

AIRTEL MOBILE COMMERCE LIMITED

Annual Report
and
Financial Statements for the year ended
31 December 2023

AIRTEL MOBILE COMMERCE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2023

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AIRTEL MOBILE COMMERCE LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2023

The directors have pleasure in presenting to members audited financial statements for the year ended 31 December 2023 and report thereon as follows:

1. REVIEW OF ACTIVITIES

Main Business and Operations

Airtel Mobile Commerce Limited was incorporated under the Companies Act 1984 as repealed by the Companies Act 2013.

The principal activity of the Company is to provide mobile commerce services through the Airtel Money infrastructure.

Operations

The company continues to show growth in its customers with 17.2% year on year growth and ending with a total of 4.8 million customers. During the year the company added a total of 0.70 million new customers into its Ecosystem.

The company's revenue continues to grow strong with 52.2% year on year growth on the back of Cash Out Revenue and Bill/Merchant Payments Revenue which grew by 49.5% and 80.0% respectively. The Airtel Money Revenue Earning Customers (REC) penetration into the existing Airtel Malawi plc REC increased by 5 basis point from 62.1% to 67.0% providing a solid base for the revenue generation. The transaction values have increased by 60.6% from 711 billion to 1,141 billion year on year providing the basis of the revenue growth.

2. AUTHORISED AND ISSUED SHARE CAPITAL

Authorized, issued and fully paid:

	<u>2023</u>	<u>2022</u>
Ordinary shares of K1 each	50 000 000	50 000 000

The shareholding of the Company as at 31 December 2023 is as stated below:-

Name of Share Holder	No. of Shares	% of Shareholding
Airtel Mobile Commerce B.V.	49 999 999	99.999%
Airtel Mobile Commerce Holdings B.V.	<u>1</u>	<u>0.001%</u>
	<u>50 000 000</u>	<u>100%</u>

3. GOVERNANCE

The Board of Directors consists of one executive directors and five non-executive director. 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 Company is committed to the principles of effective corporate governance. The directors also recognize the importance of integrity, transparency and accountability.

AIRTEL MOBILE COMMERCE LIMITED
DIRECTORS' REPORT (Continued)
 For the year ended 31 December 2023

4. DIRECTORS

The following directors appointed in terms of the Articles of Association of the Company served office during the year.

Name	Residence	Nationality	Effective date
Mr. Frank Mvalo**	Malawian	Malawian	All year
Mr. Vimal Kumar Ambat**	South Africa	Indian	All year
Mr. Isaac Nchunda**	Tanzania	Tanzanian	All year
Ms. Barbara Barungi**	Nigeria	Ugandan	All year
Mrs. Cihan A. Seuleiman-Morgan**	UAE	French	All year
Mr. Brighton Banda*	Malawi	Zimbabwean	Up to 31st August 2023
Mrs. Thokozani Kamkondo*	Malawi	Malawian	From 16 November 2023

*Executive Director **Non-Executive Director

5. COMPANY SECRETARY

The company secretary of the Company is Mr Abdulhakim Mkwanda.

6. FINANCIAL PERFORMANCE

The results and state of affairs of the company are set out in the accompanying statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes to financial statements, which include a summary of significant accounting policies:

	<u>2023</u> K'000	<u>2022</u> K'000
Revenue	100 139 443	65 812 314
Profit before tax	49 841 778	31 572 491
Income tax expense	(14 976 878)	(9 482 245)
Profit for the year	34 864 901	22 090 246

6. RESERVES

Details of the reserves of the company are shown in the statement of changes in equity on page 10.

7. DIVIDENDS

The company has not declared dividend during the year ended 31 December 2023 (2022 : MK 27.5 bn).

8. GOING CONCERN

In accordance with their responsibilities, the directors considered the appropriateness of the going concern basis for the preparation of the financial statements.

The company recorded a profit after tax for the year ended 31 December 2023 of K34.9 billion (2022: K22 billion) and, as at that date, the company had current liabilities of K93.6 billion (2022: K79.2 billion) against current assets of K 145.8 billion (2022: K97.4 billion). The company as at 31 December 2023 was in net current assets position of K 52.2 billion (2022: K18.10 billion). The directors determined that the financial statements should be prepared on a going concern basis.

9. AUDITORS

The auditors, Deloitte, have signified their willingness to continue in office and a resolution is to be proposed at the forthcoming Annual General Meeting in relation to their appointment as auditors in respect of the year ending 31 December 2024.



.....
Mrs Thokozani Kamkondo (Director)



.....
Mr Frank Mvalo(Director)

AIRTEL MOBILE COMMERCE LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
For the year ended 31 December 2023

The 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 Airtel Mobile Commerce Limited as at the end of the financial year and of the operating results for that year.

The directors also acknowledge their duty to ensure the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act.

In preparing the financial statements the directors accept responsibility for the following:

- Maintenance of proper accounting records;
- Selection of suitable material accounting policy information and consistent application thereof;
- Making judgements and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards when preparing financial statements, subject to any material departures being disclosed and explained in the financial statements; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for establishing internal controls that ensure the propriety of transactions and accuracy and reliability of the accounting records and to safeguard the assets of the Company against loss by theft, fraud, defalcation or otherwise.

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 and cash flows for the year ended 31 December 2023.



.....) Mrs. Thokozani Kamkondo (Director)



.....) Mr. Frank Mvalo (Director)

24 April 2024

..... Date

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

Opinion

We have audited the accompanying financial statements of Airtel Mobile Commerce Limited set out on pages 8 to 39 which comprise the statement of financial position as at 31 December 2023, and the statement of 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Airtel Mobile Commerce Limited as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act.

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 Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Malawi. We have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report and the statement of directors' responsibilities, as required by the Companies Act, which we obtained prior to the date of this auditor's report. 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.



Other Information (Continued)

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 on the other information that we obtained prior to the date of this auditor's report, 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 of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board and the requirements of the 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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;

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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; and
- 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 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.

The logo for Deloitte, featuring the word "Deloitte" in a stylized, cursive script font.

Chartered Accountants
Christopher Kapenda
Partner

30 April 2024

AIRTEL MOBILE COMMERCE LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	As at 31 December 2023 K'000	As at 31 December 2022 K'000
ASSETS			
Non-current assets			
Plant and equipment	5	3 418 896	3 493 159
Intangible assets	6	367 342	360 025
Deferred tax asset	7	<u>1 550 473</u>	<u>754 065</u>
Total non-current assets		<u>5 336 711</u>	<u>4 607 249</u>
Current assets			
Inventories	9	616 000	-
Trade and other receivables	10a	3 472 987	3 458 168
Other current assets	10b	357 974	409 314
Cash and cash equivalents	11a	84 872 785	51 321 199
Balances held under mobile money wallet	11b	<u>56 479 209</u>	<u>42 181 080</u>
Total current assets		<u>145 798 955</u>	<u>97 369 761</u>
Total assets		<u>151 135 666</u>	<u>101 977 010</u>
EQUITY & LIABILITIES			
Share capital		50 000	50 000
Retained earnings		<u>57 534 014</u>	<u>22 669 113</u>
Total shareholders' equity		<u>57 584 014</u>	<u>22 719 113</u>
Current liabilities			
Mobile wallet balances	12a	56 479 209	42 181 080
Trade & other payables	12b	12 958 170	9 281 944
Dividend payable	20	18 812 408	24 750 000
Income tax payable	13	<u>5 301 865</u>	<u>3 044 873</u>
Total current liabilities		<u>93 551 652</u>	<u>79 257 897</u>
Total equity and liabilities		<u>151 135 666</u>	<u>101 977 010</u>

The financial statements on pages 8 to 39 were approved and authorised for issue by the Board of Directors on ~~21~~²⁴ April 2024 and signed on its behalf by:


.....
Mrs. Thokozani Kamkondo (Director)


.....
Mr Frank Mvalo (Director)

AIRTEL MOBILE COMMERCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Notes	For the year Ended 31 December <u>2023</u> K'000	For the year ended 31 December <u>2022</u> K'000
Income			
Operating revenue	14	<u>100 139 443</u>	<u>65 812 314</u>
Expenses			
Sales and distribution		(40 185 230)	(27 668 255)
License fee		(3 507 022)	(2 474 811)
Other expenses	15	(6 949 934)	(4 953 687)
Depreciation and amortisation	19	<u>(1 598 109)</u>	<u>(1 210 789)</u>
		<u>(52 240 295)</u>	<u>(36 307 542)</u>
Operating profit		47 899 148	29 504 772
Net foreign exchange loss	16	(2 451 678)	(617 657)
Finance income	17a	4 437 577	2 688 655
Finance cost	17b	<u>(43 268)</u>	<u>(3 279)</u>
Profit before tax		49 841 779	31 572 491
Income tax expense	18	<u>(14 976 878)</u>	<u>(9 482 245)</u>
Profit for the year		<u>34 864 901</u>	<u>22 090 246</u>
Profit and total comprehensive income for the year		<u>34 864 901</u>	<u>22 090 246</u>

There were no items in other comprehensive income for the year (2022:nil)

AIRTEL MOBILE COMMERCE LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	<u>Share capital</u> K'000	<u>Retained earnings</u> K'000	<u>Total</u> K'000
<u>Year ended 31 December 2023</u>			
At the beginning of the year	50 000	22 669 113	22 719 113
Net Total comprehensive income for the year	<u>-</u>	<u>34 864 901</u>	<u>34 864 901</u>
At end of the year 31 December 2023	<u><u>50 000</u></u>	<u><u>57 534 014</u></u>	<u><u>57 584 014</u></u>
<u>Year ended 31 December 2022</u>			
At the beginning of the year	50 000	28 078 867	28 128 867
Total comprehensive income for the year	-	22 090 246	22 090 246
Dividend declared	<u>-</u>	<u>(27 500 000)</u>	<u>(27 500 000)</u>
At end of the year 31 December 2022	<u><u>50 000</u></u>	<u><u>22 669 113</u></u>	<u><u>22 719 113</u></u>
		<u>2023</u> K'000	<u>2022</u> K'000
<u>Issued and fully paid:</u>			
50 000 000 (2022: 50 000 000) ordinary shares of K1 each		<u><u>50 000</u></u>	<u><u>50 000</u></u>

Accounting policies and notes to the financial statements set out on pages 12 to 39 form an integral part of the financial statements.

AIRTEL MOBILE COMMERCE LIMITED
STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	Notes	For the year Ended <u>31 December 2023</u>	For the year ended <u>31 December 2022</u>
		K'000	K'000
Cash flows from operating activities			
Profit before tax		49 841 779	31 572 491
<i>Adjustment for:</i>			
Depreciation and amortization	5 & 6	1 598 109	1 210 789
Unrealised exchange losses	16	870 928	617 757
Finance income	17a	<u>(4 437 577)</u>	<u>(2 688 655)</u>
Operating cash flow before working capital changes		47 873 239	30 712 282
Increase in trade and other receivables		(14 818)	(2 629 191)
Increase in inventory		(616 000)	-
Decrease in other current assets		51 340	-
Increase in Mobile Money wallet trust	11b	14 298 129	42 181 080
Increase in trade and other payables		<u>3 884 570</u>	<u>3 058 358</u>
Cash generated from operations before tax		65 476 460	73 322 524
Income tax paid	13	<u>(13 516 294)</u>	<u>(8 471 668)</u>
Net cash generated from operating activities		<u>51 960 166</u>	<u>64 850 856</u>
Cash flows from investing activities			
Interest received		4 437 577	2 688 655
Purchase of assets	5	<u>(2 610 436)</u>	<u>(993 865)</u>
Net cash generated by investing activities		<u>1 827 141</u>	<u>1 694 790</u>
Cash flow from financing activities			
Dividend paid	20	<u>(5 937 592)</u>	<u>(2 750 000)</u>
Net cash used in financing activities		<u>(5 937 592)</u>	<u>(2 750 000)</u>
Net increase in cash and cash equivalent during the year		47 849 715	63 795 647
Cash and cash equivalent at the beginning of the year		<u>93 502 279</u>	<u>29 706 632</u>
Cash and cash equivalent at the end of the year	11b	<u>141 351 994</u>	<u>93 502 279</u>

AIRTEL MOBILE COMMERCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023

1. Corporate information

Airtel Mobile Commerce Limited (the ‘company’) was incorporated under the Companies Act 1984 as repealed by the Companies Act 2013.

The principal activity of the Company is to provide mobile commerce services through the Airtel Money infrastructure.

Registered office and place of business

Airtel House, City Centre
Off Independence Drive
P.O Box 57
Lilongwe
Malawi

Bankers

National Bank of Malawi P.O Box 30317, Lilongwe 3
NBS Bank P.O Box 829, Lilongwe
FDH Bank P.O Box 30432, Lilongwe3
FCB Private Bag 122, Blantyre
Standard Bank PO Box 30386, Capital City, Lilongwe
Ecobank P.O. Box 2980, Lilongwe

2. Adoption of new and revised International Financial Reporting Standards

2.1 Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements

In the current year, the Company has adopted those new and revised Standards and Interpretations issued by the IFRS Accounting Standards as issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2023. The adoption of these standards did not have a material impact on the financial statements of the Company.

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2023	IAS 12 <i>Income Taxes</i> -Deferred Tax related to Assets and Liabilities arising from a single Transaction The Company has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

AIRTEL MOBILE COMMERCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2023

2. Adoption of new and revised International Financial Reporting Standards (Continued)

2.1 Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements (Continued)

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2023	<p>IAS 8 <i>Accounting Policies, Changes in accounting Estimates and Errors- Definition of Accounting Estimates</i></p> <p>The Company has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The definition of a change in accounting estimates was deleted.</p>
Annual reporting periods beginning on or after 1 January 2023	<p>IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies</p> <p>The Company has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.</p> <p>The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.</p>

AIRTEL MOBILE COMMERCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2023

2. Adoption of new and revised International Financial Reporting Standards (Continued)

2.2 Standards and Interpretations in issue, not yet effective

A number of new standards, amendments to standards and interpretations are issued and effective for annual periods beginning on or after 1 January 2024 and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2024	Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
Annual reporting periods beginning on or after 1 January 2024	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.
Annual reporting periods beginning on or after 1 January 2024	Non-current Liabilities with Covenants (Amendments to IAS 1) The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
	Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements
Annual reporting periods beginning on or after 1 January 2024	The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.
Annual reporting periods beginning on or after 1 January 2024	IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.
Annual reporting periods beginning on or after 1 January 2024	IFRS S2 Climate-related Disclosures IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

The directors anticipate that these Standards and Interpretations in future periods will have no significant impact on the financial statements of the Company.

3. Material accounting policy information

The following is a summary of the significant accounting policies adopted by the company. These policies have been consistently applied to all year presented, unless otherwise stated.

3.1 Statement of compliance

The financial statements of the company have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are accounted for as in note 3.12 below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measured date regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or a liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised in Level 1, 2 or 3 based on the degree to which the inputs to their fair value measurements are observable and the significance of the inputs to fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active market for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies of the company, which are set out below, have been consistently followed in all material respects.

3. Material accounting policy information (Continued)

3.3 Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRS's that have significant effect on the amounts recognised in the financial statements are discussed in note 4 to these financial statements.

3.4 Revenue

Revenue arises from billing customers for P2P (person to person offnet) transactions; cash out (withdrawal) transactions, Airtel Money to bank transactions, collections of funds for customers purchasing goods and services using Airtel Money and commissions on sale of airtime and business revenue arising from bulk payment transactions. Such commissions are recognised as revenue at a point in time on fulfilment of these services by the Company.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payments and excluding taxes or duty. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the transactions have been resolved

Revenue is measured at the fair value of the consideration received for the provision of services in the ordinary course of the company's activities. Revenue is shown net of value-added tax (VAT), excise duties, discount and rebates.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3. Material accounting policy information (Continued)

3.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

All repairs and maintenance expenditure is expensed as incurred unless it is deemed probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the company, in which case it is added to the carrying amount of the asset.

Depreciation is calculated on a straight line basis at a rate that will reduce book amounts to estimated residual values over the estimated useful lives of the assets as follows:

- Network equipment	3-20 years
- Computer equipment	3- 5 years
- Furniture and fixtures	1- 5 years

The company re-assesses both the useful lives and residual lives of the assets annually. Any future changes in either useful lives or estimated residual values are accounted for prospectively as a change in accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Plant and equipment in the course of construction is carried at cost, less any accumulated impairment and presented separately as capital work-in-progress ('CWIP') including capital advances in the statement of financial position until capitalised. Such cost comprises of purchase price (including non-refundable duties and taxes but excluding any trade discounts and rebates), and any directly attributable cost. Work in progress is not depreciated.

3.6 Intangible assets

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

Licenses are initially measured at cost and subsequently amortised on a straight-line basis over their useful lives. Intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation periods are reviewed annually and adjusted prospectively as required. Gains or losses arising from derecognition of licenses are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised. Licenses are amortised over period of the licence of 1 to 5 years.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

3. **Material accounting policy information** (Continued)

3.7 **Impairment of non-financial assets**

At the end of each reporting period, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or-cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating units) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss. Unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss. Unless the relevant asset is carried at a revalued amount in which case the reversal of impairment loss is treated as a revaluation increase.

3.8 **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. Material accounting policy information (Continued)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the company's financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

In addition, deferred tax liabilities are not recognised if the temporary difference arises from initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in the statement of comprehensive income, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

3. Material accounting policy information (Continued)

3.9 Functional currency translations

(a) *Functional and presentation currency*

Items included in the financial statements of the company are measured using Malawi Kwacha, the functional currency of the primary economic environment in which the entity operates. The financial statements are presented in Malawi Kwacha, which is the entity's functional and presentation currency.

(b) *Transactions and balances*

Transactions in currencies other than Malawi Kwacha are initially recorded at the rates of exchange ruling on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.10 Share capital and share premium

Issued ordinary shares are classified as 'share capital' in equity when the Company has an unconditional 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.

3.11 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.

3.12 Financial instruments

Financial assets and financial liabilities are recognised in the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. Material accounting policy information (Continued)

3.12 Financial instruments (Continued)

3.12.1. Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

3.12.2. Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3.12.3. Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

3. Material accounting policy information (Continued)

3.12 Financial instruments (Continued)

3.12.3. Amortisation cost and effective method (Continued)

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognised in profit or loss.

3.12.4 Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

3. Material accounting policy information (Continued)

3.12 Financial instruments (Continued)

3.12.5 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.

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.

3.12.5.1. 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;

3. Material accounting policy information (Continued)

3.12 Financial instruments (Continued)

3.12.5.1. Significant increase in credit risk (Continued)

- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same 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 obligations.

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 60 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.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3.12.5.2. 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.

3. Material accounting policy information (Continued)

3.12 Financial instruments (Continued)

3.12.5.3. 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.

3.12.5.4. 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. 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 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.

3.12.5.5. Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

3. Material accounting policy information (Continued)

3.12 Financial instruments (Continued)

3.12.5.5. Measurement and recognition of expected credit losses (Continued)

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

3.12.5.6. Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3.13 Financial liabilities and equity instruments

3.13.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.13.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. Material accounting policy information (Continued)

3.13 Financial liabilities and equity instruments (Continued)

3.13.3 Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

3.13.4 Financial liabilities at FVTPL

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 *Financial Instruments* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in the statement of comprehensive income. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item in other comprehensive income.

3.13.5 Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

3.13.6 Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Material accounting policy information (Continued)

3.14 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3.15 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.

3.16 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

4. Critical accounting judgements and key sources of estimation uncertainty

4.1 Critical accounting judgements made by management

In the application of the Company's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.2 Key sources of estimation uncertainty

Provisions and contingent liabilities

The Company exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent. Judgement is necessary to assess the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of any financial settlement. The inherent uncertainty of such matters means that actual losses may materially differ from estimates.

AIRTEL MOBILE COMMERCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 Decembe 2023

5. Plant and equipment

December 2023	<u>Computer equipment</u> K'000	<u>Furniture</u> K'000	<u>Capital Work in progres</u> K'000	<u>Total</u> K'000
<u>Cost</u>				
At the beginning of the year	159 787	4 059 306	935 027	5 154 120
Additions during the year			1 531 164	1 531 164
Transfers to plant and equipment	950 506	1 200 417	(2 150 923)	-
Transfer to intangible assets	-	-	(185 160)	(185 160)
At the end of the year	<u>1 110 293</u>	<u>5 259 723</u>	<u>130 108</u>	<u>6 500 124</u>
Accumulated Depreciation				
At the beginning of the year	103 327	1 557 635	-	1 660 962
Charge for the year	<u>101 025</u>	<u>1 319 241</u>	-	<u>1 420 266</u>
At the end of the year	<u>204 352</u>	<u>2 876 876</u>	-	<u>3 081 228</u>
Net book value 31 Dec 2023	<u>905 941</u>	<u>2 382 847</u>	<u>130 108</u>	<u>3 418 896</u>
Net book value 31 Dec 2022	<u>56 460</u>	<u>2 501 671</u>	<u>935 027</u>	<u>3 493 159</u>

December 2022	<u>Computer equipment</u> K'000	<u>Furniture</u> K'000	<u>Capital Work in progres</u> K'000	<u>Total</u> K'000
<u>Cost</u>				
At the beginning of the year	117 083	2 860 970	1 628 577	4 606 630
Additions during the year	-	-	993 865	993 865
Transfer to assets	<u>42 704</u>	<u>1 198 337</u>	<u>(1 687 415)</u>	<u>(446 375)</u>
At the end of the year	<u>159 787</u>	<u>4 059 306</u>	<u>935 027</u>	<u>5 154 120</u>
Accumulated Depreciation				
At the beginning of the year	68 078	599 730	-	667 808
Charge for the year	293 973	702 266	-	996 239
Transfer to intangible assets	<u>(258 724)</u>	<u>255 639</u>	-	<u>(3 086)</u>
At the end of the year	<u>103 327</u>	<u>1 557 635</u>	-	<u>1 660 961</u>
Net book value 31 Dec 2022	<u>56 460</u>	<u>2 501 671</u>	<u>935 027</u>	<u>3 493 159</u>
Net book value 31 Dec 2021	<u>49 005</u>	<u>2 261 240</u>	<u>1 628 577</u>	<u>3 938 822</u>

AIRTEL MOBILE COMMERCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2023

6. Intangible assets

	<u>2023</u>	<u>2022</u>
	License	License
	K'000	K'000
Cost		
At the beginning of the year	1 281 200	834 825
Transfers from plant and equipment	-	446 375
Additions	<u>185 160</u>	<u>-</u>
At the end of the year	<u>1 466 360</u>	<u>1 281 200</u>
Amortisation		
At the beginning of the year	921 175	703 539
Charge for the year	180 929	214 550
Prior year adjustment	<u>(3 086)</u>	<u>3 086</u>
At the end of the year	<u>1 099 018</u>	<u>921 175</u>
Net book value at the end	<u>367 342</u>	<u>360 025</u>

7. Deferred tax asset

	<u>2023</u>	<u>2022</u>
	K'000	K'000
At beginning of the year	754 065	382 409
Credit to income statement (note 18)	<u>796 408</u>	<u>371 656</u>
At the end of the year	<u>1 550 473</u>	<u>754 065</u>
Analysed as:		
Accelerated capital allowances	24 345	28 466
Other timing differences	<u>1 526 128</u>	<u>725 599</u>
	<u>1 550 473</u>	<u>754 065</u>

8. Related party disclosures

8.1 Amounts due from related parties

		<u>2022</u>	<u>2021</u>
Name of the related party	Relationship	K'000	K'000
Airtel Malawi plc	Fellow subsidiary	-	670 170
Airtel Mobile Commerce Zambia Ltd	Fellow Subsidiary	57 972	1 117 150
Airtel Money Transfer Limited	Fellow Subsidiary	47 606	12 595
Airtel Mobile Commerce Rwanda Ltd	Fellows Subsidiary	<u>52 615</u>	<u>21 595</u>
Disclosed on note 10		<u>158 193</u>	<u>1 820 960</u>

AIRTEL MOBILE COMMERCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2023

8. Related party disclosures (Continued)

8.2 Amounts due to related parties

Name of the related party	Relationship	<u>2023</u>	<u>2022</u>
		K'000	K'000
Airtel Mobile Tanzania Limited	Fellow subsidiary	2 607 439	1 692 740
Airtel Malawi Plc Malawi	Fellow subsidiary	465 421	-
Airtel Malawi Commerce BV Dubai	Parent company	3 247 351	1 270 039
Airtel Mobile Uganda Limited	Fellow subsidiary	<u>148 490</u>	<u>181 016</u>
Disclosed in note 11b		<u>6 468 701</u>	<u>3 143 795</u>

9. Inventory

Inventory consists of 40 000 KGTel K2160 phones procured from New Touch of Class at the value of MK616 000 000 on 23 October 2023. The phones were bought under contract with Malawi government for distribution to beneficiaries under Social Support Resilient Livelihood project but had not yet been distributed as at 31 December 2023 and they were therefore, held in inventory.

10a. Trade and other receivables

	<u>2023</u>	<u>2022</u>
	K'000	K'000
Trade receivables	140 040	389 640
Less: Provision for impairment	<u>(34 287)</u>	<u>(159 151)</u>
	105 753	230 489
Amounts due from related parties (Note 8.1)	158 193	1 820 960
Other receivables	<u>3 209 041</u>	<u>1 406 719</u>
	<u>3 472 987</u>	<u>3 458 168</u>

10b. Other current assets

	<u>31 Dec 23</u>	<u>31 Dec 2022</u>
	K'000	K'000
Prepayments	37 873	154 254
Interest accrued on investments	139 827	107 021
Advance to supplier (net)	1 080	-
Tax recoverable	120 768	68 257
Others (net)	<u>58 426</u>	<u>79 782</u>
	<u>357 974</u>	<u>409 314</u>

The average credit period on sales of goods is 30 days while for interconnect for above 90 days. No interest is charged on outstanding trade receivables.

The receivables are assessed on an individual basis or grouped into homogeneous groups and assessed for impairment collectively, depending on their significance.

Moreover, trade receivables are written off on a case to case basis if deemed not to be collectible on the assessment of the underlying facts and circumstances.

Other receivables relate to prepayments that the company paid in advance for various services such as cost to obtain or fulfil contracts with customers, network costs and advance rent related to offices and shops and staff advances.

AIRTEL MOBILE COMMERCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2023

11a. Cash and cash equivalents

	<u>2023</u> K'000	<u>2022</u> K'000
Balances with banks		
On current accounts	14 950 557	26 928 755
Bank deposits	66 775 864	22 218 204
Cash balance	<u>3 146 364</u>	<u>2 174 240</u>
Cash and cash equivalents at the end of the year	<u>84 872 785</u>	<u>51 321 199</u>

The balances on current accounts with Eco bank Limited and Standard Bank of Malawi plc and were earning interest between 0.8%-7% in 2023 (2022: 0.8% - 2%) per annum. The bank deposits are with Eco bank limited and National Bank of Malawi plc and were earning interest between 9%-18% per annum (2022: 6-12%).

The carrying amount of cash and cash equivalent of K84.9 billion (2022: K51.3 billion) is a reasonable approximation of their fair values.

11b. Balance held under mobile money wallet

	<u>2023</u> K'000	<u>2022</u> K'000
Trust bank balance	<u>56 479 209</u>	<u>42 181 080</u>

The amounts held by Airtel Money electronic value (E-value) account holders in their mobile money wallets are presented separately in the statement of financial position as 'Mobile Money wallet trust'. The amounts held in bank on behalf of such E-value account holders are restricted for use by the Company and are presented as 'Balance held under mobile money trust'. Funds held on behalf of customers are held on bank accounts bearing an average interest rate of 6.2% (2022:6%)

In terms of clauses 11 and 12 of the 'No objection for full roll out of Airtel money services granted by the Reserve Bank of Malawi, dated 27 July 2011, the Company maintains separate bank accounts. The Company and Airtel Malawi plc including any other agents do not access the bank accounts for their benefit.

For the purpose of the statement of cash flows, cash and cash equivalents are as follows:

	<u>2023</u> K'000	<u>2022</u> K'000
On current accounts	14 950 557	26 928 755
Bank deposits	66 775 864	22 218 204
Cash balance	3 146 364	2 174 240
Mobile Money wallet trust	<u>56 479 209</u>	<u>42 181 080</u>
Cash and cash equivalents at the end of the year	<u>141 351 994</u>	<u>93 502 279</u>

12a. Mobile Money wallet trust

	<u>2023</u> K'000	<u>2022</u> K'000
Balances due to other mobile money customers	<u>56 479 209</u>	<u>42 181 080</u>

This represents funds held in trust accounts on behalf of E-value holders which are not available for use by the company for its activities.

AIRTEL MOBILE COMMERCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2023

12b. Trade and other payables

	<u>2023</u> K'000	<u>2022</u> K'000
Trade payables	294 003	254 624
Other payables	6 195 466	3 143 795
Amounts due to related parties (Note 8.2)	<u>6 468 701</u>	<u>5 883 525</u>
	<u>12 958 170</u>	<u>9 281 944</u>

The average credit period on payables is 60 days. No interest is charged on these payables.
The directors consider that the carrying amount of payables approximates to their fair values due to their short term nature.

13. Income tax payable

	<u>2023</u> K'000	<u>2022</u> K'000
Opening balance	3 044 873	1 662 640
Withholding tax paid during the year	(1 041 658)	(1 006 530)
Provisional tax paid during the year	(12 474 636)	(7 465 138)
Income tax charged during the year (note 18)	<u>15 773 286</u>	<u>9 853 901</u>
Income tax payable	<u>5 301 865</u>	<u>3 044 873</u>

14. Operating revenue

	<u>2023</u> K'000	<u>2022</u> K'000
Transaction charge on cash withdrawals	65 416 603	42 932 358
Other fees and charges	23 338 172	15 035 438
Airtime recharge transaction fees	10 011 491	6 710 740
Merchant collection service fees	<u>1 373 176</u>	<u>1 133 778</u>
	<u>100 139 443</u>	<u>65 12 314</u>

Other fees and charges includes bank transfer service fees, service fees on international money transfers.

15. Other expenses

	<u>2023</u> K'000	<u>2022</u> K'000
IT expenses	1 306 088	991 703
Legal and professional	3 040 575	1 403 727
Salaries and wages	692 362	581 705
Customer service expenses	330 751	217 562
Staff welfare expenses	210 468	79 594
Marketing and advertisement	805 281	999 077
Administration expenses	664 310	528 838
Provision for doubtful debts	<u>(99 901)</u>	<u>151 480</u>
Total	<u>6 949 934</u>	<u>4 953 687</u>

AIRTEL MOBILE COMMERCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2023

16. Net foreign exchange loss

	<u>2023</u>	<u>2022</u>
	K'000	K'000
Realised exchange gain	(29 081)	-
Realised exchange loss	1 609 831	-
Unrealised exchange gain	(1 115 113)	-
Unrealised exchange loss	<u>1 986 041</u>	<u>617 657</u>
	<u>2 451 678</u>	<u>617 657</u>

17a. Finance income

Interest income	<u>4 437 577</u>	<u>2 688 655</u>
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17b. Finance cost

Bank charges	<u>43 268</u>	<u>3 279</u>
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18. Income tax expense

	<u>2023</u>	<u>2022</u>
	K'000	K'000
Current income tax charge (note 13)	15 773 286	9 853 901
Deferred tax (credit)/charge (note 7)	<u>(796 408)</u>	<u>(371 656)</u>
	<u>14 976 878</u>	<u>9 482 245</u>
Profit before income tax	49 841 777	31 572 491
Tax calculated at the end statutory income tax rate of 30%	14 952 533	9 471 747
Tax effect of:		
Expenses not deductible for tax purposes (net)	<u>24 345</u>	<u>10 498</u>
Income tax expense	<u>14 976 878</u>	<u>9 482 245</u>

19. Depreciation and Amortization

	<u>2023</u>	<u>2022</u>
	K'000	K'000
Depreciation on property and equipment (note 5)	1 420 266	996 239
Amortisation of intangible assets	<u>177 843</u>	<u>214 550</u>
	<u>1 598 109</u>	<u>1 210 789</u>

AIRTEL MOBILE COMMERCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2023

20. Dividend Payable

	<u>2023</u> K'000	<u>2022</u> K'000
At beginning of the year	24 750 000	-
Dividend declared	-	27 500 000
Dividend paid	<u>(5 937 592)</u>	<u>(2 750 000)</u>
At the end of the year	<u>18 812 408</u>	<u>24 750 000</u>

21. Financial risk management

Categories of financial instruments

The analysis below sets out the company's classification of financial assets and liabilities and their fair values including accrued interest.

	<u>2023</u> K'000	<u>2022</u> K'000
Financial assets at amortised cost		
Cash and cash equivalent (11a & 11b)	141 351 994	93 502 279
Trade and other receivable	3 634 895	1 892 268
Amount due from related party	<u>158 193</u>	<u>1 820 959</u>
Total	<u><u>145 145 082</u></u>	<u><u>97 215 506</u></u>
Financial liabilities at amortised cost		
Mobile Money wallet trust	56 479 209	42 181 080
Trade and other payables	6 489 469	6 137 486
Amounts due to related party	<u>6 468 701</u>	<u>3 144 458</u>
Total	<u><u>69 437 379</u></u>	<u><u>51 463 024</u></u>

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Market risk
- Credit risk
- Operational risk
- Interest rate risk
- Foreign Currency Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

AIRTEL MOBILE COMMERCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2023

21. Financial risk management (Continued)

21.1 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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.

The table below summarises the maturity profile of the company's financial assets and liabilities based on contractual undiscounted payments.

	0 to 3 <u>Months</u> K'000	4 -12 <u>Months</u> K'000	Over 1 <u>year</u> K'000	Carrying amount and fair value K'000
<u>As at 31 December 2023</u>				
Assets				
Trade and other receivables	3 634 895	-	-	3 314 794
Amount due from related parties	158 193	-	-	158 193
Cash and cash equivalents	141 351 994	-	-	141 351 994
Total Assets	<u>145 145 082</u>	<u>-</u>	<u>-</u>	<u>145 145 082</u>
Liabilities				
Mobile Money wallet trust	56 479 209	-	-	56 479 209
Amount due to related parties	6 468 701	-	-	6 468 701
Trade & other payables	6 489 469	-	-	6 489 469
Total Liabilities	<u>69 437 379</u>	<u>-</u>	<u>-</u>	<u>69 437 379</u>
Gap	<u>75 707 703</u>	<u>-</u>	<u>-</u>	<u>75 707 703</u>
Cumulative Gap	<u>75 707 703</u>	<u>75 707 703</u>	<u>75 707 703</u>	<u>75 707 703</u>
<u>As at 31 December 2022</u>				
Assets				
Trade and other receivables	1 892 268	-	-	1 892 268
Amount due from related parties	1 820 959	-	-	1 820 959
Cash and cash equivalents	93 502 279	-	-	93 502 279
Total Assets	<u>97 215 506</u>	<u>-</u>	<u>-</u>	<u>97 215 506</u>
Liabilities				
Mobile Money wallet trust	42 181 080	-	-	42 181 080
Amount due to related parties	1 873 756	-	-	1 873 756
Trade & other payables	7 408 188	-	-	7 408 188
Total Liabilities	<u>51 463 024</u>	<u>-</u>	<u>-</u>	<u>51 463 024</u>
Gap	<u>45 752 482</u>	<u>-</u>	<u>-</u>	<u>45 752 482</u>
Cumulative Gap	<u>45 752 482</u>	<u>45 752 482</u>	<u>45 752 482</u>	<u>45 752 482</u>

AIRTEL MOBILE COMMERCE LIMITED

21. Financial risk management (Continued)

21.2 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity and commodity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

21.3 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from trading activities as well as placement and balances with other counterparties, advances to customers, deposits held with various service providers, prepayments and bank balances. Amount due from the related party best represents the Company's maximum exposure to the credit risk or concentration of the credit risk.

21.4 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.

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.

21.5 Interest rate risk management

The company is exposed to interest rate risk as Fixed deposit with other banks. The amount arose as a result of the conversion if the amount receivable from bank. Any adverse changes in the interest rate are adjusted in the structure of the fixed deposit and normal bank deposit rate.in terms of the interest receivable. The interest rate is a stable rate derived from stable environment, thus any changes are unlikely to have a significant impact on the company's operations.

As at 31 December 2023, if effective interest rates on fixed deposit had been 5% higher/lower with all other variables held constant, profit before tax would have been K 3.34 billion (2022: K 1.11 billion) lower/higher.

21.6 Foreign currency risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company primarily transacts business in U.S. dollars with parties of other countries. The Company has obtained foreign currency loans and imports equipment and services; and is therefore, exposed to foreign exchange risk arising from various currency exposures primarily with respect to United States dollar.

The company's policy to manage the foreign currency risk is to settle all its foreign liabilities as they fall due for payment in order to mitigate the risk associated with the Malawi Kwacha depreciating significantly in value against the respective currencies of the suppliers.

21. Financial risk management (Continued)

21.6 Foreign currency risk management (Continued)

As at 31 December 2023, if the Kwacha had weakened/strengthened by 10% against the US dollar with all other variables held constant, profit before tax for the year would have been K997 million (2022: K291 million) lower/higher, mainly as a result of US dollar denominated balances.

22. Fair value measurements

IFRS 13 Fair Value Measurement establishes a single source of guidance for fair value measurement and disclosure and this applies to both financial and non-financial instruments items which either *IFRS* require or permit fair value measurements except for share based payments that are within the scope of *IFRS 2 Share-Based Payment*, leasing transactions that are within the scope of *IFRS 16 Leases* and other measurements that have similarities to fair value but are not fair value such as Net Realisable Value (NRV) for measuring of inventories and value in use for impairment assessment purposes.

This note provides information about how the company determines fair values of various financial assets and financial liabilities.

22.1 Valuation techniques and assumptions applied for the purposes of measuring fair value

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate fair values.

The fair values of financial assets and financial liabilities are determined as follows;

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes); and

The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

22.2 Fair value measurements recognized in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those that are derived from inputs of other than quoted prices included within Level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

22.3 Fair value of company's assets and financial liabilities that are measured at fair value on recurring-basis (but fair value disclosures are required).

AIRTEL MOBILE COMMERCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2023

22. Fair value measurements(Continued)

The company has investments as part of financial assets and derivatives as financial liabilities that are measured at fair value at the end of each reporting period. The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

	Carrying amount <u>2023</u> K'000	Fair value <u>2023</u> K'000	Carrying amount <u>2022</u> K'000	Fair value <u>2022</u> K'000
<u>Financial assets classified at amortised cost</u>				
Amount due from related parties	158 193	158 193	1 820 960	1 820 959
Trade & other receivables	<u>3 672 768</u>	<u>3 672 768</u>	<u>2 046 522</u>	<u>2 046 522</u>
	<u>3 830 961</u>	<u>3 830 961</u>	<u>3 867 482</u>	<u>3 867 482</u>
<u>Financial liabilities classified at amortised cost</u>				
Amounts due to related parties	6 468 701	6 468 701	1 873 756	1 873 756
Trade and other payables	<u>6 871 823</u>	<u>6 871 823</u>	<u>7 408 188</u>	<u>7 408 188</u>
	<u>69 819 733</u>	<u>69 819 733</u>	<u>51 463 024</u>	<u>51 463 024</u>

23. Capital risk management

Capital includes equity attributable to the equity holders of the company. The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

24. Contingent Liabilities

There were no contingent liabilities at the reporting date.

25. Economic Factors

Economic factors relevant to the Company's performance are set out below.

	31 December <u>2023</u>	31 December <u>2022</u>
Kwacha/US Dollar	1 700	1034.67
Inflation	34.5%	25.8 %

As at the date of approval, the above economic factors had moved as follows:

Kwacha/US Dollar	1 751
Inflation (%) March 2024	31.8%

No adjustments arising from the movement of the exchange rates after the reporting period- end have been made in the financial statements.