

AIRTEL MOBILE COMMERCE UGANDA LIMITED

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31st DECEMBER 2021

AIRTEL MOBILE COMMERCE UGANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2021

Contents	Page
Company Information	2 - 3
Director's Report	4 - 5
Statement of Directors' Responsibilities	6
Independent Auditor's Report	7 - 9
Financial Statements:	
Statement of profit or loss and other comprehensive income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the Financial Statements	14 - 35

AIRTEL MOBILE COMMERCE UGANDA LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2021**

COMPANY INFORMATION

REGISTERED OFFICE AND PRINCIPAL
PLACE OF BUSINESS

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

COMPANY SECRETARY

Dennis Kakonge
Plot 16A Clement Hill Road
P O Box 6771
Kampala, Uganda

COMPANY SOLICITORS

Nangwala, Rezida & Company
Advocates
Suite 3B
3rd Floor, Plot 9 Yusuf Lule Road
P O Box 10304
Kampala, Uganda

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

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

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

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

AIRTEL MOBILE COMMERCE UGANDA LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2021**

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 Hannington Road
P O Box 7101
Kampala, Uganda

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

Centenary Bank (u) ltd
Plot 44-46 Kampala Road,
Plot 2 Burton Street

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

AIRTEL MOBILE COMMERCE UGANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2021

DIRECTORS' REPORT

The Directors submit their report and audited financial statements of Airtel Mobile Commerce Uganda limited ("the Company") for the year ended 31 December 2021, which show the state of affairs of the Company.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the Mobile Commerce Services in Uganda ("Airtel Money Services")

Effective 01 June 2021, in accordance with Bank of Uganda regulation, the shareholders and the Board of Directors of Airtel Uganda Limited and Airtel Mobile Commerce Uganda Limited resolved that provision of mobile commerce services shall be operated and provided through Airtel Mobile Commerce Uganda Limited. Accordingly, annual financial statement of the company for the year ending 31 December 2021 and going forward, shall be prepared for the purposes of the provision of mobile commerce operational activities.

Till 31 May 2021, mobile commerce services were being provided by Airtel Uganda Limited. Till such time the principal activity of the Company was to hold the funds in Airtel Money infrastructure in trust.

SHARE CAPITAL

During the year, Airtel Mobile Commerce BV having 1,999 shares of the Company, has transferred all its shares to the Airtel Mobile Commerce Uganda B.V on 20th August 2020 by way of a Share Transfer Instrument, a Company incorporated in Netherlands and wholly owned subsidiary of Airtel Mobile Commerce BV.

Further During the year, the Company has issued 9,998,000 share of Ush 1,000 each at par to Airtel Mobile Commerce Uganda BV in consideration of a total sum of Ush 9,998,000,000.

FINANCIAL RESULTS

	2021 Ushs million	2020 Ushs million
Profit before taxation	153,438	-
Taxation charge	(46,056)	-
	<hr/>	<hr/>
Profit for the year	107,382	-
	<hr/> <hr/>	<hr/> <hr/>

RESULTS AND DIVIDEND

The profit for the year amounted to Ushs 107,382 million (2020: Nil). During the year ended 31 December 2021 the directors recommended interim dividends on 25th August 2021 amounting to Ushs 9,750 million, on 10th November 2021 amounting to Ushs 37,250 million and on 23rd December 2021 amounting to Ushs 34,000 million totalling to Ushs 81,000 million (2020: NIL) at a rate of Ushs 8,100 per share (refer note 21 of the Financial Statements).

The Directors recommend a final dividend of Ushs 25,000 million i.e. Ushs. 2,500 per share making a total dividend for the year of Ushs 106,000 million.

Subject to the approval of the shareholders at the AGM, the final dividend will be paid on or before 30 June 2022 to the shareholders on the register at the close of business on 31 March 2022. This final dividend is not included as a liability in the financial statements.

AIRTEL MOBILE COMMERCE UGANDA LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2021**

DIRECTORS' REPORT (CONTINUED)

RESERVES

The reserves of the Company are set out on page 12 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:

- Manoj Murali - Executive Director (Appointed effective 1 November 2020)
- Alok Bafna - Non-Executive Director (Appointed effective 1 April 2017)
- Hon. Maria Kiwana Kiwanuka - Non-Executive Director (Appointed effective 1 June 2021)*
- Mr. John Muhaise Bikalemesa - Non-Executive Director (Appointed effective 1 June 2021)*

*Appointment of Directors was approved by Bank of Uganda effective 14th February 2022

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

SHAREHOLDING

The shareholding of the Company as at 31st December 2021 is as follows

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

COVID-19

The Covid-19 pandemic has interrupted business growth across the world, however, the Airtel money service remained a pivot sector amidst tough times providing unabated Mobile money services. Our Service 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 mobile money service running to provide essential 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

2022

Kampala

AIRTEL MOBILE COMMERCE UGANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2021

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 29th March 2022 and signed on its behalf by:



Manoj Murali
Director



Alok Bafna
Director

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Airtel Mobile Commerce Uganda Limited set out on pages 10 to 35, which comprise the statement of financial position as at 31 December 2021, 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 Mobile Commerce Uganda Limited as at 31 December 2021, 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 Mobile Commerce 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 Mobile Commerce 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 MOBILE COMMERCE UGANDA LIMITED (CONTINUED)**

Responsibilities of the Directors for the financial statements

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

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

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

30 March 2022

Kampala

Norbert Kagoro

Norbert Kagoro
Partner

AIRTEL MOBILE COMMERCE UGANDA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31st DECEMBER 2021

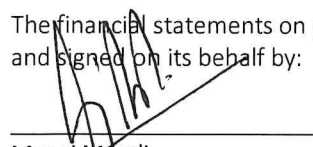
	Note	2021 Ushs million	2020 Ushs million
Income			
Revenue	6	312,400	-
		312,400	-
Expenses:			
Sales and marketing expenses	7(a)	(133,268)	-
Administrative & General Expenses	7(c)	(12,415)	-
Employee benefit expenses	7(b)	(4,919)	-
Licence & Regulatory Fees		(83)	-
Depreciation & amortisation	8	(7,550)	-
Impairment loss on financial assets	13	(409)	-
		158,644	-
Net operating profit		153,756	-
Finance income	9(a)	805	-
Finance costs	9(b)	(1,123)	-
Profit before tax		153,438	-
Tax expense	10	(46,056)	-
Profit for the year		107,382	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year, net of tax		107,382	-

AIRTEL MOBILE COMMERCE UGANDA LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER 2021

	Note	2021 Ushs million	2020 Ushs million
ASSETS			
Non-current assets			
Property, plant and equipment	11	12,062	-
Capital work-in-progress	11	1,315	-
Deferred tax asset (non - current)	10(d)	680	-
		<hr/>	<hr/>
		14,057	-
		<hr/>	<hr/>
Current assets			
Trade and other receivables	13	31,171	-
Cash and cash equivalents	16	28,286	-
Prepayments and other current assets	14	162	-
Balance held under mobile money trust	12	-	401,824
		<hr/>	<hr/>
		59,619	401,824
		<hr/>	<hr/>
TOTAL ASSETS		73,676	401,824
		<hr/> <hr/>	<hr/> <hr/>
EQUITY AND LIABILITIES			
Equity			
Share capital	17	10,000	2
Retained earnings		26,382	-
		<hr/>	<hr/>
		36,382	2
		<hr/>	<hr/>
Current liabilities			
Income tax liabilities	10(c)	3,450	-
Trade and other payables	18	33,844	-
Mobile Money Wallet Balance		-	401,822
		<hr/>	<hr/>
		37,294	401,822
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		73,676	401,824
		<hr/> <hr/>	<hr/> <hr/>

The financial statements on pages 10 to 35 were approved for issue by the Board of Directors on 29th March 2022 and signed on its behalf by:



 Manoj Murali
 Director



 Alok Bafna
 Director

AIRTEL MOBILE COMMERCE UGANDA LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31st DECEMBER 2021

	Share Capital Ushs million	Retained Earnings Ushs million	Total Equity Ushs million
At 1 January 2020	2	-	2
Profit for the year	-	-	-
At 31 December 2020	<u>2</u>	<u>-</u>	<u>2</u>
At 1 January 2021	2	-	2
Issued during the year	9,998	-	9,998
Profit for the year	-	107,382	107,382
Dividends - Interim Dividend FY21-22	-	(81,000)	(81,000)
At 31 December 2021	<u>10,000</u>	<u>26,382</u>	<u>36,382</u>

AIRTEL MOBILE COMMERCE UGANDA LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 Ushs million	2020 Ushs million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		153,438	-
<i>Adjustments for:</i>			
Depreciation & amortisation	8	7,550	-
Finance income	9(a)	(805)	-
Unrealised foreign exchange gains	9(b)	1,085	-
		<hr/>	<hr/>
Operating cash flow before changes in working capital		161,268	-
<i>Changes in working capital;</i>			
Increase in trade and other payables	18	31,173	-
Increase in trade and other receivables	13	(31,171)	-
Decrease in mobile money wallet balance	12	(401,822)	126,565
Increases in prepayments and current assets	14	(162)	-
		<hr/>	<hr/>
Cash generated from operations before tax		(240,714)	126,565
Income tax paid	10(c)	(43,286)	-
		<hr/>	<hr/>
Net cash generated from operating activities		(284,000)	126,565
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(19,342)	-
Interest Received on deposits		805	-
		<hr/>	<hr/>
Net cash used in investing activities		(18,537)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Issue of Shares	17	9,998	-
Dividends Paid	21	(81,000)	-
		<hr/>	<hr/>
Net cash used in financing activities		(71,002)	-
		<hr/>	<hr/>
(Decrease)/Increase in cash and cash equivalents		(373,538)	126,565
Cash and cash equivalents at 1 January	16	401,824	275,259
		<hr/>	<hr/>
Cash and cash equivalents at 31 December	16	28,286	401,824
		<hr/> <hr/>	<hr/> <hr/>

Includes balance held under mobile money trust of Ushs Nil (2020: Ushs 401,824 million) on behalf of mobile money customers which are not available for use by the Company. (refer to note 12)

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2021

1 CORPORATE INFORMATION

Airtel Mobile Commerce Uganda Limited a Company incorporated under the Laws of Uganda and whose registered office is at Airtel Towers, Plot 16A Clement Hill Road, Nakasero and of P.O. Box 6771 Kampala, Uganda (hereinafter referred to as “AMCUL” which expression shall include its successors in title and permitted assigns) of the other part. AMCUL is duly licensed to provide Mobile Commerce Services in Uganda (“Airtel Money Services”). The Company is subsidiary of Airtel Mobile Commerce Uganda B. V The 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 on impact of the initial application of Covid-19-Related Rent Concessions beyond 30 June 2021.

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
- Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract
- Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies
- Amendments to IAS 8 Definition of Accounting Estimates
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from transactions.

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 Mobile Commerce Uganda Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2012 of the Laws of Uganda. The Financial Statements are presented in Uganda Shillings and all values are rounded to the nearest million.

For purposes of reporting under the Companies Act, 2012 of the Laws of Uganda, the Balance Sheet in these Financial Statements is represented by the Statement of Financial Position and the Profit and Loss account is represented by the Statement of Profit or Loss and Other Comprehensive Income.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2021 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of measurement

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

(d) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Functional currency and translation of foreign currencies (Continued)

(ii) Transactions and balances

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

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

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

(e) Property, plant and equipment

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.

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:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2021 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

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

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

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

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

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

(f) Intangible assets

Licences (including Operator License–Central bank of Uganda)

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

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

(g) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and any deposits with original maturities of three months or less (that are readily convertible to known amounts of cash and cash equivalents and subject to an insignificant risk of changes in value). However, for the purpose of the statement of cash flows, in addition to above items, any bank overdrafts that are integral part of the Company's cash management and balance held under mobile money trust are 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)

(h) Provisions

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

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

(i) Employee benefits

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

Defined contribution plans

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

Defined benefit plans

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

Defined benefit costs are split into the following categories:

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

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)

(i) 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.

(j) Income tax

Income tax expense is the aggregate of the charge to the profit or loss in respect of current income tax and deferred income tax. The tax rate and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. 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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2021 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) **Income tax (continued)**

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.

(k) **Financial instruments**

Recognition, classification and presentation

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

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

The Company classifies its financial assets in the following categories:

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

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

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

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

Measurement – Non-derivative financial instruments

(i) **Initial measurement**

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Financial instruments (Continued)

Measurement – Non-derivative 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 recognized in the profit and loss within finance income/finance costs separately from the other gains/losses arising from changes in the fair value.

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and debt instrument carried at FVTOCI. The impairment

methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. If credit risk has not increased significantly, 12 month expected credit loss ('ECL') is used to provide for impairment loss, otherwise lifetime ECL is used.

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

(i) Subsequent measurement – financial liabilities

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

Measurement – derivative financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2021 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (continued)

Hedging activities

(ii) 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 recognized 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.

(iii) 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 recognized 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 recognized 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 recognized 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 recognized (on the basis as discussed in the above paragraph) when the forecast transaction is ultimately recognized 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 recognizably transferred to the profit and loss within finance income/finance costs.

(iv) Derecognition

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of non-financial assets

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

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

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

Reversal of impairment losses

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

(n) 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.

(o) 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.

(p) Comparatives

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

(q) Current versus non-current classification

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2021 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Current versus non-current classification (continued)

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.

(r) 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.

(s) Dividends

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

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.

4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(a) Key sources of estimation uncertainty (Continued)

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Property, plant and equipment

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

Intangible assets

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

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 the Bank of Uganda (BoU) 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, AMCUL is duly licensed to provide Mobile Commerce Services in Uganda ("Airtel Money Services) based on National Payment System (NPS) regulation and guidelines which were issued by Bank of Uganda and accordingly Mobile commercial business was separated from Airtel Uganda Limited w.e.f. 1st Jun 2021 by transfer of assets related to mobile commerce services.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2021 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

a) *Market risk*

(i) **Foreign exchange risk**

The Company operates locally and is not exposed to foreign exchange risk arising from various currency exposures.

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

At 31 December 2021, if the Uganda Shilling had weakened/strengthened by 5% to 3,719/3,365 against the US Dollar with all other variables held constant, as opposed to actual as at year end of 3,542.00, pre-tax profit for the year would have been Ushs 220 million (2020: Nil) lower/higher mainly as a result of US Dollar liabilities exceeding the US Dollar assets.

Foreign Currency Exposure

Particulars	2021 Ushs million	2020 Ushs million
Cash & cash equivalents (net)	2,905	-
Amount due to related party	(22)	-
Amount due From related party	1,515	-
Total Foreign currency exposure (Net)	4,398	-

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

	2021	2020
Average Rate	3,555.01	3,665.10
Closing Rate	3,542.00	3,650.25

(ii) **Price risk**

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

(iii) **Cash flow and interest rate risk**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2021 (CONTINUED)

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 2021 is made up as follows:

	2021 Ushs million	2020 Ushs million
Trade debtors	1,385	-
Amounts due from related parties	30,195	-
	<hr/>	<hr/>
	31,580	-
Bank balances	16,386	-
	<hr/>	<hr/>
	47,966	-
	<hr/> <hr/>	<hr/> <hr/>

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances.

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

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

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

	<1 year Ushs million	1 – 2 years Ushs million	2-5 years Ushs million	Total Ushs million
At 31 December 2021:				
Trade and other accrued liabilities	33,844	-	-	33,844
	<hr/>	<hr/>	<hr/>	<hr/>
	33,844	-	-	33,844
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2021 (CONTINUED)

	2021 Ushs million	2020 Ushs million
6 REVENUE		
Cash out Revenue	150,296	-
Recharge Revenue	64,256	-
Money transfer revenue	47,019	-
Bill payment Revenue	37,822	-
Others	13,007	-
Total	312,400	-
Unbilled revenue as at 31 December 2021 is Ushs 482 million (2020: Nil).		
7 (a) SALES AND MARKETING		
Sales and distribution Expense	128,930	-
Marketing Expense	4,338	-
	133,268	-
7 (b) EMPLOYEE COSTS		
Salaries	4,594	-
Defined Contribution plan	325	-
	4,919	-
7 (c) Other Operating Expenses		
Legal & professional fees	5,258	-
Rates and taxes	1,421	-
IT expenses	3,451	-
Audit Fees	157	-
Others	2,128	-
	12,415	-
8 DEPRECIATION		
Depreciation of property, plant and equipment	7,550	-
	7,550	-

AIRTEL MOBILE COMMERCE UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2021 (CONTINUED)

	2021 Ushs million	2020 Ushs million
9 FINANCE INCOME /COSTS		
(a) Finance income		
Interest income on deposits	805	-
	<u>805</u>	<u>-</u>
(b) Finance costs		
Unrealised Exchange Fluctuation Loss	1,085	-
Other finance charges	38	-
	<u>1,123</u>	<u>-</u>

10 TAXATION

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

Current tax expense	46,736	-
Deferred tax expense	(680)	-
	<u>46,056</u>	<u>-</u>

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

	2021 Ushs million	2020 Ushs million
Profit before tax	153,438	-
Enacted tax rates in Uganda	30%	-
Tax expense at 30%	46,031	-
Effect of:		
(Income) / expense not (taxable) / deductible (net)	25	-
Income tax expense	<u>46,056</u>	<u>-</u>

(c) Income tax liabilities

Income tax liabilities of Ushs 3,450 million (2020: Nil).

	2021 Ushs million	2020 Ushs million
Opening balance	-	-
Current tax expense	46,736	-
Advance tax paid	(43,286)	-
Closing Balance	<u>3,450</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2021 (CONTINUED)

10 TAXATION (CONTINUED)

(d) Deferred Tax Asset

The Company has a net deferred income tax liability of Ushs 680 million (2020: Nil) arising from accelerated tax depreciation and other temporary differences.

	At 1 January 2021 Ushs million	Movement for the year Ushs million	At 31 December 2021 Ushs million
Accelerated tax depreciation	-	375	375
Short term timing differences	-	305	305
Net deferred tax Asset	-	680	680

(e) Income tax paid

	2021 Ushs million	2020 Ushs million
Withholding Tax paid	4,519	-
Advance Tax Paid	38,767	-
Income Taxation paid	43,286	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT

	Office equipment & furniture Ushs million	Computers Ushs million	Capital work in progress Ushs million	Total Ushs million
At 1 January 2021	-	-	-	-
Additions/Disposal**	12,417	61,123	1,315	74,855
At 31 December 2021	12,417	61,123	1,315	74,855
ACCUMULATED DEPRECIATION				
At 1 January 2021	-	-	-	-
Additions/Disposal**	1,179	52,749	-	53,928
Charge for the year	1,883	5,667	-	7,550
At 31 December 2021	3,062	58,416	-	61,478
NET CARRYING AMOUNT				
At 31 December 2021	9,355	2,707	1,315	13,377

** Certain assets have been acquired from Airtel Uganda Limited as at 1st June 2021 for a purchase consideration equals to Net book value of Ushs 11,335 million, in line with the asset transfer agreement. (Gross Book Value Ushs 65,371 million, accumulated depreciation Ushs 54,036 million)

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

12. BALANCE HELD UNDER MOBILE MONEY TRUST

In accordance with Bank of Uganda regulation, annual financial statement of the company for the year ending 31 December 2021 and going forward, shall be prepared for the purposes of the provision of mobile commerce operational activities. During the year the company has obtained license from Bank of Uganda under National Payment Systems Act, 2020 whereby Airtel Money Trust Fund is deemed to be incorporated as a body corporate by virtue of section 49 (5). Of National Payment Systems Act, 2020 and Regulation 13 (3) of the National Payment Systems Regulations, 2021, and is domiciled in Uganda. The Trust was officially incorporated on 13th April 2021 and commenced operation on 17 May 2021.

Based on above the balance held under mobile money trust was transferred to Airtel Money Trust Fund. As per regulations, The Board of Trustees is responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

	2021 Ushs million	2020 Ushs million
Opening Balance as at 1 st Jan	401,824	275,259
Additions	-	126,565
Transfer to Airtel Money Trust Fund	(401,824)	-
Closing Balance as at 31st Dec	-	401,824

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2021 (CONTINUED)

13 TRADE AND OTHER RECEIVABLES

	2021 Ushs million	2020 Ushs million
Trade receivables	1,385	-
Amount due from related party (refer Note 15)	30,195	-
	<hr/>	<hr/>
Gross trade receivables	31,580	-
Provision for impairment	(409)	-
	<hr/>	<hr/>
	31,171	-
	<hr/> <hr/>	<hr/> <hr/>

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

	2021 Ushs million	2020 Ushs million
Impairment Provision		
At 1 January	-	-
Additions	409	-
	<hr/>	<hr/>
At 31 December	409	-
	<hr/> <hr/>	<hr/> <hr/>

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

14 PREPAYMENTS AND OTHER CURRENT ASSETS

	2021 Ushs million	2020 Ushs million
Prepaid expense	66	-
VAT recoverable	96	-
	<hr/>	<hr/>
At 31 December	162	-
	<hr/> <hr/>	<hr/> <hr/>

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

15 RELATED PARTY TRANSACTIONS AND BALANCES

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2021 (CONTINUED)

15 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Name of related party	Relationship to Company	2021 Ushs million	2020 Ushs million
Purchase of goods and services			
Airtel Uganda Limited	Fellow subsidiary	24,542	-
Sale of goods and services			
Airtel Uganda Limited	Fellow subsidiary	96,816	-
Receivable from related parties			
Airtel Uganda Limited	Fellow subsidiary	28,679	-
Airtel Mobile Commerce Limited	Fellow subsidiary	941	-
Airtel Mobile Commerce Zambia Limited	Fellow subsidiary	377	-
Airtel Money Tanzania Limited	Fellow subsidiary	198	-
Total		30,195	-
Payables to related parties			
Airtel Mobile Commerce Rwanda Limited	Fellow subsidiary	22	-
Total		22	-
		2021 Ushs million	2020 Ushs million

16. CASH AND CASH EQUIVALENTS

Cash at bank	16,386	-
Cash at hand	1,483	-
Cash held at wallet	10,417	-
	28,286	-

17. SHARE CAPITAL

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

Details are shown below:

	2021 Ushs million	2020 Ushs million
a) Authorised share capital:		
10,000,000 ordinary shares of Ushs 1000	10,000	2
b) Ordinary shares issued and fully paid:		
10,000,000 ordinary shares of Ushs 1000 each (9,998,000 shares issued during March 2021 at par)	10,000	2

During the year, the Company has issued 9,998,000 share of Ush 1,000 each at par to Airtel Mobile Commerce Uganda BV in consideration of a total sum of Ush 9,998,000,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2021 (CONTINUED)

18. TRADE AND OTHER PAYABLES

	2021	2020
	Ushs million	Ushs million
Trade payables	10,949	-
Statutory due payables	16,285	-
Equipment supply payables	1,585	-
Other payable	5,003	-
Amounts due to related parties	22	-
	<u>33,844</u>	<u>-</u>

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

19. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Particulars	Carrying Amount		Fair Value	
	At 31 December 2021	At 31 December 2020	At 31 December 2021	At 31 December 2020
Financial assets				
Assets carried at Fair Value				
Cash and cash equivalents	28,286	-	28,286	-
Trade and other receivables	<u>31,171</u>	<u>-</u>	<u>31,171</u>	<u>-</u>
Liabilities carried at Fair Value				
Trade & other payables	33,844	-	33,844	-
Balance held under mobile money trust	<u>-</u>	<u>401,824</u>	<u>-</u>	<u>401,824</u>

20. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at 31 December 2021, there were no legal proceedings pending thus Nil Liability

b) Tax proceedings

As at 31 December 2021, there were no tax proceedings thus Nil liability.

c) Capital commitments

Capital commitments of Ushs 2,283 million (2020: Nil) represent the unexecuted capital contracts as at 31 December 2021. These are contracts between Airtel Mobile Commerce Uganda Limited and its vendors for the provision of Capex material.

	2021	2020
	Ushs million	Ushs million
Within one year	<u>2,283</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2021 (CONTINUED)

21. DIVIDENDS DECLARED

The profit for the year amounted to Ushs 107,383 million. During the year ended 31 December 2021 the directors recommended interim dividends on 25th August 2021 amounting to Ushs 9,750 million, on 10th November 2021 amounting to Ushs 37,250 million and on 23rd December 2021 amounting to Ushs 34,000 million totalling to Ushs 81,000 million (2020: NIL).

	2021 Ushs million	2020 Ushs million
At 1 January	-	-
Interim Dividend Declared	81,000	-
Dividend Paid	(81,000)	-
	<hr/>	<hr/>
At 31 December	-	-
	<hr/>	<hr/>

22. SUBSEQUENT EVENT

There were no material subsequent events for the year ended 31 December 2021. 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.