

AIRTEL MOBILE COMMERCE LIMITED

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

AIRTEL MOBILE COMMERCE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2021

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AIRTEL MOBILE COMMERCE LIMITED

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

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Airtel Mobile Commerce Limited was incorporated under the Companies Act 1984 as repealed by the Companies Act 2013.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

2. AUTHORISED AND ISSUED SHARE CAPITAL

Authorized, issued and fully paid:

	<u>2021</u>	<u>2020</u>
50 000 000 (2020:50 000 000) Ordinary shares of K1 each	50 000 000	50 000 000

The shareholding of the Company as at 31 December 2021 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 two executive directors and one 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 2021

4. DIRECTORS

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

Name	Residence	Nationality	Date of appointment
Mr. Charles Kamoto*	Malawi	Malawian	4 th December 2015
Mrs. Hlupekire Chalamba*	Malawi	Malawian	4 th December 2015
Mr. Alok Bafna **	Kenya	Indian	31 st March 2019

*Executive Director **Non-Executive Director

5. COMPANY SECRETARY

The 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>2021</u> K'000	<u>2020</u> K'000
Revenue	42 991 954	27 324 110
Profit before tax	20 126 786	11 697 185
Income tax expense	(6 048 842)	(3 518 580)
Profit for the year	14 077 944	8 178 605

6. RESERVES

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

7. DIVIDENDS

No dividend has been declared during the year ended 31 December 2021 (2020: K nil)

AIRTEL MOBILE COMMERCE LIMITED
REPORT (Continued)
For the year ended 31 December 2021


8. GOING CONCERN

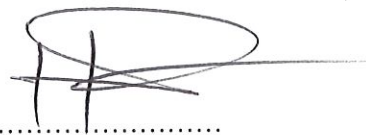
In accordance with their responsibilities, the directors considered the appropriateness of the going concern basis for the preparation of the financial statements.

The company recorded a profit after tax for the year ended 31 December 2021 of K14.08 billion (2020: K8.2 billion) and, as at that date, the company had current liabilities of K7.8 billion (2020:K9.8 billion) against current assets of K31.48 billion (2020: K23.2 billion). The company as at 31 December 2021 was in net current assets position of K23.68 billion (2020: K13.4 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 2022.


.....
Mr Charles Kamoto (Director)


.....
Mrs Hlupekire Chalamba (Director)

AIRTEL MOBILE COMMERCE LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
For the year ended 31 December 2021

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 accounting policies 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 2021.


.....) **MR CHARLES KAMOTO (DIRECTOR)**


.....) **MRS HLUPEKIRE CHALAMBA (DIRECTOR)**


..... **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 38 which comprise the statement of financial position as at 31 December 2021, and 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 significant accounting policies.

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 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.

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 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.
- 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

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

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.

Deloitte

Chartered Accountants

Vilengo Beza

Partner

24 June 2022


AIRTEL MOBILE COMMERCE LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	As at 31 December 2021 K'000	As at 31 December 2020 K'000
ASSETS			
Non-current assets			
Plant and equipment	5	3 938 822	12 916
Intangible assets	6	131 286	214 387
Deferred tax asset (net)	7	<u>382 409</u>	<u>389 433</u>
Total non-current assets		<u>4 452 517</u>	<u>616 736</u>
Current assets			
Trade and other receivables	9	1 238 291	2 122 736
Cash and cash equivalents	10	<u>29 706 632</u>	<u>21 063 051</u>
Total current assets		<u>30 944 923</u>	<u>23 185 787</u>
Total assets		<u>35 397 440</u>	<u>23 802 523</u>
EQUITY & LIABILITIES			
Share capital		50 000	50 000
Retained earnings		<u>28 078 867</u>	<u>14 000 923</u>
Total shareholders' equity		<u>28 128 867</u>	<u>14 050 923</u>
Current liabilities			
Trade & other payables	11	5 605 933	8 396 386
Income tax payable	12	<u>1 662 640</u>	<u>1 355 214</u>
Total current liabilities		<u>7 268 573</u>	<u>9 751 600</u>
Total equity and liabilities		<u>35 397 440</u>	<u>23 802 523</u>

The financial statements on pages 8 to 38 were approved and authorised for issue by the Board of Directors on ²⁴ June 2022

and signed on its behalf by:


.....
Mr Charles Kamoto (Director)


.....
Mrs Hlupekire Chalamba (Director)

AIRTEL MOBILE COMMERCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Notes	For the year ended 31 December <u>2021</u> K'000	For the year ended 31 December <u>2020</u> K'000
Income			
Operating revenue	13	<u>42 991 954</u>	<u>27 324 110</u>
Expenses			
Sales and distribution		(18 126 552)	(11 896 842)
License fee		(2 176 005)	(1 607 443)
Other expenses	14	(2 962 476)	(1 982 494)
Depreciation and amortisation	5 &6	<u>(971 720)</u>	<u>(259 394)</u>
		(24 236 553)	(15 746 173)
Operating profit		18 755 401	11 577 937
Net foreign exchange loss	15	(473 149)	(399 450)
Finance income		1 854 282	525 341
Finance cost	16	<u>(9 748)</u>	<u>(6 642)</u>
Profit before tax		20 126 786	11 697 185
Income tax expense	17	<u>(6 048 842)</u>	<u>(3 518 580)</u>
Profit for the year		14 077 944	8 178 605
Other comprehensive income		<u>-</u>	<u>-</u>
Profit and total comprehensive income for the year		<u><u>14 077 944</u></u>	<u><u>8 178 605</u></u>

AIRTEL MOBILE COMMERCE LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	<u>Share Capital</u> K'000	<u>Retained earnings</u> K'000	<u>Total</u> K'000
<u>Year ended 31 December 2021</u>			
At the beginning of the year	50 000	14 000 923	14 050 923
Total comprehensive income for the year	<u>-</u>	<u>14 077 944</u>	<u>14 077 944</u>
At end of the year 31 December 2021	<u><u>50 000</u></u>	<u><u>28 078 867</u></u>	<u><u>28 128 867</u></u>
<u>Year ended 31 December 2020</u>			
At the beginning of the year	100	5 822 318	5 822 418
Share Capital issued during the year	49 900	-	49 900
Total comprehensive income for the year	<u>-</u>	<u>8 178 605</u>	<u>8 178 605</u>
At end of the year 31 December 2020	<u><u>50 000</u></u>	<u><u>14 000 923</u></u>	<u><u>14 050 923</u></u>
		<u>2021</u> K'000	<u>2020</u> K'000
<u>Issued and fully paid:</u>			
50 000 000 (2020: 50 000 000) ordinary shares of K1 each		<u><u>50 000</u></u>	<u><u>50 000</u></u>

AIRTEL MOBILE COMMERCE LIMITED
STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	<u>Notes</u>	For the year ended 31 December <u>2021</u> K'000	For the year ended 31 December <u>2020</u> K'000
Cash flows from operating activities			
Profit before tax		20 126 786	11 697 185
<i>Adjustment for:</i>			
Depreciation and amortisation	5 & 6	971 720	259 395
Finance income		<u>(1 854 282)</u>	<u>(525 341)</u>
Operating cash flow before changes in working capital		19 244 224	11 431 239
Decrease in trade and other receivables		884 445	2 908 384
(Decrease) /increase in trade and other payables		<u>(2 790 453)</u>	<u>6 266 288</u>
Cash generated from operations before tax		17 338 216	20 605 912
Income tax paid		<u>(5 734 392)</u>	<u>(4 558 497)</u>
Net cash generated from operating activities		<u>11 603 824</u>	<u>16 047 415</u>
Cash flows from investing activities			
Interest received		1 854 282	525 341
Purchase of plant and equipment	5 & 6	<u>(4 814 525)</u>	<u>(271 206)</u>
Net cash (used in) / generated from investing activities		<u>(2 960 243)</u>	<u>254 135</u>
Cash flow from financing activities			
Issue of new share capital		-	49 900
Net cashflow from financing activities		<u>-</u>	<u>49 900</u>
Net increase in cash and cash equivalent during the year		8 643 581	16 351 450
Cash and cash equivalent at the beginning of the year		<u>21 063 051</u>	<u>4 711 601</u>
Cash and cash equivalent at the end of the year	10	<u>29 706 632</u>	<u>21 063 051</u>

AIRTEL MOBILE COMMERCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

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 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 May 2021, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides 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. 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 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c. There is no substantive change to other terms and conditions of the lease.

AIRTEL MOBILE COMMERCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

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

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).

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.
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2.2 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.
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AIRTEL MOBILE COMMERCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

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

2.2 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	<p>Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use</p> <p>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’.</p> <p>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.</p>
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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.

Annual reporting periods beginning on or after 1 January 2022	<p>Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract</p> <p>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.</p>
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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.

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

2.2 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	<p>Annual Improvements to IFRS Standards 2018–2020</p> <p>The Annual Improvements include amendments to the 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).</p>
Annual reporting periods beginning on or after 1 January 2022	<p>IFRS 9 Financial Instruments</p> <p>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.</p>

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

3. 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.

3.1 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).

3. Significant accounting policies (Continued)

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.

3.3 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 fulfillment of these services by the Company.

AIRTEL MOBILE COMMERCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

3. **Significant accounting policies** (Continued)

3.4 **Revenue** (Continued)

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.

3.5 **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. Significant accounting policies (Continued)

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.

3.7 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. Significant accounting policies (Continued)

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.

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. **Significant accounting policies (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. Significant accounting policies (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. Significant accounting policies (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. Significant accounting policies (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. Significant accounting policies (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. Significant accounting policies (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. Significant accounting policies (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. Significant accounting policies (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. Significant accounting policies (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 December 2021

5. Plant and equipment

	<u>Network Equipment</u> K'000	<u>Computer Equipment</u> K'000	<u>Furniture</u> K'000	<u>Capital Work in Progress</u> K'000	<u>Total</u> K'000
December 2021					
Cost					
At the beginning of the year	44 953	48 919	-	-	93 872
Additions during the year	-	68 164	2 860 970	1 628 577	4 557 711
Transfer to intangible assets	<u>(44 953)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(44 953)</u>
At the end of the year	<u>-</u>	<u>117 083</u>	<u>2 860 970</u>	<u>1 628 577</u>	<u>4 606 630</u>
Accumulated Depreciation					
At the beginning of the year	32 037	48 919	-	-	80 956
Charge for the year	-	19 159	599 730	-	618 889
Transfer to intangible assets	<u>(32 037)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32 037)</u>
At the end of the year	<u>-</u>	<u>68 078</u>	<u>599 730</u>	<u>-</u>	<u>667 808</u>
Net book value 31 Dec 2021	<u>-</u>	<u>49 005</u>	<u>2 261 240</u>	<u>1 628 577</u>	<u>3 938 822</u>
Net book value 31 Dec 2020	<u>12 916</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12 916</u>
December 2020					
Cost					
At the beginning of the year	<u>44 953</u>	<u>48 919</u>	<u>-</u>	<u>-</u>	<u>93 872</u>
At the end of the year	<u>44 953</u>	<u>48 919</u>	<u>-</u>	<u>-</u>	<u>93 872</u>
Accumulated Depreciation					
At the beginning of the year	11 442	48 919	-	-	60 361
Charge for the year	<u>20 595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20 595</u>
At the end of the year	<u>32 037</u>	<u>48 919</u>	<u>-</u>	<u>-</u>	<u>80 956</u>
Net book value 31 Dec 2020	<u>12 916</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12 916</u>
Net book value 31 Dec 2019	<u>33 511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33 511</u>

AIRTEL MOBILE COMMERCE LIMITED
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For the year ended 31 December 2021

6. Intangible assets

	<u>2021</u>	<u>2020</u>
	License	License
	<u>K'000</u>	<u>K'000</u>
<u>Cost</u>		
At the beginning of the year	533 058	261 853
Additions	256 814	271 205
Transfer from Plant and equipment	<u>44 953</u>	<u>-</u>
At the end of the year	<u>834 825</u>	<u>533 058</u>
<u>Amortisation</u>		
At the beginning of the year	318 671	79 871
Charge for the year	352 831	238 800
Transfer from Plant and equipment	<u>32 037</u>	<u>-</u>
At the end of the year	<u>703 539</u>	<u>318 671</u>
Net book value at the end	<u>131 286</u>	<u>214 387</u>

	<u>2020</u>	<u>2019</u>
	License	License
	<u>K'000</u>	<u>K'000</u>
<u>Cost</u>		
At the beginning of the year	261 853	-
Additions	<u>271 205</u>	<u>261 853</u>
At the end of the year	<u>533 058</u>	<u>261 853</u>
<u>Amortisation</u>		
At the beginning of the year	79 871	-
Charge for the year	<u>238 800</u>	<u>79 871</u>
At the end of the year	<u>318 671</u>	<u>79 871</u>
Net book value at the end	<u>214 387</u>	<u>181 982</u>

7. Deferred tax asset

	<u>2021</u>	<u>2020</u>
	K'000	K'000
At beginning of the year	389 433	86 607
Charge to income statement (note 17)	<u>(7 024)</u>	<u>302 826</u>
<i>At the end of the year</i>	<u>382 409</u>	<u>389 433</u>
Analysed as:		
Accelerated capital allowances	(81 977)	3 522
Other timing differences	<u>464 386</u>	<u>385 911</u>
	<u>382 409</u>	<u>389 433</u>

AIRTEL MOBILE COMMERCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

8. Related party disclosures

8.1 Amounts due from related parties

Name of the related party	Relationship	<u>2021</u> K'000	<u>2020</u> K'000
Airtel Malawi plc	Fellow Subsidiary	369 006	1 560 620
Airtel Mobile Commerce Zambia Ltd	Fellow Subsidiary	51 551	-
Airtel Money Trasfer Limited	Fellow Subsidiary	4 083	-
Airtel Mobile Commerce Rwanda Ltd	Fellow Subsidiary	2 424	-
Airtel Money Trust	Fellow Subsidiary	-	66 835
		<u>427 064</u>	<u>1 627 455</u>

8.2 Amounts due to related parties

Name of the related party	Relationship	<u>2021</u> K'000	<u>2020</u> K'000
Airtel Mobile Tanzania Limited	Fellow Subsidiary	1 360 321	1 525 893
Airtel Mobile Commerce Uganda Limited	Fellow Subsidiary	215 854	901 515
Airtel Mobile Commerce Zambia Ltd	Fellow Subsidiary	-	1 299 243
Airtel Mobile Commerce Rwanda Ltd	Fellow Subsidiary	-	244 140
Airtel Money Transfer Limited	Fellow Subsidiary	-	767 379
		<u>1 576 175</u>	<u>4 738 170</u>

9. Trade and other receivables

	<u>2021</u> K'000	<u>2020</u> K'000
Trade receivables	123 281	209 249
Less: Provision for impairment	<u>(7 671)</u>	<u>(104 808)</u>
	115 610	104 441
Amounts due from related parties (Note 8.1)	427 064	1 627 455
Other receivables	<u>695 617</u>	<u>390 840</u>
	<u>1 238 291</u>	<u>2 122 736</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

10. Cash and cash equivalent

	<u>2021</u> K'000	<u>2020</u> K'000
Balances with banks		
On current accounts	2 171 952	6 141 327
Bank deposits with original maturities of three months or less	21 477 692	9 814 047
Cash balance	<u>6 056 988</u>	<u>6 141 327</u>
Cash and cash equivalents at the end of the year	<u>29 706 632</u>	<u>21 063 051</u>

The carrying amount of cash and cash equivalent of K 29.7 billion (2020:K21 billionn) is a reasonable approximation of their fair values.

11. Trade and other payables

	<u>2021</u> K'000	<u>2020</u> K'000
Trade payables	287 605	225 738
Accrued expenses	3 742 153	3 432 478
Amounts due to related parties (Note 8.2)	<u>1 576 175</u>	<u>4 738 170</u>
	<u>5 605 933</u>	<u>8 396 386</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.

12. Income tax payable

	<u>2021</u> K'000	<u>2020</u> K'000
Opening balance	1 355 214	2 092 305
Withholding tax paid during the year	(653 815)	(935 819)
Income tax paid for last year	(1 357 907)	(859 083)
Provisional tax paid during the year	(3 722 670)	(2 763 595)
Income tax charged during the year (note 17)	<u>6 041 818</u>	<u>3 821 406</u>
Income tax payable	<u>1 662 640</u>	<u>1 355 214</u>

AIRTEL MOBILE COMMERCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

13. Operating revenue

	<u>2021</u>	<u>2020</u>
	K'000	K'000
Transaction charge on cash withdrawals	26 861 502	16 970 055
Other fees and charges	10 589 853	6 504 361
Airtime recharge transaction fees	4 497 388	2 889 762
Merchant collection service fees	<u>1 043 211</u>	<u>959 932</u>
	<u>42 991 954</u>	<u>27 324 110</u>

(1) Performance obligations that are unsatisfied (or partially unsatisfied) is Nil as at 31 December 2021, (31 December 2020: Nil).

(2) Other fees and charges includes bank transfer service fees, service fees on international money transfers etc.

14. Other expenses

	<u>2021</u>	<u>2020</u>
	K'000	K'000
IT expenses	574 505	738 881
Legal and professional	827 319	370 576
Salaries and wages	472 666	438 118
Customer service expenses	220 602	251 479
Staff welfare expenses	89 255	37 156
Marketing and advertisement	543 826	-
Administration expenses	331 440	86 513
Provision for doubtful debts	<u>(97 137)</u>	<u>59 771</u>
Total	<u>2 962 476</u>	<u>1 982 494</u>

15. Net foreign exchange loss

	<u>2021</u>	<u>2020</u>
	K'000	K'000
Realised exchange loss	(55 037)	(125)
Unrealised exchange loss	(418 112)	(400 025)
Realised exchange gain	<u>-</u>	<u>700</u>
	<u>(473 149)</u>	<u>(399 450)</u>

16. Finance cost

Bank charges	<u>9 748</u>	<u>6 642</u>
	<u>9 748</u>	<u>6 642</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

17. Income tax expense

	<u>2021</u> K'000	<u>2020</u> K'000
Current Income tax charge (note 12)	6 041 818	3 821 406
Deferred tax charge (note 7)	<u>7 024</u>	<u>(302 826)</u>
	<u>6 048 842</u>	<u>3 518 580</u>
The tax on the company's profit before income tax differs from theoretical		
Profit before income tax	20 126 786	11 577 936
Tax calculated at the end statutory income tax rate of 30%	6 038 036	3 473 380
Tax effect of:		
Expenses not deductible for tax purposes (net)	<u>10 806</u>	<u>45 200</u>
Income tax expense	<u>6 048 842</u>	<u>3 518 580</u>

18. 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>2021</u> K'000	<u>2020</u> K'000
Financial assets at amortised cost		
Cash and cash equivalent	29 706 632	21 063 051
Trade and other receivables	811 227	495 281
Amount due from related party	<u>427 064</u>	<u>1 627 455</u>
Total	<u>30 944 923</u>	<u>23 185 787</u>
Financial liabilities at amortised cost		
Trade and other payables	4 029 758	3 658 216
Amounts due to related party	<u>1 576 175</u>	<u>4 738 170</u>
Total	<u>5 605 933</u>	<u>8 396 386</u>

Overview

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

- Liquidity risk
- Market risk
- Credit risk
- Operational risk

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

18. Financial risk management (Continued)

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.

18.1 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 liabilities based on contractual undiscounted payments

	<u>0 to 6</u> <u>months</u> K'000	<u>6 to 12</u> <u>months</u> K'000	<u>Over</u> <u>1 year</u> K'000	<u>Totals</u> K'000
<u>For the year ended 31</u>				
<u>December 2021</u>				
<u>Liabilities</u>				
Amount due to related parties	1 576 175	-	-	1 576 175
Trade and other payables	<u>4 029 758</u>	<u>-</u>	<u>-</u>	<u>4 029 758</u>
At the end of the year	<u>5 605 933</u>	<u>-</u>	<u>-</u>	<u>5 605 933</u>

18.2 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.

18.3 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.

18. Financial risk management (Continued)

18.4 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.

19. 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.

19.1 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.

19.2 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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

19. Fair value measurements(Continued)

- 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).

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

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.

	<u>Carrying amount 2021 K'000</u>	<u>Fair value 2021 K'000</u>	<u>Carrying amount 2020 K'000</u>	<u>Fair value 2020 K'000</u>
<u>Financial assets classified at amortised cost</u>				
Amount due from related parties	427 064	427 064	1 627 455	1 627 45541
Trade receivables	<u>811 227</u>	<u>811 227</u>	<u>495 281</u>	<u>495 281</u>
	<u>1 238 291</u>	<u>1 238 291</u>	<u>2 122 736</u>	<u>2 122 73620</u>
<u>Financial liabilities classified at amortised cost</u>				
Amounts due to related parties	1 576 175	1 576 175	4 738 270	4 738 270
Trade and other payables	<u>4 029 758</u>	<u>4 029 758</u>	<u>3 658 216</u>	<u>3 658 216</u>
	<u>5 605 933</u>	<u>5 605 933</u>	<u>8 396 386</u>	<u>8 396 386</u>

20. 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.

21. Contingent Liabilities

There were no contingent liabilities at the reporting date

22. Economic Factors

The average of the year-end buying and selling rates of the foreign currencies is stated below, together with the increase in the National Consumer Price Index for the year, which represents an official measure of inflation.

The average of the year-end buying and selling rates of the foreign currencies is stated below, together with the increase in the National Consumer Price Index for the year, which represents an official measure of inflation.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

22. Economic Factors (Continued)

	31 December <u>2021</u>	31 December <u>2020</u>
Kwacha/US Dollar	814.50	766.67
Inflation	11.5%	7.6%

Subsequent to the year end, on 13 June 2022, the above economic factors had moved as follows:

Kwacha/US Dollar	1025.17
Inflation (April 2022)	15.7%

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

23. Impact of COVID-19

Malawi registered its first ever COVID-19 cases in April 2020. Thus, the Government of Malawi implemented restrictive measures in both international and local travel, in the conduct of business within the country. We noted that this was in line with the measures that the other Southern Africa countries took in preventing the further spread of the pandemic.

The pandemic slowed down in the final quarter of 2021, and that the total number of active cases were also falling. The reduction in cases was therefore expected to ease pressure on the local economy with an expectation for a recovery in 2022.

In response to ensure proper operations of the company, the company implemented safety measures to contain the spread of the COVID-19. Staff are being provided with relevant information and tools to help ensure safety as they carry out their day to day duties. Both internal and external physical large meetings have been stopped with virtual meetings being made instead. Travel to high risk destinations has been suspended. Staff returning from high risk destinations are adopting a 14-day self-quarantine period. All customers and staff are now being requested to wash their hands prior to entering the Service Centre or Head Office premises.

The Company has also implemented social distancing when managing its queues across the Country to protect our customers.

Further to that, most of the staff at Airtel Mobile Commerce Limited as at 31 December 2021 have been working from home with few working on shift basis especially the operational staff who cannot work from home but to operate the network machinery while on the ground.

Economically the country has been affected by the pandemic due to slow down of operations. However for the Telecommunication sector particularly due to the increase in electronic airtel money transfer, this has been a bonus to the company as most people are now sending as well receiving money through mobile money methods.

The company will continue to review the fast-changing situation and implement stringent procedures in line with Ministry of Health and World Health Organization guidelines to ensure that the health and safety of all our key stakeholders is not compromised. The COVID-19 has no impact on the financial operations as most customers are now using more Airtel Money for their financial transactions hence there is no impact on going concern of the company.