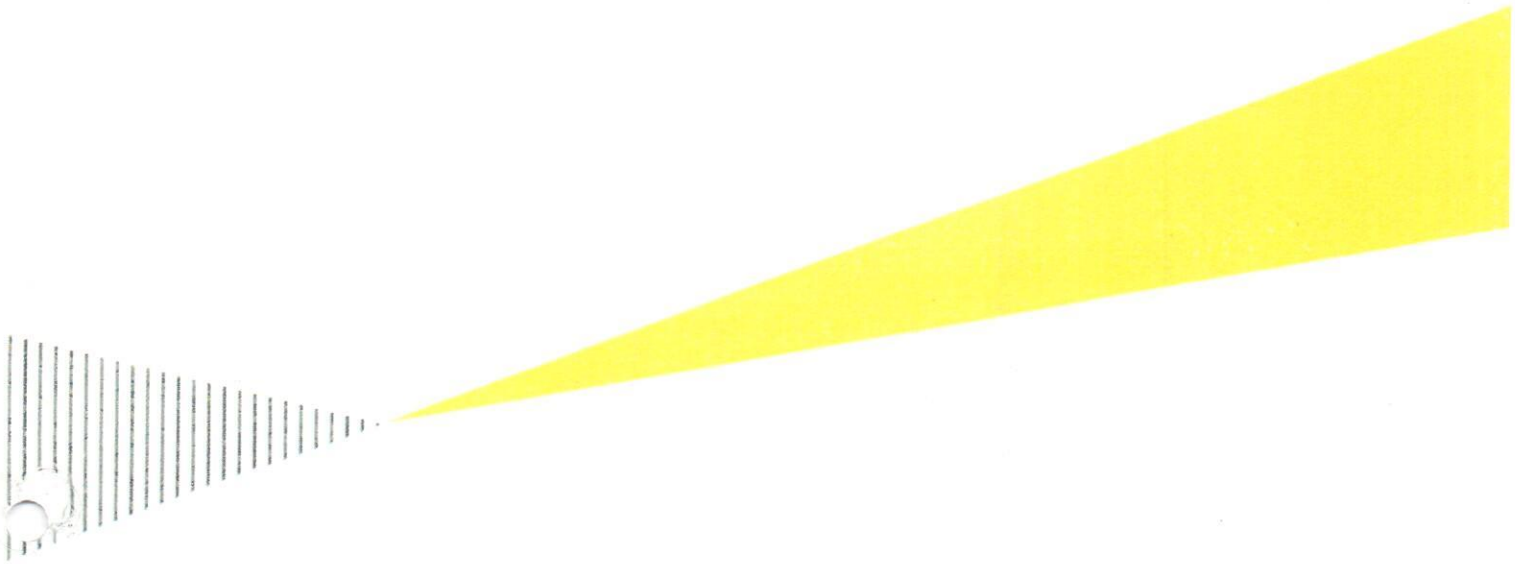
Malawi Towers Limited

Financial statements for the year ended 31 December 2015



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Malawi Towers Limited

Financial Statements for the year ended 31 December 2015

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General Information

Company :	Malawi Towers Limited
Directors:	Heiko Schlittke - resigned on 17 September 2015 Charles Kamoto – appointed 4 December 2015 Rony Tohme Matthews Mtumbuka–resigned on 17 September 2015 Hlupekire Phiri - Company Secretary & Director – appointed 0n 04th December 2015
Registered Office:	Airtel Malawi Limited Airtel Complex, City Centre Off Convention Drive P.O Box 57 Lilongwe
Auditors:	Ernst & Young
Bankers:	ECO Bank Malawi Limited
Period of financial statements:	Year ended 31 December 2015
Currency:	Malawi Kwacha

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 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:.....

24 June 2016

Certified Public Accountants
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Pacific Villas
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Lilongwe, Malawi

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALAWI TOWERS LIMITED

We have audited the accompanying financial statements of Malawi Towers Limited, which comprise the statement of financial position as at 31 December 2015,and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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 Malawi Towers 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 20 to the financial statements which indicates that the company incurred a net loss before tax of K8.7 billion during the year ended 31 December 2015 and as of that date, the company's current liabilities exceeded its total assets by K12.1 billion . These conditions along with other matters as set forth in Note 20 indicate existence of a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Ernst & Young

Chartered Accountants (Malawi)

27 June 2016

Malawi Towers Limited

Financial Statements for the year ended 31 December 2015

Statement of financial position as at 31 December 2015

	Note	2015 K	Restated 2014 K
Assets			
Non-current assets			
Property, Plant & Equipment	10	17,047,240,761	20,295,550,882
Current Assets			
Prepayments	13	84,163,237	28,728,245
Amount due from related parties	14	13,522,791,427	2,754,731,758
Cash and short term deposits	11	11,483,909	11,471,169
		13,618,438,573	2,794,931,172
Total Assets		30,665,679,334	23,090,482,054
Equity and Liabilities			
Equity			
Share capital	12	10,000,000	10,000,000
Accumulated losses		(12,428,576,196)	(3,760,616,156)
		(12,418,576,196)	(3,750,616,156)
Non-current liabilities			
Provisions	16	349,009,054	328,852,703
Current Liabilities			
Trade and other payables	15	874,790,926	336,298,397
Amount due to related parties	17	41,860,336,836	26,175,828,396
Income tax payable		118,714	118,714
		42,735,246,476	26,512,245,507
Total liabilities		43,084,255,530	26,841,098,210
Total equity and liabilities		30,665,679,334	23,090,482,054

The financial statements were approved by the Board of Directors on 24 June 2016 and signed on its behalf by;

Director:

.....

Director:

.....

24 June 2016

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

	Note	2015 K	2014 K
Revenue		9,695,634,129	2,952,818,506
Direct expenses		(3,474,834,572)	(1,199,990,151)
Gross profit		6,220,799,557	1,752,828,355
Depreciation charge		(3,141,661,828)	(1,052,681,582)
Net exchange losses		(8,827,507,096)	(3,360,911,104)
Interest expense		(2,919,705,413)	(823,961,878)
Loss from operating activities		(8,668,074,780)	(3,484,726,209)
Other income		114,740	99,891
Loss before tax		(8,667,960,040)	(3,484,626,318)
Income tax expense	18	-	-
Net loss for the year		(8,667,960,040)	(3,484,626,318)
Other comprehensive income		-	-
Total comprehensive loss for the year		(8,667,960,040)	(3,484,626,318)

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

	Share capital K	Accumulated losses K	Total equity K
Opening Balance	10,000,000	(275,989,838)	(265,989,838)
Total comprehensive loss for the year	-	(3,484,626,318)	(3,484,626,318)
Closing Balance as at 31 December 2014	10,000,000	(3,760,616,156)	(3,750,616,156)
Opening balance at 1 January 2015	10,000,000	(3,760,616,156)	(3,750,616,156)
Total comprehensive loss for the year	-	(8,667,960,040)	(8,667,960,040)
Closing balance as at 31 December 2015	10,000,000	(12,428,576,196)	(12,418,576,196)

Statement of cash flows for the year ended 31 December 2015

	2015	Restated 2014
	K	K
Loss before tax	(8,667,960,040)	(3,484,626,318)
Adjustments for;		
Depreciation	3,141,661,828	1,052,681,582
Increase in provision	20,156,351	328,852,703
Interest expense	2,919,705,413	823,961,878
Operating loss before working capital changes	(2,586,436,448)	(1,279,130,155)
Increase in prepayments	(55,434,992)	(28,728,245)
Increase in related party receivable	(10,768,059,669)	(2,754,731,758)
Increase in accounts payable	538,492,529	59,008,494
Increase in related party payable	15,684,508,440	26,175,828,396
Net cash inflow from operating activities	2,813,069,860	22,172,246,732
Cash flows from investing activities		
Purchase of plant and equipment	(42,207,043)	(21,348,232,464)
Proceeds from sale of plant and equipment	148,855,336	-
Interest payable	(2,919,705,413)	(823,961,878)
Net cash utilized in investing activities	(2,813,057,120)	(22,172,194,342)
Net increase in cash and cash equivalents	12,740	52,390
Cash and cash equivalents at 1 January 2015	11,471,169	11,418,779
Cash and cash equivalents at 31 December 2015	11,483,909	11,471,169
Statutory disclosure		
Decrease in working capital as defined by legislation	(5,399,493,568)	(23,451,324,497)

Notes to the financial statements

1 Corporate information

Malawi Towers Limited was incorporated on 15 December 2010 to provide passive infrastructure shared services that deploys, owns and manages telecommunication towers and communication infrastructures for wireless telephone operators.

1.1 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.

Summary of significant accounting policies

2.1 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.

2.1.1 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

As at the reporting date, the Company was not undertaking any construction that might be eligible for the application of this policy on borrowing costs.

2.1.2 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.

Notes to the financial statements continued on page 8,
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Summary of significant accounting policies (continued)

(a) Financial Assets (continued)

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

Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss includes financial assets held for trading and those designated as fair value through profit or loss on initial recognition. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance cost in profit or loss.

The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss as at 31 December 2015.

Held – to maturity investments

Held-to maturity investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the company has the positive intention and ability to hold to maturity. After initial measurement held to maturity investments are measured at amortised cost. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired as well as through the amortisation process. At 31 December 2015, the Company had no held-to-maturity investments.

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.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified in any of the preceding categories. After initial measurement, available for sale financial assets are measured at fair value with unrealised gains or losses being recognised in other comprehensive income in the net unrealised gains reserve.

The Company has not designated any financial assets upon initial recognition as available for sale as at 31 December 2015.

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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.

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.

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.

Notes to the financial statements continued on page 10,
Auditors' report, page 2

Summary of significant accounting policies (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings
After initial recognition, accounts payable are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in profit or loss.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(a) 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.

2.1.3 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.

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2.1.4 Comparative numbers

Asset retirement obligation provision amounting to K328 million was incorrectly disclosed as a current liability under trade and other payables in 2014. This has been disclosed separately on the face of the statement of financial position as a non-current liability resulting in a prior reclassification as follows:

		K
Debit	Trade and Other Payables	328,852,703
Credit	Provisions	323,852,703
Cash Flow	Increase in Provision	328,852,703
	Decrease in Accounts Payable	328,852,703

3. 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.

4. 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.

Rendering of services
Rental revenue arising from lease of the towers is recognised by reference to leasing terms, principally based on time period over the lease period.

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.

5. 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.

Notes to the financial statements continued on page 12,
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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.

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.

6. 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.

Notes to the financial statements continued on page 13,
Auditors' report, page 2

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.

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.

Notes to the financial statements continued on page 14,
Auditors' report, page 2

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

Malawi Towers 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.

7. 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 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.

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Auditors' report, page 2

(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 relations

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 the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.
In applying IFRS 15, the Company will consider the following:

(i) Variable consideration

Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Company 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.

Notes to the financial statements continued on page 16,
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(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 programmes

(c) Rendering of services

The Company provides services.

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 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.

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.

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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 bewithin 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.

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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.

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.

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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.

8. Judgements

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

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

Deferred tax assets

Significant management judgement 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.

Asset Retirement Obligation

Asset retirement obligations (ARO) are provided for those operating lease arrangements where the company has a binding obligation at the end of the lease period to restore the leased premises in a condition similar to inception of lease. ARO are provided at the present value of expected costs to settle the obligation using discounted cash flows and are recognised as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the liability. The unwinding of the discount is expensed as incurred and recognised in the income statement as a finance cost. The estimated future costs of restoration are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

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9. 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 counterparty 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.

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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.

10. Property, Plant and Equipment

	Freehold land	Plant and machinery Passive	Gross Block P/M	Capital Work In Progress	Total
	K	K	K	K	K
COST					
Balance brought forward	18,298,413	20,810,551,585	41,995,624	477,386,842	21,348,232,464
Additions		42,207,043	-	-	42,207,043
Transfers		309,581,774		(309,581,774)	-
Disposal		(309,581,774)			(309,581,774)
Closing balance 31 December 2015	**18,298,413**	**20,852,758,628**	**41,995,624**	**167,805,068**	**21,080,857,733**
ACCUMULATED DEPRECIATION					
Opening balance 1 January 2015	-	1,038,431,954	14,249,628	-	1,052,681,582
Charge for the year	-	3,113,915,831	27,745,996	-	3,141,661,828
Disposal	-	(160,726,437)	-	-	(160,726,437)
Closing balance 31 December 2015	**-**	**3,991,621,348**	**41,995,624**	**-**	**4,033,616,972**
Net book value 31 December 2015	**18,298,413**	**16,861,137,280**	**-**	**167,805,068**	**17,047,240,761**
Net book value 31 December 2014	**18,298,413**	**19,772,119,631**	**27,745,996**	**477,386,842**	**20,295,550,882**

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11. Cash and cash equivalents

	2015 K	2014 K
Eco Bank Malawi	11,483,909	11,471,169

12. Share capital

Authorised:		
10,000,000 ordinary shares of K1 each	10,000,000	10,000,000
Issued and fully paid		
10,000,000 ordinary shares of K1 each	10,000,000	10,000,000

13. Trade and other receivables

Prepayments	84,163,237	28,728,245

14. Amounts due from related parties

Airtel Malawi Limited	13,522,791,427	2,754,731,758

15. Trade and other payables

Accruals and provisions	731,614,472	271,133,892
Value Added Tax	140,921,380	53,187,206
Other payables (LER)		9,365,840
Deferred income	2,255,074	2,611,459
	874,790,926	336,298,397

16. Provisions

Asset retirement obligation	349,009,054	328,852,703

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	2015 K	2014 K
17. Amounts due to related parties		
Intergroup payable – Airtel BV	325,759,705	167,939,955
Intergroup payable – TowerCo	261,184,352	126,627,142
Airtel Malawi Limited	41,273,392,779	25,881,261,299
	41,860,336,836	**26,175,828,396**

18. Income tax expense

Current tax

The company has tax losses amounting to K8.2 billion as at 31 December 2015 (2014 K8.7 billion). These losses are subject to approval by the Malawi Revenue Authority.

Deferred tax

Deferred income tax at 31 December 2015 is analysed as follows:

Accelerated capital allowances	2,488,524,949	2,511,708,200
Asset retirement obligation	(104,702,716)	(98,655,811)
Unrealised exchange losses	(3,656,525,460)	(1,008,273,331)
Tax losses	(2,393,046,083)	(2,528,210,649)
	(3,665,749,310)	(1,123,431,591)

Deferred tax asset has not been recognized as it is not probable that taxable profits will be available against which the losses could be utilised in line with accounting policy note 5.

19. Events after the reporting period

Subsequent to the year end, the local currency weakened against the other major trading currencies and the impact of this will be reflected in the financial statements for year ending 31 December 2016.

20. Going Concern Note

In 2015, the company incurred a net loss before income tax of K8.7 billon (2014: loss of K3.5 billion) for the year. At 31 December 2015 accumulated losses were K12.4 billion (2014:K3.7 billion). The company is in a net liability position of K12.4 billion (2014: K3.7 billion). The operations of the company continue to depend heavily on sources of financing from its direct and indirect parent companies. These conditions may result in Company's inability to realise its assets and discharge its liabilities in the normal course of business, consequently it may not able to maintain its going concern status.

The directors are of the opinion that the company is going concern on the basis that the company:

a) Will generate cash inflows from operations of at least the amount projected in the management's annual operating plan;

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b) Will obtain funding from the third parties; and

c) The company will be able to obtain from the shareholders any additional funding required to meet its obligations as and when they fall due. A commitment to this effect from the major shareholders has been obtained by the company.

The directors are confident that the funds described above will be available to the company to support its obligations as required and that it is therefore appropriate to prepare the financial statements on a going concern basis.