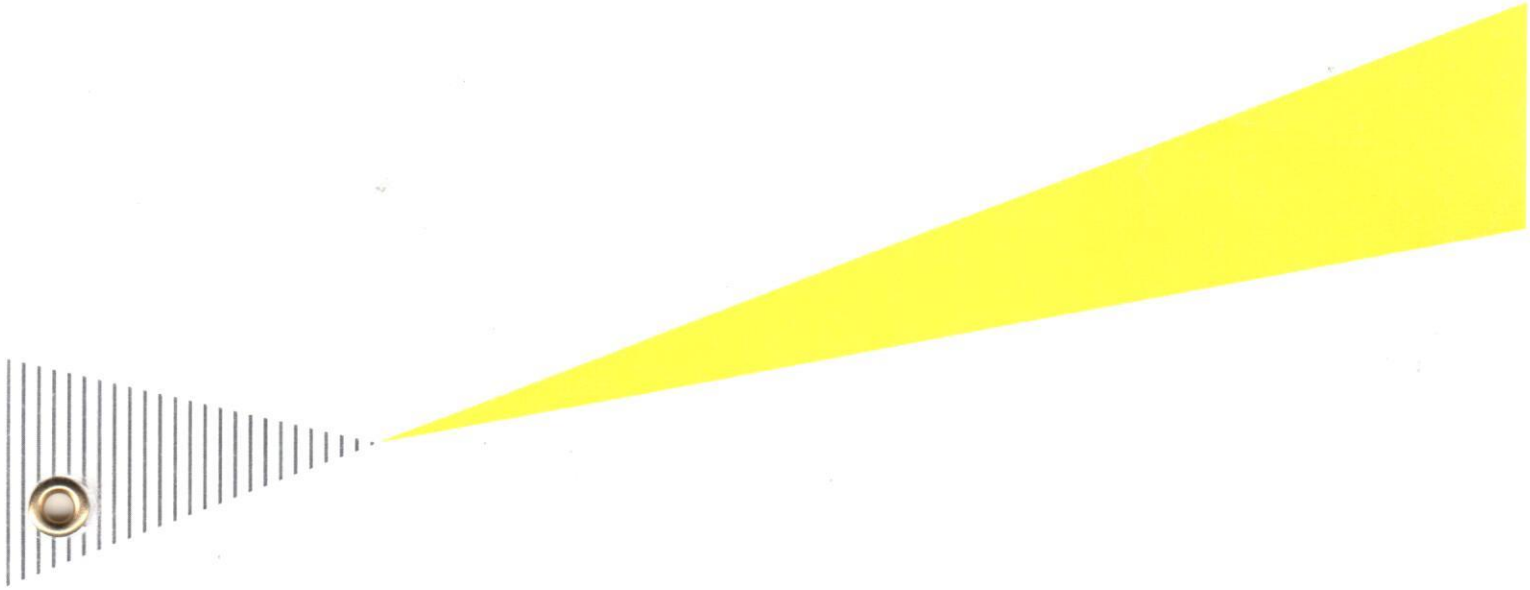
Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2014



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Building a better working world

Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2014

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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
Akinfela Akoni
Elias Dziko
Rony Tohme - appointed on 14 July 2014
Heiko Schlittke -appointed on 03 July 2014

COMPANY SECRETARY

Hlupekire Chalamba

AUDITORS

Ernst &Young
P O Box 30697
Lilongwe

BANKERS

National Bank of Malawi
NBS Bank

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:.....

27 May 2015

Building a better working world

Certified Public Accountants
Ernst & Young Villa, Area 14
Pacific Villas
PO Box 30697
Lilongwe, Malawi

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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 2014, 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 2014, 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

Certified Public Accountants

8 June 2015

Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2014

Statement of financial position as at 31 December 2014

	Note	2014 K	2013 K
Assets			
Non-current assets			
Plant and equipment	7	-	126,945,951
Current assets			
Accounts receivable	10	100,000	580,838,595
Income tax asset		222,653	222,653
Cash and short term deposits	8	-	312,792,537
		322,653	893,853,785
Total assets		322,653	1,020,799,736
Equity and liabilities			
Share capital	9	100,000	100,000
Retained earnings/(accumulated loss)		222,653	(1,283,663,475)
		322,653	(1,283,563,475)
Current liabilities			
Trade and other payables	11	-	413,704,334
Amount due to related parties	12		1,890,658,877
		-	2,304,363,211
Total equity and liabilities		322,653	1,020,799,736

The financial statements were approved by the Board of Directors on 27 May 2015 and signed on its behalf by:-

.....)
)
) Directors
)
.....

Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2014

Statement of comprehensive income for the year ended 31 December 2014

		2014	2013
		K	K
Revenue		-	415,600,641
Other income		-	2,571,069
Gain on transfer of business and related assets and liabilities	13	1,283,886,128	-
		1,283,886,128	418,171,710
Operating expenses		-	(1,244,616,729)
Profit (Loss) before tax		1,283,886,128	(826,445,019)
Income tax expense		-	-
Other comprehensive income			
Total comprehensive income (loss) for the year		1,283,886,128	(826,445,019)

Statement of changes in equity for the year ended 31 December 2014

	Share capital	Accumulated loss	Total Equity
	K	K	K
Opening Balance	100,000	(457,218,456)	(457,118,456)
Total comprehensive loss for the year	-	(826,445,019)	(826,445,019)
Closing Balance as at 31 December 2013	100,000	(1,283,663,475)	(1,283,563,475)
Opening balance 01 January 2014	100,000	(1,283,663,475)	(1,283,563,475)
Total comprehensive income for the year	-	1,283,886,128	1,283,886,128
Closing balance as at 31 December 2014	100,000	222,653	322,653

Airtel Mobile Commerce Limited

Financial statements for the year ended 31 December 2014

Statement of cash flows for the year ended 31 December 2014

	2014 K	2013 K
Profit and (loss) before tax	1,283,886,128	(826,445,019)
Adjustments for;		
Depreciation	-	14,819,149
Loss on transfer of plant and equipment	126,945,951	-
Operating profit (loss) before working capital changes	1,410,832,079	(811,625,870)
Decrease/ (increase) in accounts receivable	580,738,595	(38,622,348)
(Decrease)/ increase in accounts payable	(413,704,334)	292,118,162
(Decrease)/ increase in related party payables	(1,890,658,877)	924,913,222
	(312,792,537)	366,783,166
Income tax paid	-	(477,372)
Net cash (outflow)/ inflow from operating activities	(312,792,537)	366,305,794
Cash flows from investing activities		
Purchase of equipment	-	(108,313,553)
		-
Net cash outflow from investing activities	-	(108,313,553)
Net (decrease)/increase in cash and cash equivalents	(312,792,537)	257,992,241
Cash and cash equivalents at 1 January	312,792,537	54,800,296
Cash and cash equivalents at 31 December	-	312,792,537
Statutory disclosure		
Increase/ (decrease) in working capital	1,410,832,079	(1,410,509,426)

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, and equipment

Property 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 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;

	Years
Computer equipment	3
Servers	5
Software	5
Office furniture	5

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

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.

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.

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. 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.

2.2.9 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.

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 2014. The nature and the impact of each new standard and amendment is described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements* and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Company, as it has no investment entities under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on these financial statements as there are no offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Company as the Company does not have derivatives.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Company as it has applied the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 *Fair Value Measurement*. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Company.

Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Company, since the Company is an existing IFRS preparer.

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.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for 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. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the company's financial liabilities.

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. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Company is an existing IFRS preparer, this standard would not apply.

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. It is not expected that this amendment would be relevant to the Company.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. 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, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

5 Standards issued but not yet effective (Continued)

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 IFRS 9 (or IAS 39, as applicable).
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.

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 on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

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.

Annual improvements 2011-2013 Cycle
These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. 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.

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 IFRS 9 (or IAS 39, as applicable).

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 business combination.

5 Standards issued but not yet effective (Continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to 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 principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

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, 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 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 to the Company.

Amendments to IAS16 and IAS38: clarification of acceptable methods of depreciation & 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 IAS41 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.

5 Standards issued but not yet effective (Continued)

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

IFRS 9 Financial Instruments
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9.

Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IFRIC Interpretation 21 Levies (IFRIC 21)
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

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.

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. Plant and equipment

	Computer equipment	Servers	Software	Furniture	CWIP	Totals
	K	K	K	K	K	K
Net Book Value						
Opening balance 1 January 2014	1,345,085	8,478,563	14,249,052	55,247	102,818,006	126,945,953
Transfer to Airtel Malawi	(1,345,085)	(8,478,563)	(14,249,052)	(55,247)	(102,818,006)	(126,945,953)
Closing balance 31 December 2014	-	-	-	-	-	-

8. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	2014	2013
	K	K
NBS Bank operating Account	-	264,488,398
National Bank operating Account	-	930,516
Opportunity International Bank operating account	-	8,665,403
Eco Bank operating account	-	(47,183)
Cash in transit	-	38,755,403
	-	312,792,537

The 2013 balances for Airtel Money operations were transferred to Artel Malawi in 2014.

Notes to the financial statements (continued)

		2014 K	2013 K
9	**Share capital**		
	Authorised:		
	100,000 ordinary shares of K1 each	100,000	100,000
	Issued and fully paid:		
	100,000 ordinary shares of K1 each	100,000	100,000

10. **Trade and other receivables**

Trade and other receivables	100,000	569,968,403
		10,870,192
	100,000	580,838,595

The balances for trade and other receivables for 2013 were transferred to Airtel Malawi in 2014.

11. **Trade and other payables**

Accruals and provisions	-	385,758,773
Value Added Tax	-	17,789,476
Other payables	-	10,156,085
	-	
	-	413,704,334

The balances for trade and other payables for 2013 were transferred to Airtel Malawi in 2014.

12. **Amounts due to related parties**

Intercompany - Airtel Malawi Limited	-	1,847,693,709
Bharti Airtel International (Netherlands)B.V.	-	39,455,112
Airtel Money Trust	-	3,510,056
	-	1,890,658,877

Notes to the financial statements (continued)

13. 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:

	K
Total Liabilities	2,304,363,211
Total Assets	(1,020,477,083)
Net Liability trust	1,283,886,128

14. Taxation

The company had accumulated tax losses of K1.3 billion brought forward from 2013. These losses are subject to approval of the Malawi Revenue Authority .The tax losses have been set-off against the profit for the year ended 31 December 2014.

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

	2014 K	2013 K
Bank balances	896,491,015	1,077,599,730
Accrued interest	6,635,844	4,158,961
	903,126,859	1,081,758,691

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.

16. 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.

17. Contingent Liabilities

There were no contingent liabilities at the reporting date.