Deloitte.

AIRTEL MOBILE COMMERCE (KENYA) LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

31 DECEMBER 2017

AIRTEL MOBILE COMMERCE (KENYA) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

CONTENTS

AIRTEL MOBILE COMMERCE (KENYA) LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2017

DIRECTORS

Mr Prasanta Das Sarma **	- (Appointed 1 April 2017)
Mr Alok Bafna **	- (Appointed 7 November 2017)
Mr Sathish Kannan**	- (Resigned 19 January 2018)
Mr Jantina Uneken Van De Vreede *	- (Resigned 11 May 2017)

* Dutch
** Indian

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

BANKERS
Standard Chartered Bank Limited
Moi Avenue Branch
P. O. Box 30003 - 00100
Nairobi, Kenya

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

COMPANY SECRETARY
Africa Registrars
Certified Public Secretaries (Kenya)
P. O. Box 1243 - 00100
Nairobi, Kenya

LAWYERS
Walker Kontos
Hakika House, Bishops Road
P. O. Box 60680 - 00200
Nairobi, Kenya

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

AIRTEL MOBILE COMMERCE (KENYA) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors submit their report together with the audited financial statements for the year ended 31 December 2017, which disclose the state of financial affairs of the company.

1. PRINCIPAL ACTIVITIES

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

2. RESULTS

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

3. DIRECTOR'S

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

Name	Nationality	Role	Date of appointment/resignation
Mr. Jantina Uneken Van De Vreede*	Dutch	Chairman	Resigned on 11th May 2017
Mr. Alok Bafna**	Indian	Chairman	Appointed on 07th November 2017
Mr. Sathish Kannan**	Indian	Director	Resigned on 19th January 2018
Mr. Prasanta Das Sarma**	Indian	Director	Appointed on 1st April 2017

* Non-Executive
** Executive

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

4. GOVERNANCE

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

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

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

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

5. DISCLOSURE OF INFORMATION TO AUDITORS

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

6. APPOINTMENT OF AUDITORS

Deloitte and Touche were appointed as auditors of the company during the year and, having expressed their willingness, continue in office in accordance with the provisions of the Kenyan Companies Act.

By order of the Board

for: AFRICA REGISTRARS - CO. SECRETARY

AFRICA REGISTRARS
SECRETARIES

Nairobi, Kenya

27/ April/ 2018

AIRTEL MOBILE COMMERCE (KENYA) LIMITED
STATEMENT OF DIRECTOR'S RESPONSIBILITIES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

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

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

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

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

Approval of the financial statements

The financial statements of the Company as indicated above, were approved by the Directors on 27/April/..... 2018 and signed on behalf of the Board by:

P D Sarma	Alok Bafna
Director	Director

Deloitte.

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

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Dropping Zone No.92
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INDEPENDENT AUDITORS' REPORT OF
TO THE MEMBERS OF AIRTEL MOBILE COMMERCE (KENYA) LIMITED

Report on the Financial Statements

Opinion

We have audited the financial statements of Airtel Mobile Commerce (Kenya) Limited, ("the company"), set out on pages 9 to 24, which comprise the statement of financial position as at 31 December 2017, 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 the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

The directors are responsible for the other information. The other information comprises the Report Directors as required by the Kenya Companies Act, 2015. The other information does not include the financial statements and our auditor's report thereon.

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

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

Report on the Financial Statements (Continued)

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenya Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting processes.

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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on the Financial Statements (Continued)

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

In our opinion, the information given in the Report of the Directors for the year ended 31 December 2017 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is ***CPA F. Okwiri P/No. 1699.***

Deloitte & Touche

Certified Public Accountant (Kenya)
Nairobi, Kenya

30 April **2018**

AIRTEL MOBILE COMMERCE (KENYA) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	2017 Kshs	2016 Kshs
CURRENT ASSETS			
Amount due from related parties	5	100,000	100,000
Cash and cash equivalents	6	1,257,579,886	1,040,940,079
TOTAL ASSETS		1,257,679,886	1,041,040,079
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	100,000	100,000
CURRENT LIABILITIES			
Amount due to E-Value holders	8	1,187,403,711	1,011,446,167
Amount due to related parties	8	70,176,175	29,493,912
TOTOAL CURRENT LIABILITIES		1,257,579,886	1,040,940,079
TOTAL EQUITY AND LIABILITIES		1,257,679,886	1,041,040,079

The financial statements on pages 9 to 24 were approved and authorized by the Board of directors on 27/April/2018 and signed on its behalf by:

PD Sarma
Director

Alok Bafna
Director

AIRTEL MOBILE COMMERCE (KENYA) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 Kshs	2016 Kshs
INCOME		-	-
OPERATING EXPENSES	9	-	-
PROFIT BEFORE TAXATION		-	-
TAX EXPENSE		-	-
PROFIT FOR THE YEAR		-	-
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		-	-

AIRTEL MOBILE COMMERCE (KENYA) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Ordinary Share Capital Kshs
Year ended 31 December 2017		
Balance as at 1 January 2017		100,000
Balance as at 31 December 2017	7	100,000
Year ended 31 December 2016		
Balance as at 1 January 2016		100,000
Balance as at 31 December 2016	7	100,000

AIRTEL MOBILE COMMERCE (KENYA) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 KShs	2016 KShs
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase in amount due to E-value holders	8	175,957,544	92,463,030
Increase in amount due to related Parties	8	40,682,262	7,536,682
Net cash from operating activities		216,639,806	99,999,712
Net increase in cash and cash equivalent		216,639,806	99,999,712
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR		1,040,940,079	940,940,367
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	1,257,579,886	1,040,940,079

1. GENERAL INFORMATION

Airtel Mobile Commerce Limited (the company) is incorporated in Kenya under the Kenyan Companies Act, 2015 as a private limited liability company and is domiciled in Kenya. The address of the registered office is:

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

2. BASIS OF PREPARATION

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

(a) Statement of compliance

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

For the purpose of reporting under the Kenyan Companies Act, 2015, the balance sheet in the financial statements is represented by the statement of financial position and the profit and loss account is represented by the statement of profit or loss and other comprehensive income.

(b) Presentation of financial statements

The Company presents its statement of financial position in order of liquidity. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of profit or loss and other comprehensive income unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

(c) Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICES

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act.

For the purposes of reporting under the Kenyan Companies Act, the balance sheet in these financial statements, is represented by/equivalent to the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

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.

b) Basis of preparation

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (KShs), which is also the company's functional currency, rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3m.

c) Income recognition

Currently the company does not engage in any activities that generate any form of revenue.

d) Payables and accruals

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

e) Retirement benefit costs

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

f) Taxation

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

g) Cash and cash equivalents

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

h) Financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICES (Continued)

i) Statement of Cash flows

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

j) Fair Value Measurement

Fair value is the price at the measurement date, at which an asset can be sold or paid to transfer a liability, in an orderly transaction between market participants. The Company's accounting policies require measurement of certain financial / non-financial assets and liabilities at fair values (either on a recurring or non-recurring basis). Also, the fair values of financial instruments measured at amortized cost are required to be disclosed in the said financial statements. The Company is required to classify the fair valuation method of the financial / non-financial assets and liabilities, either measured or disclosed at fair value in the financial statements, using a three level fair-value-hierarchy (which reflects the significance of inputs used in the measurement). Accordingly, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The three levels of the fair-value-hierarchy are described below:

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

k) 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.

l) Contingencies

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

m) Critical accounting estimates and judgements

Critical accounting estimates and assumptions

Use of estimates and judgements

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

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

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

4.1 Amendments to IFRSs that are mandatorily effective for annual periods beginning on or after 1 January 2017

The following amendments to IFRSs became mandatorily effective in the current year. The amendments generally require full retrospective application (i.e. comparative amounts have to be restated), with some amendments requiring prospective application.

- Amendments to IAS 7 Disclosure Initiative;
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses; and

Amendments to IAS 7 Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017)

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The amendments apply prospectively. Entities are not required to present comparative information for earlier periods when they first apply the amendments.

Amendments to IAS 12 Recognition of Deferred Tax Assets or Unrealised Losses (effective for annual periods beginning on or after 1 January 2017)

The amendments clarify the following:

- Unrealised losses on a debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;
- When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;
- The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
- In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences. The amendments apply retrospectively.

4.2 New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ended 31 December 2017

Below is a list of new and revised IFRSs that are not yet mandatorily effective (but allow early application) for the year ending 31 December 2017:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers and the related Clarifications;
- IFRS 16 Leases;
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions;
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 40 Transfers of Investment Property;
- Annual Improvements to IFRS Standards 2014-2016 Cycle; and
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.

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

4.2 New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ended 31 December 2017 (Continued)

IFRS 9 Financial Instruments (as revised in 2014) (effective for annual periods beginning on or after 1 January 2018)

IFRS 9 contains specific transitional provisions for i) classification and measurement of financial assets; ii) impairment of financial assets; and iii) hedge accounting. Please see IFRS 9 for details.

The company plans to adopt the new standard on the required effective date. Overall, the company expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The company expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment to determine the extent.

a) Classification and measurement

The Company does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Trade and other receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the company expects that these will continue to be measured at amortised cost under IFRS 9. However, the Company will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

b) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Company expects a significant impact on its equity due to unsecured nature of its trade and other receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

c) Hedge accounting

The Company believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Company does not expect a significant impact as a result of applying IFRS 9.

IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue Standards and Interpretations upon its effective date:

- IAS 18 Revenue;
- IAS 11 Construction Contracts;
- IFRIC 13 Customer Loyalty Programmes;
- IFRIC 15 Agreements for the Construction of Real Estate;
- IFRIC 18 Transfers of Assets from Customers; and
- SIC 31 Revenue-Barter Transactions Involving Advertising Services.

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

4.2 New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ended 31 December 2017 (continued)

IFRS 9 Financial Instruments (as revised in 2014) (effective for annual periods beginning on or after 1 January 2018) (continued)

As suggested by the title of the new Revenue Standard, IFRS 15 will only cover revenue arising from contracts with customers.

Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IAS 39 (or IFRS 9 if it is early adopted).

As mentioned above, the new Revenue Standard has a single model to deal with revenue from contracts with customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The new Revenue Standard introduces a 5-step approach to revenue recognition and measurement:

Far more prescriptive guidance has been introduced by the new Revenue Standard:

IFRS 15, together with the clarifications thereto issued in April 2016, is effective for reporting periods beginning on or after 1 January 2018 with early application permitted.
The company plans to adopt the new standard on the required effective date. The Company is currently evaluating the impact, but does not anticipate that adopting the amendments would have a material impact on its financial statements

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

4.2 New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ended 31 December 2017 (continued)

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.

1. Identification of a lease

IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Control is considered to exist if the customer has:

a) the right to obtain substantially all of the economic benefits from the use of an identified asset; and
b) the right to direct the use of that asset.

The Standard provides detailed guidance to determine whether those conditions are met, including instances where the supplier has substantive substitution rights, and where the relevant decisions about how and for what purpose the asset is used are predetermined. In addition, IFRS 16 also provides guidance on the accounting for sale and leaseback transactions. Extensive disclosures are also required by the new Standard.

IFRS 16 is effective for reporting periods beginning on or after 1 January 2019 with early application permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. A lessee can apply IFRS 16 either by a full retrospective approach or a modified retrospective approach. If the latter approach is selected, an entity is not required to restate the comparative information and the cumulative effect of initially applying IFRS 16 must be presented as an adjustment to opening retained earnings (or other component of equity as appropriate).

The Company does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

Amendments to IFRS 2 Classification and Measurement of Share based Payment Transactions (effective for annual periods beginning on or after 1 January 2018)

The amendments clarify the following:

In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-base payments.

Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash),i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

(i) the original liability is derecognised;
(ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
(iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

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

4.2 New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ended 31 December 2017 (continued)

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019) (continued)

Amendments to IFRS 2 Classification and Measurement of Share based Payment Transactions (effective for annual periods beginning on or after 1 January 2018) (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply.
The adoption of these amendments has no effect on the company's financial statements.

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred.

The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

The adoption of these changes will not affect the amounts and disclosures of the company's financial statements.

5. RELATED PARTY TRANSACTIONS AND BALANCES

a) Amount due from related parties

	2017 KShs	2016 KShs
In relation to share capital	100,000	100,000

The amount is in respect of share capital amount that was paid directly to Airtel Networks Kenya Limited by shareholders disclosed under note 7.

b) Amount due to related parties

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

c) Key management compensation

Key management are not compensated for their positions on the board of directors of Airtel Mobile Commerce (Kenya) Limited.

6. CASH AND CASH EQUIVALENTS

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

	2017 KShs	2016 KShs
Airtel Money-Trust Main Account	864,134,263	1,040,940,079
Equity Bank Account	391,965,399	-
Commercial Bank of Africa Account	1,480,224	-
Cash at bank	1,257,579,886	1,040,940,079

7. SHARE CAPITAL AND SHAREHOLDING

The shareholding of the Company as at 31 December 2017 is as stated below: -

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

	2017	2016
Authorized:		
1,000 ordinary shares of KShs. 100 each	100,000	100,000
Issued and fully paid:		
1,000 ordinary shares of KShs. 100 each	100,000	100,000

8. DUE TO E-VALUE HOLDERS

Amount due to E- Value holders	1,187,403,711	1,011,446,167
Amounts due to related parties*	70,176,175	29,493,912
	1,257,579,886	1,040,940,079

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

	2017 KShs	2016 KShs
(a) E- Value with E Value Holders		
As at 1 January	1,011,446,167	918,983,137
Additions	175,957,544	92,463,030
As at 31 December	1,187,403,711	1,011,446,167

	2017 KShs	2016 KShs
8. DUE TO E-VALUE HOLDERS (continued)		
(b) E- Value with Related parties		
As at 1 January	29,493,912	21,957,230
Additions	40,682,263	7,536,682
As at 31 December	70,176,175	29,493,912

9. AUDIT FEES

Audit fees, like all other operating expenses of the Trust, is accrued and paid by Airtel Networks Kenya Limited. The fee for the year 2017 was KShs 914,000 (2016: KShs 970,903).

	KShs
Audit Fees	914,000
Reimbursement by Airtel Networks Kenya Limited	(914,000)

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

MARKET RISK

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

(i) *Foreign Exchange Risk*

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

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) *Interest Rate Risk*

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

CREDIT RISK

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trading activities as well as placement and balances with other counterparties, advances to customers, deposits held with various services providers, prepayments and bank balances. The company does not involve itself in trading activities hence it is not exposed to credit risk.

LIQUIDITY RISK

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

OPERATIONAL RISK

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

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

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

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

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

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair values of financial assets and liabilities

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

	Carrying amount		Fair value	
	2017	2016	2017	2016
	KShs	KShs	KShs	KShs
Financial Assets				
Amount due from related parties	100,000	100,000	100,000	100,000
Cash and cash equivalents	1,257,579,886	1,040,940,079	1,257,579,886	1,040,940,079
Total financial liabilities	1,257,679,886	1,041,040,079	1,257,679,886	1,041,040,079
Financial Liabilities				
Amounts due to E-Value holders	1,187,403,711	1,011,446,167	1,187,403,711	1,011,446,167
Amount due from related parties	70,176,175	29,493,912	70,176,175	29,493,912
Total financial liabilities	1,257,579,886	1,040,940,079	1,257,579,886	1,040,940,079

11. CAPITAL MANAGEMENT

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

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

12. OPERATIONS

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

13. COMPARATIVES

Where necessary, comparative figures have been adjusted to take into account changes in the presentation.

14. COMMITMENTS AND CONTIGENCIES

Capital commitments

There was no capital commitment entered into by the company as at the reporting date. (2016: None).

Legal claim

There were no known legal cases against the company as at the reporting date. (2016: None).

15. EVENTS AFTER THE REPORTING DATE

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