Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2015
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2015

<table>
<thead>
<tr>
<th>CONTENTS</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Information</td>
<td>1</td>
</tr>
<tr>
<td>Statement of directors' responsibilities</td>
<td>4</td>
</tr>
<tr>
<td>Independent Auditors report</td>
<td>5</td>
</tr>
<tr>
<td>Statement of financial position</td>
<td>6</td>
</tr>
<tr>
<td>Statement of profit or loss and other comprehensive income</td>
<td>7</td>
</tr>
<tr>
<td>Statement of changes in equity</td>
<td>8</td>
</tr>
<tr>
<td>Statement of cash flows</td>
<td>9</td>
</tr>
<tr>
<td>Notes to the financial statements</td>
<td>10-25</td>
</tr>
</tbody>
</table>
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2015

COMPANY INFORMATION

REGISTERED OFFICE

Airtel Malawi Limited
Airtel Complex City Centre
Convention Drive
P O Box 57
Lilongwe
MALAWI

DIRECTORS

The following directors served in office during the year:

Tina Uneken
Akinfele Akoni - resigned 8th May, 2015.
Rony Tohme
Heiko Schlittke - resigned on 4th December 2015
Charles Kamoto - appointed on 4th December 2015
Hlupekire Chalamba - appointed on 4th December 2015.

COMPANY SECRETARY

Hlupekire Chalamba

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 2015

Statement of Directors’ responsibilities

Directors are responsible to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating results for that year.

The directors are also responsible to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

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

- Maintenance of proper accounting records
- 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
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business

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 believe that the company is a going concern.

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 its operating results.

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

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

26 May 2016
INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF AIRTEL MOBILE COMMERCE LIMITED

We have audited the accompanying financial statements of Airtel Mobile Commerce Limited, which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors’ responsibility for the financial statements

The company’s directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act 1984; 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.

Auditors’ responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Airtel Mobile Commerce Limited as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act 1984.

Ernst & Young
Chartered Accountants (Malawi)
31 May 2016
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2015

Statement of financial position as at 31 December 2015

<table>
<thead>
<tr>
<th>Assets</th>
<th>Note</th>
<th>2015 K</th>
<th>2014 K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable</td>
<td>7</td>
<td>100,000</td>
<td>100,000</td>
</tr>
</tbody>
</table>

Equity

| Share capital        | 8    | 100,000| 100,000|

The financial statements were approved by the Board of Directors on 26 May 2016 and signed on its behalf by:

[Signatures]

Director

Director
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2015

Statement of profit or loss and other comprehensive income for the year ended 31 December 2015

<table>
<thead>
<tr>
<th>Item</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain on transfer of business and related assets and liabilities</td>
<td>9</td>
<td>1,283,663,475</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>-</td>
<td>1,283,663,475</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>-</td>
<td>1,283,663,475</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>-</td>
<td>1,283,663,475</td>
</tr>
</tbody>
</table>
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2015

Statement of changes in equity for the year ended 31 December 2015

<table>
<thead>
<tr>
<th></th>
<th>Share capital</th>
<th>Accumulated loss</th>
<th>Total Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opening Balance</strong></td>
<td>100,000</td>
<td>(1,283,663,475)</td>
<td>(1,283,563,475)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>-</td>
<td>1,283,663,475</td>
<td>1,283,663,475</td>
</tr>
<tr>
<td><strong>Closing Balance as at 31 December 2014</strong></td>
<td>100,000</td>
<td>-</td>
<td>100,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Share capital</th>
<th>Accumulated loss</th>
<th>Total Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opening balance 01 January 2015</strong></td>
<td>100,000</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Closing balance as at 31 December 2015</strong></td>
<td>100,000</td>
<td>-</td>
<td>100,000</td>
</tr>
</tbody>
</table>
Statement of cash flows for the year ended 31 December 2015

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 K</th>
<th>2014 K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit and (loss) before tax</td>
<td>-</td>
<td>1,283,886,128</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loss on transfer of plant and equipment</td>
<td>-</td>
<td>126,945,951</td>
</tr>
<tr>
<td>Operating profit (loss) before working capital changes</td>
<td>-</td>
<td>1,410,832,079</td>
</tr>
<tr>
<td>Decrease/ (increase) in accounts receivable</td>
<td>-</td>
<td>580,738,595</td>
</tr>
<tr>
<td>(Decrease)/ increase in accounts payable</td>
<td>-</td>
<td>(413,704,334)</td>
</tr>
<tr>
<td>(Decrease)/ increase in related party payables</td>
<td>-</td>
<td>(1,890,658,877)</td>
</tr>
<tr>
<td>Income transferred tax paid</td>
<td>-</td>
<td>(312,792,537)</td>
</tr>
<tr>
<td>Net cash inflow from operating activities</td>
<td>-</td>
<td>(312,792,537)</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Purchase of equipment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net cash outflow from investing activities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net decrease in cash and cash equivalents</td>
<td>-</td>
<td>(312,792,537)</td>
</tr>
<tr>
<td>Cash and cash equivalents at 1 January 2015</td>
<td>-</td>
<td>312,972,537</td>
</tr>
<tr>
<td>Cash and cash equivalents at 31 December 2015</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Statutory disclosure</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Increase/ (decrease) in working capital</td>
<td>-</td>
<td>1,410,832,079</td>
</tr>
</tbody>
</table>
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2015

Notes to the financial statements

1 Corporate information
Airtel Mobile Commerce Limited was incorporated under the Companies Act 1984. 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>Asset Type</th>
<th>Useful Life</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>5</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.
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2015

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.
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2015

Notes to the financial statements (continued)

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.

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.

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.
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2015

Notes to the financial statements (continued)

2.2.8 Taxes (continued)

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. Unrecognized 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 recognized 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 recognized 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.

2.2.9 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.
3 Significant accounting judgements, estimates and assumptions (continued)

Judgements

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.
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2015

Notes to the financial statements (continued)

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 2015. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2015, they did not have a material impact on the financial statements of the Company. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014.

This amendment has no impact on the company's financial statements.

Annual Improvements 2010-2012 Cycle

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

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. These amendments did not impact the Company's financial statements or accounting policies.

IFRS 3 Business Combinations

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

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g. sales and gross margins) used to assess whether the segments are similar.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The Standard does not have impact on the Company's reporting.
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2015

Notes to the financial statements (continued)

Changes in accounting policies and disclosures (Continued)

Annual Improvements 2010-2012 Cycle (Continued)

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

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

IAS 24 Related Party Disclosures

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

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Company has applied these amendments for the first time. They include:

IFRS 3 Business Combinations

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

Airtel Mobile Commerce Limited is not a joint arrangement, and thus this amendment is not relevant to the company.

IFRS 13 Fair Value Measurement

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

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. This amendment did not impact the accounting policy of the Company.
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.

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.

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 2015, 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.

(a) 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.

(b) 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.

(c) Hedge accounting

The Company believes that this will not apply as there are no hedge relationships.
Standards issued but not yet effective (continued)

**IFRS 15 Revenue from Contracts with Customers**

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

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

**(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 this 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 recognises 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.

**(iii) Loyalty points programme**

The Company does not run loyalty programs.

**(c) Rendering of services**

The Company does not provide any services.

**Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests**

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, 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 prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

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

Amendments to IAS 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. 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 retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as the Company does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.
For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

Annual Improvements 2012-2014 Cycle

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

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

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

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

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

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

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2015

Notes to the financial statements for the year ended 31 December 2015 (continued)

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

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

Amendments to IAS 1 Disclosure Initiative

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

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

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

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact.
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.

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.
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2015

Notes to the financial statements for the year ended 31 December 2015 (continued)

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>Trade and other receivables</th>
<th>MK</th>
<th>MK</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100,000</td>
<td>100,000</td>
</tr>
</tbody>
</table>

8. Share capital

<table>
<thead>
<tr>
<th>Authorised: 100,000 ordinary shares of K1 each</th>
<th>MK</th>
<th>MK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued and fully paid: 100,000 ordinary shares of K1 each</td>
<td>100,000</td>
<td>100,000</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Total assets</th>
<th>-</th>
<th>2,304,363,211</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total liabilities</td>
<td>-</td>
<td>(1,020,799,736)</td>
</tr>
<tr>
<td>Net Liability Trust</td>
<td>-</td>
<td>1,283,563,475</td>
</tr>
</tbody>
</table>

10. Taxation

The trust is not involved in any trade expect looking after trust funds. As such it has not in a tax payable position.
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2015

Notes to the financial statements (continued)

11. Funds held on behalf of the customers of Airtel Money Trust

<table>
<thead>
<tr>
<th>Bank balances</th>
<th>2,083,182,685</th>
<th>896,491,015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued Interest</td>
<td>11,483,364</td>
<td>6,635,844</td>
</tr>
<tr>
<td>----------------------------</td>
<td>---------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Total</td>
<td>2,094,666,049</td>
<td>903,126,859</td>
</tr>
</tbody>
</table>

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.

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.