AIRTEL UGANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2019

AIRTEL UGANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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AIRTEL UGANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2019

COMPANY INFORMATION

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

COMPANY INFORMATION (CONTINUED)

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

DIRECTORS' REPORT

The Directors submit their report and audited financial statements of Airtel Uganda Limited ("the Company") for the year ended 31 December 2019, which show the state of affairs of the company.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

	2019 Ushs million	2018 Ushs million
Profit before taxation	450,215	432,338
Taxation charge	(133,540)	(94,256)
Profit for the year	**316,675**	**338,082**

RESULTS AND DIVIDEND

The profit for the year amounted to Ushs 316,675 million (2018: Ushs 338,082 million). The Directors declared an interim dividend for the year ended 31 December 2019 amounting to Ushs 172,480 million (2018: 225,280) at the rate of 12,250 per share (refer note 29 of the Financial Statements). The Directors recommend a final dividend of Ushs of 121,088 million at the rate of Ushs. 8,600 per share making a total dividend for the year of Ushs 293,568 million at the rate of Ushs 20,850 per share for the year ended 31st December 2019. Subject to the approval of shareholders at the AGM, the final dividend will be paid on or before 30 September 2020 to shareholders on the register at the close of business on 12 March 2020. This final proposed dividend is not included as liability in financial statements.

RESERVES

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

DIRECTORS

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

Hannington Karuhanga	-	Chairman Appointed effective 1 April 2016 and Member effective 6 September 2000)
VG Somasekhar	-	Member (Appointed effective 1 September 2017)
Alok Bafna	-	Member (Appointed effective 1 April 2017)
Daddy Bijitu Mukadi	-	Member (Resigned effective 1 February 2019)
Rama Krishna Lella	-	Member (Appointed effective 6 February 2019)
Rajeev Sethi	-	Member (Appointed on 1 February 2019 and Resigned effective 15 May 2019)
Ian Basil Ferrao	-	Member (Appointed effective 16 September 2019)

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

Shareholding

The shareholding of the Company as at 31st December 2019 is as follows

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

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

2020

Kampala

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Companies Act, 2012 of the Laws of Uganda requires the Directors to prepare Financial Statements for each financial year, which give a true and fair view of the State of Financial Affairs of the Company as at the end of the financial year and of its operating results for that year. The Act also requires the Directors to ensure the Company keeps proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors are ultimately responsible for the internal control. The Directors delegate responsibility for internal control to Management. Standards and systems of internal control are designed and implemented by Management to provide reasonable assurance as to the integrity and reliability of the Financial Statements and to adequately safeguard, verify and maintain accountability of the Company's assets. Appropriate accounting policies supported by reasonable and prudent judgments and estimates, are applied on a consistent and using the going concern basis. These systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

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

The Financial Statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Financial Statements were approved by the Board of Directors on **12th day of March, 2020** and signed on its behalf by:

VG Somasekhar
Director

Hannington Karuhanga
Chairman

Deloitte.

Deloitte & Touche
Certified Public Accountant of Uganda
CPAU Registration No:AF0001
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIRTEL UGANDA LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Airtel Uganda Limited set out on pages 9 to 47, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Airtel Uganda Limited as at 31 December 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 Companies Act, 2012 of the laws of Uganda.

Basis for Opinion

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

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

Other information

The Directors are responsible for the other information, which comprises the information included in the Director's report and statement of director's 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.

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.

- 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.

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

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

24 March **2020**

Kampala

NKagoro

Norbert Kagoro
Partner

AIRTEL UGANDA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 Ushs million	2018 Ushs million
Revenue	6	1,271,530	1,180,712
Other operating income	7	7,622	5,968
		1,279,152	1,186,680
Operating expenses	8	(571,285)	(573,708)
Net operating profit		707,867	612,972
Depreciation & amortisation	9	(206,743)	(148,934)
Profit from operations before tax,		501,124	464,038
Finance costs and income			
Finance income	10(a)	36,971	43,846
Finance costs	10(b)	(87,880)	(75,546)
Profit before tax		450,215	432,338
Tax credit/(Expense)	11(a)	(133,540)	(94,256)
Profit for the year		316,675	338,082
Other comprehensive income for the year	25	27	43
Total comprehensive income for the year, net of tax		**316,702**	**338,125**

AIRTEL UGANDA LIMITED

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

	Note	2019 Ushs million	2018 Ushs million
ASSETS			
Non-current assets			
Property, plant and equipment	12	623,069	728,591
Right of use assets	13	409,743	-
Investment property	14	-	-
Intangible assets	15	112,956	118,305
Loan to related parties	19(b)	-	935,060
		1,145,768	1,781,956
Current assets			
Inventories	16	2,618	1,384
Trade and other receivables	17	24,946	26,904
Income tax recoverable (Net)	11(c)	9,762	22,251
Prepayments and other current assets	18	74,895	36,537
Amounts due from related parties	19(a)	12,674	10,078
Cash and cash equivalents	20	47,509	13,898
		172,404	111,052
TOTAL ASSETS		**1,318,172**	**1,893,008**
EQUITY AND LIABILITIES			
Equity			
Share capital	21(a)	1,408	1,408
Share premium	21(b)	16,128	16,128
Retained earnings		121,397	125,612
Other reserve		52	25
		138,985	143,173
Non-current liabilities			
Borrowings	22	368,267	-
Provisions	25	2,084	1,619
Deferred tax liability	11(d)	59,760	55,692
Lease liabilities	26	428,622	223,010
		858,733	280,321
Current liabilities			
Borrowings	22	-	1,118,734
Amounts due to related parties	19(a)	6,727	6,453
Deferred revenue	24	13,953	19,695
Provisions	25	652	488
Lease liabilities	26	80,973	31,524
Dividend payable	29	-	112,640
Trade and other payables	23	218,149	179,980
		320,454	1,469,514
TOTAL EQUITY AND LIABILITIES		**1,318,172**	**1,893,008**

The financial statements on pages 9 to 47 were approved for issue by the Board of Directors on **12th day of March,2020** and signed on its behalf by:

VG Somasekhar
Director

Hannington Karuhanga
Chairman

AIRTEL UGANDA LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital	Share premium	Preference Shares	Retained Earnings	Other Components of Equity	Total Equity
	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million	Ushs million
At 1 January 2018	**1,408**	**183,647**	**11,168**	**44,250**	**(18)**	**240,455**
Redemption of Preference share	-	(167,519)	(11,168)	-	-	(178,687)
Profit for the year	-	-	-	338,082	-	338,082
Dividends	-	-	-	(256,720)	-	(256,720)
Other comprehensive income (loss)/gain	-	-	-	-	43	43
At 31 December 2018	**1,408**	**16,128**	**-**	**125,612**	**25**	**143,173**
At 1 January 2019	**1,408**	**16,128**	**-**	**125,612**	**25**	**143,173**
IFRS-15 Adjustments	-	-	-	839	-	839
Transition adjustment on adoption of IFRS 16*	-	-	-	(36,609)	-	(36,609)
At 1 January 2019 (Adjusted)	**1,408**	**16,128**	**-**	**89,842**	**25**	**107,403**
Profit for the year	-	-	-	316,675	-	316,675
Dividends	-	-	-	(285,120)	-	(285,120)
Other comprehensive income (loss)/gain	-	-	-	-	27	27
At 31 December 2019	**1,408**	**16,128**	**-**	**121,397**	**52**	**138,985**

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

AIRTEL UGANDA LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 Ushs million	2018 Ushs million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		450,215	432,338
Adjustments for:			
Depreciation & amortisation	9	206,743	148,934
Loss/(Gain) on disposal of property, plant and equipment	12	25	-
Loss/(Gain) on retirement of Right of Use assets		(237)	-
Interest income	10(a)	(25,842)	(25,769)
Unrealised foreign exchange (gains)	10(a)	(11,129)	(18,077)
Interest on borrowings	10(b)	42,673	34,040
Debt origination cost	10(b)	100	693
Interest expense on finance lease	10(b)	41,337	17,377
Operating cash flow before changes in working capital		703,885	589,536
Changes in working capital;			
(Increase) in inventories	16	(1,234)	(712)
Decrease in trade and other receivables	17	1,959	8,217
(Increase)/Decrease in prepayments and other current assets	18	(28,405)	2,186
(Increase)/Decrease in due from related parties	19(a)	(2,596)	10,861
Increase/(Decrease) in trade and other payables	23	23,426	(29,436)
(Decrease) in other liabilities	23	(3,623)	(25,110)
Increase in amounts due to related parties	19(a)	274	1,946
Cash generated from operations before tax		693,686	557,487
Income tax paid	11(e)	(101,026)	(109,586)
Net cash generated from operating activities		**592,660**	**447,901**
CASH FLOWS FROM INVESTING ACTIVITES			
Purchase of property, plant and equipment		(211,074)	(165,178)
Purchase of intangibles	15	(4,619)	-
Loans to related parties	19(b)	935,060	(537,250)
Deferred consideration paid	24	-	(35,692)
Interest Income received	10(a)	25,842	463
Net cash used in investing activities		**745,209**	**(737,657)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	22	-	1,015,945
Repayment of borrowings	22	(749,932)	(384,067)
Interest paid on Borrowing		(46,738)	(29,672)
Interest paid on finance lease	26	(41,337)	(17,841)
Repayment of finance lease obligation	25	(68,491)	(24,755)
Dividends Paid	29	(397,760)	(144,080)
Redemption of preference shares		-	(178,687)
Net cash generated (used in) /from financing activities		**(1,304,258)**	**236,843**
Increase/(decrease) in cash and cash equivalents		33,611	(52,912)
Cash and cash equivalents at 1 January	20	13,898	66,810
Cash and cash equivalents at 31 December	20	**47,509**	**13,898**

1 CORPORATE INFORMATION

Airtel Uganda Limited is incorporated in Uganda under the Companies Act as a limited liability Company, and is domiciled in Uganda. The address of its registered office is Airtel House, Plot 16A Clement Hill Road, Kampala, Uganda. Its principal activities are the operation of a cellular telephone network in Uganda and the provision of telecommunication services. The Company is subsidiary of Bharti Airtel Uganda Holdings B.V. The Step Up Parent is Airtel Africa PLC (listed in London stock exchange and Nigeria stock exchange).

The Financial Statements of the Company for the year ended 31 December 2019 were authorized for issue in accordance with a resolution of the Directors on 12th March 2020.

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

New and revised IFRSs in issue effective annual periods beginning on or after 1 January 2019

Impact of initial application of IFRS 16 Leases

In the current year, the Company has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

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. Details of these new requirements are described in note 3. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1 January 2019.

The Company has applied IFRS 16 using the modified retrospective approach.

(a) Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

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

Applying IFRS 16, for all leases the Company:

(a) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;

(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;

(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

(ii) Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Company's financial statements.

(c) Financial impact of the initial application of IFRS 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current and prior years.

Impact on profit or loss	**31 December 2019 Ushs million**	**31 December 2018 Ushs million**
Increase in depreciation of right-of-use asset (1)	41,230	-
Increase in finance costs (1)	23,685	-
Decrease in other expenses (1)	(64,265)	-
Increase/(decrease) in profit for the year	**650**	**-**

Impact on assets, liabilities and equity as at 1 January 2019	**IFRS 16 adjustments Ushs million**
Right-of-use assets (1)	204,452
Deferred tax Asset	15,956
Net impact on total assets	220,408
Lease liabilities (1)	257,639
Lease equalisation reserves (trade and other payables)	(622)
Net impact on total liabilities	257,017
Retained earnings	**36,609**

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

Company as a lessee:

(1) The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets of Ushs 204,452 and lease liabilities of Ushs 257,639. It also resulted in a decrease in other expenses of Ushs 64,265 and an increase in depreciation of Ushs 41,230 and interest expense of Ushs 23,685.

The application of IFRS 16 has an impact on the statement of cash flows of the Company.

Under IFRS 16, lessees must present:
Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Company has opted to include interest paid as part of financing activities); and
Cash payments for the principal portion for a lease liability, as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by Ushs 64,915 (2018: Ushs Nil), being the lease payments, and net cash used in financing activities has increased by the same amount.

The adoption of IFRS 16 did not have an impact on net cash flows.

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.

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

IFRIC 23 Uncertainty over Income Tax Treatments

The Annual Improvements include amendments to four Standards.

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a Company; 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 entity 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 entity should reflect the effect of uncertainty in determining its accounting tax position. The Interpretation is effective for annual periods beginning on or after 1 January 2019.

Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The Directors do not anticipate any changes to the recognition of revenue of the company's services customers. The Company recognises revenue when control of the services underlying a particular performance obligation is transferred to the customer.

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 IAS 1 and IAS 8 Definition of material
(Effective for annual periods beginning on or after 1 January 2020).

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

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

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

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

Amendments to References to the Conceptual Framework in IFRS Standards
(Effective for annual periods beginning on or after 1 January 2020)

Together with the revised Conceptual Framework, which became effective upon publication on 29th 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.

2.2 New and Revised IFRSs in issue but not yet effective (Continued):
Amendments to References to the Conceptual Framework in IFRS Standards (Continued)
(Effective for annual periods beginning on or after 1 January 2020)

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

The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's Financial Statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The Financial Statements of Airtel Uganda Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2012 of the Laws of Uganda. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The Financial Statements are presented in Uganda Shillings and all values are rounded to the nearest million.

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

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

(b) Revenue recognition

Revenue from operations consist of recurring revenue, such as billings to customers for monthly subscription fees, roaming, leased line and airtime usage fees, and non-recurring revenue, such as one-time connection fees and telephone equipment and accessory sales. Recurring revenue is recognised when the related service is rendered. Revenue for airtime usage and subscription fees is recognised when the service is provided. Interconnect revenue is recognised in the month when the service is provided and is based on relevant network/system reports. Interconnect revenue is billed once the traffic has been reconciled with the relevant interconnect partner. Revenue from connection fees is recognised when the customer is connected and able to use the service. Other revenue, which arises from service contracts, sales of telephones and accessories or other services, is recognised in the month during which the services or goods are provided.

Revenue also includes transaction fees from money transfer, bill pay and collection service. Financial services include various transactions like airtime purchases, cash outs, peer to peer (P2P) transfers, credit services, bulk payments, bill payments, collection services. Revenue is being recognised as and when the transaction is performed and service has been provided.

Electronic recharges enable the forward purchase of a specified amount of airtime by distributors and retailers. Revenue is recognised as and when the airtime is used by customer. However, direct costs associated with this electronic airtime purchase which includes channel margins, are recognised at the point of sale. Unused airtime is carried in the Statement of Financial Position as Deferred Income within Current Liabilities.

Specific customer acquisition costs are amortized over the useful life of the customer which has been estimated at 39 months and charged to Marketing Expenses or Dealer Commissions in the month of amortization.

(c) Functional currency and translation of foreign currencies

Transactions are recorded on initial recognition in Uganda Shillings, being the currency of the primary economic environment in which the Company operates (the functional currency). Transactions in foreign currencies are converted into Uganda Shillings using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Functional currency and translation of foreign currencies

the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'Finance Income or Cost'.

All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other (losses)/gains – net'. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(d) Property, plant and equipment

All categories of property 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. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight line method to allocate their cost amounts less their residual values over their estimated useful lives, as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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).

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

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequently, intangible assets are carried at cost less accumulated amortisation and any accumulated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Intangible assets (Continued)

impairment losses. Intangible assets with infinite lives are amortised over their economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The telecoms operating licence is amortised over validity period of the license whilst computer software is amortised over three years.

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

(f) Accounting for leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and involves an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether or not the arrangement conveys a right to use the asset.

Finance leases

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item to the lessee are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Where a finance lease results from a sale and lease back transaction, any excess of the sale proceeds over the carrying amount of the asset is deferred and amortised over the lease term.

Capitalised leased assets are depreciated over the shorter of the estimated useful lives of the assets, or the lease term if there is no reasonable certainty that the company will obtain ownership by the end of the lease term.

Operating leases

Operating leases are all leases that are not finance leases. Operating lease payments are recognised as expenses in the profit or loss on the straight line basis over the lease term.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis.Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(h) Trade receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. The Company uses a provision matrix to measure the expected credit loss of trade receivables. Refer note 17 for details on the impairment of trade receivables. Based on the industry practices and the business environment in which the entity operates, Management considers that the trade receivables are credit impaired if the payments are more than 90 days past due and in case of interconnect receivables more than 9 months.

The Company performs on-going credit evaluations of its customers' financial condition and monitors the credit-worthiness of its customers to which it grants credit in its ordinary course of business. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Trade receivables (continued)

Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount due. Where the financial asset has been written-off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit and loss.

(i) Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

(k) 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.

(l) Employee benefits

Retirement benefit obligations

The company contributes to the statutory National Social Security Fund (NSSF), which is a defined contribution scheme registered under the National Social Security Fund Act, 1985. Under this scheme, the employee contributes 5% of their gross salary while the employer contributes 10% of each employee's gross salary. The total remittance to the fund per month in respect of each employee is 15%. The contribution is charged to the statement of comprehensive income in the year in which it is incurred.

Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Income tax

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

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

(n) Borrowings

Borrowings are recognised initially at fair value. Borrowings are subsequently stated at amortised cost using the effective interest rate method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

Borrowings are classified as current liabilities if settlement of the liability is due within the year and as noncurrent liabilities if settlement of the liability is due at least 12 months after the reporting date.

(o) Financial instruments

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets and financial liabilities at initial recognition. Financial instruments are initially recognised when the Company becomes party to the contractual terms of the instruments and are measured at fair value of the consideration given (financial asset) or received (financial liability) for it plus, in the case of instruments not at fair value through profit or loss, directly attributable transaction costs. The Company's financial assets include cash and short-term deposits, trade and other receivables and derivatives.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial instruments (continued)

Subsequent measurement (continued)

Derivatives, including separated embedded derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial assets are designated upon initial recognition at fair value through profit or loss when the same are managed on the basis of their fair value and their performance is evaluated on fair value basis in accordance with a documented risk management or investment strategy. Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with changes in fair value recognised in finance income or finance costs in Profit or Loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Trade receivables

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

Other receivables

Other receivables are carried at amortised cost which approximates the original invoice amount less provision made for impairment losses. An allowance for impairment of other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables

Derecognition

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

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

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

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial instruments (continued)

Impairment of financial assets (continued)

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligation

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1) The financial instrument has a low risk of default,
2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial instruments (continued)

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event;
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the trade receivables has crossed the law of limitation period past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The company's financial liabilities include trade payables, borrowings, derivatives and other payables.

Subsequent measurement

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial instruments (continued)

Trade payables

After initial recognition, trade payables are subsequently measured at amortised cost. Gains and losses on derecognition and amortisation is recognised in profit or loss.

Borrowings

After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Comprehensive Income.

Other accounts payable

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

Derivatives

Derivatives, including separated embedded derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities at fair value through profit or loss are carried in the Statement of Financial Position at fair value with changes in fair value recognised in finance income or finance costs in the Statement of Comprehensive Income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

(p) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(q) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group's of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the Statement of Comprehensive Income in those expense categories consistent with the function of the impaired asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Asset Retirement obligation (ARO)

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

(s) Investment property

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

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

(t) 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.

(u) 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.

(v) Comparatives

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

(w) Contingencies

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

(x) Dividends

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

4 CRITICAL ACCOUNTING ESTIMATES 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:

Income taxes

The company is subject to income taxes under the Income Tax Act 1997 (as amended). Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Separating lease and non-lease components

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

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.

Contingent liabilities and provisions

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

Inventory obsolescence

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

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

a) Market risk

(i) Foreign exchange risk

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

The company's foreign exchange risk management does not include formal hedging but monitoring of the movement in the rates and only trading when the rate is favourable and limiting the amounts traded when the rate is not favourable. Following the significant exchange rate fluctuations historically, Airtel has continuously embarked on aggressive negotiations to have all local suppliers of operational expenditure items charge the company in local currency.

At 31 December 2019, if the Uganda Shilling had weakened/strengthened by 5% to 3,848/3,482 against the US Dollar with all other variables held constant, as opposed to actual as at year end of 3,665.00, pre-tax profit for the year would have been Ushs 1,732 million (2018: Ushs 2,448 million) lower/higher mainly as a result of US Dollar liabilities exceeding the US Dollar assets.

Foreign Currency Exposure

Particulars	**2019 Ushs million**	**2018 Ushs million**
Cash & cash equivalents (net)	1,324	5,907
Trade receivables	34,496	29,744
Trade payables	(60,966)	(57,677)
Borrowings	(289,535)	(965,620)
Amount due to related party	(6,727)	(6,453)
Amount due From related party	12,674	10,078
Loan to Related Companies	-	935,060
Total Foreign currency exposure (Net)	**(308,734)**	**(48,961)**

Note: Above figures are foreign currency denominated assets/liabilities only

The following US Dollar exchange rates applied during the period:

	2019	**2018**
Average Rate	3,674.01	3,712.66
Closing Rate	3,665.00	3,713.52

(ii) Price risk

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

(iii) Cash flow and interest rate risk

The Company's exposure to market risk for changes in interest rate relates primarily to the company's long-term debt obligations. The Company's policy is to manage its interest cost using negotiated variable rates resulting in cash flow and interest rate risk. In principle, interest on loans is at 1.05% to 3.3% over the London Interbank Offer Rate (LIBOR).

At 31 December 2019, if the Interest rate would decrease/increase by 1% with all other variables held constant, pre-tax profit for the year would have been increased/decreased by Ushs 3,682 million (2018: Ushs 11,187 million) mainly as a result of interest rate change.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk

Credit risk arises from trade and other receivables. The credit control function assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual credit limits are set based on internal or external factors including a percentage of the security deposit made or in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

Barring and denial of services is enforced for those customers that have not paid within the required time.

The amount that best represents the Company's maximum exposure to credit risk at 31 December 2019 is made up as follows:

	2019 Ushs million	2018 Ushs million
Trade debtors	19,478	19,253
Interconnect debtors	26,422	25,734
Roaming receivables	2,586	1,836
Other receivables	689	586
Deferred consideration	-	1,166
	49,175	**48,575**
Bank balances	18,455	13,017
Employee receivables	395	302
Amounts due from related parties	12,674	10,078
	80,699	**71,972**

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

The ageing of the trade receivables is shown below:

	2019 Ushs million	2018 Ushs million
0 to 90 days	17,467	19,263
Total neither past due nor impaired	17,467	19,263
91 days and above	7,479	7,641
Total past due not impaired	7,479	7,641
Total not impaired	24,946	26,904
91 days and above	24,229	21,671
Impaired	**24,229**	**21,671**

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

All trade receivables past their due date by more than 90 days are 100% provided for while all other receivables are carried at estimated recoverable value. All Interconnect receivables are impaired after 9months and are provided for 100%. There is collateral/security deposits held whose fair value is the cash amount paid which is equivalent to Ushs 3,828 million (2018: Ushs 3,346 million) and whose credit quality of assets is not past due. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

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

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

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.

(c) Liquidity risk

	<1 year Ushs million	1 - 2 years Ushs million	2-5 years Ushs million	Total Ushs million
At 31 December 2018:				
Borrowings	1,118,734	-	-	1,118,734
Trade and other accrued liabilities	179,980	-	-	179,980
	1,298,714	**-**	**-**	**1,298,714**
At 31 December 2019:				
Borrowings	-	368,267	-	368,267
Trade and other accrued liabilities	218,149	-	-	218,149
	218,149	**368,267**	**-**	**586,416**

Capital management

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

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

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Capital management (continued)

The gearing ratios at 31 December 2019 and 31 December 2018 were as follows:

	2019 Ushs million	2018 Ushs million
Total borrowings	368,267	1,118,734
Total Lease Obligation	509,595	254,534
Less: Cash and Cash equivalents	(47,509)	(13,898)
Net Debt	**830,353**	**1,359,370**
Total equity	138,985	143,173
Total capital and Net Debt	**969,338**	**1,502,543**
Gearing ratio (%)	85.7	90.4

6 REVENUE

	2019 Ushs million	2018 Ushs million
Airtime revenue	579,988	484,849
VAS & Data revenue	418,516	434,537
Airtel money	194,895	184,789
Interconnect revenue	68,516	67,089
Roaming revenue	9,615	9,448
Total	**1,271,530**	**1,180,712**

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

7 OTHER OPERATING INCOME

	2019 Ushs million	2018 Ushs million
Equipment sales	5,207	2,721
Rental Income	1,104	1,003
Other	1,311	2,244
	7,622	**5,968**

	2019 Ushs million	2018 Ushs million
8 OPERATING EXPENSES		
Selling and general administration - note 8(a)	257,681	233,122
Network operation - note 8(b)	163,807	203,192
Employees	59,220	56,865
License and Spectrum fee	47,298	36,784
Access charges	43,052	43,657
Charity and donations	227	88
	571,285	**573,708**

8 (a) SELLING AND GENERAL ADMINISTRATIVE EXPENSES

	2019	2018
Sales and marketing	177,405	163,997
General administrative	79,588	68,464
Auditor's remuneration	688	661
	257,681	**233,122**

In prior years, based on the then available information, the Company considered that the average life of customers across its network was less than 12 months and had taken the practical expedient available under IFRS15 not to defer customer acquisition costs on recognition and amortise over the average anticipated customer life, but to expense customer acquisition costs as incurred. With increased and more reliable data the company now estimates that the historic average customer life is longer than 12 months and believes that its churn rate provides the best indicator of anticipated average customer life and has updated its policy on cost deferral recognition in these financial statements. The said customer acquisition cost is included in Sales and Marketing expenses.

8 (b) NETWORK OPERATING COSTS

	2019	2018
Site Running	111,019	158,14
Repair and maintenance	39,803	39,787
Internet access and bandwidth	8,258	828
Electricity and water	4,727	4,432
	163,807	**203,192**

	Note	2019 Ushs million	2018 Ushs million
9 Depreciation & Amortisation			
Depreciation of property, plant & equipment	12	134,147	148,539
Depreciation of right of use assets	13	72,580	-
Depreciation of investment property	14	-	21
Amortisation of intangible assets	15	16	374
		206,743	**148,934**

10 FINANCE COSTS / INCOME

	2019 Ushs million	2018 Ushs million
(a) **Finance income**		
Interest income	25,842	25,769
Unrealised foreign exchange gains	11,129	18,077
	36,971	**43,846**
(b) **Finance costs**		
Interest expense on finance lease	41,337	17,377
Interest expense on borrowing	42,673	34,040
Debt origination cost	100	693
Realised foreign exchange losses	3,770	23,436
	87,880	**75,546**

11 TAXATION

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

	2019 Ushs million	2018 Ushs million
Current Tax Expense	113,515	89,195
Deferred Tax Expense	20,025	5,061
	133,540	**94,256**

(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.

	2019 Ushs million	2018 Ushs million
Profit before tax	450,215	432,338
Enacted tax rates in Uganda	30%	30%
Tax expense at 30%	135,065	129,701
Effect of:		
Adjustments in respect to previous years	(1,856)	(29,196)
(Income) / expense not (taxable) / deductible (net)	331	(6,249)
Income tax (credit) / expense	**133,540**	**94,256**

(C) Income tax recoverable

Income tax recoverable of Ushs 9,762 million (2018: Ushs 22,251 million) is net of tax payable amounting to Ushs 7,395 million for the year 2019 and tax amounting Ushs 17,157 million refundable from Uganda Revenue Authority for the year 2018.

	2019 Ushs million	2018 Ushs million
Opening balance	22,251	1,860
Advance tax paid	101,026	109,586
Current tax expense	(113,515)	(89,195)
Closing Balance	**9,762**	**22,251**

11 TAXATION (CONTINUED)

(d) Deferred income tax

The Company has a net deferred income tax liability of Ushs 59,760 million (2018: deferred tax liability Ushs 55,692 million) arising from accelerated tax depreciation and other temporary differences.

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

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

	At 1 January 2018 Ushs million	Movement for the year Ushs million	At 31 December 2018 Ushs million
Accelerated tax depreciation	92,497	(13,015)	79,482
Short term timing differences	(33,606)	9,816	(23,790)
Tax losses carried forward	(8,260)	8,260	-
Net deferred tax Liability	**50,631**	**5,061**	**55,692**

(e)Income tax paid

	2019 Ushs million	2018 Ushs million
Withholding Tax	183	96
Advance Tax	100,843	109,490
Income Tax paid	**101,026**	**109,586**

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land Ushs million	Plant & machinery Ushs million	Buildings & Leasehold Improvements Ushs million	Office equipment & furniture Ushs million	Computers Ushs million	Motor Vehicles Ushs million	Capital work in progress Ushs million	Tower Finance Lease Ushs million	Total Ushs million
At 1 January 2019	7,930	1,003,566	30,799	33,954	167,726	5,124	47,635	285,605	1,582,339
Transfer to Right of Use Asset (Note 13)	(7,930)	-	-	-	-	(3,684)	-	(285,605)	(297,219)
Additions	-	191,438	3,859	2,012	28,869	244	4,618	-	231,040
Disposal	-	-	-	-	-	(6)	-	-	(6)
Retirement	-	(553)	-	-	-	-	-	-	(553)
Reclassifications	-	(5,934)	(1,178)	2,304	5,926	-	-	-	1,118
At 31 December 2019	**-**	**1,188,517**	**33,480**	**38,270**	**202,521**	**1,678**	**52,253**	**-**	**1,516,719**
ACCUMULATED DEPRECIATION									
At 1 January 2019	5,587	565,613	16,091	21,943	154,442	3,122	-	86,950	853,748
Transfer to Right of Use Asset (Note 13)	(5,587)	-	-	-	-	(2,292)	-	(86,950)	(94,829)
Disposal	-	-	-	-	-	(1)	-	-	(1)
Charge for the year	-	105,624	3,879	7,193	17,160	291	-	-	134,147
Retirement	-	(533)	-	-	-	-	-	-	(533)
Reclassifications	-	(421)	1,556	(17)	-	-	-	-	1,118
At 31 December 2019	**-**	**670,283**	**21,526**	**29,119**	**171,602**	**1,120**	**-**	**-**	**893,650**
NET CARRYING AMOUNT									
At 31 December 2019	**-**	**518,234**	**11,954**	**9,151**	**30,919**	**558**	**52,253**	**-**	**623,069**
At 1 January 2018	-	877,191	25,966	21,085	151,570	4,683	27,372	250,034	1,357,901
Additions	-	128,770	4,588	11,285	16,137	441	20,263	38,260	219,744
Site Lease Retirement##	-	-	-	-	-	-	-	(2,689)	(2,689)
Adjustments*	-	(2,071)	-	-	-	-	-	-	(2,071)
Transfer from Prepaid expenses#	7,930	-	-	-	-	-	-	-	7,930
Reclassifications	-	(324)	245	1,584	19	-	-	-	1,524
At 31 December 2018	**7,930**	**1,003,566**	**30,799**	**33,954**	**167,726**	**5,124**	**47,635**	**285,605**	**1,582,339**
ACCUMULATED DEPRECIATION									
At 1 January 2018	-	473,471	12,886	15,173	136,446	1,969	-	60,767	700,712
Site Lease Retirement##	-	-	-	-	-	-	-	(809)	(809)
Transfer to prepaid Expenses#	5,156	-	-	-	-	-	-	-	5,156
Adjustments*	-	(1,367)	-	-	-	-	-	-	(1,367)
Charge for the year	431	92,699	2,960	5,438	18,865	1,154	-	26,992	148,539
Reclassifications	-	810	245	1,332	(869)	(1)	-	-	1,517
At 31 December 2018	**5,587**	**565,613**	**16,091**	**21,943**	**154,442**	**3,122**	**-**	**86,950**	**853,748**
NET CARRYING AMOUNT									
At 31 December 2018	**2,343**	**437,953**	**14,708**	**12,011**	**13,284**	**2,002**	**47,635**	**198,655**	**728,591**

During the year Finance lease for 13 Towers have been terminated which are retired from the asset register and also the corresponding liability has been retired from finance lease obligation

* During the year assets located on Nakitoma site was burnt due to fire having carrying value of Ushs 704 million have been written off and impact has been recorded in general administration expense. Also the contract closure with Ericsson and Huawei has resulted some benefit which have been adjusted to Gross block to the tune of Ushs 1,367 million and accumulated depreciation of Ushs 1,367 million.

\# Mainly consists of reversal of gross carrying value and accumulated depreciation on retirement of Property, Plant and Equipment and reclassification from one category of asset to another

13 RIGHT OF USE ASSETS

	Leasehold Building Ushs million	Telecom equipment Ushs million	Motor vehicle Ushs million	Grand Total Ushs million
COST				
At 1 January 2019	10,631	487,356	3,684	501,671
Additions	369	76,783	-	77,152
Asset retirement	-	(2,913)	-	(2,913)
At 31 December 2019	**11,000**	**561,226**	**3,684**	**575,910**
ACCUMULATED AMORTISATION				
At 1 January 2019	5,587	86,950	2,292	94,829
Charge during the year	1,619	70,040	921	72,580
Asset retirement	-	(1,242)	-	(1,242)
At 31 December 2019	**7,206**	**155,748**	**3,213**	**166,167**
NET CARRYING AMOUNT				
At 31 December 2019	**3,794**	**405,478**	**471**	**409,743**

Reclassification from Property, Plant and Equipment of Ushs 297,219 and Accumulated Depreciation of Ushs 94,829 based on IFRS 16 Adoption.

14 INVESTMENT PROPERTY

	2019 Ushs million	2018 Ushs million
COST		
At 1 January	1,116	1,116
At 31 December 2019	**1,116**	**1,116**
ACCUMULATED DEPRECIATION		
At 1 January 2019	1,116	1,095
Depreciation for the year	-	21
At 31 December 2019	**1,116**	**1,116**
NET CARRYING AMOUNT	-	-

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

15 INTANGIBLE ASSETS

	Licence Ushs million	Bandwidth Ushs million	Goodwill Ushs million	Customer Base Ushs million	Dealer Network Ushs million	Grand Total Ushs million
COST						
At 1 January 2019	1,081	7,053	112,908	3,633	1,592	126,267
Additions	-	4,619	-	-	-	4,619
Adjustments *	1	(11,672)	-	-	-	(11,671)
At 31 December 2019	**1,082**	**-**	**112,908**	**3,633**	**1,592**	**119,215**
ACCUMULATED AMORTISATION						
At 1 January 2019	1,021	1,716	-	3,633	1,592	7,962
Charge during the year	13	3	-	-	-	16
Adjustment	-	(1,719)	-	-	-	(1,719)
At 31 December 2019	**1,034**	**-**	**-**	**3,633**	**1,592**	**6,259**
NET CARRYING AMOUNT						
At 31 December 2019	**48**	**-**	**112,908**	**-**	**-**	**112,956**

	Licence Ushs million	Bandwidth Ushs million	Goodwill Ushs million	Customer Base Ushs million	Dealer Network Ushs million	Grand Total Ushs million
COST						
At 1 January 2018	1,081	6,921	112,908	3,633	1,592	126,135
Additions	-	146	-	-	-	146
Adjsutments		(14)	-	-	-	(14)
At 31 December 2018	**1,081**	**7,053**	**112,908**	**3,633**	**1,592**	**126,267**
ACCUMULATED AMORTISATION						
At 1 January 2018	1,008	1,362	-	3,633	1,592	7,595
Charge during the year	13	361	-	-	-	374
Adjustments	-	(7)	-	-	-	(7)
At 31 December 2018	**1,021**	**1,716**	**-**	**3,633**	**1,592**	**7,962**
NET CARRYING AMOUNT						
At 31 December 2018	**60**	**5,337**	**112,908**	**-**	**-**	**118,305**

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

	2019 Ushs million	2018 Ushs million
16 INVENTORIES		
Telephones and accessories	2,955	1,974
Sim cards and scratch cards	524	346
	3,479	2,320
Less: Stock provision	(861)	(936)
	2,618	1,384

Stock Provision	2019 Ushs million	2018 Ushs million
Opening Balance	936	852
Additions	702	346
Utilisation	(777)	(262)
Closing Balance	**861**	**936**

17 TRADE AND OTHER RECEIVABLES

	2019	2018
Trade receivables	19,478	19,253
Interconnect receivables	26,422	25,734
Roaming receivables	2,586	1,836
Other receivables	689	586
Deferred consideration	-	1,166
Gross trade receivables	49,175	48,575
Provision for impairment	(24,229)	(21,671)
	24,946	**26,904**

Trade receivables represent amounts due from channel partners, corporate customers and postpaid customers. Interconnect receivables represent airtime revenue on the interconnection from other telecommunication companies. The related interconnect liabilities are included in Note 23.

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

Deferred consideration consists of the balance receivable from Eaton Towers Uganda Limited (ETUL) towards sale of shares of Uganda Towers Limited.

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

	2019 Ushs million	2018 Ushs million
At 1 January	21,671	17,101
Provision for the year	2,558	4,570
At 31 December	**24,229**	**21,671**

18 PREPAYMENTS AND OTHER CURRENT ASSETS

	2019 Ushs million	2018 Ushs millio
Prepaid expense	55,097	17,329
VAT recoverable	12,034	10,023
Advance rent	3,959	2,980
Others	3,410	5,902
Employee receivables	395	303
	74,895	**36,537**

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

19 RELATED PARTY TRANSACTIONS AND BALANCES

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

Name of related party	Relationship to Company	2019 Ushs million	2018 Ushs million
Purchase of goods and services			
Airtel Networks Zambia Plc	Fellow subsidiary	509	65
Emtel Mauritius	Fellow subsidiary	2	-
Airtel Networks Kenya Limited	Fellow subsidiary	8,365	8,361
Airtel Malawi Limited	Fellow subsidiary	21	21
Airtel Tanzania Limited	Fellow subsidiary	417	520
Airtel Madagascar S.A	Fellow subsidiary	1	2
Airtel Congo S.A	Fellow subsidiary	1	0
Airtel (Seychelles) Limited	Fellow subsidiary	3	5
Airtel Networks Limited	Fellow subsidiary	381	551
Airtel Gabon S.A	Fellow subsidiary	0	0
Airtel Tchad S.A.	Fellow subsidiary	0	1
Airtel Ghana Limited	Joint venture of fellow subsidiary	1	0
Airtel Congo (RDC) S.A.	Fellow subsidiary	637	987
Airtel Rwanda Limited	Fellow subsidiary	3,049	3,282
Network I2I Limited	Step up Parent	470	500
Bharti Airtel Limited	Step up Parent	10,127	5,689
Nxtra Data Limited	Fellow subsidiary	510	447
Bharti Airtel International Netherlands BV	Step up Parent	25,253	19,860
Centum Learning Limited	Fellow subsidiary	103	891
Bharti Airtel Services Limited	Fellow subsidiary	683	1,345
Celtel Niger S.A	Fellow subsidiary	1	-
Bharti Airtel Kenya B.V	Fellow subsidiary	185	-
Bharti International Singapore Pte Ltd	Fellow subsidiary	-	2,671
Bharti Airtel Africa B.V.	Step up Parent	5,651	-
Bharti Airtel UK Limited	Fellow subsidiary	2,563	2,173
Total		**58,933**	**47,371**
Sale of goods and services			
Bharti Airtel Africa B.V	Step up Parent	27	-
Airtel Networks Zambia Plc	Fellow subsidiary	22	21
Airtel Networks Kenya Limited	Fellow subsidiary	15,049	9,177
Airtel Malawi Limited	Fellow subsidiary	570	39
Airtel Tanzania Limited	Fellow subsidiary	337	416
Airtel Madagascar S.A	Fellow subsidiary	1	18
Airtel Congo S.A	Fellow subsidiary	2	3
Airtel (Seychelles) Limited	Fellow subsidiary	0	46
Airtel Networks Limited(Nigeria)	Fellow subsidiary	1,342	5,252
Airtel Gabon S.A	Fellow subsidiary	1	1
Airtel Tchad S.A	Fellow subsidiary	0	2
Celtel Niger S.A	Fellow subsidiary	14	98
Airtel Ghana Limited	Joint venture of fellow subsidiary	0	3
Airtel Congo (RDC) S.A.	Fellow subsidiary	422	516
Airtel Rwanda Limited	Fellow subsidiary	946	1,889
Bharti Airtel Limited	Step up parent	26,488	20,335
Bharti Airtel UK Limited	Fellow subsidiary	4,812	2,638
Singapore telecommunication Limited	Entity having significant influence over the group	7	8
Jersey Airtel Limited	Fellow subsidiary	1	-
Emtel Mauritius	Fellow subsidiary	2	-
Total		**50,043**	**40,462**

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

Name of related party	Relationship to Company	2019 Ushs million	2018 Ushs million
Receivable from related parties			
Airtel Networks Kenya Limited	Fellow subsidiary	7,150	565
Airtel Malawi Limited	Fellow subsidiary	572	578
Airtel Madagascar S.A	Fellow subsidiary	284	288
Airtel Networks Limited	Fellow subsidiary	78	2,020
Airtel Niger S.A.	Fellow subsidiary	111	99
Airtel Rwanda Limited	Fellow subsidiary	795	2,863
Africa Towers N.V.	Fellow subsidiary	34	34
Airtel Mobile Commerce Uganda Limited	Fellow subsidiary	-	476
Bharti Airtel Limited	Step up parent	2,317	3,019
Singapore Telecommunications Limited	Entity having significant influence over the group	28	5
Bharti Airtel UK Limited	Fellow subsidiary	1,305	131
Total		**12,674**	**10,078**
Payables to related parties			
Bharti Airtel International Netherlands B.V.	Step up parent	4,777	1,807
Airtel Networks Zambia Plc	Fellow subsidiary	13	58
Airtel Tanzania Limited	Fellow subsidiary	23	224
Airtel Congo (RDC) S.A.	Fellow subsidiary	112	337
Network I2I Limited	Step up Parent	296	1,375
Airtel Money B.V	Fellow subsidiary	429	374
Bharti Airtel Services Limited	Fellow subsidiary	75	622
Nxtra Data Limited	Fellow subsidiary	431	395
Centum Learning Limited	Fellow subsidiary	41	117
Bharti Int'l Singapore Pte ltd	Fellow subsidiary	394	395
Bharti Airtel Uganda Holdings BV	Parent	-	749
Bharti Airtel Sri Lanka (Private) Limited	Fellow subsidiary	1	-
Airtel Ghana Limited	Joint venture of fellow subsidiary	1	-
Bharti Airtel Kenya B.V.	Step up parent	134	-
Total		**6,727**	**6,453**

19(b). LOAN FACILITY TO RELATED PARTIES

During the year ended December 31, 2017 the Company entered into a Loan Facility agreement to step up parent Bharti Airtel Africa B.V. This loan was set to mature at December 31, 2021, however it has been closed early based on mutual consent of both the parties in writing. As at the year ended December 2019, the total outstanding amount of loan including interest has been settled to Nil.

Particulars	Interest Rate	Drawdown Date
Loan US $ 100 Mn	3 Month LIBOR+1.25%	Dec 28, 2017
Loan USD $ 20 Mn	3 Month LIBOR+1.25%	Jan 25, 2018
Loan USD $ 50 Mn	1 Month LIBOR+1.70%	Jan 25, 2018
Loan USD $ 75 Mn	3 Month LIBOR+2.0%	Oct 3, 2018

Movement of loan and interest accrued is as follows:

	2019 Ushs million	2018 Ushs million
At 1 January	935,060	363,789
Loan addition	-	537,250
Interest Accrued but not due	-	25,306
Unrealised Forex Gain/(Loss)	-	8,715
Loan Repayment	935,060	
At 31 December	**-**	**935,060**

20 CASH AND CASH EQUIVALENTS

	2019 Ushs million	2018 Ushs million
Cash at bank	18,455	13,018
Cash at hand	4,054	880
Fixed Deposits With Banks	25,000	-
	47,509	**13,898**

The Fixed Deposit of Ushs 25,000 million was initiated with CITI Bank on 30th December 2019 at Interest rate of 8.6% pa with maturity date of 15th January 2020.

21 Share capital and Share premium

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

Details are shown below:

	2019 Ushs million	2018 Ushs million
Authorised share capital:		
14,400,000 ordinary shares of Ushs 100	1,440	1,440
14,400,000 preference shares of Ushs 1,000	14,400	14,400
	15,840	**15,840**
a) Ordinary shares issued and fully paid:		
14,080,010 ordinary shares of Ushs 100 each	**1,408**	**1,408**
b) Share premium		
6,080,000 ordinary shares of Ushs 100 each issued at a premium of Ushs 900 in October 1994	5,472	5,472
8,000,000 ordinary shares of Ushs 100 each issued at a premium of Ushs 1,332 in September 2000	10,656	10,656
	16,128	**16,128**

22 BORROWINGS

	Note	Maturity	2019 Ushs million	2018 Ushs million
Non-Current				
ABSA Bank Group	22(c)	2021	368,267	-
			368,267	**-**
Current				
Bank overdraft	22(a)		-	74,482
EKN Facility	22(b)	2019	-	9,697
Bank of America	22(d)	2019	-	371,352
Standard Chartered Bank	22(f)	2019	-	92,838
ABSA Bank Group	22(c)	2019	-	520,642
Citi Bank DIFC	22(e)	2019	-	49,823
Debt origination fees			-	(100)
			-	**1,118,734**

The movement in borrowings was as follows:

	2019 Ushs million	2018 Ushs million
At 1 January	1,118,734	487,940
Proceeds	-	1,015,945
Repayment	(749,932)	(384,067)
Debt origination cost	100	693
Unrealised foreign exchange gain/(loss)	(635)	(1,777)
At 31 December	**368,267**	**1,118,734**

External Borrowings:

a) Bank overdraft

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

b) EKN Facility

The Company obtained a loan of USD 40 million from The Swedish Export Credit Authority named EKN at a rate of London Interbank Offer Rate (LIBOR) plus 1% to finance Ericsson AB payables with USD 14.71 million drawn down as at 31 December 2014 and with Standard Chartered Bank as Facility Agents. This facility was paid to Nil on its maturity date of 4th October 2019.

These loans were acquired to facilitate the capital expenditure and working capital needs of the Company, repayment of shareholder loans, refinancing part or all of the existing loan facilities of the Company and settlement of all fees, taxes and any other administrative costs related to the facility. The loan facilities were secured by a debenture over all the active assets of the Company; a legal mortgage on the land and buildings of the Company's offices (situated on Plot 40 Jinja Road, Kampala); a subordination deed between SCB, Airtel Uganda Limited and Bharti Airtel International (Netherlands) BV, and a corporate guarantee of Bharti Airtel Limited, which has been discharged upon repayment.

22 BORROWINGS (CONTINUED)

c) ABSA Bank Group term loan facility

The Company obtained a facility of USD 40,000 million on 27th December 2018 at an interest rate of Libor+1.8% for the purpose of operational working capital and tax payments. This facility was paid to Nil before its maturity date on 19th August 2019.

The Company obtained an additional loan facility of Ushs 18,940 million and Ushs 59,792 million to during the month of November 2018 and December 2018 respectively for the purpose of operational working capital and tax payments. The Interest rate on the loan is margin rate of 3.30% plus Treasury bill rate. These facilities have been renewed another period on 15th November 2019 with a maturity date of 1st January 2021.

During the month of October 2018 the company obtained a loan facility of USD 79 million at an interest rate of Libor+1.8% repayable after one year, however this facility has been renewed another period on 3rd October 2019 with a maturity date of 4th January 2021.

d) Bank of America term loan facility

The Company acquired a loan facility of USD 100 million from Bank of America, National Association, Hong Kong Branch which was fully drawn as at 31 December 2017. The Interest on loan is payable at a rate of London Interbank Offer Rate (LIBOR) plus 1.05% on the outstanding balance of the loans. The loan has been fully paid on 19th August 2019 earlier than the final maturity date of 28th December 2019.

e) CITIBANK-DIFC DUBAI

The Company acquired two loan facilities of USD 50 million and USD37 million from Citi Bank which were fully drawn down as at 29th January 2018 and 27th March 2018 respectively. The Interest on loan is payable at a rate of London Interbank Offer Rate (LIBOR) plus 1.5% on the outstanding balance of the loans. The loan has been fully paid by 26th March as per maturity date.

f) Standard Chartered Bank

The Company acquired a loan to facility of USD 25 million refinancing of existing loans including Share holder loans, dividends payments, extending intercompany loans and working capital requirement which was drawn on 22nd June 2018. The Interest on loan is payable at a rate 6 months LIBOR plus 2.6% per annum. The loan matured on of 21st June 2019 and was paid in full. This facility was extended on 21st June 2019 for a period of one year, however it was paid earlier than maturity date on 19th August 2019.

23 TRADE AND OTHER PAYABLES

	2019 Ushs million	2018 Ushs million
Trade payables	109,970	86,553
Statutory and other payables	45,181	46,864
Equipment supply payables	61,125	41,156
Interest Accrued but not due	1,126	5,191
Interconnect payables	747	216
	218,149	**179,980**

Interconnect charges payable represent interconnection costs with other telecommunication companies. The related interconnect debtors are included in Note 17.

Statutory & Other payables include Excise duty payable, Vat payable which are not yet due for payment and also includes Provision for legal cases which are rates as probable amounting to Ushs 3,520 million (2018: Ushs 2,997 million).

24 DEFERRED REVENUE

	2019 Ushs million	2018 Ushs million
Deferred income	**13,953**	**19,695**

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

25 PROVISIONS

	2019 Ushs million	2018 Ushs million
Current		
Leave encashment	631	470
Severance Pay	21	18
	652	**488**
Non-current		
Leave encashment	1,945	1,477
Severance Pay	128	142
Asset Retirement Obligation	11	-
	2,084	**1,619**

	2019 Ushs million	2018 Ushs million
Leave Encashment		
Opening Balance	1,947	1,933
Charge for the year	737	343
Payments for the year	(108)	(329)
	2,576	**1,947**

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

	2019 Ushs million	2018 Ushs million
Severance Pay		
Opening Balance	160	162
Charge for the year	15	41
Other Comprehensive Income	(27)	(43)
	148	**160**

There's change in assumptions of discount rate to 14.75% as against 17% which resulted in impact of Ushs 27 Million recorded as other comprehensive income during the year.

Deferred consideration provision

During the year ended December 31, 2018, a deferred Consideration liability of Ushs 57,105 million was paid as full and final settlement value of Ushs 35,692 million and reversal of excess liability amounting to Ushs 21,413 million was recorded under operating expenses.

26 LEASE LIABILITY

	Effective Interest Rate	2019 Ushs million	2018 Ushs million
Non-Current			
Tower and Infrastructure	6.8%	428,622	222,827
Vehicle	6.0%	-	183
		428,622	**223,010**
Current			
Tower and Infrastructure	6.8%	80,904	30,427
Vehicle	6.0%	69	1,097
		80,973	**31,524**

During the year, the financing cost relating to lease liabilities was Ushs 41,337 million (2018: 17,377 million).

The movement of finance lease was as follows:

	2019 Ushs million	2018 Ushs million
At 1 January	254,534	243,556
IFRS 16 Adjustment	257,639	-
As at 1 January (adjusted)	**512,173**	**243,556**
Additions	77,153	35,733
Repayment	(68,491)	(24,755)
Retirement	(1,907)	-
Unrealised Foreign exchange	(9,333)	-
At 31 December	**509,595**	**254,534**

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

Lease liabilities	**As of December, 31 2019 Ushs million**
Maturity analysis:	
Less than one year	119,561
Later than one year but not later than two years	119,240
Later than two years but not later than five years	290,918
Later than five years but not later than nine years	102,662
Later than nine years	16,201
Total undiscounted lease liabilities	**648,582**

27 FAIR VALUE OF FINANCIAL ASSETS AND LIABILTIES

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

Particulars	Carrying Amount		Fair Value	
	At 31 December 2019	**At 31 December 2018**	**At 31 December 2019**	**At 31 December 2018**
Financial assets				
Assets carried at amortised cost				
Cash and cash equivalents	47,509	13,898	47,509	13,898
Trade and other receivables	24,946	26,904	24,946	26,904
Loan to Related Parties	-	935,060	-	935,060
Amounts due from related parties	12,674	10,078	12,674	10,078
Financial Liabilities				
Liabilities carried at fair value through profit or loss				
- Embedded derivatives		-		-
Liabilities carried at amortised cost				
Borrowings- fixed rate		-		-
Borrowings- floating rate	368,267	1,118,734	368,267	1,118,734
Trade & other payables	218,149	179,980	218,149	179,980
Amounts due to related parties	6,727	6,453	6,727	6,453
Other financial liabilities	509,595	254,534	509,595	254,534
Dividend payable	-	112,640	-	112,640

28 COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at 31 December 2019, there were legal proceedings valued at Ushs 1,114 million (2018: Ushs 1,999 million) outstanding against the company.

b) Tax proceedings

As at 31 December 2019, there were tax proceedings valued at Ushs 11,412 million (2018: Ushs NIL) outstanding against the company. No provision has been made as the value of probable loss that may arise from these cases is NIL.

c) Capital commitments

Capital commitments of Ushs 67,783 million (2018: Ushs 110,210 million) represent the unexecuted capital contracts as at 31 December 2019. These are contracts between Airtel Uganda Limited and its vendors for the provision of Capex material.

	2019 Ushs million	2018 Ushs million
Within one year	67,783	110,210

29 DIVIDENDS DECLARED

The profit for the year amounted to Ushs 316,675 million (2018: Ushs 338,082 million). During the year ended 31 December 2019 the directors recommended interim dividends on 06th August 2019 amounting to Ushs 126,720 million and on 27th November 2019 amounting to Ushs 45,760 million totalling to Ushs 172,480 million (2018: Ushs 225,280 million). The interim dividends per ordinary share declared was Ushs. 12,250.

	2019 Ushs million	2018 Ushs million
At 1 January	112,640	-
Final dividend	112,640	31,440
Interim dividend	172,480	225,280
Dividend Paid	(397,760)	(144,080)
At 31 December	**-**	**112,640**

30 SUBSEQUENT EVENT

Except for the matters raised above, there were no major subsequent events after reporting date