

**AIRTEL MALAWI LIMITED**

Annual Report and Financial Statements for the year ended  
31 December 2018

**AIRTEL MALAWI LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
For the year ended 31 December 2018

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**AIRTEL MALAWI LIMITED**  
**DIRECTORS' REPORT**  
For the year ended 31 December 2018

The directors have pleasure in presenting to members audited financial statements for the year ended 31 December 2018 and report thereon as follows:

**1. REVIEW OF ACTIVITIES**

**Main Business and Operations**

Airtel Malawi Limited is a private limited company incorporated in Malawi under the Malawi Companies Act 1984 as repealed by the Companies Act 2013.

The holding company is Bharti Airtel Malawi Holdings BV, incorporated in Netherlands. The shareholders of the company are Bharti Airtel Malawi Holdings BV and Bharti Airtel Africa BV.

The company's registered office is at Airtel Malawi premises in City Centre, Airtel Complex, City Centre, Off Convention Drive, P.O. Box 57, Lilongwe, Malawi. The main business of the company consists of the provision of telecommunication and mobile money services.

**2. AUTHORISED AND ISSUED SHARE CAPITAL**

The Authorised share Capital of the company comprises of 1 250 000 (2017: 1 000 000) Ordinary shares while the issued and fully paid capital of the company comprises of 1 000 000 (2017: 1 000 000) Ordinary shares of K1 each, total amounting to K1 000 000 (2017: K1 000 000)

The issued share capital of the company comprises 1,000,000 ordinary shares of K1 each were valued at US\$9 each and were converted to Malawi Kwacha on the date of issue.

**3. DIRECTORS**

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

<u>Name</u>	<u>Residence</u>	<u>Nationality</u>
1. Alex Chitsime	Malawi	Malawian
2. Charles Kamoto	Malawi	Malawian
3. Alok Bafna	Kenya	Indian
4. Rajeev Sethi	Kenya	Indian

**4. COMPANY SECRETARY**

The secretary of the company is Mrs Hlupekire Chalamba

**AIRTEL MALAWI LIMITED**  
**DIRECTORS' REPORT (Continued)**  
For the year ended 31 December 2018

**5. FINANCIAL PERFORMANCE**

The results and state of affairs of the company are set out in the accompanying statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes to financial statements which include a summary of significant accounting policies:

	<u>2018</u> K'000	<u>2017</u> K'000
Revenue	98 577 191	84 709 529
Profit before tax	10 051 141	19 753 870
Income tax expense	7 741 205	7 208 878
Profit for the year	2 309 936	12 544 992

**6. RESERVES**

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

**7. DIVIDENDS**

During the year, total dividend of K16 000 million at K16 000 per share was declared (2017: Nil).

**8. EVENTS AFTER THE REPORTING PERIOD**

Effective 1st January 2019, in accordance with Reserve Bank of Malawi regulation, the Shareholders and Board of Directors of Airtel Malawi Limited & Airtel Mobile Commerce Limited resolved that provision of mobile commerce services, including Airtel Money, shall be operated and provided through Airtel Mobile Commerce Limited (AMCL). Accordingly, Annual Financial Statement of Airtel Mobile Commerce Limited (AMCL) for year ending 31st December, 2019, and going forward, shall be prepared for the purposes of the provision of mobile commerce operational activities.

**9. GOING CONCERN**

In accordance with their responsibilities, the directors considered the appropriateness of the going concern basis for the preparation of the financial statements. The company recorded a profit after taxation of K 2.3 billion (2017: K12.5 billion) for the year ended 31 December 2018 and, as at that date, it had current liabilities of K53 billion (2017: K88.9 billion) against current assets of K41 billion (2017: K98 billion) and total equity of K 3.7 billion (2017: K17 billion). Though there is a reduction in total current assets against total current liabilities in 2018 and a reduction of total equity, this is due to the waiver of the debt from Malawi Towers Limited of K 19 billion that is not recoverable. The directors determined that the financial statements should be prepared on a going concern basis.

AIRTEL MALAWI LIMITED  
**DIRECTORS' REPORT** (Continued)  
For the year ended 31 December 2018

**10. AUDITORS**

The auditors, Deloitte, have signified their willingness to continue in office and a resolution is to be proposed at the forthcoming Annual General Meeting in relation to their appointment as auditors in respect of the year ending 31 December 2019.

Chairperson: 

Director: 

**AIRTEL MALAWI LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
For the year ended 31 December 2018

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

The directors also acknowledge their duty to ensure the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act.

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

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and consistent application thereof;
- Making judgements and estimates that are reasonable and prudent;
- Compliance with International Financial Reporting Standards, when preparing financial statements; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for establishing internal controls that ensure the propriety of transactions and accuracy and reliability of the accounting records and to safeguard the assets of the company against loss by theft, fraud, defalcation or otherwise.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results and cash flows for the year ended 31 December 2018.

  
.....) **CHAIRMAN**

)  
)  
)  
)  
)  
)  
)  
.....) **DIRECTOR**

3 MAY 2019  
..... **DATE**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIRTEL MALAWI LIMITED**

### ***Report on the Financial Statements***

#### ***Opinion***

We have audited the accompanying financial statements of Airtel Malawi Limited set out on pages 8 to 61, which comprise the statement of financial position as at 31 December 2018, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Airtel Malawi Limited as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act.

#### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Malawi. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. Any such matters are supposed to be addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We did not identify any key audit matters in our audit of the financial statements for the current year.

#### ***Other Information***

The directors are responsible for the other information. The other information comprises the directors' report and the statement of directors' responsibilities, as required by the Companies Act, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

***Other Information (Continued)***

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Responsibilities of the directors for the Financial Statements***

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

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The logo for Deloitte, featuring the word "Deloitte" in a stylized, cursive script font.

**Chartered Accountants**

Vilengo Beza

Partner

03 May 2019

**AIRTEL MALAWI LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
 At 31 December 2018

	<u>Notes</u>	<u>2018</u> K'000	<u>2017</u> K'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	50 736 876	33 941 727
Intangible assets	6	3 471 638	3 775 369
Deferred tax asset	8	4 503 265	12 244 470
Other noncurrent assets	9	45 000	45 000
Investment – long term	10	<u>81 000</u>	<u>-</u>
<b>Total non-current assets</b>		<u>58 837 779</u>	<u>50 006 566</u>
<b>Current assets</b>			
Inventories	11	97 581	-
Amount due from related parties	12.3	20 610 854	83 081 672
Trade and other receivables	13	11 964 865	12 480 101
Income tax recoverable	14	6 092 747	-
Cash and cash equivalents	15	<u>2 478 458</u>	<u>2 626 738</u>
<b>Total current assets</b>		<u>41 244 505</u>	<u>98 188 511</u>
<b>Total assets</b>		<u>100 082 284</u>	<u>148 195 077</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		1 000	1 000
Share premium		398 375	398 375
Retained earnings		<u>3 398 567</u>	<u>17 088 631</u>
<b>Total shareholders' equity</b>		<u>3 797 942</u>	<u>17 488 006</u>
<b>Non-current liabilities</b>			
Borrowings-Bharti Airtel Malawi Holdings BV	12.1	13 881 304	41 758 440
Borrowings – Bank of America	16	29 158 835	-
Derivative financial liability	17	<u>-</u>	<u>87 917</u>
<b>Total Non-current liabilities</b>		<u>43 040 139</u>	<u>41 846 357</u>
<b>Current liabilities</b>			
Borrowings – Bank of America	16	107 783	-
Borrowings-Bharti Airtel Malawi Holdings BV	12.1	246 384	16 658 622
Amounts due to related parties	12.4	7 083 870	43 909 959
Derivative financial liability	17	-	43 971
Trade and other payables	18	37 121 162	22 304 305
Provisions	19	416 148	490 960
Dividends payable	20	8 268 856	2 565 000
Income tax payable	14	<u>-</u>	<u>2 887 897</u>
<b>Total current liabilities</b>		<u>53 244 203</u>	<u>88 860 714</u>
<b>Total liabilities</b>		<u>96 284 342</u>	<u>130 707 071</u>
<b>Total equity &amp; liabilities</b>		<u>100 082 284</u>	<u>148 195 077</u>

The financial statements on pages 8 to 61 were approved and authorised for issue by the Board of Directors on 3 May 2019 and signed on its behalf by:

.....  
 Chairperson

.....  
 Director

**AIRTEL MALAWI LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2018

	<u>Notes</u>	<u>2018</u> K'000	<u>2017</u> K'000
Operating revenue	21	92 921 729	84 709 529
Operating expenses	22	<u>(55 684 547)</u>	<u>(56 116 601)</u>
		37 237 182	28 592 928
Depreciation and amortization	5&6	(8 719 911)	(10 610 636)
Foreign exchange (loss)/gain	23	(650 121)	518 313
Waiver of the loan	25	<u>(19 086 502)</u>	<u>-</u>
Profit from operating activities		8 780 648	18 500 605
Other operating expenses		<u>(24 815)</u>	<u>(29 542)</u>
		8 755 833	18 471 063
Interest income	24	4 090 863	5 258 980
Finance cost	24	<u>(2 795 555)</u>	<u>(3 976 173)</u>
Profit before taxation		10 051 141	19 753 870
Income tax expense	26	<u>(7 741 205)</u>	<u>(7 208 878)</u>
Profit for the year		<u>2 309 936</u>	<u>12 544 992</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive profit for the year		<u>2 309 936</u>	<u>12 544 992</u>
Basic and diluted earnings per share (MK)	31	<u>2 310</u>	<u>12 545</u>

**AIRTEL MALAWI LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2018

	<b>Share capital K'000</b>	<b>Share premium K'000</b>	<b>Retained earnings K'000</b>	<b>Total K'000</b>
<b><u>Year ended 31 December 2018</u></b>				
At beginning of the year	1 000	398 375	17 088 631	17 488 006
Total comprehensive profit for the year	-	-	2 309 936	2 309 936
Dividend declared for 2017 profit	-	-	(16 000 000)	(16 000 000)
<b>At end of the year</b>	<b>1 000</b>	<b>398 375</b>	<b>3 398 567</b>	<b>3 797 942</b>
<b><u>Year ended 31 December 2017</u></b>				
At beginning of the year	1 000	398 375	4 543 639	4 943 014
Total comprehensive profit for the year	-	-	12 544 992	12 544 992
<b>At end of the year</b>	<b>1 000</b>	<b>398 375</b>	<b>17 088 631</b>	<b>17 488 006</b>

<b><u>2018</u></b>	<b><u>2017</u></b>
<b>K'000</b>	<b>K'000</b>

**SHARE CAPITAL**

**Authorised Share Capital**

Ordinary shares of K1 each	<u>1 250</u>	<u>1 000</u>
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**Issued and fully paid share Capital**

1 000 000 Ordinary shares of K1 each	<u>1 000</u>	<u>1 000</u>
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The issued share capital of the company comprises 1 000 000 ordinary shares of K1 each. The shares were valued at US\$9 each and were converted to Malawi on the date issue. Proceeds from the issue of shares in excess of the nominal value of K1 were taken to the share premium account.

**Analysis of share premium**

Arising in 1999 on issue of shares	375 304	375 304
Arising in 2000 on issue of shares	<u>23 071</u>	<u>23 071</u>
	<u>398 375</u>	<u>398 375</u>

**AIRTEL MALAWI LIMITED**  
**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2018

	<u>Notes</u>	<u>2018</u> K'000	<u>2017</u> K'000
<b>Cash flows from operating activities</b>			
Profit before taxation		10 051 141	19 753 870
Adjustments for:			
Depreciation	5	8 250 965	10 222 088
Interest receivable		(4 090 863)	(5 258 980)
Amortisation of intangible assets	6	468 946	388 548
Unrealised exchange losses on borrowings from related party	12.1	201 196	291 833
Unrealised exchange losses on borrowings from Bank of America	16	331 395	-
Unrealised exchange gains from receivables and related parties		-	(126 262)
Fair value loss on other financial assets/liability	24	(131 888)	91 942
(Decrease)/ increase in provisions		(74 812)	74 842
Loss on disposal of plant and equipment		31 476	29 542
Interest payable	24	2 909 447	3 383 043
Bank charges	24	17 996	16 188
<b>Operating profit before working capital changes</b>		<u>17 964 999</u>	<u>28 866 654</u>
Decrease (increase) in trade and other receivables		515 236	(3 269 421)
(Increase)/ decrease in inventories		(97 581)	121 586
Decrease/(increase) in amounts due from related parties		62 470 818	(16 785 271)
Increase in trade and other payables		14 816 857	2 003 222
(Decrease)/increase in amounts due to other related parties		<u>(36 826 089)</u>	<u>4 591 478</u>
<b>Cash generated from operations</b>		<u>58 844 240</u>	<u>15 528 248</u>
Income tax paid	14	<u>(8 980 644)</u>	<u>(3 563 187)</u>
<b>Net cash generated from operating activities</b>		<u>49 863 596</u>	<u>11 965 061</u>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment and intangibles	5 & 6	(26 608 460)	(14 213 441)
Long term investment in Natswitch	10	(81 000)	-
Purchase of property plant and equipment (variable payments contacts)		-	876 550
Interest received		4 090 863	5 258 980
Proceeds from sale of property, plant and equipment		<u>1 365 654</u>	<u>1 060 613</u>
<b>Net cash flow used in investing activities</b>		<u>(21 232 943)</u>	<u>(7 017 298)</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	12.1 & 16	(32 617 373)	(15 418 125)
Interest payment		(2 909 447)	-
Dividends paid		(10 296 144)	-
Bank charges		(17 996)	(16 188)
Interest on borrowings capitalised	12.1 & 16	2 547 952	-
Credit notes and other borrowings adjustments	12.1	(14 314 226)	(198 765)
Borrowings proceeds	12.1 & 16	<u>28 828 300</u>	<u>2 193 485</u>
<b>Net cash used in financing activities</b>		<u>(28 778 934)</u>	<u>(13 439 593)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(148 280)</u>	<u>(8 491 830)</u>
<b>Cash and cash equivalents at the beginning of the year</b>		<u>2 626 738</u>	<u>11 118 568</u>
<b>Cash and cash equivalents at the end of the year</b>	15	<u>2 478 458</u>	<u>2 626 738</u>

**AIRTEL MALAWI LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2018

**1. Corporate information**

Airtel Malawi Limited is a private limited company incorporated in Malawi under the Malawi Companies Act 1984 as repealed by the Companies Act 2013. The registered office of the company is located at Airtel Malawi premises in City Centre, Airtel Complex, City Centre, Off Convention Drive, P.O. Box 57, Lilongwe, Malawi.

The holding company is Bharti Airtel Malawi Holdings B.V incorporated in the Netherlands. The main business of the company consists of the provision of telecommunication and mobile money services.

**2. Adoption of new and revised International Financial Reporting Standards**

**2.1 Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements**

In the current year, the entity has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2018.

**Impact of initial application of IFRS 9 Financial Instruments**

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Company has elected not to restate comparatives in respect of the classification and measurement of financial instruments. The company adopted the new standard on the required effective date and did not restate comparative information.

**(a) Classification and measurement**

Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal. The company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

**(b) Impairment**

IFRS 9 requires the company to record expected credit losses on all of its trade receivables, either on a 12-month or lifetime basis. The company has applied the simplified approach and record lifetime expected losses on all trade receivables.

**Impact of application of IFRS 15 Revenue from Contracts with Customers**

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

Details of the new requirements as well as their impact on the Company's financial statements are described below.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Company has adopted the terminology used in IFRS 15 to describe such balances. The term deferred revenue is used in respect of unused airtime paid for by customers as at period end.

AIRTEL MALAWI LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
For the year ended 31 December 2018

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

**2.1 Standards and Interpretations adopted during the year (Continued)**

The Company's accounting policies for its revenue streams are disclosed in detail in note 3 below. Apart from providing more extensive disclosures for the Company's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Company.

**2.2 Standards and Interpretations in issue, not yet effective**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after *1 January 2019*, and have not been applied in preparing these financial statements. Those which may be relevant to the company are set out below. The company does not plan to adopt these standards early *Or describe the impact where there is early adoption*). These will be adopted in the period that they become mandatory unless otherwise indicated:

<b>Effective date</b>	<b>Standard, Amendment or Interpretation</b>
Annual periods beginning on or after 1 January 2019	<p>IFRS 16 Leases</p> <p>IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guide including IAS 17 Leases and the related interpretations when it becomes effective.</p> <p>IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.</p> <p>The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are due at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion that will be presented as financing and operating cash flows respectively.</p> <p>In contracts to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.</p>

Furthermore, extensive disclosures are required by IFRS 16.

**AIRTEL MALAWI LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

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

**2.2 Standards and Interpretations in issue, not yet effective (Continued)**

<b>Effective date</b>	<b>Standard, Amendment or Interpretation</b>
Annual periods beginning on or after 1 January 2019	<p>Prepayment Features with Negative Compensation (Amendments to IFRS 9)</p> <p>Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.</p>
Annual periods beginning on or after 1 January 2019	<p>Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).</p> <p>Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.</p>
Annual periods beginning on or after 1 January 2019	<p>Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)</p> <p>The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:</p> <ul style="list-style-type: none"> <li>• If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement.</li> <li>• In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.</li> </ul>
Annual periods beginning on or after 1 January 2020	<p>Amendments to References to the Conceptual Framework in IFRS Standards</p> <p>The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.</p>
Annual reporting periods beginning on or after 1 January 2020	<p>Definition of a Business (Amendments to IFRS 3)</p> <p>The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:</p> <ul style="list-style-type: none"> <li>• clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;</li> <li>• narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;</li> <li>• add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;</li> <li>• remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and</li> <li>• add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.</li> </ul>



AIRTEL MALAWI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

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

**2.2 Standards and Interpretations in issue, not yet effective (Continued)**

<b>Effective date</b>	<b>Standard, Amendment or Interpretation</b>
Annual reporting periods beginning on or after 1 January 2020	<p>Definition of Material (Amendments to IAS 1 and IAS 8)</p> <p>The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.</p>
Annual reporting periods beginning on or after 1 January 2021	<p>IFRS 17 <i>Insurance Contracts</i></p> <p>IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as of 1 January 2021.</p>
Annual reporting periods beginning on or after 1 January 2019	<p>IFRIC 23 <i>Uncertainty over Income Tax Treatments</i></p> <p>The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:</p> <ul style="list-style-type: none"> <li>• Whether tax treatments should be considered collectively;</li> <li>• Assumptions for taxation authorities' examinations;</li> <li>• The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and</li> <li>• The effect of changes in facts and circumstances.</li> </ul>

The directors anticipate that, other than IFRS 16 *Leases*, these Standards and Interpretations in future periods will have no significant impact on the financial statements of the company. IFRS 16 leases will impact the recognition, measurement, presentation and disclosures of the leases.

### 3. Significant accounting policies

The following is a summary of the significant accounting policies adopted by the company. These policies have been consistently applied to all year presented, unless otherwise stated.

#### 3.1 Statement of compliance

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### 3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are accounted for as in note 3.19 below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measured date regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or a liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised in Level 1, 2 or 3 based on the degree to which the inputs to their fair value measurements are observable and the significance of the inputs to fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active market for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies of the company, which are set out below, have been consistently followed in all material respects.

#### 3.3 Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements made by management in the application of IFRS's that have significant effect on the amounts recognised in the financial statements are discussed in note 4 to these financial statements.

AIRTEL MALAWI LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
For the year ended 31 December 2018

3. Significant accounting policies (Continued)

3.4 Accounting convention

The financial statements are prepared in terms of the historical cost convention with the exception of financial instruments which are accounted for as in note 3.19 below. No other procedures have been adopted to reflect the impact on the financial statements of specific price changes or changes in the general level of prices.

3.5 Revenue

Company's revenue arises from billing customers for monthly subscription, airtime usage, connections, reconnection fees and sale of simcards, handsets and accessories and interconnection revenue.

Revenue is measured at the fair value of the consideration received or receivable for the sale/provision of goods and services in the ordinary course of the company's activities. Revenue is shown net of value-added tax (VAT), excise duties, discount and rebates.

Revenue is recognised upon transfer of control of promised products or services to the customer at the consideration which the Company has received or expects to receive in exchange of those products or services, net of any taxes / duties, discounts and process waivers. In order to determine if it is acting as a principal or as an agent, the Company assesses whether it is primarily responsible for fulfilling the performance obligation.

Service revenues include amounts invoiced for usage charges, fixed monthly subscription charges and very small aperture terminal ('VSAT')/internet usage charges, bandwidth services, roaming charges, activation fees, processing fees and fees for value added services ('VAS'). Service revenues also include revenues associated with access and interconnection for usage of the telephone network of other operators for local, domestic long distance and international calls and data messaging services.

Service revenues are recognised as the services are rendered and are stated net of discounts, waivers and taxes. Revenues from pre-paid cards are recognised based on actual usage. Subscription charges is being recognised over the estimated customer relationship period or subscription pack validity period, whichever is lower. Activation revenue and related activation costs, is recognized upfront.

Service revenues from the internet and VSAT business comprise revenues from registration, installation and provision of internet and VSAT services. Registration fee and installation charges is recognized upfront. Service revenue is recognised from the date of satisfactory installation of equipment and software at the customer site and provisioning of internet and VSAT services.

Monthly subscription fees are recognised on a cash cap method and Value Added Services are recognised net of taxes and other statutory obligations.

Revenues from national and international long distance operations comprise revenue from voice services which are recognised on provision of services while revenue from bandwidth services (including installation) is recognised over the period of arrangement.

Deferred revenue includes amount received in advance from customers which would be recognised over the periods when the related services are expected to be rendered.

AIRTEL MALAWI LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
For the year ended 31 December 2018

3. Significant accounting policies (Continued)

3.5 Revenue (Continued)

Unbilled revenue represent revenues recognised from the bill cycle date to the end of each month. These are billed in subsequent periods based on the terms of the billing plans.

Equipment sales consist primarily of revenues from sale of telecommunication equipment and related accessories to customers. Revenue from equipment sales transactions are recognised when the significant risks and rewards of ownership are transferred to the buyer and when no significant uncertainty exists regarding realisation of consideration.

Revenue from mobile money services arises from billing customers for P2P (person to person offnet) transactions; cash out (withdrawal) transactions, Airtel Money to bank transactions, collections of funds for customers purchasing goods and services using Airtel Money and commissions on sale of airtime and business revenue arising from bulk payment transactions.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3.6 Property, Plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

All repairs and maintenance expenditure is expensed as incurred unless it is deemed probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the company, in which case it is added to the carrying amount of the asset.

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

	<b>Years</b>
Buildings	20
Network equipment	3-20
Computer equipment	3
Furniture and equipment	5
Vehicles	5
Leasehold improvements	Remaining period of lease or 5 years whichever is less

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

**3.6 Property Plant and equipment (Continued)**

The company re-assesses both the useful lives and residual lives of the assets annually. Any future changes in either useful lives or estimated residual values are accounted for prospectively as a change in accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Work in progress is not depreciated.

**3.7 Intangible assets**

The Company's intangible asset comprise of computer software, licenses and indefeasible right of use (IRU). These are recognised as an asset when it is probable that future economic benefits from the asset will flow to the entity and the cost of the license can be reliably measured.

Licenses are initially measured at cost and subsequently amortised on a straight-line basis over their useful lives. Intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation periods are reviewed annually and adjusted prospectively as required. Gains or losses arising from derecognition of licenses are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised. Licenses are amortised over a period of 10 years.

Indefeasible intangible assets are recognised when the company controls the assets, it is probable that future economic benefits from the asset will flow to the entity and the cost of the asset can be reliably measured.

At initial recognition, the separately acquired intangible assets are recognised at cost. Following initial recognition, the intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Gains or losses arising from derecognition of the assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised. Indefeasible right of use (IRU) are amortised over a period of 10 to 15 years .

Computer software acquired by the company is recognised initially at cost. Cost includes all directly attributable costs in order to bring the asset into a state for its intended use. Computer software is measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

The estimated useful life for current and comparative periods for acquired computer software is 5 years.

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

3.8 **Impairment of non-financial assets**

At the end of each reporting period, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or-cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating units) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss. Unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss. Unless the relevant asset is carried at a revalued amount in which case the reversal of impairment loss is treated as a revaluation increase.

3.9 **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the entity at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the entity's general policy on borrowing costs (see 3.10 below). Other expenses due to the leasing are recognised as expenses in the periods in which they are incurred.

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

**3.10 Borrowing Costs**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method;

When calculating the effective interest rate, the entity estimates the cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

Any differences between proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest rate.

**3.11 Taxation**

Income tax expense represents the sum of the tax currently payable and deferred.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the company's financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

AIRTEL MALAWI LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
For the year ended 31 December 2018

3. Significant accounting policies (Continued)

3.11 Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in the statement of comprehensive income, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

3.12 Functional currency translations

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using Malawi Kwacha, the functional currency of the primary economic environment in which the entity operates. The financial statements are presented in Malawi Kwacha, which is the entity's functional and presentation currency.

(b) Transactions and balances

Transactions in currencies other than Malawi Kwacha are initially recorded at the rates of exchange ruling on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

All exchange differences are taken to profit and loss.

3.13 Retirement benefits

Pension are provided for local employees under a defined contribution pension scheme to which both the company and employees contribute. The company has no further 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.

The company contributes to a defined contribution pension scheme that is administered by NICO.



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

3.14 **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average cost method, and includes all expenditure incurred in bringing the inventories to their present value and condition, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

The amount of any write down of inventories to net realisable value and all losses of inventories is recognised as an expense in the period the write down or loss occurs.

3.15 **Dividend**

Dividends payable to the company's shareholders are charged to equity in the period in which they are declared.

3.16 **Earnings per share**

The Company presents the Basic and Diluted EPS data. Basic EPS is computed by dividing the profit for the period attributable to the shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted EPS is computed by adjusting, the profit for the year attributable to the shareholders and the weighted average number of shares considered for deriving Basic EPS, for the effects of all the shares that could have been issued upon conversion of all dilutive potential shares. The dilutive potential shares are adjusted for the proceeds receivable had the shares been actually issued at fair value. Further, the dilutive potential shares are deemed converted as at beginning of the period, unless issued at a later date during the period.

3.17 **Share capital and share premium**

Issued ordinary shares are classified as 'share capital' in equity when the Company has an un-conditional right to avoid delivery of cash or another financial asset, that is, when the dividend and repayment of capital are at the sole and absolute discretion of the Company and there is no contractual obligation whatsoever to that effect. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

3.18 **Statement of cash flows**

Cash flows are reported using the indirect method as per IAS-7 "Statement of cash flows", whereby profit for the period is adjusted for the effect of transactions of a non-cash nature, any deferral or accrual of past or future cash operating receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities are segregated.

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

**3.19 Financial instruments**

Financial assets and financial liabilities are recognised in the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**3.19.1. Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**3.19.2. Classification of financial assets**

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

AIRTEL MALAWI LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
For the year ended 31 December 2018

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

**3.19 Financial instruments (Continued)**

**3.19.2. Classification of financial assets (Continued)**

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

**3.19.3 Amortised cost and effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

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

**3.19 Financial instruments (Continued)**

**3.19.3 Amortised cost and effective interest method (Continued)**

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognised in profit or loss.

**3.19.4 Foreign exchange gains and losses**

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

**3.19.5 Impairment of financial assets**

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

**3.19 Financial instruments (Continued)**

**3.19.5.1. Significant increase in credit risk**

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

**3.19 Financial instruments (Continued)**

**3.19.5 Impairment of financial assets (Continued)**

**3.19.5.1. Significant increase in credit risk (Continued)**

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default,
- (2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

**3.19.5.2. Definition of default**

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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

**3.19 Financial instruments (Continued)**

**3.19.5 Impairment of financial assets (Continued)**

**3.19.5.3. Credit-impaired financial assets**

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

**3.19.5.4. Write-off of policy**

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

**3.19.5.5. Measurement and recognition of expected credit losses**

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

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

**3.19 Financial instruments (Continued)**

**3.19.5 Impairment of financial assets (Continued)**

**3.19.5.5. Measurement and recognition of expected credit losses (Continued)**

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

**3.19.5.6. Derecognition of financial assets**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

**3.20. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**3.21 Financial liabilities and equity instruments**

**3.21.1 Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

**3.21.2 Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.



3. Significant accounting policies (Continued)

3.21 **Financial liabilities and equity instruments** (Continued)

3.21.2 **Equity instruments** (Continued)

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3.21.3 **Financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

3.21.4 **Foreign exchange gains and losses**

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

3.21.5 **Financial liabilities at FVTPL**

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 *Financial Instruments*: permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in the statement of comprehensive income. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item in other comprehensive income.

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

**3.21 Financial liabilities and equity instruments (Continued)**

**3.21.6 Derecognition of financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**3.22 Derivative financial instruments**

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Company has both legal right and intention to offset.

**3.23 Hedge accounting**

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

**3.23.1 Fair value hedges**

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognised in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

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

3.23 **Hedge accounting** (Continued)

3.23.1 **Fair value hedges** (Continued)

The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

3.23.2 **Cash flow hedges**

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Company expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

3.24 **Provisions**

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

AIRTEL MALAWI LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
For the year ended 31 December 2018

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

**3.24 Provisions (Continued)**

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

**3.25 Contingencies**

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised and disclosed only where an inflow of economic benefits is probable.

**4. Critical accounting judgements and key sources of estimation uncertainty**

**4.1 Critical accounting judgements made by management**

In the application of the company's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**4.1.1 Impairment of non current assets**

In making its judgement, management has assessed at each reporting date whether there is an indication that items of property, plant and equipment and other assets may be impaired. If any such indication exists, the recoverable amount of the asset is assessed in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use.

**4.2 Key sources of estimation uncertainty**

**4.2.1 Plant and equipment residual values and useful lives**

These assets are written down to their estimated residual values over their anticipated lives using the straight line basis. Management reviews the residual values annually considering market conditions and projected disposal values. In assessing useful lives and residual values, maintenance programmes and technological innovations are considered. The carrying value of plant and equipment is disclosed in note 5 to the financial statements.

4. **Critical accounting judgements and key sources of estimation uncertainty (Continued)**

4.2 **Key sources of estimation uncertainty (Continued)**

4.2.2 **Loss allowance for trade and other receivables**

The company provides credit terms to customers on post-paid services and selected dealers. Management is aware that certain debts due to the company may not be recoverable either in part or in full. The company always recognises lifetime ECL for trade receivables and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and;

An assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Malawi economy, financial difficulties of the debtors, or financial reorganisation and delinquency in paying, amongst others, are also taken into account.

4.2.3 **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4.2.4 **Provisions and contingent liabilities**

The Company exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities (see note 32 "Contingent liabilities" to the financial statements). Judgement is necessary to assess the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of any financial settlement. The inherent uncertainty of such matters means that actual losses may materially differ from estimates.

**AIRTEL MALAWI LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

**5. Property, plant and equipment**

	Network equipment K'000	Office equipment K'000	Land and buildings K'000	Motor vehicles K'000	Leasehold improvements K'000	Capital work in progress K'000	Total K'000
<b>For the year ended 31 December 2018</b>							
<b>Cost</b>							
At the beginning of the year	54 059 909	16 676 150	4 633 956	341 812	437 112	2 877 783	79 026 722
Additions	15 037 573	1 194 726	-	-	-	10 210 946	26 443 245
Transfers to Tower Co	-	-	-	-	-	(1 313 628)	(1 313 628)
Disposals	(81 339)	(13 305)	-	-	-	-	(94 644)
Elimination of non-existing assets	(1)	-	-	-	1	(405 655)	(405 655)
At the end of the year	<u>69 016 142</u>	<u>17 857 571</u>	<u>4 633 956</u>	<u>341 812</u>	<u>437 113</u>	<u>11 369 446</u>	<u>103 656 040</u>
<b>Accumulated depreciation</b>							
At the beginning of the year	28 763 031	14 014 645	1 318 694	270 423	267 220	450 982	45 084 995
Charge for the year	6 671 406	1 228 994	241 411	53 538	55 616	-	8 250 965
Disposal	-	(11 132)	-	-	-	-	(11 132)
Reclassification and elimination	-	-	-	-	-	-	-
Of non-existing	45 334	-	99	(116)	1	(450 982)	(405 664)
At end of the year	<u>35 479 771</u>	<u>15 232 507</u>	<u>1 560 204</u>	<u>323 845</u>	<u>322 837</u>	<u>-</u>	<u>52 919 164</u>
<b>NBV 31 December 2018</b>	<u>33 536 371</u>	<u>2 625 064</u>	<u>3 073 752</u>	<u>17 967</u>	<u>114 276</u>	<u>11 369 446</u>	<u>50 736 876</u>
<b>NBV 31 December 2017</b>	<u>25 296 878</u>	<u>2 661 505</u>	<u>3 315 262</u>	<u>71 389</u>	<u>169 892</u>	<u>2 426 801</u>	<u>33 941 727</u>

AIRTEL MALAWI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

5. Property, plant and equipment (Continued)

**For the Year ended 31 December 2017**

<b>Cost</b>	<b>Network Equipment K'000</b>	<b>Office Equipment K'000</b>	<b>Land and Building K'000</b>	<b>Motor Vehicles K'000</b>	<b>Leasehold Improvement K'000</b>	<b>Capital work in progress K'000</b>	<b>Total K'000</b>
At the beginning of the year	45 606 489	16 914 386	4 637 303	341 812	350 099	1 581 680	69 431 769
Additions	9 054 339	164 044	-	-	66 969	2 386 258	11 671 610
Variable payments contract	(527 959)	(348 591)	-	-	-	-	(876 550)
Disposals	-	-	-	-	-	(33 687)	(33 687)
Transfers to Tower Co	-	-	-	-	-	(1 056 468)	(1 056 468)
<i>Reclassification to intangible</i>	<i>(72 960)</i>	<i>(53 689)</i>	<i>(3 347)</i>	<i>-</i>	<i>20 044</i>	<i>-</i>	<i>(109 952)</i>
<b>At the end of the year</b>	<b><u>54 059 909</u></b>	<b><u>16 676 150</u></b>	<b><u>4 633 956</u></b>	<b><u>341 812</u></b>	<b><u>437 112</u></b>	<b><u>2 877 783</u></b>	<b><u>79 026 722</u></b>
<b><u>Accumulated Depreciation</u></b>							
At the beginning of the year	21 190 157	12 138 361	1 090 783	203 760	204 443	46 032	34 873 536
Charge for the year	7 573 639	1 886 361	231 257	66 663	59 218	40 4950	10 222 088
<i>Reclassification to intangible</i>	<i>(765)</i>	<i>(10 077)</i>	<i>(3 346)</i>	<i>-</i>	<i>3 559</i>	<i>-</i>	<i>(10 629)</i>
At the end of the year	<b><u>28 763 031</u></b>	<b><u>14 014 645</u></b>	<b><u>1 318 694</u></b>	<b><u>270 423</u></b>	<b><u>267 220</u></b>	<b><u>450 982</u></b>	<b><u>45 084 995</u></b>
<b>NBV 31 December 2017</b>	<b><u>25 296 878</u></b>	<b><u>2 661 505</u></b>	<b><u>3 315 262</u></b>	<b><u>71 389</u></b>	<b><u>169 892</u></b>	<b><u>2 426 801</u></b>	<b><u>33 941 727</u></b>
<b>NBV 31 December 2016</b>	<b><u>24 416 332</u></b>	<b><u>4 776 025</u></b>	<b><u>3 546 520</u></b>	<b><u>138 052</u></b>	<b><u>145 656</u></b>	<b><u>1 535 648</u></b>	<b><u>34 558 233</u></b>

AIRTEL MALAWI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

	<u>2018</u> K'000	<u>2017</u> K'000
<b>6. Intangible assets</b>		
<b>Cost</b>		
At the beginning of the year	6 489 562	3 837 779
Additions	165 215	2 541 831
Reclassification from Network equipment	<u>-</u>	<u>109 952</u>
	<u>6 654 777</u>	<u>6 489 562</u>
<b>Amortisation</b>		
At the beginning of the year	2 714 193	2 315 016
Charge for the year	468 946	388 548
Band with reclass	<u>-</u>	<u>10 629</u>
	<u>3 183 139</u>	<u>2 714 193</u>
Net book value	<u>3 471 638</u>	<u>3 775 369</u>

Included in the intangible assets are the software and billing system that as at year end these were fully depreciated. In 2017, the reclassifications were for bandwidth lease.

Macra Telecom License fee covers a period of 10 years from March 2014. Cost of the fee was K1.8 billion.

**7. Regulatory costs**

	<u>2018</u> K'000	<u>2017</u> K'000
Net operating revenue	80 970 918	63 812 586
MACRA levy at 5%	4 048 546	3 190 629
Spectrum & frequency fees	<u>3 240 308</u>	<u>1 970 267</u>
Total regulatory cost (Note 22)	<u>7 288 854</u>	<u>5 160 896</u>

As part of the licensing agreement, the company pays the Malawi Government, through the Malawi Communication Regulatory Authority (MACRA), a levy at 5% of Net Operating Revenue (total airtime revenue) per annum as a royalty.

	<u>2018</u> K'000	<u>2017</u> K'000
<b>Interconnect Call Termination Rate Cost (0.08 cents)</b>	<u>2 336 875</u>	<u>2 814 435</u>

The company collects interconnection fees on behalf of the Government at rate of 8 Cents per minute



AIRTEL MALAWI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

**8. Deferred tax asset**

<b>For the year ended 31 December 2018</b>	<b>Asset (liability) Opening balance K'000</b>	<b>Charged/ (credited) to income K'000</b>	<b>Closing balance K'000</b>
Property, plant and equipment	(2 630 890)	(1 598 386)	(4 229 276)
Provision and fair value loss	1 728 074	413 397	2 141 471
Carry forward tax losses	-	948 078	948 078
Unrealised exchange losses and deferred revenue	<u>13 147 286</u>	<u>(7 504 294)</u>	<u>5 642 992</u>
	<u>12 244 470</u>	<u>(7 741 205)</u>	<u>4 503 265</u>

  

<b>For the year ended 31 December 2017</b>	<b>Asset (liability) Opening balance K'000</b>	<b>Charged/ (credited) to income K'000</b>	<b>Closing balance K'000</b>
Property, plant and equipment	(3 395 353)	764 463	(2 630 890)
Provision and fair value loss	1 043 438	684 636	1 728 074
Unrealised exchange losses and deferred revenue	<u>13 298 701</u>	<u>( 151 415)</u>	<u>13 147 286</u>
	<u>10 946 786</u>	<u>1 297 684</u>	<u>12 244 470</u>

**9. Other non-current assets**

Other non current assets relate to a guarantee. In February 2014, as part of the licensing agreement, the company provided a guarantee to the Authority (MACRA) at the amount of K 45 million (US\$100,000) to secure the performance of the obligations contained in the Licence. In the event that the Authority imposes a penalty upon the company for any breach of the Licence conditions, the Authority shall have the right to draw upon the performance guarantee.

**10. Long term investment in National Switch Limited**

During the year, the company invested by acquiring 30 million shares of National Switch Limited at price of K2.71 per share. In addition the company also paid a joining fees of USD 50,000 that has been expensed off in the year of payment.

**AIRTEL MALAWI LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

**11. Inventories**

	<u>2018</u> K'000	<u>2017</u> K'000
Handsets	170 800	408 638
Phone accessories	91 645	53 410
Provision	<u>(164 864)</u>	<u>(462 048)</u>
	<u>97 581</u>	<u>-</u>

The company has provided fully for all handsets and accessory inventories over 180 days aged.

**12. Related party disclosures**

**12.1 Bharti Airtel Malawi Holdings B.V. borrowings**

The movement is analysed as follows: -

	<u>2018</u> K'000	<u>2017</u> K'000
At the beginning of the year	58 417 062	68 165 591
Addition	-	2 193 485
Interest charges	1 939 546	3 383 043
Repayments	(32 115 890)	(15 418 125)
Credit notes and other adjustments	(14 314 226)	(198 765)
Exchange difference	<u>201 196</u>	<u>291 833</u>
	<u>14 127 688</u>	<u>58 417 062</u>
Current portion	246 384	16 658 622
Non-current portion	<u>13 881 304</u>	<u>41 758 440</u>

The debt denominated in US Dollars amounted to USD 19 million (2017: USD 81.0 million), is unsecured and interest is charged at Libor plus 450 bps. The amount arose as a result of the conversion of the amounts payable to Bharti Airtel International BV following the agreement signed Bharti Airtel Malawi Holdings BV and Airtel Malawi Ltd on 23 April 2015. The loan drawn on at inception was USD 74,397,260 which was repayable by 31st December 2020. On 29th August 2017 the agreement was amended with revised loan amount of USD 78,046,865. The loan is repayable by 31st December 2021.

**12.2 Related party transactions**

	<u>2018</u> K'000	<u>2017</u> K'000
Management fees	2 115 152	1 905 044
Interest expense on related party borrowings	1 939 546	3 383 043
Interest income on related party receivables	1 574 028	5 022 741
Expense paid by group	292 412	546 134
Loan repayment	32 115 890	15 418 125
Sales to related party	874 423	5 901 969
Rent expenses on sites owned by related party	<u>5 975 503</u>	<u>6 010 539</u>

AIRTEL MALAWI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

**12. Related party disclosures (Continued)**

**12.3 Amount due from other related parties**

<u>Name of the related party</u>	<u>Relationship</u>	<u>2018</u> <u>K'000</u>	<u>2017</u> <u>K'000</u>
Airtel Money Trust (Mw)	Fellow subsidiary	2 216 217	5 306 377
Malawi Towers Limited	Fellow subsidiary	15 719 623	72 745 716
Airtel Networks Kenya Ltd	Fellow subsidiary	-	2 589
Airtel Networks Zambia Plc	Fellow subsidiary	-	239 735
Airtel Tanzania Limited	Fellow subsidiary	2 056 972	2 331 108
Bharti Airtel (UK) Limited	Fellow subsidiary	298 574	1 547 140
Airtel Uganda Limited	Fellow subsidiary	-	19 639
Airtel Rwanda Limited	Fellow subsidiary	-	745
Airtel Congo S.A.	Fellow subsidiary	-	6 586
Airtel Mobile Commerce Zambia Limited	Fellow subsidiary	-	30 233
Airtel Madagascar S.A.	Fellow subsidiary	-	209 267
Celtel Niger S.A	Fellow subsidiary	-	41 639
Airtel Gabon S.A	Fellow subsidiary	-	29
Bharti Airtel Sri Lanka (Private) Limited	Fellow subsidiary	-	378
Airtel Networks Limited	Fellow subsidiary	250 078	401 514
Airtel (Ghana) Limited*	Joint Venture	2	111 026
NXTRA Data Limited	Fellow subsidiary	58 739	43 142
Airtel Tchad S.A.	Fellow subsidiary	738	37 177
Airtel Congo (RDC) S.A.	Fellow subsidiary	-	5 507
Airtel (Seychelles) Limited	Fellow subsidiary	<u>9 911</u>	<u>2 125</u>
		<u>20 610 854</u>	<u>83 081 672</u>

Amount due from Malawi Towers Limited arose on sale of passive network equipment to Malawi Towers in September 2014 for K 20,570 million. Interest up to 2016 was charged at 10% per annum on the amount due and effective January 2017, the interest is charged at commercial lending rates by the Banks less 2%.

\* In June 2017, there was a change in relationship from fellow subsidiary to joint venture of the group.

AIRTEL MALAWI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

**12. Related party disclosures (Continued)**

**12.4 Amount due to other related parties**

<u>Name of related party</u>	<u>Relationship</u>	<u>2018</u> <u>K'000</u>	<u>2017</u> <u>K'000</u>
Malawi Towers Limited	Fellow subsidiary	-	39 394 463
Airtel Networks Zambia Plc	Fellow subsidiary	760 078	78 620
Airtel Networks Kenya Ltd	Fellow subsidiary	1 047 156	57 333
Airtel Uganda Limited	Fellow subsidiary	113 538	433 742
Airtel Rwanda Limited	Fellow subsidiary	107 328	231
Airtel Congo S.A.	Fellow subsidiary	55 212	42
Airtel Congo (RDC) S.A.	Fellow subsidiary	2 120	4 601
Airtel Mobile Commerce Zambia Limited	Fellow Subsidiary	49 433	33 202
Airtel Madagascar S.A.	Fellow subsidiary	26 245	3 428
Airtel Mobile Commerce Rwanda Limited	Fellow subsidiary	23 226	-
CelTel Niger S.A	Fellow subsidiary	16	148 932
Airtel Networks Limited	Fellow subsidiary	-	153 891
Airtel Gabon S.A	Fellow subsidiary	12	45
Network 121 Limited	Step up Parent	368 462	137 333
Africa Towers BV	Fellow subsidiary	-	26 835
Bharti Airtel (France) SAS	Fellow subsidiary	174 537	-
Airtel (Ghana) Limited *	Joint venture of group	-	988 804
Bharti Airtel Limited	Step up Parent	126 088	-
Airtel Mobile Commerce Tanzania Limited	Fellow subsidiary	118 134	-
Airtel Tanzania Limited	Fellow subsidiary	-	261 873
Bharti Airtel (UK) Limited	Fellow subsidiary	-	1 685 325
Airtel Money Trust (Mw)	Fellow subsidiary	-	217 450
Bharti Airtel services Limited	Fellow subsidiary	53 492	89 523
Airtel AMC BV	Fellow subsidiary	-	84 507
Centum learning Limited	Other related party**	52 167	-
Bharti Airtel Sri Lanka (Pvt) Ltd	Fellow Subsidiary	7	-
Bharti Airtel Malawi Holdings	Holding Company	2 576 458	-
Bharti Airtel(Netherlands) BV	Step up Parent	1 430 161	-
Airtel (Seychelles) Limited	Fellow Subsidiary	-	109 779
		<u>7 083 870</u>	<u>43 909 959</u>

\* In June 2017, there was a change in relationship from fellow subsidiary to joint venture of the group.

\*\* Other related party though not related party per definition under IAS 24 "Related Party" disclosures have been included by way of voluntary disclosure following the best corporate governance practice.

AIRTEL MALAWI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

	<u>2018</u> K'000	<u>2017</u> K'000
<b>13. Trade and other receivables</b>		
Trade receivables	13 147 322	15 524 908
Less: provision for impairment	<u>(5 173 955)</u>	<u>(4 369 241)</u>
	7 973 367	11 155 667
Prepayment	3 974 720	1 275 252
Claims receivables	5 458	-
Other receivables	<u>11 320</u>	<u>49 182</u>
	<u>11 964 865</u>	<u>12 480 101</u>

Trade and other receivables are further analysed as follows:-

	Unimpaired carrying amount as at <u>31/12/2018</u> K'000	Of which: neither impaired nor past due on <u>31/12/2018</u> K'000	Not more than three months K'000	More than three months and not more than six months K'000
<b><u>2018</u></b>				
Trade Receivables	7 973 367	7 973 367	-	
Other Receivables	3 991 498	3 991 498	-	
	<u>11 964 865</u>	<u>11 964 865</u>	<u>-</u>	
<b><u>2017</u></b>				
Trade Receivables	11 155 667	11 155 667	-	
Other Receivables	1 324 434	1 324 434	-	
	<u>12 480 101</u>	<u>12 480 101</u>	<u>-</u>	

Provision for impairment of receivables is further analysed as follows:-

	<u>2018</u> K'000	<u>2017</u> K'000
At the beginning of the year	4 369 241	3 105 968
Provision for impairment	<u>804 714</u>	<u>1 263 273</u>
Total	<u>5 173 955</u>	<u>4 369 241</u>

The company's credit risk is primarily in respect of its trade receivables. The company's credit period is 60 days.

**13. Trade and other receivables (Continued)**

The expected credit loss (ECL) is mainly based on the ageing of the receivable balances and historical experience. The receivables are assessed on an individual basis or grouped into homogeneous groups and assessed for impairment collectively, depending on their significance. Moreover, trade receivables are written off on a case to case basis if deemed not to be collectible on the assessment of the underlying facts and circumstances.

The company uses a provision matrix to measure the expected credit loss of trade receivables. Refer below note for details on the impairment of trade receivables. Based on the industry practices and the business environment in which the entity operates, management considers that the trade receivables are credit impaired if the payments are more than 90 days past due.

The company performs on-going credit evaluations of its customers' financial condition and monitors the credit-worthiness of its customers to which it grants credit in its ordinary course of business. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount due. Where the financial asset has been written-off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit and loss.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The entity writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables has crossed the law of limitation period past due, whichever occurs earlier.

As the entity's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Entity's different customer base.

For the purposes of grouping, Airtel's receivables are grouped based on the shared credit risk characteristics. Airtel identified nine (9) groups of debtors as follows:

1. Airtel shops;
2. Channel partner;
3. Enterprise;
4. Interconnect;
5. Lase line;
6. Postpaid;
7. Roaming;
8. Site sharing and
9. All other remaining receivables.

\* Due to past experience, Interconnect, Receivables have zero default rates up to 360days and only 45% allowance rate is applied above 360days due to the nature of the agreements.

**AIRTEL MALAWI LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

**13. Trade and other receivables (Continued)**

At 31 December 2018 the lifetime expected loss provision for trade receivables is as follows:

<b>Expected credit loss rate</b>	<b>1-30days</b>	<b>31 to 60 days</b>	<b>61 to 90 days</b>	<b>91 to 180 days</b>	<b>181 to 360 days</b>	<b>&gt;360 days</b>
Airtel shops	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Channel partner	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Enterprise	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Interconnect*	0.0%	0.0%	0.0%	0.0%	0.0%	45.0%
Lease line	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Postpaid	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Roaming	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Site sharing	0.0%	0.0%	0.0%	39.0%	3.0%	2.0%
Other receivables**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

\*\* Other receivables mainly include unapplied receipts hence since the amounts have been received and mostly in credit as such they have zero default rates. The company expects no change to this in the foreseeable future hence no expected credit losses for the same is determined.

<b>Gross carrying amount</b>	<b>1-30days</b>	<b>31 to 60 days</b>	<b>61 to 90 days</b>	<b>91 to 180 days</b>	<b>181 to 360 days</b>	<b>&gt; 360 days</b>	<b>Totals</b>
	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>
Airtel shops	43 188	90 729	80 131	116 313	38 306	498	369 165
Channel partner	509 670	(76)	-	-	-	363 749	873 354
Enterprise	56 366	115 594	48 335	185 056	250 969	519 828	1 176 148
Interconnect*	1 136 814	724 915	242 113	139 560	127 360	2 979 566	5 350 328
Lease line	106 226	98 755	117 437	191 529	291 442	228 943	1 034 332
Postpaid	359 959	80 283	329 752	103 208	112 631	1 152 854	2 138 687
Roaming	2 252	26 582	81 646	23 523	11 830	167 287	313 120
Site sharing	-	-	25 381	27 242	564 782	2 339 482	2 956 887
Other receivables**	<u>(1 014 778)</u>	<u>(22 876)</u>	<u>(21 036)</u>	<u>(6 009)</u>	<u>-</u>	<u>-</u>	<u>(1 064 699)</u>
<b>Total</b>	<u>1 199 697</u>	<u>1 113 906</u>	<u>903 759</u>	<u>780 422</u>	<u>1 397 331</u>	<u>7 752 207</u>	<u>13 147 322</u>

AIRTEL MALAWI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

**13. Trade and other receivables (Continued)**

Expected credit losses	1-30days K'000	31 to 60 days K'000	61 to 90 days K'000	91 to 180 days K'000	181 to 360 days K'000	>360 days K'000	Totals K'000
Airtel shops	-	-	-	116 313	38 306	498	155 117
Channel partner	-	-	-	-	11	363 749	363 760
Enterprise	-	-	-	185 056	250 969	519 828	955 843
Interconnect*	-	-	-	-	-	1 336 326	1 336 326
Lease line	-	-	-	191 529	291 449	228 943	711 921
Postpaid	-	-	-	103 208	112 631	1 152 854	1 368 693
Roaming*	-	-	-	23 523	11 830	167 287	202 640
Site sharing	-	-	-	10 610	18 835	50 209	79 654
Other receivables	-	-	-	-	-	-	-
Totals	-	-	-	<u>630 239</u>	<u>724 022</u>	<u>3 819 694</u>	<u>5 173 955</u>

Prepayments relate to amounts that the company paid in advance for various services while other receivables relate to staff advances and other advances

No interest is charged on trade and other receivables.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

**14. Income Tax recoverable / payable**

	<u>2018</u> K'000	<u>2017</u> K'000
Balance at the beginning of the year	2 887 897	(2 055 479)
Withholding tax paid during the year	(2 280 644)	(1 593 001)
Provisional tax paid during the year	(6 700 000)	(1 970 185)
Charge for the year (note 26)	-	<u>8 506 562</u>
Income tax (recoverable) / payable	<u>(6 092 747)</u>	<u>2 887 897</u>



**AIRTEL MALAWI LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

**15. Cash and cash equivalents**

Short term deposit accounts	10 205	492 734
Current bank accounts	1 516 157	1 912 039
FCDA account	78 521	18 092
Cash in hand	109 066	203 873
Airtel money E-value	<u>764 509</u>	<u>-</u>
<b>Totals</b>	<b><u>2 478 458</u></b>	<b><u>2 626 738</u></b>

Included in bank balances and cash are foreign currency denominated balances valued at K 78.5 million (2017: K18 million) at 31 December 2018. The balances were earning nil in 2018 (2017: 2 -5%) per annum. The rest of bank balances are denominated in Malawi Kwacha and were earning interest between 5% - 10 % per annum (2017: 8 -10%).

The carrying amount of K2 478 million (2017: K2 627 million) is reasonable approximation of fair value.

**16. Borrowings (Bank of America)**

	<u>2018</u> K'000	<u>2017</u> K'000
At the beginning of the year	-	-
Addition	28 828 300	-
Interest charges capitalised	608 406	-
Exchange difference	331 395	-
Repayment of interest	<u>(501 483)</u>	<u>-</u>
	<u>29 266 618</u>	<u>-</u>
Current portion	107 783	-
Non-current portion	<u>29 158 835</u>	<u>-</u>

During the year , the company had taken an external loan of USD 40 million from Bank of America NA, Hong Kong Branch. Tenor of the loan is 2 years. Interest rate is 3 months Libor plus 105 bps. The facility is uncommitted and unsecured revolving credit facility in USD and principal repayment is at the end of two years. Amount repaid prior to expiry of the facility may be re-borrowed. Renewal of the facility post expiry is subject to sole discretion of the lender.

AIRTEL MALAWI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

**17. Derivatives financial liability**

As at 31 December 2018, the company had the following financial instruments held at fair value:-

	<u>2018</u> K'000	<u>2017</u> K'000
Current portion of embedded derivative	-	43 971
Non-current portion of embedded derivative	<u>-</u>	<u>87 917</u>
Total derivatives financial liability	<u>-</u>	<u>131 888</u>

The company through a host IT outsourcing contract entered into between Bharti Airtel Limited and IBM created an embedded foreign currency derivative. The *service* contract costs are paid out in such a manner that 1/3 of the total pay-out, will adjusted by the exchange sensitivity between the US\$ and Indian Rupee (US\$/INR).

The embedded foreign currency derivative was carried at fair value through profit or loss. The company is carrying nil (2017: K132 million) value of the embedded derivatives at 31 December 2018. The effect on profit or loss is reflected in finance expense.

**18. Trade and other payables**

	<u>2018</u> K'000	<u>2017</u> K'000
Trade payable	11 148 238	10 930 365
Deferred income	3 790 348	2 928 215
Other payables & accrued expenses	<u>22 182 576</u>	<u>8 445 725</u>
	<u>37 121 162</u>	<u>22 304 305</u>

Trade payables are represented by amounts payable both to local and foreign suppliers.

The average credit period on purchases is 30 days. The company has policies in place to ensure that all payables are paid within the credit time frame.

The other payables comprise accrued expense, PAYE, provision for security expenses, withholding tax deducted from suppliers, provision for audit fees, levies and payables clearing account balances.

No interest is charged on outstanding balances.

The directors consider that the carrying amount of payables approximates their fair value.

AIRTEL MALAWI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

**19. Provisions**

**For the year ended and as at 31 December 2018**

	<b>At the beginning the year K'000</b>	<b>Addition in the year K'000</b>	<b>Reversed/ transferred in the year K'000</b>	<b>Utilised in the year K'000</b>	<b>At the end of the year K'000</b>
Bonus provision	279 245	372 007	(118 814)	(249 285)	283 153
Tevet provision	18 238	36 936	(767)	(37 377)	17 030
Asset retirement obligation	29 292	-	(20 199)	-	9 093
Provision for leave	<u>164 185</u>	<u>-</u>	<u>-</u>	<u>(57 313)</u>	<u>106 872</u>
	<u>490 960</u>	<u>408 943</u>	<u>(139 780)</u>	<u>(343 975)</u>	<u>416 148</u>
Current amount payable within 12 months	<u>490 960</u>	<u>408 943</u>	<u>(139 780)</u>	<u>(343 975)</u>	<u>416 148</u>

**For the year ended and as at 31 December 2017**

	<b>At the beginning the year K'000</b>	<b>Addition in the year K'000</b>	<b>Reversed/ transferred in the year K'000</b>	<b>Utilised in the year K'000</b>	<b>At the end of the year K'000</b>
Bonus provision	240 352	647 089	(119 726)	(488 470)	279 245
Tevet provision	19 797	40 865	-	(42 424)	18 238
Avaya finance lease	49 102	-	(49 102)	-	-
Asset retirement obligation	29 292	-	-	-	29 292
Provision for leave	<u>77 575</u>	<u>86 610</u>	<u>-</u>	<u>-</u>	<u>164 185</u>
	<u>416 118</u>	<u>774 564</u>	<u>(168 828)</u>	<u>(530 894)</u>	<u>490 960</u>
Less: current amount Payable within 12 months	<u>416 118</u>	<u>774 564</u>	<u>(168 828)</u>	<u>(530 894)</u>	<u>490 960</u>

**20. Dividend payable**

	<b>2018 K'000</b>	<b>2017 K'000</b>
At beginning of the year	2 565 000	2 565 000
Dividend declared	16 000 000	-
Dividend paid	<u>(10 296 144)</u>	<u>-</u>
At the end of the year	<u>8 268 856</u>	<u>2 565 000</u>

AIRTEL MALAWI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

**21. Operating Revenue**

	<u>2018</u> K'000	<u>2017</u> K'000
Prepaid	44 546 315	42 629 890
Internet	18 454 921	14 023 394
Interconnect	10 803 032	12 902 123
Airtel money	10 603 935	6 579 980
VAS	4 518 953	4 223 924
Post-paid	1 330 938	1 586 611
Outroaming	713 952	794 279
Roaming	591 519	772 128
Activation revenue	697 736	636 891
Site sharing	492 981	384 423
Handset & accessories	<u>167 447</u>	<u>175 886</u>
Total	<u>92 921 729</u>	<u>84 709 529</u>

**22. Operating expenses**

	<u>2018</u> K'000	<u>2017</u> K'000
Network operation & maintenance	14 138 543	14 830 339
Interconnect & roaming charges	5 848 734	6 728 599
Sales and distribution	3 219 332	6 792 153
Mobile money expense	8 026 735	5 562 053
Airtel Money Nat switch expenses	37 500	-
Regulatory costs – MACRA Levy (Note 7)	7 288 854	5 160 896
Staff cost	3 385 682	3 781 403
IT cost	2 379 281	3 070 801
Management fees	2 115 152	1 905 044
Marketing expenses	1 733 720	1 685 387
Directors' remuneration – for managerial services	1 310 269	1 586 418
- For services as Director	28 681	30 409
Bad debts provision for impairment of receivables (Note 13)	804 714	1 263 273
VAS & content charges	1 008 526	1 243 431
Travel expenses	998 144	852 770
Administrative expenses	1 327 995	718 412
Customer services expenses	699 466	543 403
Provision for VAT/WHT & others	1 016 296	144 260
Billing and collection expenses	97 019	118 582
Corporate social responsibility	21 368	-
Auditors' remuneration	<u>198 536</u>	<u>98 968</u>
Total	<u>55 684 547</u>	<u>56 116 601</u>

**AIRTEL MALAWI LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

**23. Foreign exchange gains and losses**

	<u>2018</u> K'000	<u>2017</u> K'000
Foreign exchange gain	1 732 981	1 029 290
Foreign exchange loss	<u>(2 383 102)</u>	<u>(510 977)</u>
Net foreign exchange (loss)/gain	<u>(650 121)</u>	<u>518 313</u>

**24. Finance Cost – Net**

	<u>2018</u> K'000	<u>2017</u> K'000
Interest payable	2 909 447	3 868 043
Bank charges	17 996	16 188
Fair value (gain)/loss on embedded derivative	<u>(131 888)</u>	<u>91 942</u>
Total finance cost/(income)	<u>2 795 555</u>	<u>3 976 173</u>
<b>Interest income</b>		
Interest receivable	<u>4 090 863</u>	<u>5 258 980</u>

**25. Waiver of the loan**

	<u>2018</u> K'000	<u>2017</u> K'000
Waiver of the unrealised exchange gains	<u>19 086 502</u>	<u>-</u>

The amount of K19 billion relates to an amount that was receivable from Malawi Towers Limited and that Airtel Malawi Limited has waived during the current reporting period. This amount accrued on account of revaluation of the unrealized exchange gain on unpaid balances that Malawi Towers, owed Airtel Malawi Limited on sale of the asset & revaluation of Interest thereon.

Further to that during the year, company charged interest on outstanding amount receivable against sale of passive network equipment to Malawi Towers Limited at commercial lending rates by the bank less 2%. Without this transaction, the underlying profit before tax of the company for the year 2018 would have been K 27 Billion.

AIRTEL MALAWI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

**26. Income tax expenses**

	<u>2018</u> K'000	<u>2017</u> K'000
<b>Income tax expense</b>		
Current income charge – note 14	-	8 506 562
Deferred tax charge/(credit) – note 8	<u>7 741 205</u>	<u>(1 297 684)</u>
	<u>7 741 205</u>	<u>7 208 878</u>

**A reconciliation between tax expense and accounting profit is as follows**

	<u>2018</u> K'000	<u>2017</u> K'000
Profit before tax	10 051 141	19 753 870
Income tax at 30%	3 015 342	5 926 161
Expenses not deductible for tax purposes	<u>4 725 863</u>	<u>1 282 717</u>
	<u>7 741 205</u>	<u>7 208 878</u>

**27. Compensation of key management personnel.**

Salaries	633 798	723 500
Benefits	432 870	605 238
Bonuses	<u>243 601</u>	<u>257 680</u>
	<u>1 310 269</u>	<u>1 586 418</u>

The remuneration of the key management personnel of the company set out above is in aggregate for each of the category.

Key management personnel are:

	<b>EMPLOYEE NAME</b>	<b>DESIGNATION</b>
1	Mr. Charles Kamoto	Managing Director
2	Mr. Indradip Mazumdar	Finance Director
3	Ms. Hlupekire Chalamba	Legal & Regulatory Director
4	Mr. Alick Sikelo	Human Resources and Administration Director
5	Mr. Aashish Dutt	Sales & Distribution Director
6	Mr. Allan Banda	IT Director
7	Mr. Frank Magombo	Marketing Director
8	Dr. Mathews Mtumbuka	IT Governance
9	Mr. Beston Ndhlovu	Supply Chain Management Director
10	Ms. Sibusiso Twea nyasulu	Customer Experience Director

AIRTEL MALAWI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

	<u>2018</u> K'000	<u>2017</u> K'000
<b>28. Defined contribution plan expenses</b>	<u>273 441</u>	<u>306 110</u>
<b>29. Operating lease commitments – Airtel Malawi as a lessee</b>		

Airtel Malawi has entered into operating leases on motor with CFAO Malawi Limited and towers with Malawi Towers.

The lease terms are between three and four years for the vehicles. The company has the option, under some of its leases, to lease the assets for an additional three to five years.

Future minimum rentals payable under non-cancelled operating leases as at 31 December are as follows:-

	<u>2018</u> K'000	<u>2017</u> K'000
<b>Motor vehicles</b>		
Within one year	195 307	195 307
After one year not more than five years	<u>162 756</u>	<u>390 614</u>
	<u>358 063</u>	<u>585 921</u>
<b>Tower rentals</b>		
Within one year	5 975 503	6 536 652
After one year not more than five years	26 006 948	34 710 438
More than five years	<u>38 596 624</u>	<u>41 812 405</u>
	<u>70 579 075</u>	<u>83 059 495</u>
<b>30. Capital Commitments</b>		
<b>Capital expenditure</b>		
Estimate amount of contract expenditure to be incurred	<u>11 381 185</u>	<u>2 0397 699</u>

The expenditure will be financed from internal resources. The amount is net capital advances.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

**31. Earnings per share**

The calculation of basic and diluted earnings per share for the year ended 31 December 2018 was based on the profit attributable to ordinary shareholders of K2 310 million (2017: K12 544 million) and the weighted average number of ordinary shares in issue for the year ended 31 December 2018. The weighted average number of ordinary shares for the purpose of diluted earnings per share is the same as the weighted average number of ordinary shares used in the calculation of basic earnings per share.

	<u>2018</u> K'000	<u>2017</u> K'000
Profit attributable to ordinary shareholders for the year (K'000)	<u>2 309 936</u>	<u>12 544 992</u>
Weighted average number of shares	<u>1 000 000</u>	<u>1 000 000</u>
Basic earnings per share (MK)	<u>2 310</u>	<u>12 545</u>
Diluted earnings per share (MK)	<u>2 310</u>	<u>12 545</u>
<u>Average number of shares</u>	<u>1 000 000</u>	<u>1 000 000</u>

**32. Contingent liabilities**

The company had contingent liabilities arising from its normal trading operations and the directors have assessed that these will not result in significant cash outlays.

As at 31 December 2018 the Company was a defendant in several lawsuits. The plaintiffs are claiming damage and interest thereon for the loss caused by the Company. The Company has filed counter-claims against the plaintiffs. The total demand amount claimed in the various lawsuits approximates K1.626 billion. In the opinion of the Directors and Company's legal counsel, no material liabilities are expected to crystallize from these lawsuits. Consequently, a provision of K389 million has been made against claims which are probable, to be against the company, and same included in the financial statements.

Following the MRA tax audit on Airtel Malawi financials, for periods January 2013 to January 2016, there were several charges made against Airtel Malawi. The MRA has made claims of additional tax to be paid of K5.1 billion of which K2.4 billion is additional tax and K2.8 billion as interest and penalties. The charges were contested and subsequently MRA revised the claims of additional tax to K1.0 billion and penalty to K1.4 billion. The additional tax of K1.0 billion has been conceded and paid and same included in the financial statement. An application to waive the interest and penalties has been made to MRA. No provision relating to interest and penalty has been made.

MACRA has notified the company in relation to breach of section 35 of the Communications Act and of Regulation 26(2) of the Communications (Telecommunications and Broadcasting Licensing) Regulations 2016 on minimum local shareholding requirement for electronic communications licensees. Subsequently MACRA has imposed a fine of K500 million in relation to the breach and additional sum of K20 million every 14 days the company remains in breach of the Act, the Regulations and its license on the minimum local shareholding requirement. The company has requested MACRA to reconsider its imposition of the fine and the Directors are of the opinion that maximum liability which may crystallize is K100 million. Consequently, a provision of K100 million has been made by the company, and same included in the financial statements.



AIRTEL MALAWI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

**33 Financial risk management**

**33.1 Categorisation of financial instruments**

The analysis below sets out the company's classification of financial assets and liabilities and their fair value including accrued interest.

	<u>2018</u> K'000	<u>2017</u> K'000
<b><u>Financial assets</u></b>		
Trade and other receivables	7 973 367	11 204 849
Amount due from related parties	20 610 854	83 081 672
Investment – long term	81 000	-
Bank balance and cash	<u>2 478 458</u>	<u>2 626 738</u>
	<u>31 143 679</u>	<u>96 913 259</u>
	<u>2018</u> K'000	<u>2017</u> K'000
<b><u>Financial liabilities</u></b>		
Loan due to bank of America	29 266 618	-
Loan due to holding company	14 127 688	58 417 062
Amount due to related parties	7 083 870	43 909 959
Trade and other payables	<u>33 330 814</u>	<u>19 376 090</u>
Total	<u>83 808 989</u>	<u>121 703 111</u>
<b><u>Financial liabilities at FVTPL</u></b>		
Derivative financial liability	<u>-</u>	<u>131 888</u>
Total financial liabilities	<u>-</u>	<u>131 888</u>

**33.2 Financial risk management objectives and policies**

The company's principal financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to raise finances for the company's operations. The company has trade and other receivables, and cash and short-term deposits that are derived directly from its operations.

The company is exposed to the following risks;

- Capital risk
- Foreign currency risk
- Interest rate risk
- Credit risk
- Liquidity risk

**33. Financial risk management (Continued)**

**33.2 Financial risk management objectives and policies (Continued)**

The company's senior management oversees the management of these risks. The company's senior management is supported by the board of directors who advise on financial risks and the appropriate financial risk governance framework for the company.

The board provides assurance to the company's senior management that the company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Bharti Company policies and company risk appetite. All risk management procedures are carried out by specialist teams that have the appropriate skills, experience and supervision.

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for identification, measurement, monitoring and controlling risk, and the company's management of capital. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

**(a) Capital risk management**

Capital includes equity attributable to the equity holders of the company. The primary objective of the company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the year ended 31 December, 2018.

**(b) Foreign currency risk management**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company primarily transacts business in U.S. dollars with parties of other countries. The Company has obtained foreign currency loans and imports equipment and services; and is therefore, exposed to foreign exchange risk arising from various currency exposures primarily with respect to United States dollar. Because of the shortage of foreign currency that is currently experienced in the country, the Company applies for foreign currency from the banks 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.

**33. Financial risk management (Continued)**

**33.2 Financial risk management objectives and policies (Continued)**

***(c) Interest rate risk management***

The company is exposed to interest rate risk as it borrows funds at variable i.e. Libor +450 bps. The amount arose as a result of the conversion of the amounts payable to Bharti Airtel International BV following the agreement signed Bharti Airtel Malawi Holdings BV and Airtel Malawi Ltd on 23 April 2015 and subsequent agreements and amendments on 15<sup>th</sup> April 2016 & 29<sup>th</sup> August 2017 respectively. The risk is managed by the group's global treasury function. Any adverse changes in the Libor rate are adjusted in the structure of the loan in terms of the interest repayments since it is intercompany. In addition the company has borrowed from Bank of America a USD denominated loan during the year at variable interest rate of 3 month Libor plus 105 bps. The Libor is a stable rate derived from stable environment, thus any changes are unlikely to have a significant impact on the company's operations.

***(d) Credit risk management***

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 for trade receivables and other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The company does not hold collateral as security on all the balances receivable.

The requirement for impairment is analyzed at each reporting date. Additionally, a large number of minor receivables is grouped into homogenous groups and assessed for impairment collectively. Refer note 13 for details on the impairment of trade receivables.

Credit risk from balances with banks and financial institutions is managed by company's treasury in accordance with the company's policy. Investments of surplus funds are made only with approved counterparties who meet the minimum threshold requirements under the counterparty risk assessment process. The company monitors ratings, credit spreads and financial strength on at least a quarterly basis. Based on its on-going assessment of counterparty risk, the company adjusts its exposure to various counterparties. The company's maximum exposure to credit risk for the components of the statement of financial position at December 31, 2018 and December 31, 2017 is the carrying amounts as reflected in Note 13.

***(e) Liquidity risk***

The company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and Company balances. The company also has the financial backing of the shareholders for working capital requirements. In addition, the company is converting some foreign denominated debt into local currency as a means of addressing excessive cash outflows following devaluation of the local currency.

AIRTEL MALAWI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

**33. Financial risk management (Continued)**

**33.2 Financial risk management objectives and policies (Continued)**

The table below summarises the maturity profile of the company's financial liabilities based on contractual undiscounted payments:-

	<u>Less than 1 Month</u> K'000	<u>1 to3 Months</u> K'000	<u>4 -12 Months</u> K'000	<u>Over 1 year</u> K'000	<u>Carrying amount and fair value</u> K'000
<b><u>At 31st December 2018</u></b>					
<b>Liabilities</b>					
Loan due to Bank of America	-	-	107 783	29 158 835	29 266 618
Loan due to holding company	-	-	246 384	13 881 304	14 127 688
Amounts due to related parties	-	7 083 870	-	-	7 083 870
Trade and other payables	-	33 330 813	-	-	33 330 813
Deferred income	3 790 348	-	-	-	3 790 348
Derivative financial liability	-	-	-	-	-
<b>Total liabilities</b>	<b><u>3 790 348</u></b>	<b><u>40 414 683</u></b>	<b><u>354 167</u></b>	<b><u>43 040 139</u></b>	<b><u>87 599 337</u></b>
<b><u>At 31st December 2017</u></b>					
<b>Liabilities</b>					
Loan due to holding company	-	-	16 658 622	41 758 440	58 417 062
Amounts due to related parties	-	43 909 959	-	-	43 909 959
Trade and other payables	-	19 376 090	-	-	19 376 090
Deferred income	2 928 215	-	-	-	2 928 215
Derivative financial liability	-	-	43 971	87 917	131 888
<b>Total liabilities</b>	<b><u>2 928 215</u></b>	<b><u>63 286 049</u></b>	<b><u>16 702 593</u></b>	<b><u>41 846 357</u></b>	<b><u>124 763 214</u></b>

**34. Fair value measurements**

*IFRS 13 Fair Value Measurement* establishes a single source of guidance for fair value measurement and disclosure and this applies to both financial and non-financial instruments items which either IFRS require or permit fair value measurements except for share based payments that are within the scope of *IFRS 2 Share-Based Payment*, leasing transactions that are within the scope of *IAS 17 Leases* and other measurements that have similarities to fair value but are not fair value such as Net Realisable Value (NRV) for measuring of inventories and value in use for impairment assessment purposes.

**34. Fair value measurements (Continued)**

This note provides information about how the company determines fair values of various financial assets and financial liabilities.

**34.1 Valuation techniques and assumptions applied for the purposes of measuring fair value**

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate fair values. The fair values of financial assets and financial liabilities are determined as follows;

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes); and

The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**34.2 Fair value measurements recognized in the statement of financial position**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those that are derived from inputs of other than quoted prices included within Level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The company has investments as part of financial assets and derivatives as financial liabilities that are measured at fair value at the end of each reporting period.

AIRTEL MALAWI LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
For the year ended 31 December 2018

**34. Fair value measurements (Continued)**

**34.3 Fair value of financial assets and financial liabilities that are not measured at fair value on recurring basis (but fair value disclosures are required) (Continued)**

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

	<u>2018</u> Carrying amount	<u>2018</u> Fair value	<u>2017</u> Carrying amount	<u>2017</u> Fair value
<b><u>Financial assets classified at amortized cost</u></b>				
Trade and other receivables	7 973 368	7 973 368	11 204 849	11 204 849
Amount due from related parties	20 610 854	20 610 854	83 081 672	83 081 672
<b>Total</b>	<u>28 584 222</u>	<u>28 584 222</u>	<u>94 286 521</u>	<u>94 286 521</u>
<b><u>Financial assets classified at FVTPL</u></b>				
Investment	<u>81 000</u>	<u>81 000</u>	-	-
<b><u>Financial liabilities at amortized cost</u></b>				
Loan due to Bank of America	29 266 618	29 266 618	-	-
Loan due to holding company	14 127 688	14 127 688	58 417 062	58 417 062
Amounts due to related parties	7 083 870	7 083 870	43 909 959	43 909 959
Trade and other payables	33 330 814	33 330 814	19 376 090	19 376 090
<b><u>Financial liabilities at FVTPL</u></b>				
Derivative financial liability	-	-	<u>131 888</u>	<u>131 888</u>
<b>Total</b>	<u>83 808 989</u>	<u>83 808 989</u>	<u>121 834 999</u>	<u>121 834 999</u>

**Fair value hierarchy as at 31 December 2018**

	<u>Level 1</u> K'000	<u>Level 2</u> K'000	<u>Total</u> K'000
<b><u>Financial assets classified at FVTPL</u></b>			
Investments	-	81 000	81 000
<b>Total</b>	<u>-</u>	<u>81 000</u>	<u>81 000</u>