AIRTEL MOBILE COMMERCE (KENYA) LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

CONTENTS

AIRTEL MOBILE COMMERCE (KENYA) LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2015

PRINCIPAL PLACE OF BUSINESS
Parkside Towers, Mombasa road,
P. O. Box 73146 - 00200
Nairobi

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

BANKERS
Standard Chartered Bank Limited
Moi Avenue Branch
P.O. BOX 30003 - 00100
Nairobi

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

SECRETARY
Africa Registrars
Kenya-Re Towers,
Upperhill, Off Ragati Road,
P.O. Box 1243-00100,
Nairobi, Kenya

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

AUDITORS
Ernst & Young LLP
Kenya-Re Towers, Upperhill
Off Ragati Road
P.O. Box 44286 - 00100
Nairobi

AIRTEL MOBILE COMMERCE (KENYA) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2015

The directors submit their report and the audited financial statements for the year ended 31 December 2015 which show the state of the company's affairs.

1. PRINCIPAL ACTIVITIES

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

2. REPORTING PERIOD

The current financial statements are for the year ended 31 December 2015.

3. RESULTS

The company did not engage in trading activities during the year.

4. DIRECTORS

The directors who served during the year and to the date of this report were:-

Akinfela Akoni* Resigned on 8th May 2015
Jantina Catherina Uneken Van De Vreede**
Abdallah Khamis***Appointed 24th August 2015

* British
** Dutch
*** Kenyan

5. AUDITORS

The auditors, Ernst & Young LLP, have indicated their willingness to continue in office in accordance with Section 159(2) of the Kenyan Companies Act.

By order of the Board

for: AFRICA REGISTRARS - CO. SECRETARY

Secretaries

31/03/2016

AIRTEL MOBILE COMMERCE (KENYA) LIMITED
STATEMENT OF DIRECTOR'S RESPONSIBILITIES
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure the company keeps proper accounting records, which disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. 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.

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 statement.

....
Director

....
Director

28/03/16
....
Date

EY
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Certified Public Accountants
Kenya Re Towers
Upper Hill
Off Ragati Road
PO Box 44286 - 00100
Nairobi GPO, Kenya

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Airtel Mobile Commerce (Kenya) Limited which comprise the statement of financial position as at 31 December 2015, statement of changes in equity and statement of cash flows for the year then ended, and the summary of significant accounting policies and other explanatory notes set out on pages 10 to 20.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the company are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Airtel Mobile Commerce (Kenya) Limited as at 31 December 2015, 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.

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REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Kenyan Companies Act, 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 considered 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;

iii) The company's statement of financial position is in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Avani S Gilani - P/No. 787

Ernst & Young LLP

Nairobi, Kenya

31 March 2016

AIRTEL MOBILE COMMERCE (KENYA) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 KShs	2014 KShs
CURRENT ASSETS			
Due from Related Parties	3(a)	100,000	100,000
Cash and cash equivalents	4	940,940,367	569,993,812
		941,040,367	570,093,812
TOTAL ASSETS		941,040,367	570,093,812
EQUITY AND LIABILITIES			
EQUITY			
Share capital	5	100,000	100,000
CURRENT LIABILITIES			
E-Value amount due to E-Value holders	6	918,983,137	564,174,065
E-Value amount due to related parties	6	21,957,230	5,819,747
		940,940,367	569,993,812
TOTAL EQUITY AND LIABILITIES		941,040,367	570,093,812

The financial statements were approved by the Board of Directors on 28/03/2016
and signed on its behalf by:-

....)
)
) Directors
)
....)

AIRTEL MOBILE COMMERCE (KENYA) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 KShs	SIXTEEN MONTHS PERIOD ENDED 31 DECEMBER 2014 KShs
INCOME	-	-
OPERATING EXPENSES	-	-
PROFIT BEFORE TAXATION	-	-
TAX EXPENSE	-	-
PROFITS 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 2015

	2015 KShs	2014 KShs
	Ordinary share capital	Ordinary share capital
At 1 January	100,000	100,000
At 31 December	100,000	100,000

AIRTEL MOBILE COMMERCE (KENYA) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 KShs	2014 KShs
Cash flows from operating activities:		
Amounts due to E-value holders	354,809,072	184,140,092
Amounts due to related Parties	16,137,483	(46,283,799)
Net cash from operating activities	370,946,555	137,856,293
Net increase in cash and cash equivalent	370,946,555	137,856,293
Cash and cash equivalents at the beginning of the year	569,993,812	432,137,519
Cash and cash equivalents at the end of the year (Note 4)	940,940,367	569,993,812

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies were consistently applied during the year, unless otherwise stated.

a) 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.

b) Statement of compliance

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and interpretations of those Standards.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been applied consistently unless otherwise stated.

c) Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The company does not hold any assets of its own and therefore did not apply any estimates or impairment of assets.

d) Income recognition

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

e) 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.

f) Retirement benefit costs

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

g) Taxation

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

h) 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.

2. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

The entity's policies adopted are consistent with those of the previous financial year.

a) New and amended standards, interpretations and improvements

The company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the effect of these changes are disclosed below:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Annual Improvements 2010-2012 Cycle
- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- IAS 24 Related Party Disclosures
- Annual Improvements 2011-2013 Cycle
- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property

Annual Improvements 2010-2012 Cycle
With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The company has applied these improvements for the first time in these financial statements. They include:

IFRS 2 Share-based Payment
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the company has identified any performance and service conditions which are vesting conditions in previous periods. In addition, the company had not granted any awards during the second half of 2014 and 2015. Thus, these amendments did not impact the company's financial statements or accounting policies.

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the company's current accounting policy and, thus, this amendment did not impact the company's accounting policy.

IFRS 8 Operating Segments
The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities

These amendments are not applicable to the company since it does not have operating segments.

2. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

a) New and amended standards, interpretations and improvements (continued)

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the revaluation adjustments recorded by the company during the current period.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the company as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle
These improvements are effective from 1 July 2014 and the company has applied these amendments for the first time in these financial statements. They include:

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:
Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
This scope exception applies only to the accounting in the financial statements of the joint arrangement itself
The company is not a joint arrangement, and thus this amendment is not relevant for the company.

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The company does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the company has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the company.

2. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

b) Standards issued but not yet effective

The standards improvements and amendments that are issued, but not yet effective, up to the date of issuance of the company's financial statements are disclosed below. The company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS

IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The company plans to adopt the new standard on the required effective date.

IFRS 14 Regulatory Deferral Accounts
IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.
IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the company is an existing IFRS preparer, this standard would not apply.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The company plans to adopt the new standard on the required effective date using the full retrospective method.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

2. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

b) Standards issued but not yet effective (continued)

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the company.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the company given that the company has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the company's financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively with early adoption permitted. In December 2015, the IASB postponed the effective date of these amendments indefinitely pending the outcome of its research project on the equity method of accounting. The amendments will not have any impact on the company.

2. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

b) Standards issued but not yet effective (continued)

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the company.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the company.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

2. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

b) Standards issued but not yet effective (continued)

Annual Improvements 2012-2014 Cycle (continued)

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment will not have any impact on the company.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment will not have an impact on the company.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments will not have any impact on the company.

IFRS 16 Leases

The IASB issued IFRS 16 Leases on 13 January 2016. The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Key features

- The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17.

2. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

b) Standards issued but not yet effective (continued)

Annual Improvements 2012-2014 Cycle (continued)

IFRS 16 Leases (continued)

Key features (continued)

- Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately.

- The new standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less).

- Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events.

- Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

The new standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The new standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach.

3. RELATED PARTY TRANSACTIONS AND BALANCES

	2015 KShs	2014 KShs
a) Amount due from related parties		
In relation to share capital	100,000	100,000

The amount is in respect of share capital held in Airtel Networks Kenya Limited operating bank account.

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). See Note 6.

c) Key management compensation

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

4. CASH AND CASH EQUIVALENTS

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

	2015 KShs	2014 KShs
Cash at bank	940,940,367	569,993,812

5. SHARE CAPITAL

Authorised: 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

Airtel Mobile Commerce B.V holds 999 ordinary shares while Airtel Mobile Commerce Holding B.V holds 1 ordinary share in the company.

Airtel Mobile Commerce B.V paid in full the authorised share capital of the company in 2012. There were no changes in the share capital of the company in the year.

6. DUE TO E-VALUE HOLDERS

	2015 KShs	2014 KShs
E-Value amounts due to E- Value holders	918,983,137	564,174,054
E-Value amounts due to related parties (See note 3)	21,957,230	5,819,747
	940,940,367	569,993,812

7. 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 2015 is KShs 968,345 (2014 KShs 908,628).

8. 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.

(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 behaviour. Operational risks arise from all of the company's operations and are faced by all business entities.

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

OPERATIONAL RISK (continued)

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.

9. CAPITAL MANAGEMENT

The primary objectives of the company is to hold ,in trust, the funds owing to the Airtel Mobile Commerce e- value holders and safeguard the safety and sanctity of these funds. 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.

10. OPERATIONS

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

11. COMPARATIVES

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

12. INCORPORATION

The company is incorporated in Kenya under the Kenyan Companies Act.

13. CURRENCY

These financial statements are presented in Kenya Shillings (KShs).