AIRTEL MOBILE COMMERCE (KENYA) LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2019

TABLE OF CONTENTS **PAGES**

DIRECTORS

Mr Prasanta Das Sarma *
Mr Alok Bafna *

* Indian

REGISTERED OFFICE
Parkside Towers, Mombasa road
P. O. Box 73146 – 00200
Nairobi, Kenya

COMPANY SECRETARY
Scribe Services Secretaries
Certified Public Secretaries (Kenya)
P.O. Box 3085 – 00100
NAIROBI, KENYA

AUDITORS
Deloitte and Touche
Certified Public Accountants (Kenya)
Deloitte Place, Waiyaki Way, Muthangari
P. O. Box 40092 - GPO 00100
Nairobi, Kenya

BANKERS
Equity Bank Kenya Limited
Equity Centre
Upper Hill, Hospital Road
P. O. Box 75104 - 00200
Nairobi, Kenya

KCB Bank (Kenya) Limited
Kencom House, 6th Floor, Wing B
P.O. Box 48400 – 00100
NAIROBI, KENYA

NCBA Bank Kenya Plc
P.O. Box 44286 – 00100
NAIROBI, KENYA

Stanbic Bank
Stanbic House, Westlands Road
P.O. Box 30550 – 00100
NAIROBI, KENYA

ABSA Bank Kenya Plc
P.O. Box 46661 – 00100
NAIROBI, KENYA

Standard Chartered PLC
P.O. Box 30003 - 00100
NAIROBI, KENYA

The directors submit their report together with the audited financial statements for the year ended 31 December 2019, which discloses the state of financial affairs of Airtel Mobile Commerce (Kenya) Limited.

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is to hold the funds for Airtel Money E-value account holders, in the trust. The trust funds represent amounts due to customers and agents (E-value holders) arising from deposits through the Airtel Money system.

2. RESULTS

There was no profit or loss as the company did not engage in income earning activities during the year.

3. DIRECTOR'S

The directors who held office during the year and to the date of this report are as listed below;

Name	Nationality	Role	Date of appointment/resignation
Mr. Alok Bafna**	Indian	Chairman	Appointed on 07th November 2017
Mr. Prasanta Das Sarma**	Indian	Director	Appointed on 1st April 2017

** Executive

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

4. GOVERNANCE

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

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

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

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

5. DISCLOSURE OF INFORMATION TO AUDITORS

Each director confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware and that each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

6. AUDITORS

Deloitte & Touché, having expressed their willingness, continue in office in accordance provisions of section 719 (2) of the Kenyan Companies Act, 2015. The Directors monitor the effectiveness, objectivity and independence of the auditor. The Directors also approve the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees.

By order of the Board

SCRIBE SERVICES SECRETARIES
Nairobi, Kenya

25th March **2020**

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the company as at the end of the financial year and of its profit or loss for that year. It also requires the Directors to ensure that the company maintains proper accounting records that are sufficient to show and explain the transactions of the company and disclose, with reasonable accuracy, the financial position of the company. The Directors are also responsible for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and error.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

(i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;

(ii) selecting suitable accounting policies and applying them consistently; and

(iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Company's ability to continue as a going concern, the Directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Board of Directors on 25th March 2020 and signed on its behalf by:

P D Sarma	**Alok Bafna**
Director	**Director**

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place
Waiyaki Way, Muthangari
P.O. Box 40092 - GPO 00100
Nairobi
Kenya

Tel: +254 (0) 20 423 0000
Cell: +254 (0) 719 039 000
Dropping Zone No.92
Email: admin@deloitte.co.ke
www.deloitte.com

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIRTEL MOBILE COMMERCE (KENYA) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Airtel Mobile Commerce (Kenya) Limited, ("the company"), set out on pages 9 to 22, which comprise the statement of financial position as at 31 December 2019 and statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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. The other information comprises the Directors' Report as required by the Kenya Companies Act, 2015. The other information does not include the financial statements and our auditors' 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.

Partners: D. M. Mbogho A. N. Muraya F. Aloo J. Nyang'aya B. W. Irungu I. Karim F. Okwiri F. O. Omondi F. Mitambo P. Seroney D. Waweru C. Luo

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Report on the Audit of the Financial Statements (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 Kenya Companies Act, 2015, 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.

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 ISA's 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.

- 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 those charged with governance 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIRTEL MOBILE COMMERCE (KENYA) LIMITED (Continued)

Report on Other matters prescribed by the Kenya Companies Act, 2015.

In our opinion, the information given in the Directors' Report on pages 3 to 4, is consistent with the financial statements.

Deloitte & Touche

Certified Public Accountants (Kenya)
Nairobi

30 March
------------------------------**2020**

CPA Fredrick Okwiri - P/No 1699.
Signing partner responsible for the independent audit

Airtel Mobile Commerce (Kenya) Limited
Statement of Financial Position
As at 31 December 2019

	Notes	2019 Kshs '000	2018 Kshs '000
Current Assets			
Cash and cash equivalents	5	1,376,214	1,094,373
Total Assets		**1,376,214**	**1,094,373**
Equity and Liabilities			
Equity			
Share capital	6	100	100
Current Liabilities			
Amount due to E-Value holders	7	1,344,734	1,030,542
Amount due to related parties	7	31,380	63,731
Total Current Liabilities		**1,376,114**	**1,094,273**
Total Equity and Liabilities		**1,376,214**	**1,094,373**

The financial statements on pages 9 to 22 were approved and authorized by the Board of directors on 25th March 2020 and signed on its behalf by:

PD Sarma
Director

Alok Bafna
Director

	Notes	Ordinary Share Capital Kshs '000
Year ended 31 December 2019		
Balance as at 1 January 2019		100
Balance as at 31 December 2019	**6**	**100**
Year ended 31 December 2018		
Balance as at 1 January 2018		100
Balance as at 31 December 2018	**6**	**100**

Airtel Mobile Commerce (Kenya) Limited
Statement of Cash flows
For the Year ended 31 December 2019

	Notes	2019 KShs	2018 KShs
Cash flows from operating activities			
Net increase/decrease in amount due to E-value holders	7	314,192	(156,862)
Net decrease in amount due to related parties	7	(32,351)	(6,445)
Net cash generated from/(used in) operating activities		**281,841**	**(163,307)**
Cash flows from financing activities			
Receipt of share capital funds	4	-	100
Net cash from financing activities		**-**	**100**
Net Increase/Decrease in cash and cash equivalents during the year		**281,841**	**(163,207)**
Cash and cash equivalents at the start of the year		1,094,373	1,257,580
Cash and cash equivalents at the end of the year	5	**1,376,214**	**1,094,373**

1. GENERAL INFORMATION

Airtel Mobile Commerce (Kenya) Limited (the company) is incorporated in Kenya under the Kenyan Companies Act as a private limited liability company and is domiciled in Kenya. The address of the registered office is:

LR No. 209/1180
Parkside Towers, Mombasa Road
P.O. Box 73146-00200 City Square
Nairobi

The parent company of this operation is Airtel Mobile Commerce BV which is incorporated in Netherlands.

2. SIGNIFICANT ACCOUNTING POLICES

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the IASB, and the requirements of the Kenyan Companies Act, 2015.

For the purpose of reporting under the Kenyan Companies Act, 2015, the balance sheet in the financial statements is represented by the statement of financial position.

(b) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and Interpretations of those Standards as adopted by the International Accounting Standards Board. The financial statements are presented in Kenya Shillings and are prepared under the historical cost convention, except for available–for-sale investments which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 2p.

(c) Presentation of the statement of financial position

The Company presents its statement of financial position in order of liquidity. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously.

d) Presentation of statement of profit or loss and other comprehensive income

The company does not present a statement of profit or loss and other comprehensive income based on the National Payment System regulations which stipulates that income generated from trust shall be used in accordance with the trust legislation in consultation with the Central Bank of Kenya or shall be donated to a public charitable organization for use for public charitable purposes. In addition, in accordance with the requirements of the trust deed with Airtel Network Kenya Limited, separate accounts are to be maintained for operations. As such, all expenses are borne by Airtel Networks Kenya Limited.

2. SIGNIFICANT ACCOUNTING POLICES (Continued)

(e) Functional and presentation currency

The financial statements are presented in Kenya Shillings which is the company's functional currency.

(f) Revenue recognition

Currently the company does not engage in any activities that generate any form of revenue. Operating expenses of the Trust are accrued and paid for by Airtel Networks Kenya Limited. This is in accordance with the National Payment System Act, 2011 which stipulates that any income generated from placement of these trust funds shall be used in accordance with the trust legislation or donated to a charitable public organization. As per the trust deed, the entity can only offer Airtel Money Services.

(g) Payables and accruals

Payables and accruals being short term in nature are carried at cost as the effect of computing interest is considered to be insignificant.

(h) Retirement benefit costs

Currently the company operates solely under the Airtel Networks Kenya infrastructure and does not have staff of its own.

(i) Taxes

No taxes were accrued for in the year as the company did not engage in trading activities during the year.

(j) Cash and cash equivalents

Cash and cash equivalents are defined as cash in bank accounts, held on behalf of E-value account holders of Airtel Networks Kenya. For the purposes of the statement of cash flows cash and cash equivalents comprise bank balances.

(k) Financial instruments

Cash and cash equivalents are the financial assets of the Company. Similarly, amounts due to related parties, due to E value holders are financial liabilities of the company. All financial assets and liabilities are valued at amortized cost due to their nature and fair value of the same approximate the carrying amount due to short term nature.

(l) Statement of Cash flows

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

2. SIGNIFICANT ACCOUNTING POLICES (Continued)

(m) 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 values (either on a recurring or non-recurring basis). Also, the fair values of financial instruments measured at amortized cost are required to be disclosed in the said financial statements. 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The three levels of the fair-value-hierarchy are described below:

Level 1: Quoted (unadjusted) prices for identical assets or liabilities in active markets
Level 2: Significant inputs to the fair value measurement are directly or indirectly observable
Level 3: Significant inputs to the fair value measurement are unobservable.

(n) Share capital and share premium

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

(o) Contingencies

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

(p) Critical accounting estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The estimates and assumptions are based on the directors' best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) New and amended IFRS Standards that are effective for the current year ended 31 December 2019

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

i. ***IFRS 16 Leases***

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

ii. ***Amendments to IFRS 9 Prepayment Features with Negative Compensation***

The Company has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

iii. ***Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IAS 12 Income Taxes and IAS 23 Borrowing Costs***

The Company has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards:

IAS 12 Income Taxes: The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs: The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

iv. ***Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement***

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Company will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

v. IFRIC 23 Uncertainty over Income Tax Treatments

The Company has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:

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

If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

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

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

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

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

i. 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 formation 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 IAS1. 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.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

ii. Amendments to References to the Conceptual Framework in IFRS Standards.

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

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.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

4. RELATED PARTY TRANSACTIONS AND BALANCES

Amount due to related parties:

	2019 KShs '000	2018 KShs'000	Relationship
Airtel Networks Kenya Limited	31,380	63,731	Fellow subsidiary
Total per Note 7	**31,380**	**63,731**	

This amount is in respect to E-Value arising from post- paid customers' deposits (via Airtel money), shop float as well as payments of purchases of airtime and goods from Airtel Kenya Networks Kenya Limited (via Airtel Money).

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	2019 KShs '000	2018 KShs '000
Standard Chartered PLC	162,620	270,227
Equity Bank Account	346,965	269,460
NCBA Bank Kenya Plc	19,321	3,329
Kenya Commercial Bank Account	289,345	275,111
ABSA Bank Kenya Plc	287,370	276,246
Stanbic Bank Account	270,593	-
Cash at bank	**1,376,214**	**1,094,373**

6. SHARE CAPITAL AND SHAREHOLDING

The shareholding of the Company as at 31 December 2019 is as stated below: -

Name of Shareholder	No. of Shares	% of Share-holding
Airtel Mobile Commerce B.V	999	99.90%
Airtel Mobile Commerce Holdings B.V.	1	0.10%
	1,000	**100%**

	2019 KShs '000	2018 KShs '000
Authorized:		
1,000 ordinary shares of KShs. 100 each	100	100
	===	===
Issued and fully paid:		
1,000 ordinary shares of KShs. 100 each	100	100
	===	===

7. DUE TO E-VALUE HOLDERS

	2019 KShs '000	2018 KShs '000
Amount due to E- Value holders	1,344,734	1,030,542
Amounts due to related parties*	31,380	63,731
Total due to E-Value holders	**1,376,114**	**1,094,273**

*Amount due to related parties is payable to Airtel Networks Kenya Limited. This relates to airtime and data bundles sold through Airtel Money platform. The obligation is settled on a daily basis.

	2019 KShs '000	2018 KShs '000
(a) E- Value with E Value Holders		
As at 1 January	1,030,542	1,187,404
Net (withdrawals)/deposits	314,192	(156,862)
As at 31 December	**1,344,734**	**1,030,542**

(b) E- Value with Related parties

	2019 KShs '000	2018 KShs '000
As at 1 January	63,731	70,176
Net withdrawals	(32,351)	(6,445)
As at 31 December	**31,380**	**63,731**

8. EXPENSES

(a) Audit fees are accrued and paid for by Airtel Networks Kenya Limited (Note 11). The fee for the year 2019 was KShs 1.24 Million (2018: KShs 0.91 Million).

	2019 KShs '000	2018 KShs '000
Audit Fees	1,240	914
Reimbursement by Airtel Networks Kenya Limited	(1,240)	(914)
	-	-

As per Net Payment System Act, 2011, a payment service provider (in this regard, Airtel Networks Kenya Limited) shall, at its own expense, appoint an external auditor who is a member of good standing of the Institute of Certified Public Accountants of Kenya to carry out an audit of the transactions in its business.

(b) All other expenses of the trust are borne by Airtel networks Kenya Limited in accordance with the trust deed.

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's principal financial instruments comprise cash and cash equivalents and payables. These instruments arise directly from its operations. The company does not speculate or trade in derivative financial instruments.

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, liquidity risk and operational risk. The directors review and agree policies for managing these risks.

The directors have overall responsibility for the establishment and oversight of the company's risk management framework. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as foreign exchange rates, interest rates and equity prices. The objective of market risk management is to manage and control market risk exposure within acceptable levels, while optimizing on the return on the risk.

(i) *Foreign Exchange Risk*

Foreign exchange risk arises from future investment transactions on recognized assets and liabilities. The company's policy is to record transactions in foreign currencies at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the statement of financial position date. All gains or losses on changes in currency exchange rates are accounted for in the statement of comprehensive income. The company operates wholly within Kenya and its assets and liabilities are fully denominated in local currency.

(ii) *Interest Rate Risk*

Interest rate risk is the risk that the future profitability and/or cash flows of financial instruments will fluctuate because of changes in the market interest rates. The interest rate exposure arises mainly from the interest rate movements on the borrowings. However, the company does not engage in borrowing activities as its obligation is to hold cash in trust

(iii) *Credit risk*

Credit risk also arises from cash and deposits with banks and financial institutions. Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and also arises from bank balances.

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The tables below detail the credit quality of the Company's financial assets as well as the Company's maximum exposure to credit risk by credit risk rating grade:

	Note	Internal/ external rating	12 months or lifetime ECL	Gross carrying amount	Loss allowance	Net amount
31-Dec-19				**KShs'000**	**KShs'000**	**KShs'000**
Bank balances	5	Investment grade	12 months ECL	1,376,214	-	1,376,214
				1,376,214	**-**	**1,376,214**
31-Dec-18						
Bank balances	5	NA	Incurred loss model	1,094,373	-	1,094,373
				1,094,373	**-**	**1,094,373**

Bank balances are not restricted and include deposits held with banks that have high credit ratings. Bank balances are thus considered investment grade. Impairment loss on the bank balances is therefore not material.

The Cash and Cash equivalents are carried at gross amount – amortized cost. The loss allowance on cash and cash equivalents, if recognized, would pass through the profit and loss account and would be borne by Airtel Networks Kenya Limited. The current liquid assets have been recognized as the principal amount receivable from the Banks excluding any interest.

(iv) LIQUIDITY RISK

Liquidity risk is the risk that the company will encounter difficulty in meeting its obligations from its financial liabilities. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Set out below are the carrying amounts and fair values of the financial instruments that are carried in the financial statements. The cost or carrying amount approximates the fair value.

	Carrying amount		Fair value	
	2019	2018	2019	2018
	KShs '000	KShs	KShs	KShs
Financial Assets				
Amount due from related parties	-	-	-	-
Cash and cash equivalents	1,376,214	1,094,373	1,376,214	1,094,373
Total financial assets	**1,376,214**	**1,094,373**	**1,376,214**	**1,094,373**
Financial Liabilities				
Amounts due to E-Value holders	1,344,734	1,030,542	1,344,734	1,030,542
Amount due from related parties	31,380	63,731	31,380	63,731
Total financial liabilities	**1,376,114**	**1,094,273**	**1,376,114**	**1,094,273**

10. CAPITAL MANAGEMENT

The principal activity of the Company is to hold the funds for Airtel Money E-value account holders, in the trust. The company does not trade and is not allowed to deal in these funds otherwise than to settle obligations arising from genuine transaction of Airtel Mobile Commerce E-value. The principal obligation of the company is not to maximize wealth but to safeguard third party funds.

The capital structure of the company consists of cash and cash equivalents. In order to maintain or adjust the capital structure, the company may return loan capital to shareholders, issue new shares or sell assets to reduce debt.

11. OPERATIONS

The directors have put in place internal controls systems which include instituting measures ostensibly to ensure adequate accounting records are maintained.

12. COMMITMENTS AND CONTIGENCIES

Capital commitments

There was no capital commitment entered into by the company as at the reporting date. (2018: None)

Legal claim

There were no known legal cases against the company as at the reporting date. (2018: None).

13. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date that would require adjustment to, or disclosure in, these financial statements.