Airtel Mobile Commerce Limited
Financial statements for the year ended 31 December 2016
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Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2016

COMPANY INFORMATION

REGISTERED OFFICE

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

DIRECTORS

The following directors served in office during the year:

Tina Uneken
Rory Tohme – Resigned November 2016
Hlupekire Chalamba – appointed 4 December, 2015
Charles Kamoto – appointed 4 December, 2015

COMPANY SECRETARY

Hlupekire Chalamba

COMPLIANCE

The directors confirm that they have complied with the Companies corporate governance regulations 2016.

AUDITORS

Ernst & Young
P O Box 30697
Lilongwe

BANKERS

National Bank of Malawi
NBS Bank
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2016

Statement of Directors' responsibilities

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

The Act also requires 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 Companies Act.

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

- Maintenance of proper accounting records that correctly record and explain the transactions of the company
- Selection of suitable accounting policies and applying them consistently
- Making judgements and estimates that are reasonable and prudent
- Compliance with applicable accounting standards subject to any material departures' being disclosed and explained in the financial statements
- Enable the financial statements to be readily and properly audited; 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 confirm that they have complied with the above requirements in preparing the financial statements.

The directors also accept responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to maintain adequate systems of internal control to prevent and detect fraud and other irregularities.

The directors have made an assessment of the company's ability to continue as a going concern and have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future.

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 for the year ended 31 December 2016.

Director: ..........................................................

Dirctor: ..........................................................

21 March 2017
Independent Auditors' Report to the members of Airtel Mobile Commerce Limited

Opinion

We have audited the financial statements of Airtel Mobile Commerce Limited set out on pages 5 to 24 which comprise the statement of financial position as at 31 December 2016 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Airtel Mobile Commerce Limited as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2013.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Airtel Mobile Commerce Limited. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Airtel Mobile Commerce Limited. 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 Statement of Director’s responsibilities. The other information does not include the financial statements and our auditor’s report thereon.

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

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

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2013, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company’s financial reporting processes.
Independent Auditors' Report to the shareholders of Airtel Mobile Commerce Limited (Continued)

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 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.

Ernst & Young
Chartered Accountants (Malawi)

Chiwemi C Chihana
Partner
Registered Practising Accountant

4 April 2017
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2016

Statement of financial position as at 31 December 2016

<table>
<thead>
<tr>
<th>Note</th>
<th>2016 K</th>
<th>2015 K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Equity and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>8</td>
<td>100,000</td>
</tr>
<tr>
<td>Accumulated loss</td>
<td></td>
<td>(100,000)</td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td></td>
<td>-</td>
</tr>
</tbody>
</table>

The financial statements were approved by the Board of Directors on 21 March 2017 and signed on its behalf by:

Director

Director

[Signature]
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2016

Statement of comprehensive income for the year ended 31 December 2016

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(100,000)</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total comprehensive loss for the year</strong></td>
<td>(100,000)</td>
<td>-</td>
</tr>
</tbody>
</table>
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2016

Statement of changes in equity for the year ended 31 December 2016

<table>
<thead>
<tr>
<th></th>
<th>Share capital K</th>
<th>Accumulated Profit/loss K</th>
<th>Total Equity K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>100,000</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td>Total comprehensive profit/loss for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Closing Balance as at 31 December 2015</td>
<td>100,000</td>
<td>-</td>
<td>100,000</td>
</tr>
</tbody>
</table>

Opening balance 01 January 2016 100,000 - 100,000
Total comprehensive loss for the year - (100,000) (100,000)
Closing balance as at 31 December 2016 100,000 (100,000) -
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2016

Statement of cash flows for the year ended 31 December 2016

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>K</td>
<td>K</td>
</tr>
<tr>
<td>Loss before tax</td>
<td>(100,000)</td>
<td>-</td>
</tr>
<tr>
<td>Adjustments for other items;</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating loss before working capital changes</strong></td>
<td>(100,000)</td>
<td>-</td>
</tr>
<tr>
<td>Decrease in receivables</td>
<td>100,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash inflows from operating activities</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at 1 January 2016</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at 31 December 2016</strong></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
1 Corporate information
Airtel Mobile Commerce Limited was incorporated under the Companies Act 1984 as repealed by the Companies Act 2013. The company undertakes mobile money service offering that allows customers to load cash into their mobile phones and use as mobile wallets. The company also undertakes collections on behalf of customers.

Effective December 2014, Airtel Mobile Commerce Limited's operational activities were transferred to Airtel Malawi Limited (GSM) for purposes of complying with Airtel Group's Policy that Airtel Money operational business be run through Airtel Malawi Limited.

2.1 Basis of preparation

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).

The financial statements have been prepared on a historical cost basis except for financial assets and liabilities that have been measured at fair value. The financial statements are presented in Malawi Kwacha which is the company's functional and presentation currency.

2.2 Summary of significant accounting policies

2.2.1 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or impairment losses if any. Such cost includes the cost of replacing part of the property, and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of the property, plant and equipment are replaced, the company recognises such parts of property as individual assets with specific useful lives and depreciation respectively. All other repair and maintenance costs are recognised in the income statements as incurred.

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

<table>
<thead>
<tr>
<th>Item</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer equipment</td>
<td>3</td>
</tr>
<tr>
<td>Servers</td>
<td>5</td>
</tr>
<tr>
<td>Software</td>
<td></td>
</tr>
<tr>
<td>Office furniture</td>
<td>5</td>
</tr>
</tbody>
</table>

An item of property and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition is recognised in the income statement in the year of de-recognition.

The assets' residual value, useful lives and methods of depreciation are reviewed at the financial year end and adjusted prospectively if appropriate.

Notes to the financial statements continued on page 10,
Auditors' report, page 3-4
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2016

Notes to the financial statements (continued)

2.2 Summary of significant accounting policies (continued)

2.2.2 Impairment of non-financial assets
The company assesses at each reporting date whether there is an indication that an asset may be impaired. If such an indication exists, or when an annual impairment testing for an asset is required, the company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, by recognition of an impairment loss in profit or loss.

2.2.3 Financial instruments

(a) Financial Assets

Initial recognition and measurement
Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or available for sale financial assets, as appropriate. On initial recognition, financial assets are measured at fair value, plus in the case of financial assets classified as fair value through profit or loss, any directly attributable transaction costs. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.
The Company’s financial assets include cash and short-term deposits, and trade and other receivables.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less any impairment. The losses arising from impairment are recognised in the income statement.

De-recognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company’s continuing involvement in the asset.

Notes to the financial statements continued on page 11,
Auditors’ report, page 3-4
2.2 Summary of significant accounting policies (continued)

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(b) Impairment of financial assets
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

For financial assets measured at amortised cost, the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortised cost, the reversal is recognized in profit or loss.

(c) Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Company's financial liabilities comprise trade and other payables.

De-recognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2016

Notes to the financial statements (continued)

2.2 Summary of significant accounting policies (continued)

2.2.4 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity period of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

2.2.5 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement.

Contingencies
Contingent liabilities in a business combination are initially measured and subsequently, they are measured at the higher of:
(a) The amount that would be recognised in accordance with the general guidance for provisions under IAS 37, or
(b) The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition in IAS 18.

2.2.6 Revenue recognition
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 receivable; taking into account contractually defined terms of payment and excluding value added tax or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

Interest income
For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

2.2.7 Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities.

Notes to the financial statements continued on page 13,
Auditors’ report, page 3-4
Deferred tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized.

Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recognized. Unrecognised deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside income statement is recognized outside income statement. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities

Value added tax

Revenue, expenses and assets are recognised net of the amount of value added tax except:
- When the value added tax incurred on a purchase of assets or services is not recoverable, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from or payable to Malawi Revenue Authority is included as part of receivables or payables in the statement of financial position.
2.2.8 Pension and other post-employment benefits

Currently the company operates solely under the Airtel Malawi Networks infrastructure and its Pension is provided under a defined contribution pension scheme to which both the company and employees contribute. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense in the income statement. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

3. Significant accounting judgements, estimates and assumptions

Judgements

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

Deferred tax assets

Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Company has been profitable and the budget forecast indicates continued profitability and management has decided to recognise all deductible temporal differences.

Property, plant and equipment

Management has made an estimate of the useful life and residual value of depreciable assets. Residual value estimates are based on comparison with similar assets in the expected condition of the assets at the end of their useful lives. Due to the estimates and assumptions of the condition of the assets at the end of their useful life and the useful life itself residual values and useful lives are subject to uncertainty.

Allowance for uncollectible accounts receivable and advances

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience. Individual trade receivables are written off when management deems them not to be collectible

Other financial assets

Significant management judgment is required to determine the fair value of the embedded derivatives related to contract payouts that have an element of foreign exchange sensitivity.
Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset’s performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

4. Changes in accounting policy and disclosures

New and amended standards and interpretations

The company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. However the new standards and amendments do not impact the financial statements of the Company.

The nature and the impact of each new standard and amendment is described below:

IFRS 14 Regulatory Deferral Accounts
IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity’s rate-regulation and the effects of that rate-regulation on its financial statements. This amendment did not have an impact on these financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are applied retrospectively and do not have any impact on the Company as the Company does not apply the consolidation exception.
Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify;

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

Annual improvements 2012-2014 Cycle
These improvements are not expected to have a material impact on the Company. They include:

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

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

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

IAS 34 Interim Financial Reporting
The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.
Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Company as there has been no interest acquired in a joint operation during the period.

Amendments to IAS16 and IAS38: Clarification of Acceptable methods of Depreciation & Amortisation
The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Company, given that it has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are applied retrospectively and do not have any impact on the Company as it does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements
The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Company's financial statements.

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

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Financial statements for the year ended 31 December 2016

Notes to the financial statements (continued)

5 Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The company plans to adopt the new standard on the required effective date. During 2016, the Company has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the company expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9.

(i) Classification and measurement
The company does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the company expects that these will continue to be measured at amortised cost under IFRS 9.

(ii) Impairment
IFRS 9 requires the company to record expected credit losses on all of its, loans and trade receivables, either on a 12-month or lifetime basis. The company expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

(iii) Hedge accounting
The company believes that this will not apply as there are no hedge relationships.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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Financial statements for the year ended 31 December 2016

Notes to the financial statements (continued)

IFRS 16 Leases (continued)

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today’s accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs.

In 2017, the Company plans to assess the potential effect of IFRS 16 on its financial statements.

IFRS 15 Revenue from Contracts with Customers

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

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

(a) Sale of goods

Contracts with customers in which delivery of products constitute the only performance obligation is not expected to have any impact on the company. The Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

In applying IFRS 15, the Company will consider the following:

(i) Variable consideration

Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Company recognizes revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Provisions that will give rise to variable consideration under IFRS 15 will be required to be estimated at contract inception.

(ii) Warranty obligations

The company does not operate a warranty scheme that would create warranty obligations.

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Financial statements for the year ended 31 December 2016

Notes to the financial statements (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

(iii) Loyalty points program

The Company runs a loyalty program and this will have an impact.

(b) Rendering of services

The company's business consists of the provision of cellular telecommunications services, data services (value added services) and mobile banking services and this will have an impact.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Company will apply these amendments when they become effective.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company is assessing the potential effect of the amendments on its financial statements.

IAS 7 Disclosure Initiative — Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments will result in additional disclosures provided by the Company.

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Financial statements for the year ended 31 December 2016

Notes to the financial statements (continued)

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact.

These amendments are not expected to have any impact on the Company.

6. Financial risk management objectives and policies

The company’s principal financial liabilities, other than derivatives, comprise related party balances payable and trade payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables and cash which arise directly from its operations.

The Company is exposed to interest rate risk, liquidity risk, foreign currency risk and credit risk. The Directors review and agree policies for managing each of these risks which are summarised below:

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company’s exposure to the risk of changes in market interest rates relates primarily to short-term bank overdrafts.

The Company’s policy to manage its interest costs is by minimising the overdraft facilities as much as possible.

Liquidity risk

The Company manages its liquidity risk through compilation and monitoring of cash flow forecasts and ensuring that adequate borrowing facilities are maintained. The company maintains a maturity profile of the company’s financial liabilities based on contractual undiscounted payments.

The Company also has the financial backing of the shareholders for working capital requirements.
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2016

Notes to the financial statements (continued)

Financial risk management objectives and policies (continued)

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company is exposed to credit risk from its operating activities, primarily trade receivables from the holding company and third parties.

For third parties, management ensures that credit is only extended to credit worthy customers and credit limits are monitored regularly.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The company’s exposure to the risk of changes in foreign exchange rates relates primarily to the company’s operating activities related to expenses that are denominated in United States Dollars. Due to the shortage of foreign currency that is currently experienced in the country, the company applies for foreign currency to the bank as soon as a liability is recognised.

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

Fair values

The carrying amounts of the financial instruments approximate the fair values. The fair value of the financial assets and liabilities are at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Capital 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 healthy capital ratios in order to support its business and maximise shareholder value.

To maintain or adjust the capital structure, the company may adjust the dividend payment to the shareholders or issues new shares.

7. Trade and other receivables

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other receivables</td>
<td></td>
<td>100,000</td>
</tr>
</tbody>
</table>

Notes to the financial statements continued on page 23,
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Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2016

Notes to the financial statements (continued)

8. Share capital

<table>
<thead>
<tr>
<th>Authorised:</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>100,000 ordinary shares of K1 each</td>
<td>100,000</td>
<td>100,000</td>
</tr>
</tbody>
</table>

Issued and fully paid:

| 100,000 ordinary shares of K1 each | 100,000 | 100,000 |

9. Transfer of business

On 1 January 2014, the company transferred the mobile commerce business to Airtel Malawi Limited, following resolution of the board. The transfer resulted in a net gain of K1.3 billion analysed as follows:

| Total assets | 2,304,363,211 |
| Total liabilities | (1,020,799,736) |

10. Taxation

The company is not involved in any trade except looking after trust funds. As such it is not in a tax payable position. The company has a tax loss of K100,000.

11. Customer funds held on behalf of Airtel Money Trust

11.1 Cash Balance

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank balances</td>
<td>7,975,980,023</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>18,999,853</td>
</tr>
</tbody>
</table>

| 7,994,979,876 | 2,094,666,049 |

In terms of clauses 11 and 12 of the 'No objection' for full roll out of Airtel money services granted by the Reserve Bank of Malawi, dated 27 July 2011, the company maintains separate Trust bank accounts and any interest arising thereon is accrued for the benefit of the Trustees. The company and Airtel Malawi Limited including any other agents do not access the Trust bank accounts for their benefit.

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Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2016

11.2 E-value balances supporting funds in the customers and agents bank account

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>K</td>
<td>K</td>
</tr>
<tr>
<td>Customers and agents</td>
<td>7,975,980,023</td>
<td>2,083,182,685</td>
</tr>
</tbody>
</table>

12. Events after reporting date

There were no events subsequent to the year-end that would impact on the financial position or results of the company that require disclosure.

13. Contingent Liabilities

There were no contingent liabilities at the reporting date.