AIRTEL MALAWI PLC

Annual Report and Financial Statements for the year ended
31 December 2021

AIRTEL MALAWI PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2021

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AIRTEL MALAWI PLC
DIRECTORS' REPORT
For the year ended 31 December 2021

The directors have pleasure in presenting to members audited financial statements for the year ended 31 December 2021 and report thereon as follows:

1. REVIEW OF ACTIVITIES

Airtel Malawi Limited was incorporated in Malawi under the Malawi Companies Act 1984 as repealed by the Companies Act 2013 as a private company limited by shares. It was subsequently re-registered as Airtel Malawi Plc ("the company") on 18 November 2019.

The holding company is Bharti Airtel Malawi Holdings BV, incorporated in Netherlands. The company was listed on the Malawi Stock Exchange on 24th February 2020.

The registered office of the company is located at Airtel Malawi premises, Airtel Complex, City Centre, Off Convention Drive, P.O. Box 57, Lilongwe, Malawi. The main business of the company consists of the provision of telecommunication services.

OPERATIONS

The company is the leading provider of mobile telecommunication services (GSM mobile cellular telephone services) in Malawi, connecting millions of Malawians to the world through our voice telephony, messaging, data, international and national long-distance telecommunications services and value adding services.

The company continues to show strong growth in its customer base with 23.8% year on year growth and ending the year with a total of 6.25 million customers. During the year the company added a total of 1.2 million new customers into its network. Data Customers grew 28.3% year on year basis to reach total customers of 2.1 million.

The company's revenue continues to grow strong with 19.9% year on year growth on the back of strong customer base growth and usage growth both in outgoing voice and data. The company generated 7.3 billion minutes on its network in year 2021 as compared to 4.8 billion minutes in previous year giving a year-on-year growth of 52% in minutes. However, the OG voice rate declined from K12 per minute in year 2020 to K 10 in year 2021 thus a year on year drop of 16.7%. The data revenue increase was supported by base growth and usage growth. In year 2021, the company clocked 40 billion Mbs as against 26 billion Mbs in year 2020, a growth of 53.8% on yearly basis. Data realisation dropped from K 1.43 per Mb in year 2020 to K 1.07 per Mb in year 2021, thus a drop of 25% on yearly basis.

During the year company expanded its network with roll out of additional 132 sites. The company further secured 10 Mn numbering range from MACRA (098*** series) in addition to the already existing 10 million (099*** series).

2. SHARE CAPITAL

The Authorised Share Capital of the company as at 31 December 2021 comprises of 11 000 000 000 (2020: 11 000 000 000) Ordinary shares. The issued and fully paid capital of the company comprises of 11 000 000 000 (2020: 11 000 000 000) Ordinary shares of K 0.0001 each (2020: K 0.0001 each), total amounting to K1 000 000 (2020: K1 000 000).

The key shareholders and their respective shareholding as at year-end were:

	2021	2020
	%	%
Bharti Airtel Malawi Holdings BV	80.00	80.00
General Public	10.53	10.53
Old Mutual Life Assurance	9.47	9.47
	100.00	100.00

3. FINANCIAL COST AND INCOME

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.

	2021 K'000	2020 K'000
Revenue	131 769 046	110 233 321
Profit before tax	46 217 428	31 738 895
Income expense	13 882 494	9 646 194
Profit for the year	32 334 934	22 092 701

4. CORPORATE GOVERNANCE

Airtel Malawi Plc takes the issue of corporate governance seriously. The Company's focus is to have a sound corporate governance framework that contributes to improved corporate performance and accountability in creating long term shareholder value.

The company continues to embrace and abide by the main principles of modern corporate governance as contained in the Malawi Code II (Code of Best Practice for Corporate Governance in Malawi). In this regard, the company Board, comprises of Non-Executive Directors and one Executive Director.

The Board meets at least four times a year and concerns itself with key matters and the responsibilities for implementing the Company's strategy is delegated to management. The Board of Directors continues to provide considerable depth of knowledge and experience to the business.

There is strong focus by the Audit Committee on matters relating to financial operations, fraud, application of accounting and control standards and results. The Audit Committee also meets at least four times a year.

The Company has put in place a Code of Conduct and Anti- Bribery and Anti-Corruption Policy that sets out the standards on how staff should behave with all stakeholders. An effective monitoring mechanism to support management's objective of enforcing the Code of Conduct and Anti- Bribery and Anti-Corruption has been developed and is being used across the Company.

5. DONATIONS

During the year the Company made donations of K 134 million (2020: K 149 million). We donated Perkins Braille Machines, Braille hand frames, styli, and embosser papers to various schools to assist students with visual challenges. We also donated tuition fees, bicycles, backpacks, and notebooks to several secondary schools in Malawi to assist needy students who walk long distances to schools. Further, through a staff-led initiative in partnership with Onjezani Kenani's private Citizens Initiative, we supported Chiradzulu District Hospital with a solar powered water supply solution.

6. 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
1. Alex Chitsime*	Malawi	Malawian	13 June 2012
2. Charles Kamoto**	Malawi	Malawian	27 July 2015
3. Alok Bafna*	UAE	Indian	4 January 2017
4. Ian Ferrao*	UAE	British	15 October 2019
5. Neelesh Singh*	UAE	Indian	3 May 2019
6. Kayisi Sadala*	Malawi	Malawian	12 September 2019
7. Mark Mikwamba*	Malawi	Malawian	17 July 2020
8. Olivier Pognon*	Kenya	French	17 July 2020 up to 5 October 2021
9. Mrs. Rogany Ramiah*	UAE	South African	17 July 2020

* Non-executive Director
** Executive Director

7. COMPANY SECRETARY

The secretary of the company is Mrs Hlupekire Chalamba.

8. DIRECTORS' INTERESTS

The directors noted below hold the following ordinary shares in the company at the year-end.

Mr. Alex Chitsime	788,000 shares
Mr. Charles Kamoto	5,000,000 shares
Mr. Mark Mikwamba	197,005 shares
Mr. Kayisi Sadala	197,003 shares

9. NUMBER OF BOARD MEETINGS HELD

The Board maintains a scheduled calendar of meetings and a standing agenda. The meetings are held quarterly and the Board at times also schedule adhoc meetings. Further, where necessary some specific items are added to the agenda in order to allow the Board to focus on key matters at each prevailing time. After each quarterly meeting, the Board schedules informal sessions and interactions, which allows directors, management and other stakeholders to discuss matters affecting the business.

During the year ended, 31 December 2021, four meetings were held and attendance by each director is given below:

9. NUMBER OF BOARD MEETINGS HELD (Continued)

NAME OF THE DIRECTOR	30-MAR-21	24-MAY-21	26-AUG-21	22- NOV-21
Mr. Alex Chitsime	√	√	√	√
Mr. Charles Kamoto	√	√	√	√
Mr. Alok Bafna	√	A	A	√
Mr. Ian Ferrao	√	√	√	A
Mr. Neelesh Pratap Singh	A	√	√	√
Mr. Kayisi M'bwana Sadala	√	√	√	√
Ms. Rogany Ramiah	√	√	√	√
Mr. Mark Mikwamba	√	√	√	A
* Mr. Olivier Pognon	√	√	A	N/A

Key
√= Attendance
A=Apology

* The director retired in October 2021.

BOARD COMMITTEES

There are two board committees which were established to ensure that the Board discharges its duties effectively in accordance with principles of good corporate governance. All board committees have terms of reference and report to the main Board.

AUDIT, INVESTMENT AND RISK COMMITTEE MEETING ATTENDANCE

NAME OF DIRECTORS	29-MAR-2021	21-MAY-21	24-AUG-21	18- NOV-21
Mr. Mark Mikwamba	√	√	√	√
Mr. Alok Bafna	√	√	√	√
Mr. Neelesh Pratap Singh	√	√	√	√

9. NUMBER OF BOARD MEETINGS HELD (Continued)

HUMAN CAPITAL COMMITTEE MEETING ATTENDANCE

NAME OF THE DIRECTORS	24-MAR-21	20-MAY-21	25-AUG-21	19- NOV-21
Mr. Kayisi M'bwana Sadala	√	√	√	√
Ms. Rogany Ramiah	√	√	√	√
Mr. Olivier Pognon	√	√	√	N/A

10. HEATH AND SAFTEY

The Company has policies and procedures to safeguard the occupational health, safety and welfare of its employees. To safeguard its employees against the Covid-19 pandemic, the Company has measures in place in line with the country's health guidelines which are monitored regularly.

11. COVID-19

The Covid-19 pandemic has interrupted business growth across the world; however, the telecom sector remained a pivot sector amidst tough times providing unabated connectivity of network and data. Our network response team was quick to respond to customers' demand across the country to ensure uninterrupted service for our customers while ensuring complete safety for our field staff. Partnering with our strategic and operational partners, we continuously worked to keep the network running to provide essential telecom service across Malawi. Based on the Company's assessment, no material impact has been noted due to the pandemic. Refer to note 43 to the financial statements for further disclosures relating to impact of COVID -19.

12. RESERVES

Details of the reserves of the company are shown in the statement of changes in equity on page 14.

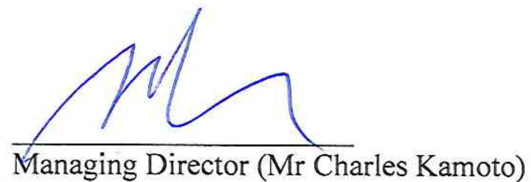
13. DIVIDENDS

The company paid a final dividend of K2.10 per share amounting to K23.1 billion during the year in respect of the year ended 31 December 2020. Further directors propose a final dividend of K 32.45 billion equivalent of K 2.95 per share for the year ended 31 December 2021 (2020: K23.1 billion equivalent of K2.10 per share).

14. 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 taxation for the year ended 31 December 2021 of K32.3 billion (2020: K22.1 billion) and, as at that date, it had current liabilities of K67.6 billion (2020: K89.8 billion) against current assets of K67.2 billion (2020: K47.2 billion). The company as at 31 December 2021 was in net current liabilities position of K0.414 billion (2020: K42.6 billion). The directors determined that the financial statements should be prepared on a going concern basis.

Chairperson (Mr Alex Chitsime)



Managing Director (Mr Charles Kamoto)

AIRTEL MALAWI PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES
For the year ended 31 December 2021

The Malawi Companies Act, 2013 requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results for that period.

The Act also requires the directors to ensure that 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 Malawi Companies Act, 2013.

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

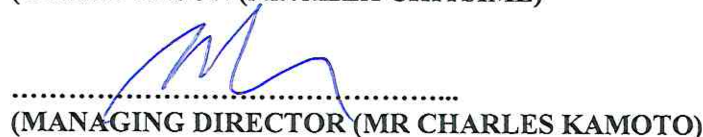
- Maintenance of proper accounting records;
- Selection of suitable accounting policies and consistent application thereof;
- Making judgements and estimates that are reasonable and prudent;
- Compliance with International Financial Reporting Standards, when preparing financial statements; and
- Preparation 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 have made an assessment of the company's ability to continue as a going concern and have no reason to believe that the company is not a going concern in the near future from the date of this statement.

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 2021.

....
(CHAIRPERSON (MR ALEX CHITSIME)


....
(MANAGING DIRECTOR (MR CHARLES KAMOTO)

6 – April – 2022
....
(DATE)

Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIRTEL MALAWI PLC

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Airtel Malawi Plc set out on pages 12 to 79, which comprise the statement of financial position as at 31 December 2021, and statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Airtel Malawi Plc as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 Annual 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

MAKING AN IMPACT THAT MATTERS since 1845

Partners: NT Uka VW Beza CA Kapenda MC Mwenelupembe (Mrs)
Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue	
The company's billing systems for voice and data operate on dedicated computer platforms. These systems process millions of pieces of data to electronic records which enables the company to charge their customers, in real time, based on service usage. The operations of these systems are fairly complex with dynamic and intelligent tariffs regimes which provide for various promotions and discounts that are dependent on demand and individual usage profiles. Income is determined taking into account the profile and usage of each individual customer. In addition, prepaid phone units are used over periods that can straddle more than one accounting period. The determination of the correct cut off between what has been used and can be included in income and what has not be used and should be contract liabilities (creditor) is also a key audit consideration. The nature of the systems and billing profiles make this a complex audit area in relation to the auditor assessing completeness and accuracy of income. Accordingly, we consider this a key audit matter. The revenue recognition policy of the company has been disclosed in note 4.4 and the revenue streams analysis is in note 26 to the financial statements.	We assessed the revenue recognition policy and ensured the policy is in line with International Financial reporting Standards and industry practice. We involved our Information Technology (IT) risk specialists in the engagement and: • We assessed the general computer controls around the significant revenue and billing systems; • We assessed the design and implementation of the relevant controls; • We evaluated the process for capturing the tariff plans, combined with testing of a sample of related transactions. A key aspect of this exercise was to ensure that tariffs were properly approved; • We obtained downloads of information recorded in the company's billing system and by using advanced data analytics mirror the dynamic, intelligent tariff regimes to independently compute the income for the selected months of the year and thus assess the completeness and accuracy of the figures in the revenue reports; • We also performed analytical reviews for the other months of the year by developing an expectation using total revenue for the recalculated period; • We also performed call testing data / airtime used is similar to the value captured in the system; • We obtained a contract liabilities reconciliation for the expected contract liabilities as at period end and tested the accuracy and completeness of the reconciling items; • We re-computed contract liabilities from Intelligent Network data using Computer Assisted Audit Techniques (CAATS); and • We checked that the contract liabilities in the billing system were being reconciled to the records. Based on the work performed, we concluded that revenue was properly recorded. We have also assessed the revenue reconition policy and found it to be in line with International Financial reporting Standards and industry practice.

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 and the Annual Report which will be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed 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 International Financial Reporting Standards 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.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

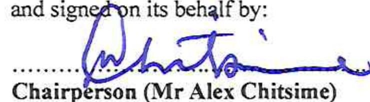
From the matters communicated with the audit committee, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

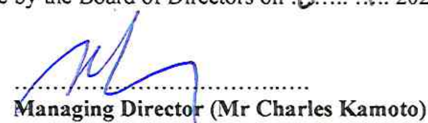
Chartered Accountants
Vilengo Beza
Partner
21 April 2022

AIRTEL MALAWI PLC
STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2021

	Notes	As at 31 December 2021 K'000	As at 31 December 2020 K'000
ASSETS			
Non-current assets			
Property, plant and equipment	6a	61 503 714	65 933 192
Intangible assets	7	653 011	963 108
Right of use asset	8	21 849 320	16 379 678
Deferred tax asset	9	1 496 419	962 582
Other non-current assets	10	7 868 598	6 246 881
Investment	11	81 000	81 000
Total non-current assets		93 452 062	90 556 441
Current assets			
Inventories	12	292 722	261 625
Trade and other receivables	14.1	23 006 453	19 603 915
Other current assets	14.2	5 389 551	6 154 011
Cash and cash equivalents	16	38 522 971	17 417 765
		67 211 697	43 437 316
Assets classified as held for sale	6b	-	3 746 210
Total current assets		67 211 697	47 183 526
Total assets		160 663 759	137 749 967
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		1 000	1 000
Share premium		398 375	398 375
Retained earnings		32 928 758	23 693 824
Total shareholders' equity		33 328 133	24 093 199
Non-current liabilities			
Borrowings	17	32 582 000	527 101
Lease liabilities	18	26 991 750	23 085 573
Deferred spectrum liabilities	19	136 654	263 993
Total non-current liabilities		59 710 404	23 876 667
Current liabilities			
Borrowings	17	32 688	30 958 695
Deferred spectrum liabilities	19	176 275	166 491
Lease Liabilities	18	4 309 420	3 335 304
Trade and other payables	20	30 570 222	37 319 303
Contract liabilities	21	8 130 675	6 813 217
Other current liabilities	22	15 932 610	5 293 373
Provisions	25	1 454 097	1 397 829
Income tax payable	15	7 019 235	4 495 889
Total current liabilities		67 625 222	89 780 101
Total liabilities		127 335 626	113 656 768
Total equity & liabilities		160 663 759	137 749 967

The financial statements on pages 12 to 79 were approved and authorised for issue by the Board of Directors on 6-04-2022 and signed on its behalf by:


Chairperson (Mr Alex Chitsime)


Managing Director (Mr Charles Kamoto)

AIRTEL MALAWI PLC

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	For the year ended 31 December 2021 K'000	*For the year ended 31 December 2020 K'000
Income			
Revenue	26	131 769 046	110 233 321
Other income	27	3 305 312	1 083 457
		135 074 358	111 316 778
Expenses			
Network operation and maintenance		(21 003 756)	(19 776 949)
Sales and marketing expenses		(12 080 165)	(7 439 385)
Employee benefits expenses		(5 193 733)	(3 826 168)
Access charges		(3 148 706)	(3 076 096)
Other expenses	29a	(14 256 350)	(15 582 217)
Licence fee and spectrum usage charges	29b	(10 310 154)	(8 737 766)
Impairment loss recovered / (expensed) on financial assets	14	603 139	(868 557)
Depreciation and amortization	29c	(15 252 684)	(14 621 871)
		(80 642 409)	(73 929 009)
Operating profit		54 431 949	37 387 769
Finance cost	31	(2 588 699)	(2 088 784)
Foreign exchange loss	30	(5 625 822)	(3 560 090)
Profit before tax		46 217 428	31 738 895
Income tax expense	32	(13 882 494)	(9 646 194)
Profit and total comprehensive income for the year		**32 334 934**	**22 092 701**
Basic and diluted earnings per share (K)	36	2.94	2.01

There were no items of other comprehensive income for the year (2020: Nil)

** The statement of comprehensive income presented for the year 31 December 2020 presented items of expense as a hybrid of function and nature. The statement of comprehensive income has been re-classified to present items of expense by their nature as IAS 1 Presentation of Financial Statements requires that these items be presented either by their function or by their nature. The comparatives have accordingly been restated. Refer to note 28 of the financial statements.*

AIRTEL MALAWI PLC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital K'000	Share premium K'000	Retained earnings K'000	Total K'000
Year ended 31 December 2021				
At beginning of the year	1 000	398 375	23 693 824	24 093 199
Dividend declared for 2020 profit	-	-	(23 100 000)	(23 100 000)
Total comprehensive income for the year	-	-	32 334 934	32 334 934
At end of the year	1 000	398 375	32 928 758	33 328 133
Year ended 31 December 2020				
At beginning of the year	1 000	398 375	15 351 123	15 750 498
Dividend declared for 2019 profit	-	-	(13 750 000)	(13 750 000)
Total comprehensive income for the year	-	-	22 092 701	22 092 701
At end of the year	1 000	398 375	23 693 824	24 093 199

SHARE CAPITAL	2021 K'000	2020 K'000
Authorised Share Capital		
11 000 000 000 (2020: 11 000 000 000) Ordinary shares	1 000	1 000
Issued and fully paid share Capital		
11 000 000 000 (2020: 11 000 000 000) Ordinary shares	1 000	1 000

AIRTEL MALAWI PLC

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	For the year ended 31 December 2021 K'000	For the year ended 31 December 2020 K'000
Cash flows from operating activities			
Profit before taxation		46 217 428	31 738 895
Adjustments for:			
Depreciation and amortisation	29(c)	15 252 684	14 621 871
Interest income		(1 863 628)	(891 626)
Unrealised exchange losses		2 927 824	3 237 766
Miscellaneous income		(12 846)	(177 470)
Movement in provisions	25	56 268	250 687
Profit on disposal of plant and equipment	27	(1 428 838)	(14 361)
Finance cost	31	2 564 432	2 062 695
Operating cash flow before working capital changes		63 713 324	50 828 457
(Increase) / decrease in trade and other receivables		(3 402 538)	699 367
Increase in inventories		(31 097)	(211 429)
Increase in other assets		(857 257)	(743 208)
Decrease in trade and other payables		(6 749 081)	(7 489 465)
Increase in other liabilities		1 348 219	1 432 046
Cash generated from operations before tax		54 021 570	44 515 768
Income tax paid	15	(11 892 985)	(3 057 991)
Net cash generated from operating activities		42 128 585	41 457 777
Cash flows from investing activities			
Purchase of plant and equipment and intangibles	6	(8 504 107)	(19 307 270)
Interest received		1 863 628	891 626
Proceeds from sale of property, plant and equipment		7 859 838	22 299
Net cash generated from / (used in) investing activities		1 219 359	(18 393 345)
Cash flows from financing activities			
Repayment of borrowings	17	(1 187 034)	(1 594 272)
Repayment of spectrum liability	19	(155 427)	(122 208)
Repayment of lease liability	18	(8 408 753)	(712 866)
Dividend paid	23	(12 491 524)	(8 891 953)
Net cash used in financing activities		(22 242 738)	(11 321 299)
Net increase in cash and cash equivalents		21 105 206	11 743 133
Cash and cash equivalents at the beginning of the year		17 417 765	5 674 632
Cash and cash equivalents at the end of the year	16	38 522 971	17 417 765

1. Corporate information

Airtel Malawi Limited was incorporated in Malawi under the Malawi Companies Act 1984 as repealed by the Companies Act 2013 as a private company limited by shares. It was subsequently re-registered as Airtel Malawi Plc ("the company") on 18 November 2019. The registered office of the company is located at Airtel Complex, City Centre, Off Convention Drive, P.O. Box 57, Lilongwe, Malawi.

The holding company is Bharti Airtel Malawi Holdings B.V incorporated in the Netherlands. The main business of the company consists of the provision of telecommunication services.

2. Going Concern

Though during the year ended 31 December 2021, the company recorded a net profit after taxation of K32.3 billion (2020: K22.1 billion), the company as at 31 December 2021 was in net current liabilities position of K0.4 billion (2020: K42.6 billion).

However, the directors are of the opinion that the company is a going concern on the basis that the company: -

The company has sufficient available cash that can utilize to pay its obligations as and when they fall due.

The Directors are confident that it is therefore appropriate to prepare the financial statements on a going concern basis.

3. Adoption of new and revised International Financial Reporting Standards

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

In the current year, the entity has adopted those new and revised Standards and Interpretations 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 2021.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16 Leases

In the prior year, the company adopted ***Covid-19-Related Rent Concessions (Amendment to IFRS 16)*** that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

In March 2021, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

In the current financial year, the company has applied the amendment to IFRS 16 (as issued by the Board in March 2021).

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

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

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16 Leases (Continued)

The practical expedient permits a lessee to elect not to assess whether a COVID- 19-related rent concession is a lease modification.

A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b. Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022); and
c. There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Company has not been impacted by the amendment to IFRS 16 (as issued by the IASB in March 2021) in advance of its effective date.

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

Amendments to IFRS 3 – Reference to the Conceptual Framework	The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

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

3.2 Standards and Interpretations in issue, not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after *1 January 2021*, 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 *Or describe the impact where there is early adoption*). These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date	Standard, Amendment or Interpretation
Annual periods beginning on or after 1 January 2023	**Amendments to IAS 1 – Classification of Liabilities as Current or Non-current** The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.
Annual reporting periods beginning on or after 1 January 2022	**Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use** The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

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

3.2 Standards and Interpretations in issue, not yet effective (Continued)

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2022	**Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract** The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application
Annual reporting periods beginning on or after 1 January 2022	**Annual Improvements to IFRS Standards 2018–2020** The Annual Improvements include amendments to four Standards. IFRS 1 First-time Adoption of International Financial Reporting Standards The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16 (a).
Annual reporting periods beginning on or after 1 January 2022	**IFRS 9 Financial Instruments** The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

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

3.2 Standards and Interpretations in issue, not yet effective (Continued)

Effective date	Standard, Amendment or Interpretation
Effective date not set yet	**Amendments to IFRS 16 Leases** The amendment removes the illustration of the reimbursement of leasehold improvements.
Annual reporting periods beginning on or after 1 January 2022	**Reference to the Conceptual Framework (Amendments to IFRS 3)** The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

The directors anticipate that these standards and interpretations in future periods will have no significant impact on the financial statements of the company.

4. Significant accounting policies

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.

4.1 Statement of compliance

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

4.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies 4.18 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 measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

4. Significant accounting policies (Continued)

4.2 Basis of preparation (Continued)

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.

4.3 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.

Key judgements made by management in the application of IFRS's that have significant effect on the amounts recognised in the financial statements includes IFRS 16 Leases, Expected Credit Losses, determination of useful lives of assets, contingent liabilities, provisions and application of deferred taxes. More details have been explained in note 5.1 to these financial statements.

4. Significant accounting policies (Continued)

4.4 Revenue

Company's revenue arises from billing customers for monthly subscription, airtime usage, connections, reconnection fees and sale of simcards, equipment (handsets) and accessories and interconnection revenue.

Revenue is recognised upon transfer of control of promised products or services to the customer at the consideration which the Company has received or expects to receive in exchange of those products or services, net of any taxes / duties and discounts. When determining the consideration to which the Company is entitled for providing promised products or services via intermediaries, the Company assesses whether the intermediary is a principal or agent in the onward sale to the end customer. To the extent that the intermediary is considered a principal, the consideration to which the Company is entitled is determined to be that received from the intermediary. To the extent that the intermediary is considered an agent, the consideration to which the Company is entitled is determined to be the amount received from the customer; the discount provided to the intermediary is recognised as a cost of sale.

The Company has entered into certain multiple-element revenue arrangements which involve the delivery or performance of multiple products, services or rights to use assets. At the inception of the arrangement, all the deliverables therein are evaluated to determine whether they represent distinct performance obligations, and if so, they are accounted for separately. Total consideration related to the multiple element arrangements is allocated to each performance obligation based on their relative standalone selling prices. The stand-alone selling prices are determined based on the list prices at which the Company sells equipment and network services separately. Revenue is recognised when, or as, each distinct performance obligation is satisfied.

Service revenue is derived from the provision of telecommunication services to customers. The majority of the customers of the Company subscribe to the services on a pre-paid basis. Telecommunication service revenues mainly pertain to usage, subscription and customer onboarding charges, which include activation charges and charges for voice, data, messaging and value added services.

Telecommunication services (comprising voice, data and SMS) are considered to represent a single performance obligation as all are provided over the Company's network and transmitted as data representing a digital signal on the network. The transmission consumes network bandwidth and therefore, irrespective of the nature of the communication, the customer ultimately receives access to the network and the right to consume network bandwidth.

A contract liability is recognised for amounts received in advance, until the services are provided or when the usage of services becomes remote.

The Company recognises revenue from these services when performance obligation has been met. Revenue is recognised based on actual units of telecommunication services provided during the reporting period as a proportion of the total units of telecommunication services consumed.

Subscription charges are recognised over the subscription pack validity period. Customer onboarding revenue is recognised upon successful onboarding of customer i.e. upfront.

Revenues recognised in excess of amounts invoiced are classified as unbilled revenue.

4. Significant accounting policies (Continued)

4.4 Revenue (Continued)

Service revenues also includes revenue from interconnection / roaming charges for usage of the Company's network by other operators for voice, data, messaging and signaling services. These are recognised upon transfer of control of services being transferred over time.

Revenues from long distance operations comprise of voice services and bandwidth services (including installation), which are recognised on provision of services and over the period of respective arrangements.

The Company has interconnect agreements with local and foreign operators. This allows customers from either network to originate or terminate calls to each others' network. Revenue is earned and recognised as per bilateral agreements when other operators' calls are terminated to the Company's network i.e. the service is rendered.

The Company defers costs to obtain or fulfil contracts with customers over expected average customer life determined based on churn rate. (for more details refer to note 10).

Equipment sales mainly pertain to sale of telecommunication equipment , handsets and related accessories for which revenue is recognised when the control of equipment is transferred to the customer i.e. transferred at a point in time.

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.

4.5 Property, Plant and equipment

All categories of property, plant and equipment are initially recorded at cost. All property, plant and equipment is subsequently measured at historical cost less accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

In case, an item of property, plant and equipment is replaced, then its carrying amount of the replaced item is de-recognized/ written off from the book of accounts and the cost of new property, plant and equipment is capitalised.

The expenditures that are incurred after an item of property, plant and equipment has been put to use, such as repairs and maintenance, are normally charged to the profit or loss in the period in which such costs are incurred. However, in situations where the said expenditure can be measured reliably, and is probable that future economic benefits associated with it will flow to the Company, it is included in the asset's carrying value or as a separate asset, as appropriate.

When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as separate components of assets. When an item of property, plant and equipment is replaced, then its carrying amount is de-recognised from the statement of financial position and cost of the new item is recognised.

4. Significant accounting policies (Continued)

4.5 Property Plant and equipment (Continued)

Assets are depreciated to the residual values on a straight-line basis over the estimated useful lives. The assets' residual values and useful lives are reviewed at each financial year end or whenever there are indicators for impairment and adjusted prospectively. Land is not depreciated

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.*

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:

	Years
Buildings	20
Leaseholds improvements	10 or period of lease applicable, which ever is less
Network equipment	3-25
Computer equipment	3 -5
Furniture and equipment	1- 5
Vehicles	5

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. Gains and losses arising from retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement and disposal.

The useful lives, residual values and depreciation method of property, plant and equipment are reviewed, and adjusted appropriately, at-least as at each reporting date so as to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. The effect of any change in the estimated useful lives, residual values and/ or depreciation method are accounted prospectively, and accordingly the depreciation is calculated over the property, plant and equipment 's remaining revised useful life.

Property, 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.

4.6 Intangible assets

The Company's intangible asset comprise of licenses and Spectrum (Spectrum is a range of electromagnetic radio frequencies used for transmission of voice, data and images). These are recognised as an asset when it is probable that future economic benefits from the asset will flow to the Company and the cost of their costs can be reliably measured.

Licenses and spectrum 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.

4. Significant accounting policies (Continued)

4.6 Intangible assets (Continued)

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 a period of 15 years while spectrum are amortised over a period of 10 years .

The cost of intangible assets under development includes the amount of spectrum awarded to the Company for which services are yet to be rolled out

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. The estimated useful life for current and comparative periods for acquired computer software is 5 years

4.7 Impairment of non-financial assets

Property, plant and equipment (PPE), right-of-use assets (ROU) and intangible 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).

PPE, ROU and intangible assets with definite lives are reviewed for impairment, whenever events or changes in circumstances indicate that their carrying values may not be recoverable. For the purpose of impairment testing, the recoverable amount (that is, higher of the fair value less costs to sell and the value-in-use) is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets, in which case the recoverable amount is determined at the cash-generating-unit ('CGU') level to which the said asset belongs. If such individual assets or CGU are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the asset / CGU exceeds their estimated recoverable amount and allocated on pro rata basis. Impairment losses, if any, are recognised in statement of profit and loss.

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.

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.

4. Significant accounting policies (Continued)

4.7 Impairment of non-financial assets (Continued)

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.

4.8 Leases

a. Company as a lessee

At the inception of a contract, the company assesses a contract as or containing a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company assesses whether the contract involves the use of an identified asset, the company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and the company has right to direct the use of the asset.

The company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate

Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), variable lease payments that are based on consumer price index ('CPI'), the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments including due to changes in CPI or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or when the lease contract is modified and the lease modification is not accounted for as a separate lease. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the related right-of-use asset has been reduced to zero.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

4. Significant accounting policies (Continued)

4.8 Leases (Continued)

Subsequent to initial recognition, right-of-use asset are stated at cost less accumulated depreciation and any impairment losses and adjusted for certain remeasurements of the lease liability. Depreciation is computed using the straight-line method from the commencement date to the end of the useful life of the underlying asset or the end of the lease term, whichever is shorter. The estimated useful lives of right-of-use assets are determined on the same basis as those of the underlying property and equipment.

In the statement of financial position, the right-of-use assets and lease liabilities are presented separately.

When a contract includes lease and non-lease components, the Company allocates the consideration in the contract on the basis of the relative stand-alone prices of each lease component and the aggregate stand-alone price of the non-lease components.

The Company has elected not to recognise right-of-use assets and lease liabilities for short term leases of machinery that have a lease term of 12 months or less. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

b. Company as a lessor

Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under a finance lease are recognised as receivables at an amount equal to the net investment in the leased assets. Finance lease income is allocated to the periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

The Company enters into 'Indefeasible right to use' ('IRU') arrangements wherein the right to use the assets is given over the substantial part of the asset life. However, as the title to the assets and the significant risks associated with the operation and maintenance of these assets remains with the Company, such arrangements are recognised as operating lease. The contracted price is recognised as revenue during the tenure of the agreement. Unearned IRU revenue received in advance is presented as deferred revenue within liabilities in the statement of financial position.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

4. Significant accounting policies (Continued)

4.8 Leases (Continued)

For lessors lease income from operating leases is recognised in income on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

Leases of property, plant and equipment where the Company has substantially retained all risks and rewards of ownership are classified as finance leases. Finance leases are capitalised by the lessee at the lease's commencement at the lower of fair value of the leased property and present value of minimum lease payments. The Lessor recognises assets held under a finance lease in their statements of financial position and present them as a receivable at an amount equal to the net investment in the lease.

For a finance lease interest and depreciation is charged as expense in the periods in which they are incurred.

4.9 Non current assets held for sale (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets-heldfor-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The sale is considered highly probable only when the asset or disposal group is available for immediate sale in its present condition, it is unlikely that the sale will be withdrawn, and sale is expected within one year from the date of the classification. Disposal groups classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets (measured in accordance with IAS 12) and financial assets which are measured at fair value in accordance with IFRS 9. Non-current assets are not depreciated or amortised while they are classified as held for sale.

Assets and liabilities classified as held for sale are presented separately in the statement of financial position.

Loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative loss previously recognised.

If the criteria for the held for sale are no longer met, it ceases to be classified as held for sale and are measured at the lower of (i) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation/amortisation that would have been recognised had that asset not been classified as held for sale, and (ii) its recoverable amount at the date when the disposal group ceases to be classified as held for sale.

4.10 Taxation

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

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.

4. Significant accounting policies (Continued)

4.10 Taxation (Continued)

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.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except: When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised, except:

when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 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.

4. Significant accounting policies (Continued)

4.11 Functional currency translations

(a) *Functional and presentation currency*
The financial statements are presented in Malawi Kwacha, being the currency of the primary economic environment in which the Company operates (the functional currency). Transactions in foreign currencies are converted into Malawi Kwacha using the exchange rates prevailing at the dates of the transactions.

(b) *Transactions and balances*
Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the foreign exchange rate ruling at that date. Exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the closing date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevalent, at the date of initial recognition (in case they are measured at historical cost) or at the date when the fair value is determined (in case they are measured at fair value) – with the resulting foreign exchange difference, on subsequent re-statement/settlement, recognised in the profit and loss, except to the extent that it relates to items recognised in the other comprehensive income or directly in equity.

All exchange differences are taken to profit and loss.

4.12 Employee benefits

a. *Retirement benefit obligations*

The Company operates a defined contribution scheme for all its employees. The Company and all its employees also contribute to the National Pension Scheme Fund, which is a defined contribution scheme. A defined contribution plan is a retirement benefit plan under which the Company pays fixed contributions into a separate Company. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions to the defined contribution schemes are recognised in profit or loss in the year in which they fall.

b. *Other entitlements*
The estimated liability for employees' accrued gratuity and annual leave entitlement at the reporting date is recognised as an expense accrual.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The company contributes to a defined contribution pension scheme that is administered by NICO pension fund.

4. Significant accounting policies (Continued)

4.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first in first out method (FIFO), and includes all expenditure incurred in bringing the inventories to their present value and condition, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

The amount of any write down of inventories to net realisable value and all losses of inventories is recognised as an expense in the period the write down or loss occurs.

4.14 Dividend

Dividends payable to the company's shareholders are charged to equity in the period in which they are declared.

4.15 Earnings per share

The Company presents the Basic and Diluted EPS data. Basic EPS is computed by dividing the profit for the period attributable to the shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted EPS is computed by adjusting, the profit for the year attributable to the shareholders and the weighted average number of shares considered for deriving Basic EPS, for the effects of all the shares that could have been issued upon conversion of all dilutive potential shares. The dilutive potential shares are adjusted for the proceeds receivable had the shares been actually issued at fair value. Further, the dilutive potential shares are deemed converted as at beginning of the period, unless issued at a later date during the period.

4.16 Share capital and share premium

Issued ordinary shares are classified as 'share capital' in equity when the Company has an un-conditional right to avoid delivery of cash or another financial asset, that is, when the dividend and repayment of capital are at the sole and absolute discretion of the Company and there is no contractual obligation whatsoever to that effect. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

4.17 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

4. Significant accounting policies (Continued)

4.18 Financial instruments

4.18.1. Recognition, classification and presentation

Financial instruments are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial instruments at initial recognition.

The Company classifies its financial assets in the following categories:

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

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

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

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

4.18.2. Measurements – Non derivative financial instruments

Initial measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Other transaction costs are expensed as incurred in the Statement of Comprehensive Income.

Subsequent measurement - financial assets

The subsequent measurement of non-derivative financial assets depends on their classification as follows:

i. **Financial assets measured at amortised cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest rate ('EIR') method. Interest income from these financial assets is included in finance income.

4. Significant accounting policies (Continued)

4.18 Financial instruments (Continued)

4.18.2. Measurements – Non derivative financial instruments (Continued)

Subsequent measurement - financial assets (Continued)

i. Financial assets measured at amortised cost (Continued)

EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability.

ii. Financial assets at fair value through profit or loss ('FVTPL')

All equity instruments and financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ('FVTOCI') are measured at FVTPL. Interest (basis EIR method) and dividend income from financial assets at FVTPL is recognised in the profit and loss within finance income/finance costs separately from the other gains/losses arising from changes in the fair value.

4.18.3 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. 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.