been renewed for another period on 27th November 2020 with a maturity date of 30th April 2021.

During the month of October 2018 the Company obtained a loan facility of USD 79 million at an interest rate of Libor+1.8% repayable after one year, however this facility has been renewed another period on 27th November 2020 with a maturity date of 31 December 2021 with an extension fee of 0.1%.

c) **Stanbic Bank Uganda Limited loan facility**
The Company obtained a loan facility of Ushs 55,956 million on 11 December 2020 for the purpose of License payment. The Company paid an upfront fee of Ushs 385.9 million on drawdown. The Interest rate on the loan facility is margin rate of 2.75% plus Treasury bill rate at the time of drawdown of 10.04%. This loan facility will run for 30 months and mature on 31 December 2022.

d) **DFCU Bank Uganda loan facility**
The Company obtained a loan facility of Ushs 75,000 million on 11 December 2020 for the purpose of spectrum expansion and payment of License renewal fees. The Company paid an upfront fee of Ushs 562.5 million on drawdown. The Interest rate on the loan facility is margin rate of 4.70% plus 182-day treasury bill rate on the day of drawdown of 9.8%. This loan facility will run for 5 years inclusive of 12 months' grace period with a maturity date of 11th December 2025.

e) **Standard Chartered Bank Uganda loan facility**
The Company obtained a loan facility of USD 4 million (equivalent to Ushs 14,885 million) on 11 December 2020 for the purpose of License renewal fees payment. The Interest rate on the loan facility is margin rate of 0.859% plus 364-day Treasury bill at the time of drawdown of 13.051%. This loan facility will mature on the 5th May 2022.

22 TRADE AND OTHER PAYABLES

	2020 Ushs million	2019 Ushs million
Trade payables	127,415	108,012
Statutory and other payables	57,815	49,340
Equipment supply payables	18,773	58,559
Interest accrued but not due	2,609	1,126
Interconnect payables	784	773
Amounts due to related parties refer to (18a)	6,295	6,727
	213,691	**224,537**

Interconnect charges payable represent interconnection costs with other telecommunication companies. The related interconnect debtors are included in Note 16.

Statutory & other payables include excise duty payable, VAT payable which are not yet due for payment and also includes provision for legal cases which are rated as probable amounting to Ushs 3,421 million (2019: Ushs 3,520 million). Provision for Tax cases Ushs 1,623 million (2019: Nil)

23 DEFERRED REVENUE

	2020 Ushs million	2019 Ushs million
Deferred income	**15,083**	**13,953**

Deferred income relates to payments received in advance for airtime services offered to prepaid customers which have not yet been consumed. Performance obligation with respect to unearned revenue is expected to be completed within one year.

24 PROVISIONS

	2020 Ushs million	2019 Ushs million
Current		
Leave encashment	733	631
Severance pay	28	21
	761	**652**
Non-current		
Leave encashment	1,938	1,945
Severance pay	138	128
Asset retirement obligation	15	11
	2,091	**2,084**

24 PROVISIONS (CONTINUED)

	2020 Ushs million	2019 Ushs million
(a)Leave Encashment		
Opening Balance	2,576	1,947
Charge for the year	544	737
Payments for the year	(449)	(108)
	2,671	**2,576**

The Company has a policy for employee benefits, specifically applicable to leave encashment and severance pay in line with IAS 19. The valuation is performed on a quarterly basis by a third party, and all assumptions considered for evaluation are revised on an annual basis.

	2020 Ushs million	2019 Ushs million
(b)Severance Pay		
Opening Balance	148	160
Charge for the year	44	15
Other Comprehensive Income	(26)	(27)
	166	**148**

There's change in assumptions of discount rate to 16.25% as against 14.75% which resulted in impact of Ushs 27 Million recorded as other comprehensive income during the year. (2019: Ushs 27 million).

Due to its defined benefit plans, the Company is exposed to the following risks:
Salary risk - The present value of the defined benefit plans liability is calculated by reference to the future salaries of the plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.
The financial (a year rates) and demographic assumptions used to determine defined benefit obligations are as follows:

	31 December 2020	**31 December 2019**
Discount rate	16.25% per annum	14.75% per annum
Rate of return on plan assets	Not applicable	Not applicable
Rate of salary increase	6% per annum	6% per annum
Rate of attrition	11.3%	11.0%
Retirement age	60 years	60 years

The Company regularly assesses these assumptions with the projected long-term plans and prevalent industry standards.

24 PROVISIONS (CONTINUED)

The impact of sensitivity due to changes in the significant actuarial assumptions on the defined benefit obligations at 100 basis points is given in the table below:

		31 December 2020		31 December 2019	
		Retirement benefits	Severance benefits	Retirement benefits	Severance benefits
Discount Rate	+1.00%	2,611	159	2,534	145
	-1.00%	2,765	173	2,618	153
Salary Increase Rate	+1.00%	2,759	173	2,615	153
	-1.00%	2,616	159	2,537	145
Withdrawl Rate	+1.00%	2,689	157	2,579	145
	-1.00%	2,682	174	2,571	153

The above sensitivity analysis is determined based on a method that extrapolates the impact on the net defined benefit obligations, because of reasonable possible changes in the significant actuarial assumptions. Further, the above sensitivity analysis is based on a reasonably possible change in a particular underlying actuarial assumption, while assuming all other assumptions to be constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The table below summarises the maturity profile and duration of the defined benefits plan liability:

	31 December 2020		31 December 2019	
	Retirement benefits	Severance benefits	Retirement benefits	Severance benefits
Within one year	747	28	631	22
Within one-three years	1,202	67	1,053	53
Within three-five years	923	83	890	66
Above five years	1,328	262	1,316	219
Total	**4,200**	**440**	**3,890**	**359**
Weighted average duration in years	5	5	7	6

25 LEASE LIABILITY

	2020 Ushs million	2019 Ushs million
Non-Current		
Tower and Infrastructure	427,265	428,622
	427,265	**428,622**
Current		
Tower and Infrastructure	96,944	80,904
Vehicle	211	69
	97,155	**80,973**

During the year, the financing cost relating to lease liabilities was Ushs 42,494 million (2019: 41,337 million).

The movement of finance lease was as follows:

	2020 Ushs million	2019 Ushs million
At 1 January	509,595	254,534
IFRS 16 Adjustment	-	257,639
As at 1 January (adjusted)	**509,595**	**512,173**
Additions	98,593	77,153
Repayment	(75,580)	(68,491)
Retirement	(1,904)	(1,907)
Unrealised Foreign exchange	(6,284)	(9,333)
At 31 December	**524,420**	**509,595**

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

Lease liabilities	As of December, 30 2020	As of December, 31 2019
Maturity analysis:	Ushs million	Ushs million
Less than one year	134,008	119,561
Later than one year but not later than two years	125,425	119,240
Later than two years but not later than five years	290,811	290,918
Later than five years but not later than nine years	88,201	102,662
Later than nine years	16,173	16,201
Total undiscounted lease liabilities	**654,618**	**648,582**

26. (a) Other Non-Current Liabilities

During the year ended 31 December 2020, the Company has capitalized deferred spectrum license payments, for which the Company is under an obligation for payment till the expiry of the license period. Consequently, intangible assets have been recognized at the present value of such payments.

	2020 Ushs million	2019 Ushs million
At 1 January	-	-
Additions	115,192	-
At 31 December	**115,192**	**-**

(b) Other Current Liabilities

	2020 Ushs million	2019 Ushs million
At 1 January	-	-
Additions	11,657	-
Repayment of Liability	(11,333)	-
Interest accrued(Gain)	4,292	-
Unrealised Exchange Loss	(2,627)	-
At 31 December	**1,989**	**-**

27. DERIVATIVE FINANCIAL INSTRUMENTS

The details of derivative financial instruments are as follows:

	2020 Ushs million	2019 Ushs million
Foreign currency forward contracts (liabilities)	**1,506**	**307**

28 FAIR VALUE OF FINANCIAL ASSETS AND LIABILTIES

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

Particulars	Carrying Amount		Fair Value	
	At 31 December 2020	At 31 December 2019	At 31 December 2020	At 31 December 2019
Financial assets				
Assets carried at amortised cost				
Cash and cash equivalents	34,254	48,493	34,254	48,493
Trade and other receivables	58,321	37,620	58,321	37,620
Financial Liabilities				
Liabilities carried at fair value through profit or loss				
- Derivatives	1,506	307	1,506	307
Liabilities carried at amortised cost				
Borrowings- floating rate	592,557	368,267	592,557	368,267
Trade & other payables	213,691	224,537	213,691	224,537
Lease liabilities	524,420	509,595	524,420	509,595
Other liabilities	117,181	-	117,181	-

29 COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at 31 December 2020, there were legal proceedings valued at Ushs 1,233 million (2019: Ushs 1,114 million) outstanding against the Company. No provision has been made as the value of probable loss that may arise from these cases is NIL.

b) Tax proceedings

As at 31 December 2020, there were tax proceedings valued at Ushs 7,812 million (2019: Ushs 11,412) outstanding against the Company. No provision has been made as the value of probable loss that may arise from these cases is NIL.

c) Capital commitments

Capital commitments of Ushs 33,416 million (2019: Ushs 67,783 million) represent the unexecuted capital contracts as at 31 December 2020. These are contracts between Airtel Uganda Limited and its vendors for the provision of Capex material.

	2020 Ushs million	2019 Ushs million
Within one year	**33,416**	**67,783**

30 DIVIDENDS DECLARED

The profit for the year amounted to Ushs 405,868 million (2019: Ushs 316,675 million). During the year ended 31 December 2020 the directors recommended interim dividends on 28th May 2020 amounting to Ushs 63,360 million, on 20th August 2020 amounting to Ushs 80,256 million and on 7th December 2020 amounting to Ushs 119,680 million totalling to Ushs 263,296 million (2019: Ushs 172,480 million). The interim dividends per ordinary share declared during the year was Ushs 18,700.

	2020 Ushs million	2019 Ushs million
At 1 January	-	112,640
Final dividend	121,088	112,640
Interim dividend	263,296	172,480
Dividend Paid	(384,384)	(397,760)
At 31 December	-	-

31 SUBSEQUENT EVENT

There were no material subsequent events for the year ended 31 December 2020. The Directors are not aware of any other matter or circumstances since the financial year end and the date of this report, not otherwise dealt with in the financial statements, which significantly affects the financial position of the Company and the results of its operations.