airtel

PROSPECTUS
OFFER FOR SALE

THE SMARTPHONE NETWORK

ISIN: MWAIRT001156

PROSPECTUS

OFFER FOR SALE

OF

1,650,000,000 ordinary shares
and an over-allotment option of
550,000,000 ordinary shares

AT

MWK 12.69 PER SHARE

Date of issue: 20 December 2019

A copy of the Prospectus has been delivered to and registered by the Registrar of Financial Institutions ("Registrar"). The Registrar has not checked and will not check the accuracy of any statements and they accept no responsibility therefore or for the financial soundness of Airtel Malawi Plc ("Airtel") or the value of the securities offered. The Registrar registered this Prospectus on 20 December 2019.

Copies of the Prospectus can be obtained from the registered offices of Airtel, the Authorized Broker and the Receiving Banks whose addresses are set out in the Corporate Information and Advisors' section, as well as in electronic form from the Company's website (www.airtel.mw) from 27 December 2019 up to and including 31 January 2020.

Investors are encouraged to read through the Salient Features section which incorporates the details of the offering by the Company.

CORPORATE INFORMATION

Registered Office of the Company

Airtel Malawi Plc
Airtel Complex City Centre
Off Convention Drive
P.O Box 57 Lilongwe, Malawi
Tel +265 (0) 999 901 300

Lead Transaction Advisor

Standard Bank Plc
Standard Bank Centre
African Unity Avenue
P.O. Box 30380 Lilongwe, Malawi
Tel +265 (0) 1 774 688
sbm@standardbank.co.mw

Legal Advisor

Sacranie Gow & Company Realty House
Churchill Road
PO Box 5133 Limbe
Tel +265 (0) 1 840 311
Fax +265 (0) 1 840 750
sgow@sacgow.com

Reporting Accountant

Deloitte
PCL House
Kaohsiung Road
P.O. Box 187 Blantyre, Malawi
Tel + +265 (0) 1 822 277
bt@deloitte.co.mw

Sponsoring Broker

Stockbrokers Malawi Limited NBM Towers
Corner Hannover Avenue and Henderson Street
P.O. Box 31180
Blantyre, Malawi

Transfer Secretary

Standard Bank Plc
Standard Bank Centre
African Unity Avenue
P.O. Box 30380 Lilongwe, Malawi
Tel +265 (0) 1 774 688
sbm@standardbank.co.mw

Principal Banker

Ecobank House
Corner Victoria Avenue and Henderson Street
Private Bag 389
Chichiri, Blantyre
Tel: 265(0)1 822 099/ (0)1 822 099

Receiving Bank

Standard Bank Plc
Standard Bank Centre
African Unity Avenue
P.O. Box 30380 Lilongwe, Malawi
Tel +265 (0) 1 774 688
sbm@standardbank.co.mw

Receiving Bank

National Bank of Malawi Plc
NBM Towers
7 Henderson Street
P.O. Box 945 Blantyre
Tel. +265 (0) 1 820 622

Receiving Bank

First Capital Bank Plc
Livingstone Towers
Glyn Jones Road
Private Bag 122, Blantyre
Tel+ 265 (0) 1 821 955

Receiving Bank

FDH Bank Limited
Umoyo House,
No.8 Victoria Avenue North
Blantyre, Malawi
Tel +2651820219
Info@fdh.co.mw

Receiving Bank

NBS Bank Plc
NBS House
Corner Chipembere Highway
& Johnstone Roads
P.O. Box 32251 Blantyre, Malawi
Tel +265 (0) 1 876 222

Receiving Agent

Airtel Mobile Commerce Limited
Airtel Complex City Centre
Off Convention Drive
P.O Box 57 Lilongwe, Malawi
Tel +265 (0) 999 901 300

Underwriter

Old Mutual Investment Group Limited
Old Mutual Building
30 Glyn Jones Road
P.O. Box 393 Blantyre, Malawi
Tel +265 (0) 1 820 677

Underwriter

NICO Asset Managers Limited
Chibisa House
19 Glyn Jones Road
P.O. Box 3173 Blantyre, Malawi
Tel +265 (0) 1 832 085
invest@nicoassetmanagers.com

Underwriter

National Bank of Malawi Plc
7 Henderson Street
P.O. Box 945
Blantyre
Tel.+265 (0) 1 820 622

Auditors

Deloitte House
Off Independence Drive
P.O. Box 30364 Lilongwe, Malawi
Tel+ 265 (0) 1 773 699
ll@deloitte.co.mw

Chartered Accountants with the Institution of Chartered Accountants in Malawi (ICAM)

SALIENT FEATURES

The information set out in this Salient Features section of the Prospectus is not intended to be comprehensive. To gain a more extensive understanding of the subject matter and information of the IPO, this Prospectus should be read in its entirety.

1. NATURE OF THE BUSINESS

Airtel Malawi Plc ("Airtel" or the "Company") of P.O. Box 57, Lilongwe, Malawi is a public limited liability company incorporated under the Act and licensed under the Communications Act 2016 to operate as a mobile telecommunications service provider in Malawi. Airtel was incorporated on 3rd September 1998 as a private limited company and re- registered as a public company on 18th November, 2019.

Airtel provides mobile telecommunication services (GSM Mobile cellular telephone services) including voice telephony, messaging, data communications (including internet), international and national long-distance telecommunications services and "value-added services". Airtel has offered mobile telecommunications services since it was awarded a licence in 1999.

2. PURPOSE OF THE OFFER AND LISTING

The Offer will enable the Company to comply with Section 35 of the Communications Act of 2016, Regulation 26 (2) of the Communications (Telecommunications and Broadcasting Licensing) Regulations of 2016 and Clause 42.2 of the Company's operating licence, which requires the Company to have 20% local Malawian shareholding. Through this Offer, the Company demonstrates its commitment to contribute to the growth and development of Malawi and envisages that Malawians will be encouraged to share in the growth of Airtel and participate in Malawi's Capital Markets.

The Company believes that the Offer may also:

- improve the Company's access to capital markets, thereby strengthening its ability to successfully execute its strategy;
- further enhance the Company's profile with its various stakeholders; and
- create liquidity for existing and new Shareholders on the MSE.

3. THE OFFER

The Offer comprises an initial public offer (IPO) for shares. Airtel's Shareholders are offering 1,650,000,000 shares for sale with an additional 550,000,000 shares through an Over-allotment Option upon the terms and conditions set out in this Prospectus and the Application Form.

All the Offer Shares will rank pari passu in all respects with the shares in issue as at the date hereof.

4. OFFER SUMMARY

Total number of authorised Airtel Shares	**11,000,000,000**
Shares in issue and fully paid by existing shareholders	**11,000,000,000**
Total Airtel Shares for sale to the public	**2,200,000,000**
Offer for Sale for 15% of Airtel Shares	**1,650,000,000**
Over-allotment Option for 5% of Airtel Shares	**550,000,000**
Offer Price per share	**MWK12.69**
% of the total share capital of the Company offered to public	**20%**
Gross value of the Offer	**27,918,000,000**
Market capitalisation at the Offer Price	**139,590,000,000**

5. USE OF PROCEEDS

The sale of 2,200,000,000 ordinary shares at MWK12.69 each will raise MWK27.92bn before expenses. Proceeds from the Offer after IPO expenses will be paid to the major Shareholder.

6. KEY INVESTMENT HIGHLIGHTS

The Offer presents a unique opportunity for investors, including customers of the Company, to share in the Company's growth prospects.

The following are key investment highlights:

a. Airtel is the leading mobile telecommunications operator in Malawi

- Since overtaking its main competitor in 2005, Airtel has maintained its top market leader position based on share of subscribers. As at December 2018, the company had over 4.02 million subscribers and a market share of approximately 54.1%;
- In 2018, Airtel was named the **"Most Popular Brand"** in Malawi by Milward Brown a global leader in brand strategy consulting, advertising development and brand equity research;
- Airtel's infrastructure provides mobile coverage to about 85% of the population and is available in all main towns and their surrounding areas, as well as an increasing number of villages and rural locations;
- It has the widest 3G and 4G networks. As of 30th September 2019, 754 of Airtel's 758 sites had 4G LTE.

b. The company has a demonstrable track record of strong operational performance, ensuring it remains a market leader

- Airtel is a consistent leader in innovation and product diversification:
  - First telecommunications operator to provide mobile data services and mobile wallet services in Malawi;
  - Introduction of innovative products such as "Per second billing", "BlackBerry", "Mobile top up", "location-based charging", "One Network", "Please Call Me", "Me2U", and "Bundles"
- Through the continuous investment in its infrastructure, Airtel has demonstrated an ability and capability to execute on often complex rollouts across the country;
- Airtel leverages off its affiliate company, Airtel Mobile Commerce Limited which offers Airtel Money services. Airtel Money is the preferred mobile money services provider with the widest agent network of 17,000 active agents; and
- The Company has achieved strong growth in data revenue
  - Year on year growth of 40% as at December 2018 in data revenue; and
  - Over 910,000 30-day active data users as of 31 December 2018.

c. Attractive Growth Prospects in Malawi's Telecommunication Industry

- Malawi's mobile and data penetration rates are well below those of Africa, providing a potential opportunity of growth for Airtel:
  - At 42.3%, Malawi's penetration rate is significantly lower than the African mobile penetration rate of 83.13% as at December 2018;
  - Africa's mobile penetration rate is expected to grow to 89.7% by December 2019;
  - It is estimated that mobile subscribers in Malawi will grow at an annual growth rate of 4% to reach 9.9 million in 2023 achieving an estimated 45.1% penetration rate;
  - High mobile data prospects with only 19.65% penetration in Malawi as at December 2018 and expected growth to 23.41% by December 2019;
  - The Africa average for mobile data penetration is currently at 38.82%, and expected to grow to 45.60% by December 2019.
- Malawi has a burgeoning population below the age of 25 years which is approximately 65% of the population. Combined with the proliferation of smartphones and smartphone needs, this will likely drive an increased demand for data products; and.
- There is still spectrum available since Malawi has about 431.6 megahertz (Mhz) of unallocated spectrum in the bands for 600Mhz, 700Mhz, 800Mhz, 900Mhz, 1800Mhz, 2100Mhz and 2300Mhz . These unallocated spectra once released, would potentially allow mobile broadband penetration to grow and help Airtel improve its network experience.

d. Airtel is well positioned to benefit from the growth of Malawi's Telecommunications Industry

- Airtel's key growth drivers are investment in its 4G network, wireless broadband and enterprise offering which will offer a better network experience for subscribers;
- Airtel has invested extensively in advanced communication infrastructure. Through its innovative offerings and an experienced management team it has grown to offer improved voice, data and digital services to its customers. This has ensured that the Company is well positioned to benefit from the potential future growth of the industry; and
- As part of the Airtel Group of Companies - a leading telecoms operator in Asia and Africa that operates in 18 countries – Airtel has access to leading technical and operational expertise and is thereby able to offer technologies and services at global standards that provide Malawians with an easy and dependable way to connect to the world.

e. Compelling Financial Performance

In MWK' billions		2016	2017	2018	1H 2019	2019*	2020*
Revenues	MWK'mn	70,998	77,479	84,741	41,230	93,455	107,034
EBITDA	MWK'mn	21,047	31,519	37,204	16,824	41,840	50,273
EBITDA Margin	%	29.6%	40.7%	43.9%	40.8%	44.8%	47.0%
PAT**	MWK'mn	2,064	10,376	(2,358)	2,016	18,088	22,573
CAPEX	MWK'mn	10,359	13,337	26,540	10,751	22,582	14,275

* Forecast

** Loss arising from a one-time foreign exchange loss of MWK19bn due to revaluation of unpaid balances and interest thereon that Malawi Towers Limited, owed Airtel on sale of towers in 2014. In 1H 2019, Airtel incurred a MWK4bn foreign exchange loss on USD loans due the depreciation of the MWK.

- An attractive return profile with a 2018 revenue growth of 9.4% year on year;
- Strong earnings with EBITDA of MWK37 billion representing an 18% growth from December 2017 to December 2018 and an EBITDA margin of 43.9%. A strong earnings outlook with EBITDA margins moving towards 47.0% in 2020; and
- Impressive growth in capital expenditure at 99% year on year in 2018 and a forecast average of 18.8% of revenue in 2019 and 2020 demonstrating Airtel's commitment to stay ahead with state-of-the-art technology and a reliable network.

f. Experienced Management Team

- Strong management team with extensive industry knowledge combined with years of collective telecommunications experience; and
- Being part of the Airtel Group of Companies provides Airtel with access to leading technical and operational expertise including over 23 years' experience operating across Asia and Africa.

7. DIVIDENDS

The Company aims to distribute to its shareholders a dividend payout of a minimum 80% of its free cash flow (FCF), subject to:

- Keeping net debt/EBITDA between approximately 2.5 times and 3.5 times (current net debt/EBITDA as at 30 June 2019 is 3.29 times); and
- Any regulatory or statutory restrictions.

The Board will have the discretion to deviate or amend this policy by giving reasons for the same. The Dividend Policy shall be reviewed at least once every year.

The dividend will be declared at the Annual General Meeting held no later than June each year. All dividends will be payable approximately 21 days after declaration of the same.

When deemed appropriate, the Board may consider paying interim dividends from time to time. The dividend will be paid to registered shareholders appearing in the shareholder register on the declared date of registration for dividend.

Dividend type	Event	Period	Terms
Interim dividend	Declaration	Mid-August	When deemed appropriate
	Closing transfer register	End-August	When deemed appropriate
	Payment	Early September	When deemed appropriate
Final dividend	Declaration	End April	
	Closing transfer register	Mid May	
	Payment	End May	

8. CONDITIONS PRECEDENT

The Offer is conditional on the Listing of all Offer Shares on the MSE, failing which, the Offer and any acceptance thereof shall not be of any force or effect and no person shall have any claim whatsoever against Airtel or any other person as a result of the failure to List the Offer Shares save for claims by any applicant for refund of the Offer price collected by the Receiving Banks in connection with the proposed Offer.

The Offer and Listing is subject to achieving a free float and spread of shareholders acceptable to the MSE.

9. MINIMUM SUBSCRIPTION

The minimum subscription required to satisfy the minimum listing criteria as prescribed by the MSE is 30 million shares with an offer value of not less than MWK500mn and a minimum of 300 Shareholders. Each applicant shall be eligible to subscribe for a minimum of 500 shares and in multiples of 100 shares thereafter.

10. APPLICATION FOR SHARES

Applications for the IPO may be made on the Application Forms enclosed in this Prospectus. Scanned soft copies of the Application Forms with corresponding payment will also be accepted for submission. Applications must be made in accordance with the terms and instructions set out in the Application Forms. Applications can also be done using the Airtel Money on any mobile phone device. Only Airtel subscribers that are registered and fully completed their KYC on Airtel Money can use the platform to apply for shares in the IPO. The Airtel Money module once logged in takes applicants through a step by step process of applying for shares.

Notwithstanding anything to the contrary and that the terminology used in this Prospectus is that of an offer to contract, this Prospectus merely constitutes an invitation, and the applications completed by the applicants shall constitute an offer to Airtel for the Offer Shares and shall not constitute an acceptance of the Offer by Airtel contained in this Prospectus.

11. ALLOCATIONS AND PAYMENTS

Preferential entitlement - Employee Share Ownership Scheme

A preferential entitlement, in aggregate, of up to 165,154,204 ordinary shares worth MWK2,095mn representing 1.5% of Airtel's issued share capital post-issue of the Offer Shares and representing 7.5% of the total shares on offer has been set aside for to full time permanent employees of the Company. Prior to the IPO no employees had any beneficial interests in Airtel's share capital.

Allotment policy based on subscription

Airtel Shares available in respect of the Initial Public Offer for the Offer for Sale of 15% and the over-allotment option of 5% of Airtel shares will first be allocated to Malawians on a pro-rata basis, and thereafter to other shareholders on a pro-rata basis.

In the event of an undersubscription, underwriters will pick up outstanding shares up to 15%. Preferential entitlement by Airtel employees under ESOS will not form part of the 15% Offer for Sale. Employees will thereafter be allotted shares above the 15% in line with the number of employees that have taken up their preferential entitlement as per terms outlined in Section 6.1.2.b.

In the event of an oversubscription, Airtel employees will still be given preferential entitlement and allotted shares prior to other applicants under the over-allotment option. Any other outstanding subscriptions will be thereafter allotted after all employees that applied for shares have been allotted. Outstanding over-subscribed Shares will be allotted at the sole discretion of the Directors "and do reserve the right to amend the allotment policy" deemed fit having regard to the achievement of a broad and balanced Malawian shareholder base after consultation with the relevant advisors listed.

Multiple applications are discouraged, and the Board has resolved to adopt a share allotment policy that negates the benefits of multiple applications. Multiple applications may be rejected at the sole discretion of the Directors.

Applicants should first carefully read the Terms and Conditions of Application in Annexure 1 and then complete the enclosed Application Form, making sure it is returned on or before the Closing Date to any of the Receiving Bank branches or agencies listed in Annexure 2 together with the appropriate proof of remittance.

The Offer Price is payable in full, in Kwacha as per the terms and conditions indicated on the Application Form.

The Offer Shares and over-allotment shares will, upon allotment, rank in all respect equal with all other existing ordinary shares in terms of both voting rights and dividends.

Notice of the results of the IPO will be published no more than 14 days after the close of the Offer, and notices of the results of the applications and allocation of shares will be completed within 17 days of the close of the Offer. Where applicable, refunds will be sent within 17 days of the close of the Offer.

12. PUBLIC OFFER

For the purpose of the Initial Public Offer, copies of this Prospectus may be collected from the Receiving Banks branches as indicated in Annexure 2 to this Prospectus or from the offices of the Sponsoring Broker and the Company as indicated in the Corporate Information on page 2 of this Prospectus. Electronic copies of this Prospectus can also be obtained from the Company's website at www.airtel.mw.

13. JURISDICTION

The Offer does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or buy, securities in any jurisdiction in which such an offer or solicitation would be unlawful.

14. UNDERWRITING

The IPO will be fully underwritten as detailed in Section 6.1.14 of this Prospectus.

15. IMPORTANT DATES AND TIMES

The Public Offer opens at 08:00 a.m. on 27th December 2019 and is expected to close at 17:00hrs on 31st January 2020. Applications will be received up to 17.00hrs on 31st January 2020. Any material changes will be released on MSE's publications, the Company's website, Airtel Messages and published in one of the daily newspapers in Malawi.

Event	Date
Offer opens – Publication of Prospectus	27 December 2019
Last day for application; Offer closes	31 January 2020
Results of the offer submitted to the MSE Committee	11 February 2020
Results announcement	14 February 2020
Refunds sent to applicants	17 February 2020
Securities listed (if listing granted). The listing day shall fall on a Monday	24 February 2020

16. FORWARD-LOOKING STATEMENTS

This Prospectus contains "forward-looking statements" relating to the future of Airtel's business. Forward- looking statements may be identified by the use of forward-looking terminology such as "believes", "expects", "may", "is expected to", "aim", "estimate", "will", "will continue", "should", "would be", "seeks" or "anticipates" "intend", "plan", "project", "will pursue", or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, growth prospects, plans or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Company concerning, among other things, the future results of operations, financial condition, prospects, growth, strategies, and dividend policy etc. In particular, the statements under the headings “Key Investment Highlights”, “Operating Environment”, “Airtel’s Growth Strategy”, “Risk Factors”, are forward-looking statements.

These statements reflect the current and subjective views of the Company with respect to future events and are subject to certain risks, uncertainties, including but not limited to, regulatory changes pertaining to the telecommunications sector in Malawi in which the Company has its business and its ability to respond to them, its ability to successfully implement its strategy, its growth and expansion, technological changes, its exposure to market risks, general economic and political conditions in Malawi and globally which may have an impact on its business activities or investments, the monetary and fiscal policies of Malawi, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in Malawi and globally, changes in domestic laws, regulations and taxes and changes in competition in its industry, and assumptions which may not prove to be correct and which could cause the actual results, performance or achievements of Airtel to be materially different from those anticipated in this Prospectus.

17. INDUSTRY, ECONOMIC AND OTHER INFORMATION

The Company obtained the industry and economic data, including industry forecasts, used throughout this Prospectus from internal surveys, market research, publicly available information and industry publications. The Company has also relied upon statements on the basis of information from third-party sources that it believes are reliable, such as the IMF, MACRA, RBM, National Statistical Office, MSE, WCIS and Telegeography among others. Industry and government publications, including those referenced here, generally state that the information presented therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Although the Company has no reason to believe that any of this information, data or these reports is inaccurate in any material respect, industry or other data provided by third parties or by industry or other publications has not been independently verified. The Company does not make any representation as to the accuracy of any such information.

18. USE OF THE PROSPECTUS

The recipients of this Prospectus are authorised to use it solely for the purpose of considering subscribing to the IPO and may not reproduce or distribute this Prospectus, in whole or in part, or use any information herein for any purpose other than considering investment in Shares of the Company.

19. RISK FACTORS

Prospective investors should carefully consider the risk factors relating to Airtel’s business and the mobile telecommunications industry together with all other information contained in this Prospectus. An investment in the equity of any company entails some level of investment risk. In addition to other information contained in this Prospectus, investors should consider carefully the risks described in Section 5 before applying for the Shares. These risks are not the only ones that the Company faces. Additional risks not currently known to the Company or that the Company currently believes to be immaterial may also impair its business operations. The Company’s business, financial condition or results of operation could be materially adversely affected by any one or more of the risks. Accordingly, the trading price of the Shares could decline due to any of the risks occurring and investors could lose part or all of their investment. The contents of this Prospectus are not to be construed as legal, business or tax advice and accordingly the investors should consult their own dealers, brokers, investment advisors, lawyers, tax advisors, financial advisors, bankers or other relevant professional advisor before they decide to invest in the Shares.

DEFINITIONS AND INTERPRETATIONS

Term or abbreviation	Meaning
“Access”	Access Communications Limited
“Act”	the Companies Act No.15 of 2013 of the Laws of Malawi
“Airtel shares”	ordinary shares in the issued share capital of the Company
“Airtel” or the “Company” or the “Issuer”	Airtel Malawi Limited re-registered as Airtel Malawi Plc, registration number TMBRS 1011981, a company incorporated in Malawi under the Act;
“Airtel Group of Companies”	Bharti Airtel Limited, incorporated in India and its subsidiaries
“AMCL”	Airtel Mobile Commerce Limited
“Application Form”	the form enclosed in this Prospectus and Annexure 1 outlining the instructions and terms for subscription to the Initial Public Offer
“ARPU”	Means the Average Revenue Per User and consists of the total monthly revenue generated by outgoing calls, incoming calls, monthly fees, value-added services, SMS and other data services, divided by the average customer’s base over the same period
“Articles”	the Articles of Association of the Company
“Automated Trading System” or “ATS”	the software, hardware, communications and network systems, which are used to carry out transactions or other operations related to transactions on MSE
“Bankers’ Cheque/Draft”	a cheque/draft issued by a licensed commercial bank
“Board” or “Directors”	the board of directors of Airtel whose details appear in Section 2.1
“business day”	any day of the week, excluding Saturdays, Sundays and any official Malawi public holidays
“CDMA”	Code Division Multiple Access
“Churn”	The number of customers who disconnect from service, either involuntarily (due to non-payment) or voluntarily (due to customers switching to a competing network or terminating their use of a network’s services)
“CSD”	means Central Securities Depository
“dematerialise” or “dematerialisation”	the process by which physical certificated shares are held in electronic form in the Central Securities Depository
“dematerialised shares”	shares that are held in electronic form
“ESOS”	Airtel’s Employee Share Ownership Scheme which gives preferential entitlement to full time employees to subscribe up to 165,154,204 Shares
“Government”	The Government of Malawi
“GPRS”	General Packet Radio Service
“GSM”	Global System for Mobile
“IFRS”	International Financial Reporting Standard
“IMF”	the International Monetary Fund
“Initial Public Offer” or “IPO” or “Offer”	the offer to the public of the Shares at the Offer price in terms of this Prospectus
“Kwacha” or “MWK”	Kwacha, the legal tender of Malawi
“Licence”	Licence issued by MACRA to Airtel to provide public telecommunications services in Malawi for a period of 10 years from 7th February 2014
“Listing Requirements”	the Listing Requirements of the MSE, as amended from time to time by the MSE
“Listing”	listing of Airtel Shares on the MSE
“LTE”	long term evolution
“MACRA”	Malawi Communications Regulatory Authority
“Malawi”	the Republic of Malawi

Term or abbreviation	Meaning
“Malawians”	Malawian nationals
“Mbps”	Megabyte per second
“MSE”	the Malawi Stock Exchange, a company limited by guarantee operating under the Securities Act 2010 and licensed under the Financial Services Act 2010
“MT”	Malawi Towers Limited
“MTL”	Malawi Telecommunications Limited
“Offer Price”	MWK 12.69 per share
“Offer Shares”	1,650,000,000 ordinary shares of MWK12.69 each in the capital of Airtel
“Over-allotment Option”	Additional 550,000,000 Shares offered for sale to the public in the event that the initial 1,650,000,000 Shares offered for sale are fully subscribed
“Penetration Rate”	The number of phone lines per 100 inhabitants
“Pre-paid”	A subscription method whereby phone services are paid in advance
“Post-paid”	A subscription method whereby phone services are paid in arrears
“Prospectus”	this document, dated 20 December 2019 and incorporating an Application Form in respect of an Offer, where applicable
“PSTN”	Public Switched Telephone Network is the aggregate of the world’s circuit switched telephone networks that are operated by national, regional, or local telecom operators, providing infrastructure and services for public telecommunications
“RBM”	the Reserve Bank of Malawi
“Receiving Bank”	any branch and or agency as detailed in Annexure 2
“Reporting Accountants”	Deloitte, registered Public Accountants and Business Advisors
“Resident”	any entity domiciled and registered in Malawi with operation in Malawi
“Shares”	the ordinary shares of Airtel
“Shareholders” or “Airtel Shareholders”	the duly registered holders of Airtel shares
“SOHO”	Small office/home office
“Sponsoring Broker”	Stockbrokers Malawi Limited, a member of MSE
“Standard Bank”	Standard Bank Plc (Registration number 1246), a public company duly incorporated in Malawi and listed on the MSE
“Subscriber”	Any customer that has carried out a chargeable event within the previous six months
“TNM”	Telekom Networks Malawi Plc
“Transfer Secretaries”	Standard Bank Plc, a financial services company incorporated in Malawi, registration number 1246
“Underwriters”	Old Mutual Investment Group, NICO Asset Managers Limited and National Bank of Malawi Plc
“Underwriting Agreement”	the agreements entered into between Airtel and the Underwriters, dated 13th December 2019, in terms of which the underwriters agree, subject to certain limitations, to subscribe for the Offer Shares that are not taken up in terms of the proposed Initial Public Offer, in their designated proportions which are set out in Section 6.1.14 of this Prospectus
“USD”	United States Dollar
“VoIP”	Voice over protocol
“WCIS”	World Cellular Information Services
“4G LTE ”	LTE, long term evolution, commonly marketed as 4G LTE, i a standard of wireless communication of high-speed data for mobile phones and data terminals.

1. COMPANY OVERVIEW

1.1. Background of Airtel

Airtel (formerly known as Zain Malawi and before that Celtel Malawi Limited) was incorporated on 3rd September 1998 under company registration number 5114 as a private limited company and trades under the name Airtel. Airtel became the country's second mobile service provider with the launch of a GSM network in October 1999. The Company began rolling out a GPRS upgrade across its infrastructure in 2006 and a commercial launch of the service took place in October 2007.

In September 2007 the operator's then-parent company, MTC Group of Kuwait, adopted the new name Zain to unify its various brands across Africa and the Middle East. All operations in Sub-Saharan Africa, which were held via MTC Group's wholly-owned subsidiary Celtel International, were rebranded from Celtel to Zain in August 2008. Following Indian telecoms operator Bharti Airtel's acquisition of the Sub-Saharan Africa assets of Zain Group in June 2010, the Company underwent another name change – from Zain to Airtel in November 2010. Airtel's operating licence was renewed by MACRA for a further ten years in early 2014. Airtel was re- registered as a public company on 18th November 2019, with company registration number TMBRS 1011981.

1.2. Organisational overview

1.2.1. Shareholders

Bharti Airtel Malawi Holdings BV, J.C. Uneken-van de Vreede and Bharti Airtel Africa BV are currently the only shareholders of Airtel.

The table below shows the shareholding of Airtel after a share split as per Section 6.1.8.

Shareholder	Number of shares	%
Bharti Airtel Malawi Holdings BV	10,999,879,000 shares	99.999%
J.C. Uneken-van de Vreede (nominee)	110,000 shares	0.001%
Bharti Airtel Africa BV (nominee)	11,000 shares	<0.000%
Total	**11,000,000,000 shares**	**100.00%**

Bharti Airtel Malawi Holdings BV

Bharti Airtel Africa BV set up a holding company to own the Malawian assets under the name Bharti Airtel Malawi Holdings BV.

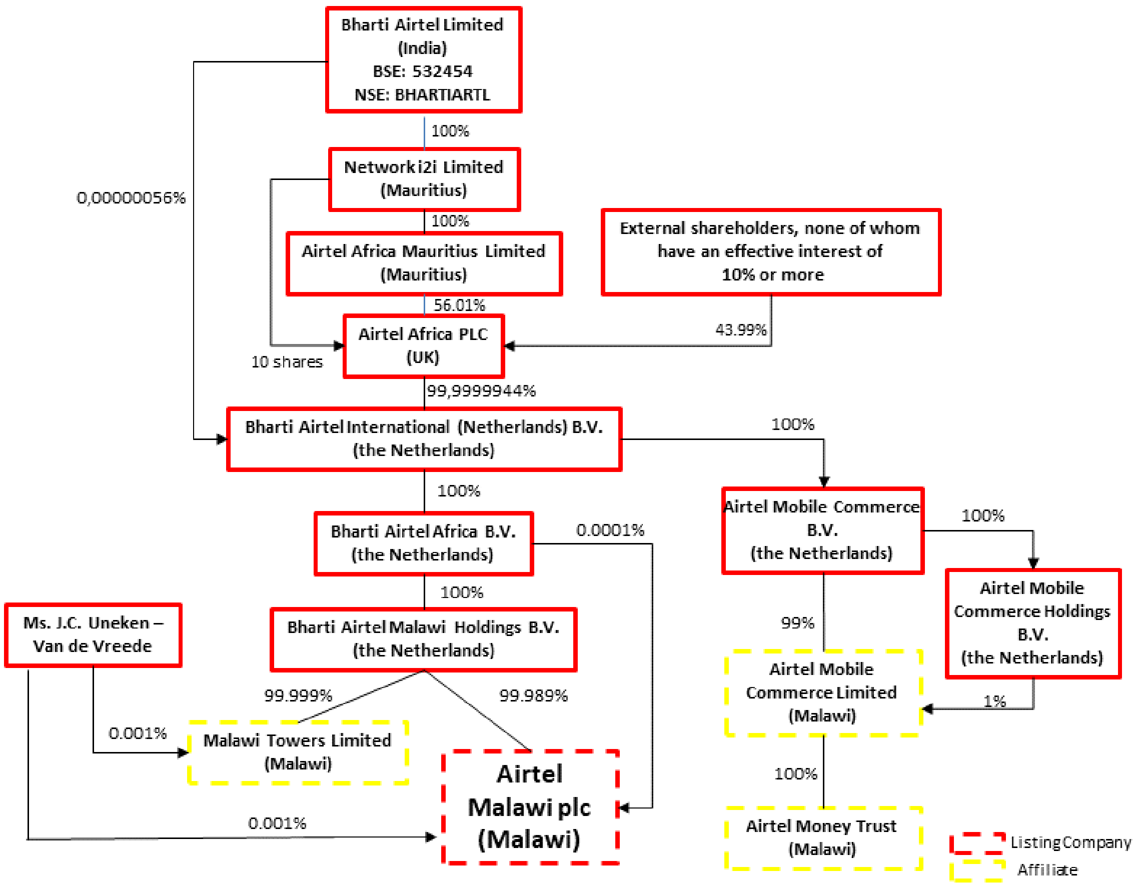
The address for Bharti Airtel Malawi Holdings B.V. is Overschiestraat 65, 1062 XD Amsterdam, The Netherlands.

Bharti Airtel Africa BV

Bharti Airtel Malawi Holdings BV is owned by Bharti Airtel Africa BV, which in June 2010 acquired the Sub-Saharan Africa assets of Kuwait's Zain Group in a deal valued at USD10.7 billion.

1.2.2. Airtel Group

The diagram below shows the organogram of Airtel Group of Companies which includes ownership of Airtel, Airtel Mobile Commerce Limited and Malawi Towers Limited and its related parties as on 31 July 2019. Airtel is part of Airtel Africa Plc which listed on the London Stock Exchange through an IPO in June 2019.



1.2.3. Profile of Affiliate Companies

Malawi Towers Limited

Malawi Towers Limited ("MT"), is an affiliate of Airtel and is 99.999% owned by Bharti Airtel Malawi Holdings BV with a 0.001% by Ms Uneken-Van de Vreede. MT owns telecommunication sites and telecommunications infrastructure and equipment. By a master tower sharing agreement dated 5th September 2014, MT provides Airtel, as well as other telecommunications operators in Malawi, access to telecommunication sites telecommunications infrastructure, equipment and support services. Airtel pays MT a market rate for using such assets and services. Airtel currently owns 90 towers and is at an advanced stage of discussion of selling these passive assets to Malawi Towers Limited before 31st December 2019.

Airtel Mobile Commerce Limited

Airtel Mobile Commerce BV owns 100% of Airtel Mobile Commerce Limited ("AMCL") directly and indirectly. AMCL provides Airtel Money services in conjunction with Airtel. With effect from 1st January 2019, Airtel transferred its tangible assets of the Airtel Money business to AMCL. Airtel agreed to provide management and technical services to AMCL.

1.3. Airtel's Vision and Mission Statements

Vision Statement

Our vision is to enrich the lives of our customers. Our obsession is to win customers for life through an exceptional experience.

1.4. Airtel Values

Airtel has three values that drive its business: Alive, Inclusive and Respectful (AIR)

Alive

We act with passion, energy and a can-do attitude. Innovation and an entrepreneurial spirit drive us.

Inclusive

We champion diversity.. We anticipate, adapt and deliver solutions that enrich the lives of the communities we serve.

Respectful

We share the joy and pain of our customers. We act with humility and are always open and honest

1.5. Products and services

Airtel offers products and services that cater to the needs of its subscribers. Airtel's current subscriber base consists almost exclusively of prepaid subscribers, who accounted for approximately 99% of the Company's total subscriber base as of 31 December 2018. In December 2014, Airtel had approximately 3.1 million subscribers and by December 2018, this figure grew to 4.02 million translating to approximately 28.4% growth in subscriber base in that period. With Malawi being an emerging market with average disposable income of USD385 p.a. Airtel's prepaid customers tend to have lower disposable income and typically generate lower ARPUs. Although, Airtel's post-paid customers who are corporate and small-to-medium-size enterprises, represent only 1% of total subscriber base, they generate higher ARPU and typically have lower churn rates.

Given the subscriber make-up, Airtel's main products and services portfolio principally caters to the needs of the price conscious pre-paid market. For this market, Airtel offers paper and electronic recharge vouchers of wide-ranging denominations, affordable voice tariffs with per second billing, Internet Services, SMS, USSD, one network, Airtel Money, Loyalty Programmes, and affordable SIMs.

Airtel has also developed select products and services for the postpaid market who use the service and pay at the end of the month.

Special products that cater specifically for the needs of the postpaid and enterprise subscribers include Corporate prepaid and Postpaid, Broadband, Closed User Group (CUG), Contract Handsets, Private APNs, Toll Free Services and Roaming packages.

1.5.1. Prepaid Products

Airtel Zone: This service provides discounted rates to Airtel subscribers to any local number. The discount depends on the time and area where the calling party is located. The Airtel Zone base rate is currently at MWK103 per minute to all networks. This service contributes more than 40% of Airtel's gross revenue.

Data: Airtel provides quality and reliable internet connectivity on 2G, 3G & 4G LTE. 4G speeds are almost ten times faster than 3G speeds and provide a more stable internet connectivity that enables one to make video calls, bringing more efficiency in jobs that require uploading and downloading of materials on the internet. Over the years the contribution to revenue from data services has grown from less than 2% in 2010 to almost 20% in 2018.

SMS: Short Messaging Service is amongst the most popular services for Airtel subscribers. This is a reliable, discrete and convenient messaging service used by all categories of customers and with all types of handsets. Airtel currently offers one of the most competitive rates for SMS in the country. SMS contributes more than 4% of Airtel's gross revenue.

VAS: Airtel offers a wide range of Value-Added Services (VAS) through SMS and USSD. One of the most used of these services on the Airtel network is 'Kutapa' which is available to prepaid mobile users to facilitate advance on airtime payable on the next recharge. Subscriber pays 10% of borrowed amount on next recharge. VAS on Airtel contribute more than 2% of the revenue.

Loyalty Programme: This is a usage bonus that Airtel offers to its loyal customers by giving 10% bonus payout based on previous month usage. Customers need to use at least MWK1000 in order to qualify for the bonus. Bonus may be used for on net voice, SMS and Data. Airtel Zone rates apply for bonus calls. The bonus is valid from 14th of the month till the last day of the month.

1.5.2. Postpaid Products

Contract Packages: Airtel contract customers are offered a choice of several bundled offers comprising attractive handsets and competitive Voice, Data and SMS rates usage plans for a fixed monthly fee over a specified period.

Closed User Group: This is a solution that is provided to Corporate and Small and Medium Enterprise (SME) clients). The purpose of CUG is to offer discounted rates on communications made between/among members of the same group. CUGs have been created for both postpaid and prepaid.

1.5.3. Business and Enterprise Products

Broadband: Airtel Broadband provides a complete suite of office connectivity solutions from high quality full internet services to virtual private network connectivity and from fixed line to office internet to mobile data on dongles and Wi-Fi dongles.

Private APNs: A private APN (Access Point Name), is a point of entry onto an IP network for a mobile device. This product allows corporate customers to connect to their corporate network simply and securely.

Toll Free services: The Toll-Free Service allows for service-oriented enterprises to have their customers on the Airtel network to call them free of charge. The enterprise (e.g. taxi companies, banks etc.) is then charged for the total number of calls against their toll-free number at very competitive tariffs.

1.5.4. One Network, International and Roaming

International Voice: All Airtel subscribers that have international dialing service provided on their phones can make direct international calls abroad at competitive rates since the commissioning of Airtel's international gateway.

Airtel One Network: Typically, it is expensive to call home while roaming in a foreign country but with Airtel One Network service, Airtel subscribers both prepaid and postpaid carry their home tariff anywhere they travel to a country with Airtel affiliate companies. Subscribers call the local network at local rates instead of higher roaming rates.

Roaming Coverage: Airtel continues to sign on new global roaming partners enabling Airtel subscribers to access services on their Airtel mobile number when they travel overseas. International subscribers are invited to enjoy Airtel services via a welcome back message upon arrival at Malawi's international airports and upon entry into the country.

1.6. Selected Financial Information

The following three-year financial performance figures have been extracted from the Reporting Accountant's Report by Deloitte in Annexure 4 and appear in abridged form without explanatory notes. Deloitte have been the auditors of Airtel for years ended 31 December 2017, 31 December 2018 and six months ended 30 June 2019 and have reported on the annual financial statements of the Company without qualification. Ernst and Young were auditors of Airtel for the Year ended 31 December 2016 and also reported on the financial statements without qualification. Potential Investors should refer to supporting accounting policies and notes in Annexure 4 in order to obtain a full appreciation thereof.

Pro forma financial information

Prior to 2019, Airtel comprised the GSM business and the Mobile Money business. Following a directive from the

Reserve Bank of Malawi, the Mobile Money business has, from 1 January 2019 operated in a separate company. Airtel sold the assets of the Mobile money business to its shareholders and it does not have any shareholding interest in this company. The Company that is to be listed will therefore not include the Mobile money business. The pro forma financial information has been prepared to illustrate the financial performance of Airtel for the three years ended 31 December 2016, 31 December 2017, 31 December 2018 excluding the operations of the Mobile Money (as if the directive had come into force on 1 January 2016) and its assets and liabilities on 31 December 2018 and 31 December 2017.

1.6.1. Abridged Pro forma 3 years Income Statement ending 31 December 2018 and Audited Income Statement for the 6 months period ended 30 June 2019

MWK' million	Jun 19	Dec 18	Dec 17	Dec 16
Revenue	**41,230**	**84,741**	**77,479**	**70,998**
Operating costs	(25,963)	(49,542)	(47,832)	(51,580)
Gross Profit	**15,267**	**35,200**	**29,646**	**19,418**
Depreciation and amortization	(6,039)	(11,323)	(12,998)	(11,567)
Foreign Exchange gain/ (loss)*	(4,045)	(649)	519	(4,176)
Interest expenses	(455)	-	-	-
Waiver of loan**	-	(19,087)	-	-
EBITDA	**16,824**	**37,204**	**31,519**	**21,047**
Profit from operating activities	4,728	4,141	17,167	3,675
Other operating loss	(81)	(25)	(33)	(309)
Interest income	107	4,057	5,277	4,549
Finance costs	(1,216)	(3,637)	(4,964)	(5,588)
Profit before taxation	3,539	4,537	17,447	2,327
Taxation	(1,523)	(6,895)	(7,071)	(263)
Profit/(Loss) after tax	**2,016**	**(2,358)**	**10,376**	**2,064**

* 1H 2019 incurred a MWK4bn foreign exchange loss on USD loans due the depreciation of the MWK.

** The amount of MWK19 billion is a one-time foreign exchange loss that relates to an amount that was receivable from Malawi Towers Limited and that Airtel Malawi Plc waived in tthe 2018 reporting period. This amount accrued on account of revaluation of unpaid balances and interest thereon that Malawi Towers Limited, owed Airtel Malawi Plc on sale of towers in 2014.

1.6.2. Abridged Pro forma Statement of Financial Position as at 31 December 2017 and 31 December 2018 and Audited Statement of Financial Position as at 30 June 2019

MWK' million	Jun 19	Dec 18	Dec 17
ASSETS			
Non-current assets			
Property, plant and equipment	56,049	50,692	33,730
Intangible assets	826	3,388	3,775
Right of use assets	8,226	14,953	17,644
Deferred tax assets	6,422	6,316	13,212
Other noncurrent assets	45	45	45
Investment – long term	81	81	-
Total Non-current assets	**71,657**	**75,475**	**68,406**
Current Assets			
Inventories	126	98	-

MWK' million	Jun 19	Dec 18	Dec 17
Amounts due from related parties	22,373	18,395	76,841
Trade and other receivables	21,258	11,869	12,419
Income tax recoverable	4,416	5,247	-
Cash and cash equivalents	4,459	1,033	2,641
Total Current assets	**52,632**	**36,642**	**91,901**
Total assets	**124,281**	**112,117**	**160,307**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	1	1	1
Share premium	398	398	398
Retained earnings	1,459	4,624	22,988
Total Shareholders' equity	**1,858**	**5,029**	**23,388**
Non-current liabilities			
Borrowings-Bharti Airtel Malawi Holdings BV	14,371	13,881	41,758
Lease liabilities	13,040	10,735	12,765
Derivative financial liability	-	-	88
Borrowings – Bank of America	-	29,159	-
Total Non-current liabilities	**27,411**	**53,775**	**54,611**
Current liabilities			
Borrowings – Bank of America	30,793	108	-
Borrowings-Bharti Airtel Malawi Holdings BV	258	246	16,659
Amounts due to related parties	16,968	9,545	35,537
Lease Liability	1,313	2,076	1,928
Trade and other payables	43,020	32,675	21,388
Provisions	1,062	394	491
Dividends payable	1,560	8,269	2,565
Income tax payable	-	-	3,697
Total current liabilities	**95,012**	**53,313**	**82,308**
Total liabilities	**122,423**	**107,088**	**136,919**
Total equity and liabilities	**124,281**	**112,117**	**160,307**

The company made a profit after taxation of MWK2.0 billion for the 6 months period ended 30 June 2019 (2018: loss of MWK 2.3 billion for the 12 months period). As at 30 June 2019 the company had current liabilities of MWK95 billion (31 December 2018: MWK53 billion) against current assets of MWK53 billion (31 December 2018: MWK41 billion).Therefore the company was in net liability position of MWK42 billion as of 30 June 2019 (31 December 2018: MWK12 billion). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

However, the Directors are of the opinion that the company is a going concern on the basis that the company:

- Will generate cash inflows from operations of at least the amount projected in the management's annual operating plan. The generation of sufficient cash flows from operations is driven by and is dependent on management achieving operational targets on subscriber numbers, churn rate and average revenue per user;
- Will obtain some funding from the third parties; and

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

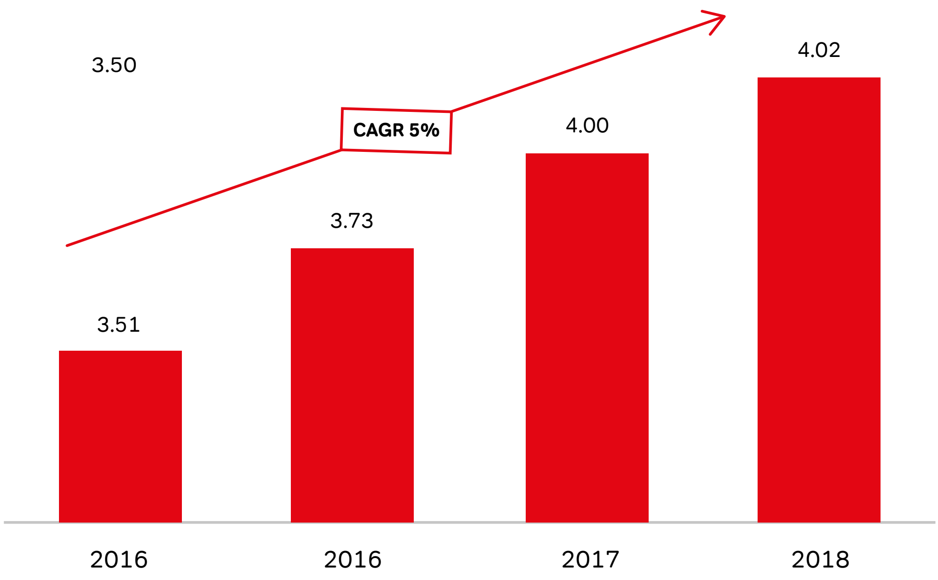
The Directors are confident that the funds described above will be available to the company to support its obligations as required and that it is therefore appropriate to prepare the financial statements on a going concern basis.

1.7. Operating review

1.7.1. Subscriber growth

Airtel's subscriber base has grown by a CAGR of 5% from 2015 to 2018. The growth has been driven by aggressive sales and marketing campaigns targeted at the mass market and expansion of network coverage to increase population penetration.

The growth in subscriber numbers since 2015 is illustrated below: -



Source: Company – based on 90 days subscribers

1.7.2. ARPU

ARPU is influenced by several factors: the price and usage of mobile services, subscribers' spending power and periodic changes to retail tariffs.

	2016	2017	2018
Average monthly Gross ARPU (MWK)	1,840	1,969	2,107
Average Voice monthly ARPU (MWK)	1,452	1,495	1,520
Average Data QREC monthly ARPU (MWK)	1,616	1,787	1,951

Source: Management, ARPU based on 30 days active subscribers. QREC is data customer that uses at least 1MB in a month.

The growth in ARPU is primarily a result of increased data usage as Airtel expanded its 4G network and the usage of smart phones increased among its customer base.

1.7.3. Network coverage and infrastructure

Airtel's network coverage targets are set out in Airtel's Licence and are required to cover urban areas (including Blantyre, Lilongwe, Zomba and Mzuzu) as well as semi urban and rural areas, where Airtel's obligations extend to the provision of community service telephones.

Airtel has deployed two main microwaves backbone rings covering the major cities; between Blantyre and Lilongwe and between Lilongwe and Mzuzu. The microwave backbone rings support the major data and voice traffic for all the regions.

Airtel has existing fiber backbone infrastructure of 1,506 km covering the major cities of Blantyre and Lilongwe and Lilongwe and Mzuzu. The fiber infrastructure is both own build (614 km) and leased (892 km).

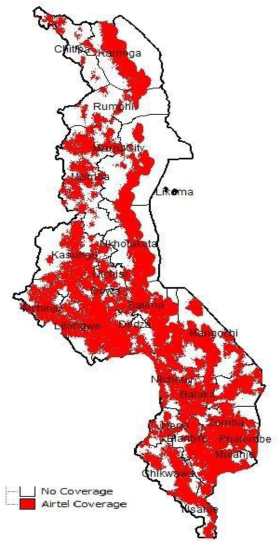
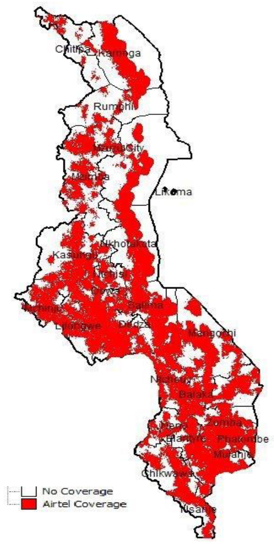
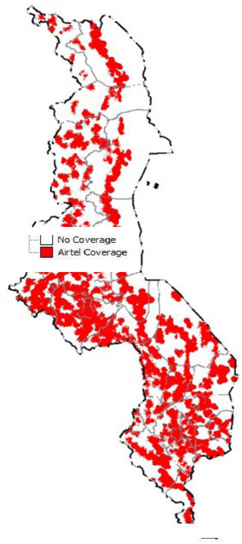
Further Airtel has metro fiber rings and microwave rings in the major cities of Lilongwe (52 km) and Blantyre (52 km). The fiber infrastructure supports the 2G, 3G and 4G site traffic. It is built for resilience and capacity scalability.

1.7.4. Footprint of National Coverage

In 2017, Airtel launched its network modernization project spending more than MWK35 billion. This investment culminated in the launch of 4G in January 2018. Currently, Airtel has the widest 4G network in Malawi.

The map below provides an overview of Airtel's telecommunications coverage as at 31 December 2018. Airtel intends to further expand the 4G coverage in the country to improve customer experience on data.

An illustration of Airtel's existing 2G, 3G & 4G coverage across Malawi, marked in red appears below:

2G Coverage	3G Coverage	4G Coverage
85% population covered	**85% population covered**	**76% population covered**
		

2. GOVERNANCE

2.1. Board of Directors

Airtel has a Board of six Directors. The Directors comprise independent, executive and non-executive Directors with diverse skills and expertise.

Airtel's Directors are committed to the principles of corporate governance namely, accountability, integrity, and transparency as contained in the Code of Best Practice for Corporate Governance in Malawi. The Board has adopted a code of conduct of directors, corporate governance charter and the shareholders code applicable to public companies.

The Board holds regular formal meetings at least four times a year.

2.1.1. List of Directors

The full names, qualifications, nationalities, address and occupations of Airtel's Directors are set out below:-

Name	Nationality	Occupation and Other directorships	Business and Residential address
Plastone Alex Chitsime	Malawian	Non-executive Director and Chairman MCC Limited & NICO Technologies Limited	4, Wilson Road, Sunnyside Road, Lilongwe
Charles Mustafa Kamoto	Malawian	Managing Director Airtel Mobile Commerce Limited Malawi Towers Limited Malawi Agricultural and Industrial Investment Corporation (MAIIC) Ac Investment Limited	Airtel Malawi Plc Airtel Complex City Centre Off Convention Drive P.O. Box 57 Lilongwe Malawi Plot N0. 43/595, Lilongwe
Alok Bafna	Indian	Non-executive Director Airtel Uganda Limited Airtel Networks Kenya Limited Airtel Rwanda Limited Airtel (Seychelles) Limited Airtel Mobile Commerce Uganda Limited Airtel Money Transfer Limited- (in Kenya) Airtel Mobile Commerce (Rwanda) Limited Airtel Mobile Commerce (Seychelles) Limited	C/o Airtel Africa, Sixth Floor, Oval Towers, Mombasa Road, P.O. Box 962 - 00100, Nairobi Kenya Mac Garden Apartments, Othaya Raod, V N0. A-8, Nairobi, Kenya
Ian Ferrao	British	Non-executive Director Airtel Africa - Regional Director Eastern Africa	C/o Airtel Africa, Sixth Floor, Oval Towers, Mombasa Road, P.O. Box 962 - 00100, Nairobi Kenya House No.7, Clifton Villas, L.R No.- 7158/608
Neelesh Pratap Singh	Indian	Non- executive Director Airtel Networks Zambia PLC	C/o Airtel Africa, Sixth Floor, Oval Towers, Mombasa Road, P O Box 962 - 00100, Nairobi Kenya Brookeside Drive, Jambo Valley Apartments, Town House 22

Kayisi M'bwana Sadala	Malawian	Non – executive Independent Director Board Chairman Lilongwe Water Board	C/o Mr. K. Sadala, P.O. Box 2299, Blantyre, Malawi Area 9, Lilongwe, Malawi

2.1.2. Profile of Directors

Plastone Alex Chitsime, non-executive independent Director, 73

Mr. Chitsime holds a BSc. in Mathematics and Physics from the University of Malawi, a Diploma of Biometrics Statistical Design and Analysis of Agricultural Experiments from the University of Cambridge, MSc. Computer Science from University of Pittsburgh, USA and a Master of Business Administration (MBA) from the University of Aston in Birmingham, United Kingdom.

Mr. Chitsime is the non-executive Chairman of MCC Limited and a director of NICO Technologies Limited.

Mr. Chitsime served as a director of Old Mutual Malawi from 1998 to 2008 and also as chairman of its audit committee. He also served as a non-executive Chairman of Standard Bank from 2004 to 2014, Blantyre Adventist Hospital from 2002 to 2007, National Bank of Malawi from 1999 to 2002 and Fincom from 1996 to 2001.

Mr. Chitsime has 36 years of experience in managing companies. Mr. Chitsime is the current Managing Director of Alliance Freight Services Limited, a leading freight services company. Prior to that Mr. Chitsime was the Managing Director of Malawi Cargo Centres Limited, Manica (Malawi) Limited, General Manager, Manica Zimbabwe Limited and Assistant General Manager, Manica Freight Services (Malawi) Limited.

Charles Mustafa Kamoto, Managing Director, 45

Mr. Kamoto holds a Bachelors Degree of Business Administration (BBA) from the University of Malawi and a Master of Business Administration (MBA) from ESAMI.

Mr. Kamoto has over 18 years' experience in telecommunications out of which 11 years has been in executive management.

Mr. Kamoto's growth story stems from customer centricity in his approach and local market knowledge.

He was appointed Head of Commercial for TNM in 2007 and became TNM Chief Commercial Officer in 2011. In May 2014 Charles became Chief Commercial Officer for Airtel, and on 1st March 2016 he was appointed Managing Director.

Alok Bafna, non-executive Director, 45

Mr. Bafna holds a Bachelor's Degree in Commerce from Calcutta University and qualified as a Chartered Accountant in 1997. Mr. Bafna is the Financial Controller of Bharti Airtel International (Netherlands) B.V-Kenya Branch. Mr. Bafna has more than 20 years' experience in telecommunications and finance in India and Africa. He joined Bharti Airtel in January 2004 in the position of Business Planning and Analysis (BPA) Head Mumbai Circle (India). During his tenure in Airtel, Mr. Bafna has handled multiple profiles including Principal Finance Officer – WBO Circle (India), Head of Finance Transformation, Head of Financial Reporting and Compliance, Head of BPA, Controller Market Operations and Global Head at Airtel Center of Excellence.

Prior to joining Airtel Mr. Bafna worked with Idea Cellular Limited (India).

Mr. Bafna has strong experience in the Indian and African markets with solid managerial and people skills. Mr. Bafna is an experienced senior executive accustomed to working with cross functional teams. He is a creative developer of plans and transformation initiatives with ability to understand requirements and translate them into delivery focused actions.

Ian Ferrao, non-executive Director, 37

Mr. Ferrao holds a BSc Management Sciences first class degree from Warwick Business School.

Mr. Ferrao is currently the Airtel Africa Regional Director Eastern Africa and prior to that has spent over 12 years leading telecom companies across different markets in Africa, both as an entrepreneur and a corporate CEO. Prior to taking his current role Mr. Ferrao was CEO of Vodacom Tanzania Plc, CEO of Vodacom Lesotho, Chief Commercial Officer of Vodacom Business Africa, Commercial Director of Vodacom Business Africa for Zambia and Commercial Director and Shareholder of AfriConnect Zambia.

Mr. Ferrao has worked within complex operating environments, navigating through difficult regulatory, competition, economic and political headwinds and has succeeded in delivering accelerated growth, culture change and reputational enhancements, whilst creating in each Company a future generation of telecom leaders.

Neelesh Pratap Singh, non-executive Director, 42

Mr. Singh holds a Master's Degree in engineering from the Indian Institute of Science (2000) and a Bachelor's degree in Electronics and Telecommunications (1998).

Since June 2017, Mr. Singh's responsibility has been for Information Technology in Airtel Africa since June 2017. In this role, he is responsible for defining and implementing IT strategy across the 14 markets. He has a strong business focus and specializes in defining and revamping operating models, delivering on complex business transformations, setting up greenfield operations, cloud infrastructure and architecture simplification.

Mr. Singh has over 19 years of international multi-cultural experience working in the field of technology in different roles across the public sector and in independent software vendors and communications service providers. Prior to joining Airtel, he worked in Thailand with Telenor as Head of IT Services for Telenor Group handling 13 countries in Scandinavia, Central and Eastern Europe and Asia

Kayisi M'bwana Sadala, non-executive independent Director, 55

Mr. Sadala holds an MBA in banking and finance from the University Wales in the United Kingdom, a Bachelor of Arts in public administration from the University of Malawi and a Diploma in development and management of small businesses and industries from the Galilee College, Israel.

Mr. Sadala is currently the CEO for Tobacco Control Commission (TCC) and chairs the Board of Lilongwe Water Board after effectively chairing one of the country's biggest parastatals, ESCOM in the past. Mr. Sadala has over 25 years' experience in the financial services industry. His areas of specialization have mainly revolved around business development, corporate relationship management, retail and business Banking, treasury management and international trade. Mr Sadala previously held position of Deputy CEO and Acting CEO at Malawi Savings Bank, Business Development Manager at Continental Discount House Limited and other junior roles at National Bank of Malawi Plc and Indefund Limited.

2.1.3. Board Committees

The Board has constituted an Audit Committee. This Committee operates under written terms of reference. The Board and its committee are required to meet at least 4 times during the year.

Audit Committee

The Committee is governed by the Corporate Governance Manual and Audit Committee Charter that was adopted by the Board. The Audit Committee oversees the effectiveness of the internal and external auditors and the system of controls in place for preparing financial reports and monitoring compliance with all legal and regulatory requirements and ensuring high standards in corporate governance and financial reporting. The committee's composition is shown below:-

- Alok Bafna (Chairman); and
- Neelesh Pratap Singh.

2.2. Management

Airtel had 180 employees as at 31 December 2018. Airtel's staff strength has slightly reduced from 206 as at March 2017 to 191 in March 2018 to 180 as at 31st December 2018. Airtel has a structured succession plan in place for the Company's employees.

The Senior Management is headed by the Managing Director Charles Mustafa Kamoto, who is assisted by eleven senior management employees.

2.2.1. List of Senior Management

The table below shows particulars of Airtel's senior management team:

Name	Nationality	Occupation	Residential
Charles Mustafa Kamoto	Malawian	Managing Director	Plot No. 43/595, Lilongwe, Malawi
Indradip Mazumdar	Indian	Finance Director	Area 3/ 3015, Apartment 12. P/Bag 45 Lilongwe, Malawi
Hlupekire Chalamba	Malawian	Legal & Regulatory Director / Company Secretary	Area 43/770, Lilongwe, Malawi
Aashish Dutt	Indian	Sales & Distribution Director	Area 3/3015, P/Bag 45 Lilongwe, Malawi
Frank Magombo	Malawian	Marketing Director	Area 47/1/226, Lilongwe, Malawi
Bruce Massamba	Congolese	Network Director	Plot 6/316 (House No. 4), Area 6 Lilongwe Malawi
Allan Banda	Malawian	Information Technology Director	Area 15, Plot 4B, Lilongwe, Malawi
Beston Ndhlovu	Malawian	Supply Chain Management Director	Off Ufulu Road, New Area 43, Plot number 552
Alick Sikelo	Malawian	Human Resource Director	Air wing Old Airport, Lilongwe, Malawi
Sibusiso Nyasulu	Malawian	Customer Experience Director	Area 43, House Number 818
Stella Hara	Malawian	Enterprise Director	Area 15, House Number 15/233A, Lilongwe, Malawi
Misheck Kavuta	Malawian	Broadband Head	Area 18b, House Number 18/5/376, Lilongwe, Malawi

2.2.2. Profiles of Senior management (other than the Managing Director)

The profiles of the Senior management are set out below

Indradip Mazumdar: - Finance Director

Mr. Mazumdar is a business executive with over 21 years of experience across Asia and Africa in top consumer and telecom operations spanning a range of responsibilities, 18 years of which he obtained within Bharti Airtel Limited.

Mr. Mazumdar is a qualified accountant from the Institute of Cost Accountants of India. Prior to his joining Bharti Airtel Limited he was with Hindustan Unilever Limited. In his previous assignment, he served as Chief Financial officer of Airtel Bangladesh Limited. He has been with Airtel since January 2017.

Mr. Mazumdar has experience managing various areas of finance, business planning and analysis, financial reporting, audit and assurance, governance and controls to enable business growth, operational efficiency and strong change management capabilities. He leads a team of 25 dynamic finance professional and handling a wide range of responsibilities spanning from strategic, operational excellence, governance and controls.

Hlupekire Chalamba: - Legal and Regulatory Director/Company Secretary

Mrs. Chalamba has a Bachelor of Laws (LLB) Hons from the University of Malawi, Master of Business Administration (MBA) from Eastern and Southern Africa Management Institute (ESAMI), Arusha, Tanzania and Fellowship Status from Institute of Chartered Company Secretaries and Administrators (ICSA) London. She is a member of the Malawi Law Society. She is a Notary Public and qualified practicing lawyer with over 16 years of experience in provision of corporate legal, company secretarial, litigation and general legal advisory services. Previously she worked for Racane Associates, a private legal firm for 3 years as a practicing lawyer.

Aashish Dutt: - Sales and Distribution Director

Mr. Dutt is a holder of Post Graduate Diploma in Business Administration from SCDL Pune, India. And a Bachelor of Commerce (Hons.) from Kolkatta University, India

Mr. Dutt has 24 years of experience in managing sales and distribution in companies. Prior to joining Airtel Mr. Dutt was the Sales and Marketing Head of AIRCEL UPE, India (2015- 2017), Head of Sales Aircel Rajasthan (2010-2015), Distribution Head Reliance communications Limited. Rajasthan India (2007-2010) and Deputy General Manager, Bharti Hexacom Limited Rajasthan, India (2005-2007) Mr Dutt has also worked for Reliance Infocomm Limited, India (2002-2005), Hindustan Coca- Cola Beverages Limited. (1999- 2002), Dabur India Limited. (1996-1999) and Quick cargo connections (1995-1996).

Frank Magombo: - Marketing Director

Mr. Magombo has a BSc in Computer Science from University of Malawi and has 12 years' experience in Telecommunications, Marketing and Product Innovation Management.

Mr. Magombo is responsible for Airtel's marketing strategy to drive growth in revenue and customer market share as well as increase brand and top of mind awareness.

He has played an active role in product development and management in the growing mobile industry in Malawi having previously worked for TNM as a head of innovation in 2014 before which he had worked for Airtel and Airtel Africa Group in the roles of product innovation management and enterprise business development creating, launching and managing a wide range of products and services.

Bruce Massamba: - Network Director

Mr. Massamba has a Master's Degree in Electronics from Marien Ngouabi University Congo Brazzaville. Mr. Massamba has over 18 years of telecom experience spanning across sales, operations, network support function, core network management, network planning and optimization.

Mr. Massamba is responsible for Airtel's network infrastructure and support function to ensure a reliable network quality.

Allan Banda: - Information Technology Director

Mr. Banda has a BSc in computer science obtained from the University of Malawi in 2005, MSc Informatics obtained from the University of Malawi in 2013 and is studying towards an MBA from University of Roehampton London. Mr. Banda has over 12 years of experience in Information Technology and Telecommunications with international experience after working for Airtel Africa group office in Nairobi, Kenya and Airtel Sierra Leone. Mr. Banda is responsible for driving IT operation strategies and IT related projects in alignment with business strategies for growth and competitiveness.

Beston Ndhlovu: - Supply Chain Management Director

Mr. Ndhlovu has a Bachelor of Social Science from University of Malawi and Master of Arts in Economics from University of Malawi.

Mr. Ndhlovu has 24 years of professional work experience of which 7 years has been in supply chain management. Prior to his current role Mr. Ndhlovu spent 3 years in the human resources department with Airtel. As Supply Chain Management Director, he is responsible for developing and Implementing key sourcing, warehousing, logistics, real estates and facilities strategies for the company.

Alick Sikelo: - Human Resource Director

Mr. Sikelo holds a Bachelor of Arts Human Resources Management (HRM) form the University of Malawi and a Post Graduate Diploma in HRM, Institute of Administration and Commerce, South Africa. Mr. Sikelo is a seasoned human resource practitioner with sound leadership and management experience with over 20 years in human resources management, leadership, training and development, industrial relations, organization development having served in senior and management executive positions in the manufacturing industry, public sector, financial industry, and telecommunications industry.

Mr. Sikelo is responsible for recruiting, screening and placing employees and ensuring the growth of the employees.

Sibusiso Nyasulu: - Customer Experience Director

Mrs. Nyasulu holds a Bachelor of Education from the University of Malawi Chancellor College and has a Master's of Science in Strategic Management from the University of Derby (UK).

Mrs. Nyasulu has 14 years' work experience, prior to joining Airtel she worked for GIZ and Business Consult Africa. She joined Airtel in 2006 as a management trainee. She has worked in several positions in the commercial department and has risen through the ranks. She has served and managed brands & communication, segment management, geo marketing and served as a Loyalty Program Manager where she was responsible for customer lifecycle management. In 2009 she moved to customer service as Call Center Manager where she managed all call center units from inbound, back office and retention. Mrs. Nyasulu was appointed as Customer Experience Director in 2013 and is responsible for retail shops, KYC sim registration and call centers.

Stella Hara: - Enterprise Director

Mrs. Hara holds a Bachelor's degree in Business Administration from University of Malawi, Post graduate Diploma in Project Management from Damelin College and Master of Business Administration (Pending) from University of Malawi. Mrs. Hara is a seasoned B2B sales expert with over 20 years' experience in telecommunications, Media and other multinational FMCGs. She has exceptional skills in business negotiations, strategy, and team leadership owing to her professional training acquired from Coca-Cola International, Telcoms Academy and medial industries. Prior to joining Airtel in September 2019, Stella worked for Telekom Networks Malawi as Head of Corporate Sales and Services; Multichoice as Sales Consultant responsible for roll out of GoTv, Times Group as Head of business development; Nation Publications as Marketing Manager and Southern Bottlers Limited as Key Accounts Manager.

Misheck Kavuta: - Broadband Head

Mr Kavuta holds a Masters of Business Administration from ESAMI obtained in 2016, a diploma in Business Management from ABE obtained in 2014 and a Bachelor's Degree in Education from University of Malawi's Chancellor College obtained in 2008.

Mr Kavuta has 10 years' experience in sales and distribution, trade marketing, channel partner management and sales team management. He is responsible for the overall home broadband business including subscriber numbers, revenue and distribution channels cutting across retail, device & IT channels and direct sales.

3. OPERATING ENVIRONMENT

3.1. Malawi Telecommunications Industry and Regulatory Overview

3.1.1. Overview

Malawi's telecommunications sector accounts for 3.73% of the country's GDP and is dominated by the mobile sector. The country had a total of 8.1m subscribers in 2018 and a relatively low mobile penetration rate of 42.8% when compared to Africa's 83.1% showing room for growth. Malawi still ranks with one of the world's most densely populated countries, with a population of 17.6m within a total area of 118,484km. The country also has a low urbanization rate of 15.8% and low spending power (GDP per capita c.USD385).

National Composite Price Index

	2018	2017
Aggregate telecommunications sector revenue (MWK'bn)	196.408	170.99
GDP at current market prices (MWK'bn)	5,270.0	4,635.60
Telecoms revenues/GDP (%)	3.73%	3.68%
Real GDP growth (%)	4.0%	5.2%

Source: Economic Review as at December 2018, Reserve Bank of Malawi

3.1.2. Mobile market overview

The Malawi mobile market has had two major telecommunications service providers since Airtel operations were launched in October 1999 as Celtel. The two major mobile operations, TNM and Airtel, together had 7.43m subscribers (as at December 2018), with Airtel accounting for the largest share at 54.1%. For almost 20 years, MACRA has sought to introduce additional competition into the sector, but none of the other licensed companies have launched commercial mobile telecommunications services.

Airtel and TNM's networks cover approximately 85% and 80% respectively of the country geographically. 24% of the population are unique users, implying significant use of multiple sim cards. It is estimated that mobile subscribers will grow at an annual growth rate of 4% to reach 9.9 million in 2023 achieving an estimated mobile subscriber penetration rate of 45.1% of the population.

Summary of main operators in Malawi

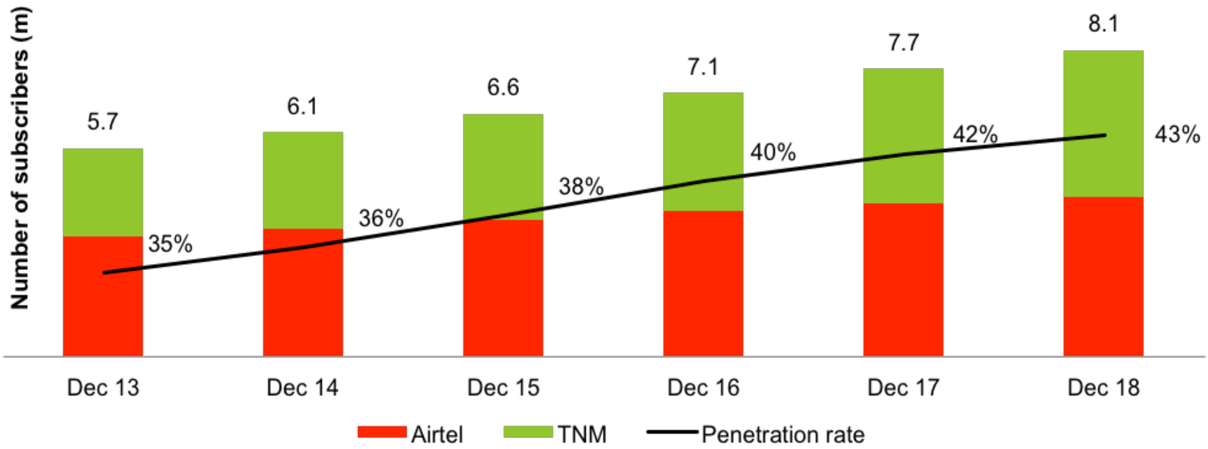
<table>
<tr><th rowspan="2"></th><th rowspan="2">Mobile network launch</th><th rowspan="2">Network services</th><th rowspan="2">Subscribers (Dec 2018)</th><th rowspan="2">Market share (Dec 2018)</th><th colspan="4">Spectrum</th></tr>
<tr><th>Renewal</th><th>Tenure</th><th>Type</th><th>Spectrum (MHz) paired</th></tr>
<tr><td>Airtel</td><td>1999</td><td>2G/ 3G/ 4G</td><td>4,020,800</td><td>54.1%</td><td>Feb-2014</td><td>10 years</td><td>Open</td><td>900, 1800, 2100</td></tr>
<tr><td>TNM</td><td>1995</td><td>2G/ 3G/ 4G</td><td>3,408,450</td><td>45.9%</td><td>Aug-2014</td><td>10 years</td><td>Open</td><td>900, 1800, 2100, 2600</td></tr>
</table>

Source: Company, TNM Annual Report, WCIS

Following the enactment of the Communications Act of 2016 MACRA is currently implementing tariff controls to regulate pricing. In December 2017, MACRA issued a directive to reduce mobile termination rates (MTR) amongst local telecommunications operators in a 3-year glide path. The directive required that in January 2018 MTR should reduce from USD0.02, to USD0.012 in January 2019 and lastly to USD0.006 in January 2020. This has led to the reduction in offset retail rates.

In terms of sites, Airtel has the widest 4G network on 754 of their 758 sites targeting mass market while its competitor TNM has sites on 4.5G offering both Test-driven development ("TDD") for Small Office/Home Office ("SOHO") and feature-driven development ("FDD") for mass market.

Number of subscribers (mn) and penetration rate (%)



Source: Company, TNM Annual Reports, NSO Population Housing Survey 2018

Voice and SMS

The Company estimates that voice and SMS represent approximately 70% of the total market revenue in Malawi in 2018. Total SMS messages totaled 2.3 trillion over the same period of which 98% were local SMS and the remaining attributable to international SMS.

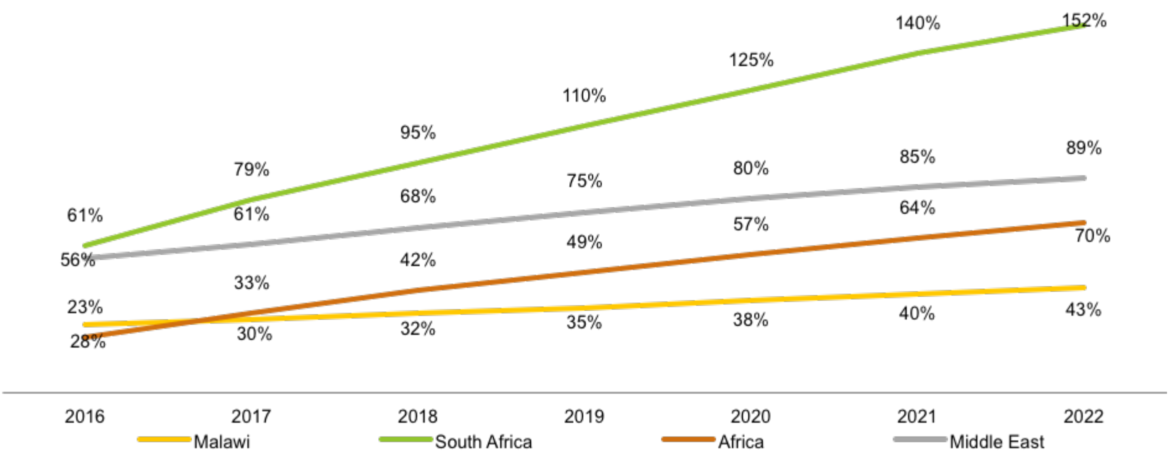
Mobile data

Airtel is currently the market leader in the mobile data segment with a market share of 57% . Airtel's data traffic is currently at 50 terabytes/day in 2019 from 25 terabytes/day in 2018 and 10 terabytes/day in 2017 .

MACRA is now implementing tariff controls by requiring the pricing of every product to be based on a cost-based model starting with a Pay as You Go rate.

Malawi's smartphone penetration rate (measured as a percentage of subscribers) of 32% in 2018 lags that of other SADC countries such as South Africa (85%) and more broadly Africa (42%) , which implies a scope for more future growth. The chart below shows the smartphone penetration rates in Malawi compared with South Africa and other regions.

Smartphone penetration rate (%)

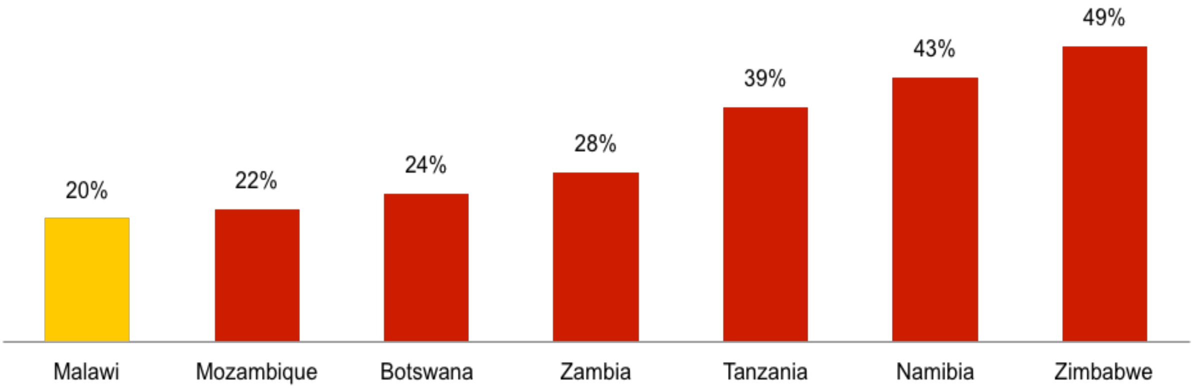


Source: WCIS

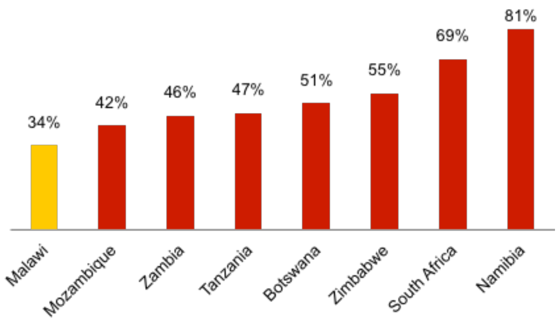
3.1.3. Mobile money market overview

With the majority of its population living in rural areas, only 34% of the adults in Malawi have access to a bank account (including financial institutions and mobile money accounts) compared to other SADC countries such as South Africa 69% and Namibia 81%. The mobile money penetration rate was 20% as at December 2017, up from a marginal 4% in 2014 indicating exponential growth, although remaining significantly less than other SADC countries such as Namibia (43%). Furthermore, 28% of adults used a form of digital payments in 2017, up from 10% in 2014. As such mobile money is considered as a significant opportunity to drive financial inclusion in Malawi, thereby stimulating the economy.

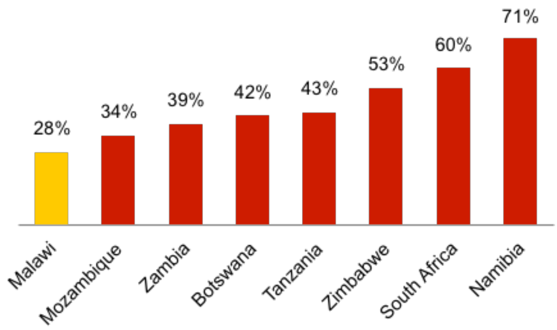
Mobile money penetration in SADC (2017)



Account penetration in SADC (2017)



Digital payments penetration in SADC (2017)



Source: World Bank

There are two main mobile money operations in Malawi: Airtel Money (operated by Airtel Mobile Commerce Limited, an affiliate company owned by Airtel Group of Companies) and TNM's 'Mpamba'. The mobile money market in Malawi is becoming more dynamic and has seen the introduction of new services which includes mobile loans, bank integrations, international remittance and merchant integrations. The National Payment System Department reports that the Mobile money market had 4.6 million subscribers (as at May 2018) up 18% from May 2017 levels, however only 38% of these accounts were active .

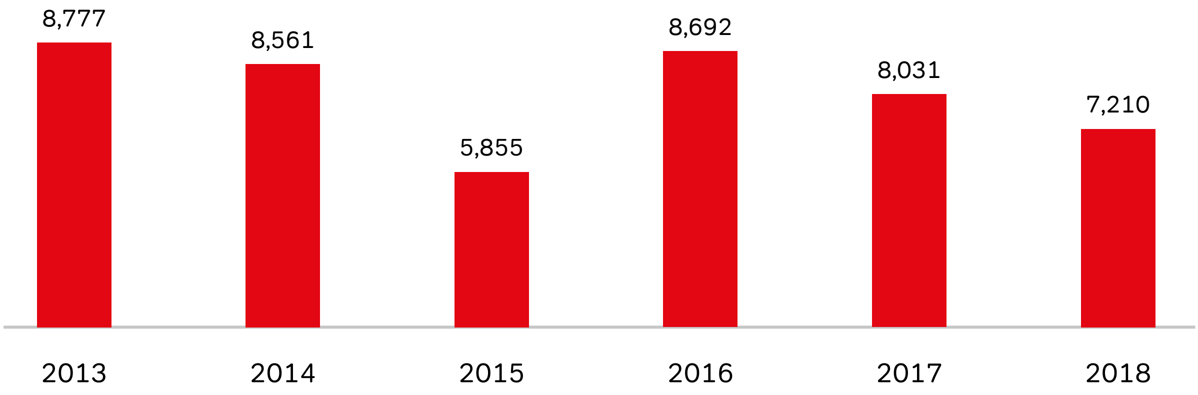
The market is currently led by Airtel Money. Airtel Mobile Commerce Limited has the largest agent network and has made significant investments towards developing the mobile money ecosystem mainly through branches and Kiosks through a franchisee model . Though Airtel Mobile Commerce Limited is not part of Airtel, Airtel benefits from the wide distribution capability of Airtel Money which has over 17,000 agents and 220 branches,

In June 2017, the RBM passed a Payment Systems Interoperability Directive which required banks, mobile network operators and mobile money service providers to adopt infrastructure enabling interoperability between the mobile financial service providers and the national switch to further enhance uptake of digital payments. The interoperability between Airtel Money and TNM Mpamba was effected in November 2018.

3.1.4. Broadband market overview

Internet services have been available in Malawi since the first internet service provider ("ISP"), Malawi Net Limited commenced operations in 1997. The market, however, remains underdeveloped with a household penetration rate of 0.2% (7,210 subscribers) due to limited availability of fixed line infrastructure, cost of connectivity and low computer ownership.

Number of broadband subscribers



Source: TeleGeography

The broadband market constitutes key players such as Skyband Corporation Limited, Airtel, Globe Internet Limited, TNM (after its acquisition of the ISP business and related assets of Burco Electronic Systems), Access, Simba Net, MTL and Malawi Net Limited.

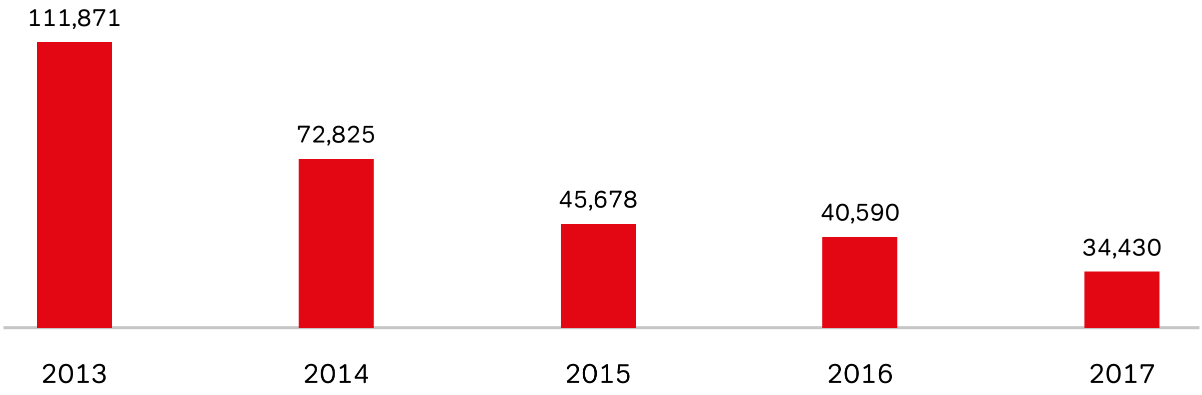
SOHO WiFi deployments are being made on 4G/LTE technology through the provision of volume based/speed-based subscriptions mainly championed by telecommunication companies such as Airtel, TNM and Skyband.

Broadband pricing has significantly declined over the years due to the Government's Regional Communication Infrastructure Programme Malawi (RCIPMW) (which creates fibre-optic links from Malawi to international submarine cables in neighbouring countries deployed through SimbaNet). The price of international connectivity declined from USD3,000 per 1Mbps/month to USD135 per 1Mbps/month. MACRA has also commenced the implementation of tariff controls by requiring every product pricing to be based on a cost-based model with the aim of improving internet penetration.

3.1.5. Fixed line market

The Malawi fixed line segment mirrors that of African countries where penetration remains very low and is declining. The number of fixed line subscribers (PSTN + VoIP) was 34,430 in 2017 representing a household penetration of about 0.9% . There are two fixed line operators in Malawi namely MTL, and ACCESS which is a CDMA fixed wireless service.

Number of fixed line subscribers (PSTN and VoIP)



Source: TeleGeography

MACRA introduced a licensing regime in 2011 where the country's telecoms operators were able to provide fixed and mobile telephony services, however leading mobile operators have not given an indication of offering fixed line services.

3.1.6. Regulatory environment

Malawi Communications Authority ("MACRA")

MACRA is the independent national regulatory watchdog for the telecommunications industry in Malawi. It is responsible for the regulation and monitoring of communication services; issuing, suspending and revoking licences; protecting interests of customers and promoting efficiency and regulating competition amongst market players. MACRA's objectives and goals are aligned with international best practice.

The Malawi telecommunications sector has been undergoing several legislative and structural changes:

- In 2016, Malawi enacted a new Communications Act, which incorporated changes and developments in the ICT sector. The changes include convergence of technologies and services of the telecommunications and broadcasting sectors, provision of affordable communication services, technology neutrality, encouraging participation of indigenous Malawians in the communications sector, consumer protection and sim card registration. In addition, electronic communications licensees were required to maintain a local shareholding of at least 20%.
- In September 2016, MACRA introduced a Convergence Licensing Framework covering both the telecommunications and broadcasting sectors with the following licences – Network Facilities Licence, Network Services Licence, Application Services Licence and Broadcasting Content Services Licence. This was aimed at facilitating the implementation of the 2016 Communications Act.
- In 2017, MACRA developed cost-based models for ICT services in Malawi. This is currently being implemented in the mobile data and enterprise sectors. The objective was to enhance competition, promote consumer protection and enable access and usage of ICT services.
- In 2017, MACRA also issued a directive for mandatory SIM card registration for new and existing customers and tariff control for both wholesale and retail termination rates, mobile data, leased lines and weight average cost of capital in line with the Communications Act 2016. Airtel has put in place mechanisms to ensure compliance with registration of sim card generic numbers, and customer due requirements in compliance with Section 92 of the Communications Act 2016.
- In 2019, MACRA gazetted the following Regulations: -
- Communications (Consumer Protection) Regulations 2019 which protects the interests of consumers, purchasers and other users of communications services.
- Communications (Qualities of Service) Regulations 2019 which sets the minimum quality and standards of service applicable to (a) public switched telephone network services; (b) public land mobile network services; (c) international telephony services; and (d) internet services as well as encourage the introduction of new technology and communications services in accordance with recognized international standards and applicable international law.
- Communications (Numbering) Regulations 2019 which regulates control, planning, administration, management and assignment of numbers by the MACRA and setting out of the rules for the assignment, transfer, porting and use of numbers under the National numbering plan
- The Malawi telecommunications sector is still undergoing further legislative and structural changes and MACRA recently released draft regulations as follows:

    1. Communications (Access and Facilities Service) Regulations 2018 – enable MACRA to regulate and implement access to co- location and infrastructure between licensees.
    2. Communications (Interconnection) Regulations, 2018 – regulates the implementation of interconnection licensees and interconnection terminal rates to be applied by all licensees when negotiating interconnection agreements.
    3. Communications (Tariff) Regulations, 2018 – enables regulate the approval of setting or revision of tariffs based on justifiable economic reasons and the process will be transparent whilst using objective criteria and guarantee equal treatment.

4. Universal Service Fund Regulations – regulates the establishment of the universal service fund.

5. Telephone Subscribers Registration Regulations, 2016 – provides a regulatory framework for the registration of all Subscription medium users, and for the control, administration, and management of a subscriber Database for all SIM Cards and their users.

3.1.7. Licence and Compliance

Terms and Scope of Licence

Airtel is authorised under its licence to provide public telecommunications services in Malawi for a period of 10 years from 7th February 2014 which include:-

- Voice telephony;
- Facsimile;
- International and national long-distance telecommunications services;
- Data communications, including Internet access;
- Public pay-telephone services;
- Leased line services; and
- Value-added telecommunication services, including without limitation:- Short messaging services (SMS), Multimedia Services ("MMS"), Voicemail, Pre-paid calling card and electronic top-up services, EV-DO high speed data access, Instant messaging services, Video conferencing services, Interactive voicemail and voice services; and financial transactions including, without limitation, account balance transfers, funds transfers, bill payments and online auctions, and any other similar or improved service as approved by MACRA from time to time.

Fees

Airtel is required to pay to MACRA:-

- an annual operating licence renewal fee of USD200,000 payable in advance;
- a monthly international incoming termination levy of USD0.08 per minute;
- a levy equal to 5% of audited net operating revenue within six months following the end of each financial year; and
- Licence Performance Guarantee of USD100,000 payable upon renewal of licence.

Community obligations

Airtel is required to consult with MACRA on the actions to be taken to achieve the objectives of the National Communications Policy, provide directory services and to consult with the authorities responsible for emergency services, to assist with or provide practicable telecommunication services which may be required in emergencies.

Empowerment and Malawian shareholding

Airtel is required in terms of its Licence to ensure that 50% of its executive management are Malawians and it employs no more than 5% of foreign national executives within 2 years from the date of its Licence or such other time as agreed with MACRA. Airtel is also required to maintain 20% of its shareholding with Malawians.

Anti-Corruption Policy

Airtel has adopted Airtel Africa's Anti-Bribery and corruption policy. Airtel has zero tolerance for bribery, kickbacks or corruption. Employees are encouraged to report corrupt activities to the Africa Ombudsperson or the Compliance Officer.

Roll out obligations

Airtel is required to provide public telecommunication services in the areas specified in Schedule 2 of the Licence and by the dates specified in the Licence. Airtel complied with this obligation as at end of February 2019.

Service standards and quality of service

Airtel is required to ensure that its network conforms to European Telecommunications Standard Institute (ETSI), GSM MoU specifications, recommendations of the International Telecommunications Union (ITU) and standards specified by MACRA and to provide a grade of service no worse than 2% lost calls during peak call hours.

Interconnection

Airtel is required to enter into an interconnection agreement to enable the connection of Airtel's network to any other licensed operator's switched voice telephone network and vice versa. The agreement is required to enable the handing over of messages in either direction between each operator, the use of leased lines and emergency services directory and other services.

Airtel has entered into interconnection agreements with TNM, MTL and ACCESS on the calling party pays principle. The interconnection agreements were revised and the termination rates incorporated by the parties in accordance with MACRA Directive 1 of 2017 setting out maximum call termination rates for wholesale services. In 2018 the parties were paying each other USD0.02 per minute. This has now reduced to USD0.012 per minute and from 1st January 2020 the parties are required to pay USD0.006 per minute for voice traffic.

The interconnection agreements with TNM, ACCESS and MTL are perpetual unless either party ceases to own a telecommunications licence, is declared bankrupt or fails to remedy a breach of the interconnection agreement. Settlement of interconnection fees is done on a monthly basis.

Airtel has also entered into interconnection agreements with its affiliates in India, Congo Nigeria, Tanzania, Uganda, Zambia, as well as MTN South Africa and Belgacom International Services S.A amongst others.

Corporate Social Responsibility (CSR)

Airtel is required under the Licence to carry out corporate social responsibility activities.

In May 2011 Airtel adopted its CSR Policy. The Managing Director is responsible for overseeing the CSR operations. Airtel is committed to implementing its CSR Policy in a structured and formal manner. Airtel is committed to making a real and sustainable impact in the socio-economic development of the communities in which it operates and acknowledges that these communities are critical to its success.

Airtel's social investment activities are geared towards supporting the education and health sectors. This is in acknowledgement of the vital role that these sectors play in the alleviation of poverty and promotion of social cohesion. On top of these Airtel also takes interest in youth and other environmentally conscious initiatives.

Airtel strives to uplift the underprivileged in the society in which it operates through education. One of Airtel's key long-term CSR projects is the Adopt a School project whereby the Company adopted Salima primary School in the central region and Masenjere Primary School in Nsanje and improved the quality of education through the construction of school blocks, provision of desks, teacher and learner materials as well as other educational resources.

The other CSR projects leverage on the use of Airtel's own mobile telecoms technology infrastructure, providing innovative programmes such as the Ministry of Health & Village Reach's Chipatala Cha pa Foni (CCPF) – Health Centre by Phone service and the VSO Malawi's unlocking talent primary school programme for standard 1 and 2 learners.

Airtel encourages its employees to volunteer in corporate social responsibility programmes. Employees are given a day off per year to encourage them to volunteer in corporate social responsibility programmes.

Sponsorship

Airtel is a sponsor of one of the biggest football tournaments in Malawi, Airtel Top 8 that is aimed at supporting growth of local football talent as well as promoting positive habits. The cup features the top 8 teams from the Super League, and they compete to secure the grand prize of MWK15m. The second prize is MWK5mn, with MWK1mn given upfront to all participating teams.

3.2. Country Overview

3.2.1. Key country facts

Total area	**118,484 km²**
Lake Malawi area	24,404 km²
Land area	94,080 km²
Official languages	English, Chichewa
Population	17.6 million
Major cities	Lilongwe: ~1.3 million Blantyre: ~1.1 million Mzuzu: ~0.4 million
Urbanization	15.4%
Nominal GDP (MWK)	5,270 billion
Real GDP growth (%)	4.1%
GDP Per capita (MWK)	281,065
Key industries Contribution to GDP	Agriculture – 48.3%
	Wholesale and Retail – 16%
	Telecommunications – 3.73%
Currency	**Malawi Kwacha (MK)**
Exchange rate MWK/USD	**730.04**

3.2.2. History and Government

Malawi is a Republic State and gained independence from Britain in 1964. The country was a one-party State until a referendum in June 1993, when a 63% majority of voters opted for a multi- party State. The new Malawi constitution which was promulgated in May 1995 enshrines multi-party democracy and a bill of rights and provides for an independent judiciary. Malawi's legal system is largely based on the English common law system. The president and individual members of the 193-seat National Assembly are elected by a simple majority for a term of five years.

The Constitution of the Republic of Malawi guarantees protection of life and property of investors and guarantees right of privacy and effective remedy. The Constitution prohibits discrimination of persons in any form, and all persons are guaranteed equal and effective protection against discrimination on various grounds, including race, colour, ethnic origin or other status or condition. In terms of the Constitution, the Malawi Government and its relevant regulatory authorities (including MACRA) are mandated to actively promote the development of the people of Malawi by progressively adopting policies aimed at achieving sensible balance between creation and distribution of wealth. The right to privacy includes the right to have private communications including all forms of telecommunications not to be interfered with.

The three branches of Government – executive, legislature and judiciary – operate independently. In addition, Malawi is a signatory to a number of international treaties for the protection of foreign investment and settlement of investment disputes including the 1986 Convention establishing the Multilateral Investment Guarantee Agency and the 1965 Convention on the settlement of investment disputes between states and nationals.

3.2.3. Economy

Malawi's emerging free market economy is largely dependent on agriculture. In addition to maize, the major food crop, principal cash crops grown are tobacco, tea, sugar and cotton. Agriculture accounts for approximately 40% of GDP, contributes in excess of 90% of export earnings and provides the majority of the rural population with a means of living. Malawi's agricultural base predominantly comprises of subsistence farmers making the Consumer Price Inflation (CPI) heavily weighted to the food basket at 45% with maize, the country's staple food as the main driver of inflation. Macroeconomic stability from low inflation rates due to good food harvests in the previous years and a stable exchange rate has resulted in lower interest rates.

The table below shows the outlook for key economic indicators:-

	2018	2019f	2020f	2021f
Real GDP growth (%)	4.0	4.1	3.5	4.2
Consumer price inflation (average %)	10.4	9.7	9.2	10.0
Government balance (% of GDP)	-7.3	-6.1	-4.0	-2.7
Current-account balance (% of GDP)	-18.4	-16.2	-15.5	-15.6
Money market rate (average %)	14.5	15.5	13.5	14.5
Exchange rate MWK:USD (average)	732.3	803.5	850.7	898.0

Source: EIU Country Report Malawi, 1st Quarter 2019

According to the EIU, the economic outlook for Malawi is as follows: -

- Policy will focus on promoting private-sector activity via market liberalisation and productive public capital investment while preserving debt sustainability.
- Efforts to contain public spending and introduce revenue-enhancing measures will strengthen after the polls, leading to a gradual reduction in the fiscal deficit, from an estimated 7.3% of GDP in fiscal year 2017/18 (July-June) to 2.3% of GDP in 2022/23.
- Diversification of the agricultural sector (in line with plans to expand cash crop production) and recovery in aid inflows will result in annual average real GDP growth of 4.3% in 2019-23.
- As a proportion of GDP, the current-account deficit will narrow from an estimated 18.4% in 2018 to 14.7% in 2023 as export diversification boosts earnings and local maize production rises (thereby reducing food imports).
- The RBM cut its benchmark policy rate by 150 basis points in January 2019 and is now following an accommodative policy. Given the RBM's revised stance, Airtel expect RBM to maintain lower interest rates throughout 2019-20,
- The RBM will seek to loosen the rate further, but inflation will prove an obstacle to doing so.

3.2.4. Malawi Stock Exchange

The MSE, formed in 1994, operates in Blantyre and has four licensed brokers. The MSE introduced an Automated Trading System (ATS) in June 2018, which replaced the manual trading system. The ATS has seen the introduction of electronically held shares at RBM's CSD department. ATS allows only securities that have been transferred and registered in the CSD to be traded in the ATS. This IPO will utilise the systems in the CSD and subsequent trading will be through the ATS. The investing public will need to open securities accounts through a stock broker in line with the instructions outlined in the Application Form enclosed in the back of this Prospectus. Those that want to trade those shares should ensure that they have a CSD account.

The MSE quotes prices of 14 listed public companies. It is a self-regulatory organization operating under RBM regulation and supervision. The MSE Board consists of Independent directors drawn from the private sector.

The following table presents a summary of the companies listed on the MSE: –

Company	Consumer Services	Current Price (MWK)	Price to Earnings Ratio
Telekom Networks Mw Plc	Telecoms	26.00	15.66
Illovo Sugar Plc	Agriculture	210.00	9.11
Standard Bank Plc	Banking	670.00	14.85
National Bank of Malawi Plc	Banking	390.98	11.50
Press Corporation Plc	Industrial conglomerate	1,400.00	9.16
NICO Holdings Plc	Insurance	48.50	7.77
MPICO Plc	Real Estate	19.50	8.84
ICON Properties Plc	Real Estate	10.00	53.80
Sunbird Plc	Hospitality	118.00	14.86
NBS Bank Plc	Banking	12.01	20.57
Old Mutual Plc*	Insurance	2,500.00	7.14
National investment Trust Plc	Collective investment	75.00	7.12
Blantyre Hotels Plc	Hospitality	12.95	30.92
FMBCH Plc*	Banking	85.00	17.33

*Also listed on the Foreign Share Index

Source: Malawi Stock Exchange (MSE) as at 30 September 2019

According to MSE's September 2019 3rd Quarter Performance Report, the market transacted a total of 209,366,267 shares at a consideration of MWK6,709,006,554.78 (USD9,152,898.07) in 721 trades. In the corresponding period 2018, the market transacted a total of 84,606,501 shares at a total consideration of MWK7,358,084,929.80 (USD10,139,590.24) in 508 trades. This reflects a 147.46% increase in terms of share volume and a -8.82% (-9.73% in US Dollar terms) decrease in share value.

In the same report, daily average share trades exhibited similar trends where the market registered an average daily volume of 3,376,875 shares compared to 1,364,621 shares traded in the corresponding third quarter of 2018.

Aside from standard approved MSE broker commission and handling fees, there are currently no transaction costs payable on the trading of shares on the MSE. Transfers of shares are stamp duty exempt. The MSE is currently excluded from major world-wide investable indices.

Dividends are subject to a 10% withholding tax. Capital gains from the sale of shares listed on the MSE are exempt from tax if such shares have been held for more than a year.

4. GROWTH STRATEGY

4.1. Corporate Growth Strategy

Airtel's key objectives are to grow market share and build an optimal cost structure.

The key factors that underpin its growth ambitions lie in the following:

- Low levels of penetration in voice telephony (current market penetration is at 42.8%)
- Uncovered markets. Some productive rural areas of Malawi are yet to have network coverage.
- Low levels of data penetration, (only 30% of subscriber base are active data users).
- Burgeoning youth market, which represents about 40% of the population
- Proliferation of smartphones and connected devices as enablers to lifestyle evolution. Smartphones on Airtel's network grew at an average of 40% since 2016.
- Underdeveloped infrastructure in the home/SME fixed broadband market.

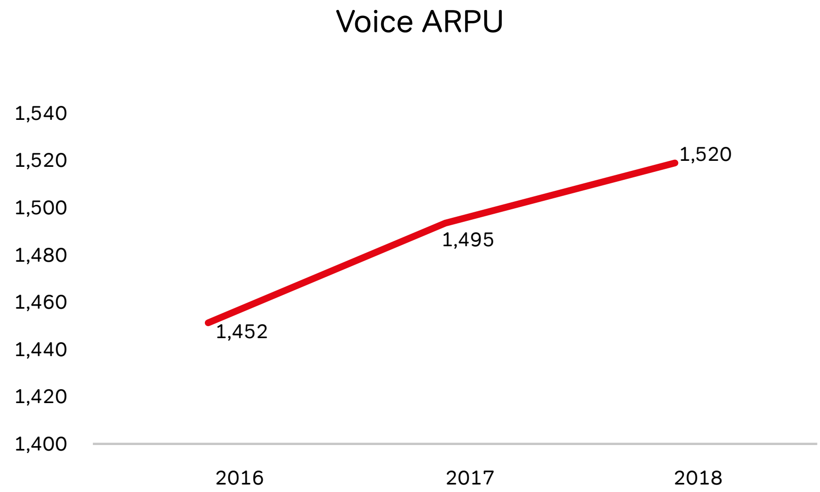
Airtel intends to exploit these opportunities and drive its leadership growth through the following five strategic pillars:

- **Win with more customers,**
- **Win with mobile and fixed data,**
- **Win with network,**
- **Win with right cost design and**
- **Win with people.**

4.1.1. Win with more customers

The focus is on enhancing the reach of Airtel's distribution network. Airtel has a broad distribution infrastructure base with over 39 distributors, 80 wholesalers and 18,000 active retailers across the country. Airtel is currently appointing distribution franchisees to further strengthen its distribution network to get closer to the end user. In line with the law Airtel will simplify the Know Your Customer (KYC) process and broaden the connection touch points to connect more customers to the network. Airtel intends to continue to build a competitive and attractive value proposition to the prepaid mass market segment both in voice and SMS product offering in order to contain the ARPU decline. Airtel also intends to further simplify and design customer friendly postpaid process and distribution mechanisms to foster growth of the segment.

Voice ARPU Trends

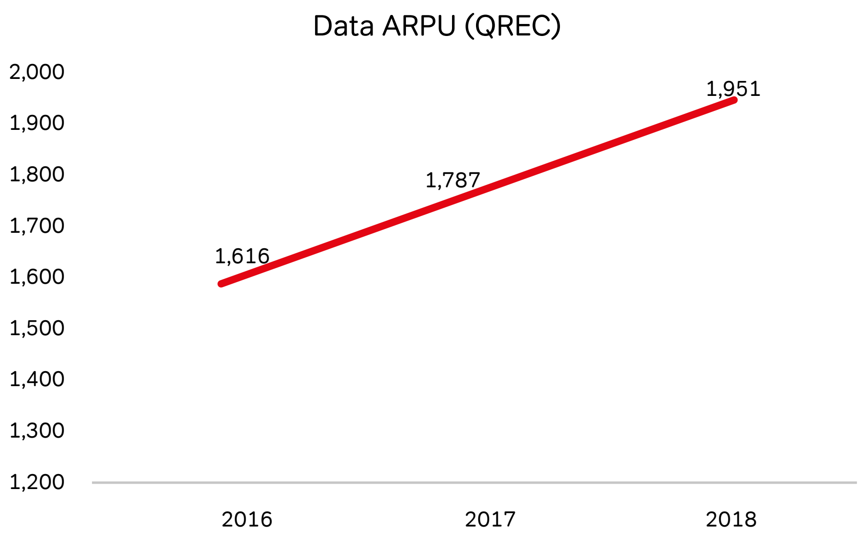


Source: Company estimates

4.1.2. Win with mobile and fixed data

Mobile voice is still key in mobile operators' business due to its current size of contribution. In 2015, data contribution to Airtel's gross revenue was 10% and reached over 20% in 2018 while voice revenue declined from 76% to 63%. Airtel's strategy is to grow its market share for revenues and subscribers with data through expansion of 3G networks to all areas of coverage as well as deepening 4G networks to improve the quality of data experience. Augmenting this on the commercial side, Airtel intends to drive the customer journey from smartphone ownership to data usage on Airtel network. Airtel will continue to innovate in data packages to suit customer lifestyles. The Company will also bring home data solutions to suit growing family needs for data in TV, movies and edutainment space. The enterprise market prefers tailor made connectivity solutions and Airtel's infrastructure is positioned to meet such needs. Data users tend to be high ARPU users and innovating in data solutions will further grow the ARPU of data users from the current trend.

Data ARPU (QREC)



Source: Company estimates
QREC is a data customer that uses at least 1MB in a month

4.1.3. Win with network

Airtel has put in place an aggressive network modernization and expansion programme for its network to reach more people in the country and efficiently. Airtel has rolled out additional 47 new coverage sites and 174 4G sites in 2018 to 2019 and plans to add more rural network coverage sites in 2020. Alongside this Airtel is committed to continuously improve basic uptime and network quality to keep its network reliable. Further, Airtel is building a holistic data capacity enhancement infrastructure in fibre networks to cater for the exploding demand of data. All sites have 3G and all cities and key towns have 4G services.

4.1.4. Win with right cost design.

To remain competitive, Airtel continues to redesign its operations model with zero based budgeting by interrogating every cost baseline and through this Airtel keeps discovering and converting opportunities. In doing this Airtel is driving a cautious mindset in its teams to only streamline those line items that do not impact growth of the business. All of Airtel's sourcing and procurement has been automated and suppliers are well trained. Airtel is optimizing scope and design of contract management as a major source of the cost reduction opportunities thereby producing both current and future cost efficiencies. To further improve cost optimization Airtel is shortening turn-around times for capital expenditure projects for early revenue generation and reduction of capital work in progress (CWIP) ageing. Additionally, Airtel is also working on improving its collection cycle to reduce bad debt.

4.1.5. Win with people

Airtel takes talent management as one of the hallmark of its success. The Company is passionate about making its employees and environment different on a continuous basis. Airtel has a running programme to improve cognitive and functional skills of its employees through continuous assessment of skills and training. Through both on the job training or classroom or Airtel special eLearning programmes employees have a wide array of resources to tap into. Key processes are being automated to improve employee experiences. Airtel has inculcated a performance driven culture among its employees who are always striving for the highest standard in their work.

4.2. Profit forecasts for years ending 31 December 2019 and 2020

In line with achieving the Company's growth strategy, this section outlines profit forecasts for the year ending 31st December 2019 and 2020.

4.2.1. Letter from the Reporting Accountants

The Directors

Airtel Malawi Plc

Airtel Complex, Off Conversion Drive

P.O Box 57

LILONGWE

Deloitte.

Members of the Board

REPORTING ACCOUNTANT'S REPORT ON THE PROFIT FORECAST OF AIRTEL MALAWI PLC

We have examined the profit forecast of Airtel Malawi Plc for the years ending 31 December 2019 and 2020 in accordance with the International Standard on Assurance Engagements (ISAE) 3400, the examination of prospective financial information. The directors are solely responsible for the forecast including the assumptions on which it is based.

Our responsibility is to express an opinion on the reasonableness of the forecast. Since the forecast relates to the future, actual results are likely to be different from the forecast results because events and circumstances frequently do not occur as expected, and the differences may be material.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that the underlying assumptions do not provide a reasonable basis for the forecast. Further, in our opinion, the forecast is properly prepared on the basis of the assumptions and is presented on a basis consistent with the accounting policies normally adopted by Airtel Malawi Plc.

Deloitte

Chartered Accountants

Nkondola Uka

Partner

16 December 2019

4.2.2. Profit forecasts Section 4.95 of the MSELR

Profit forecast for the years ending 31 December 2019 and 31 December 2020

MWK' million	Dec 2019	Dec 2020
Gross revenue	93,455	107,034
Operating expenses	(53,891)	(59,442)
Gross Profit	**39,564**	**47,591**
Depreciation and amortization	(12 354)	(13 095)
EBITDA	**41,840**	**50,273**
EBITDA margin	**44.8%**	**47.0%**
Profit from operating activities	27,211	34,496
Other income	1,965	-
Finance expenses	(2,961)	(1,782)
Profit before tax	**26,214**	**32,714**
Income tax expense	(8,126)	(10,141)
Profit for the year	**18,088**	**22,573**
Capex	22,582	14,275

These projections have been generated based on certain assumptions. Actual results achieved may differ from those projected.

4.2.3. Assumptions underlying the profit forecasts

Airtel has prepared the above profit forecasts for 2019 and 2020 based on the following assumptions:

1. Revenue is projected to increase by 10 % and 15% in 2019 and 2020 respectively. This will mainly be driven by subscriber growth.
2. The entity will expand its investment in distribution and network infrastructure through investment in sites.
3. Data usage is projected to grow annually by 77%. This will mainly be driven by network expansion through broad band base stations.
4. Operating expenses are expected to grow in line with headline inflation rate of between 10% and 15%.
5. Capital expenditure is projected to be at an average of 20% of gross revenue in 2019 and 2020.
6. The effective tax rate is assumed flat at 31 % of profit before tax.
7. The sale of towers to a related party for MWK1.9 billion will go through before 31 December 2019.

5. RISK FACTORS

An investment in the equity of any company entails some level of investment risk. In addition to other information contained in this Prospectus, investors should consider carefully the risks described below before applying for the Shares. The risk factors described below are not an exhaustive list or explanation of all risks which investors may face when making an investment in the Shares and should be used as guidance only. These risks are not the only ones that the Company faces. Additional risks not currently known to the Company or that the Company currently believes to be immaterial may also impair its business operations. The Company's business, financial condition or results of operation could be materially adversely affected by any one or more of these risks. Accordingly, the trading price of the Shares could decline due to any of these risks occurring and investors could lose part or all of their investment. An investment in the Shares involves complex financial risks and is suitable only for investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. **Investors should consult their dealers or brokers, investment advisors, legal advisors, tax advisors, financial advisors, bankers or other relevant professional advisors before they decide to invest in the Shares and should consider carefully whether an investment in the Shares is suitable for them in the light of the information in this Prospectus and their personal circumstances.**

5.1. Business and Industry Risk Factors

5.1.1. The Company faces competition from existing as well as new, known and unknown, players that may enter the market / sector, and this can impact the Company's subscriber base and/or revenue base

Airtel currently faces competition from TNM, Access and more recently from Malawi Telecommunications Ltd. ("MTL") on mobile and fixed telephony and from Skyband, Globe Internet and Simbanet in broadband services. The Company may also face increased competition from non-traditional Over the Top ("OTT") telecom players. In addition, MACRA has implemented converged licensing framework which allows players from other segments of the market e.g. fixed line licence holders to provide mobile services.

Any failure by the Company to compete effectively and match or mitigate its competitors' strategies or their competitive behaviour in pricing their services or acquiring new customers, or failure to continue to invest in capital expenditure to improve and maintain high quality service, could have a material adverse effect on the Company's business, financial condition and results of operations.

5.1.2. Revenue from voice services is declining across the industry globally coupled with an upward trend in data revenue impacting the Company's traditional revenue base

Although the Company has identified data revenue as one of the important drivers for future profit growth and is investing in and upgrading its infrastructure and new consumer propositions in response to this trend, there is no assurance that the Company will successfully monetize the increase in data traffic and any increase in the revenue generated from data services may not be sufficient to offset the substantial capital expenditures required to upgrade the Company's networks to handle increased data traffic coupled with the anticipated decline in voice services revenue. This could have a material adverse effect on the Company's business, financial condition and results of operations.

5.1.3. The Company's revenues are impacted by the interconnection tariffs imposed by MACRA

In 2017, in line with global industry practices MACRA implemented a glide path for interconnection charges of the mobile operators setting a maximum call termination rates of USD0.02 per minute in 2018, falling to USD0.012 per minute in 2019 and USD0.006 per minute in 2020. A significant difference in cost paid out to other operators versus received by Airtel from other operators could affect the revenues of the Company. Further, if MACRA decided to amend the tariffs to implement a glide-path on a differential basis to mitigate the effect of a dominant player this could in turn further impact Airtel's revenues depending on the formula applied. This could have a material adverse effect on the Company's business, financial condition and results.

5.1.4. The Company is dependent on energy to provide its products and services. Any failure in the provision of the required levels of energy could impact its operations

The current state of insufficient supply of energy and challenges in the power transmission distribution process impacts operational costs by increasing usage of diesel fuel generation, impacts operational efficiencies, and limits the lifespan of the Company's equipment. Slow growth in the energy sector could lead to lower GDP and hamper the development of the economy. Slower economic growth in turn may reduce consumer purchasing power and impact the Company's financial results and prospects.

5.1.5. System and network failure due to a number of factors could impact the Company's operations, reputation and financial health

The success of the Company's business depends on providing subscribers with reliable and secure services and making available significant network capacity. The Company has as far as possible put in place, redundancy systems and networks as well as back-up generators in case of electricity outages to manage some of these failures. Failure in the proper operation of the Company's networks and facilities due to a number of factors such as, gateway, network, technology or asset failure or downtime, natural or man-made disruptions or other factors could impact the Company's operations, reputation and financial health.

5.1.6. The Company collects, stores and uses customer data that is protected by law in the ordinary course of its operations increasing its Data Loss risk

Regulatory authorities in Malawi have the right to audit the Company and impose fines if they find it has not complied with applicable laws and adequately protected customer data. Though Airtel continues to invest in its information security controls in response to emerging threats, such as cyber-crime and fraud, and to seek to ensure that controls for known threats remain robust, Airtel cannot be certain that its infrastructure and controls will prove effective in all circumstances and any failure of the controls could result in Airtel failing to detect and react to malicious cyber-attacks, security breaches and data loss, and certain data may be leaked or otherwise used inappropriately. Violation of data protection laws may result in fines, damage to the Company's reputation and customer churn and could have an adverse effect on its business, financial condition and results of operations.

5.1.7. Changes in the legal and regulatory framework could have a material adverse effect on the Company's business, financial condition and results of operations

The telecommunication sector is regulated by MACRA and is subject to extensive and stringent legal and regulatory requirements and a high level of regulatory scrutiny. Changes in the legal and regulatory framework could have material effect on the Company's operations, business and financial performance.

The following is an illustrative list of such changes that pose a risk to the Company's operations:

- Communications (Access and Facilities Service) Regulations 2018
- Communications (Consumer Protection) Regulations 2019
- Communications (Qualities of Service) Regulations 2019
- Communications (Numbering) Regulations 2019
- Communications (Interconnection) Regulations, 2018
- Communications (Tariff) Regulations, 2018
- Universal Service Fund Regulations 2019
- Telephone Subscribers Registration Regulations, 2016

Additional information on the scope of these regulations is provided in section 3.1.6.

5.1.8. Changes to the tax law and the varying interpretations and application of such laws can pose a number of challenges and present uncertainties in the operating environment of the Company

A number of taxes affecting the mobile telecommunications industry have been introduced in recent years, including excise tax of 10% for various mobile services. Changes in taxation rates or laws, tax audits or failure to manage tax risk adequately, could result in disputes, increased charges, financial loss and reputational damage, and could in turn have a negative impact on the Company's financial performance.

5.1.9. The Company does not have direct control over the airtel™ any loss or challenge to its right of use the trademark could result in reputational and financial loss

Airtel relies on the use of the "airtel" trademark under a sub-licence arrangement from one of its indirect holding companies. If the Company directly or through its Affiliate Company should lose the right to the trademark for example through a lapse of the global licence of the Trademark or through a legal challenge on the ownership of the trademark, the Company could suffer reputational damage, lose it brand, lose its customers, or fail to attract new customers which could have an impact on the Company's business, operations and financial condition and prospects.

5.1.10. Actual or perceived health risks or other problems relating to mobile handsets or transmission and/or network infrastructure could lead to litigation or decreased mobile communications usage

The effects of any damage caused by exposure to an electromagnetic field have been and continue to be the subject of careful evaluations by the international scientific community. Whilst to date there is no conclusive scientific evidence of harmful effects on health so far, it cannot be ruled out that exposure to electromagnetic fields or other emissions originating from wireless handsets or transmission infrastructure is not, or will not be found to be, a health risk. The Company's business may be harmed as a result of these alleged or actual health risks.

5.1.11. The Company relies on a number of its affiliates and third-party suppliers (collectively referred to as Third Party Suppliers") to provide its services. Any changes to or breaches of these contracts materially affect the Company's operations

The Company relies on third party suppliers for inter alia network, key equipment and services, international connectivity and roaming and distribution, Malawi Towers for tower services and also depends on its parent company in relation to negotiations with some of its third-party suppliers.

Any significant disruptions, including change of control or sale of assets or other adverse events affecting the Company's or the parent company's relationship with one or more of the Company's third-party suppliers could have a material adverse effect on the Company's operations and financial conditions. The Company is dependent on interconnection with its competitors' networks and associated infrastructure

The Company is focused on retaining good relationships with its major third-party suppliers. However, if any of the foregoing contracts are terminated and/or the Company is unable to renew them on favourable terms or negotiate agreements for replacement services with other suppliers on commercially reasonable terms, this could adversely affect the Company's financial condition, prospects and operations.

5.1.12. A higher proportion of pre-paid customers leaves the Company exposed to high churn rates

Most Airtel customers are pre-paid customers which means they do not sign service contracts, leaving the Company exposed to a high churn rate. The Company's inability to retain existing prepaid subscribers and manage churn levels could have a material adverse effect on its business and its financial results and prospects.

5.1.13. Migration between mobile operators and customer "wallet sharing" can negatively impact the Company's churn rate and, in turn, its revenue and profitability

Increasing levels of affordability of smart and dual-sim phones has increased customer wallet sharing impacting ARPUs of the Company. If the Company is unable to develop strategies to encourage customers to retain it as their primary or sole provider, its revenue foregone due to ARPU sharing may increase, which could have a material adverse effect on the Company's business, financial condition and results of operations.

5.1.14. Rapid and significant technological changes could overtake the Company's current technologies impacting capex expenditure and revenue

The mobile telecommunications market is known for rapid and significant technological change. The Company's technologies, including its 2G, 3G and 4G networks may be overtaken by new technologies such as 5G requiring it to invest in alternative technologies to remain competitive. As new technologies develop, equipment may need to be replaced or upgraded or a mobile telecommunications network may need to be rebuilt in whole or in part at a potentially substantial cost to the Company.

To stay ahead of the competition, the Company has to invest in new technologies which requires high capital expenditure. Such capital expenditures are financed both internally and also through external borrowings. Any failure on part of the Company to get access to favourable terms of financing for such capital expenditure will negatively affect the Company's operational business and financial performance.

5.1.15. The Company operates in a highly competitive industry and the loss of technical knowledge and skills through high turnover of key staff could adversely impact the Company's operations

Experienced and skilled personnel in the telecommunications industry are in high demand and there is continuous competition for their talents. The Company's success depends on the ability and experience of its senior management and other key employees.

While the Company has succession plans and talent development programmes in place and takes other measures aimed at attracting and retaining such personnel, there can be no assurance that the Company will continue to be successful in doing so, or not lose any of its existing key employees. Failure to fill key positions could deter organizational effectiveness and increase labour costs to attract and retain key personnel.

Further, the Company depends on good relations with its employees, and any significant labour disputes or work stoppages may materially adversely affect the Group's business, results of operations, financial condition and prospects.

5.1.16. The availability of spectrum in Malawi is closely regulated and subject to withdrawal or reallocation

The availability of spectrum (the radio frequencies allocated to broadcasters and providers of telecommunications services) is closely regulated in the telecommunications industry. MACRA has the discretion, in certain circumstances, to withdraw or reallocate spectrum, and the Company may not be able to continue to obtain/retain the necessary spectrum for its operations from MACRA or third parties at a competitive price, if at all.

5.1.17. If the Company is unable to successfully defend against disputes or legal actions, it could face substantial liabilities or suffer harm to its financial and operational prospects

The Company is and may in the future, be party to disputes, litigation and other legal proceedings arising from normal business activities. The result of any current or future disputes, litigation or other legal proceedings is uncertain.

Further defending itself against disputes, litigation or other legal proceedings may involve significant expense and diversion of the Company's attention and resources from other matters

5.1.18. The Company may not be able to successfully implement its growth strategy impacting its financial performance

The Company is pursuing a variety of strategies to leverage its strengths and to grow its business. The Company's success in implementing these business strategies could be affected by factors beyond its control, including legal and regulatory changes, deterioration of general macro-economic, social and political conditions in Malawi or other factors that the Company may not be able to anticipate or mitigate. The Company's operations could be adversely affected by natural disasters or other catastrophic events beyond its control. Its past performance should not be relied on as an indication of future performance or growth. If the Company is unsuccessful in implementing its growth strategies, its business, financial condition and results of operations may be adversely affected.

5.1.19. The Company may consider mergers, acquisitions or strategic investments, which could subject it to integration and other risks

The Company, subject to its existing and future contractual obligations, may consider mergers, acquisitions or strategic investments to obtain increased market share or access to new technology exposing the Company to integration risk. These risks could have a material adverse effect on the Company's business, results of operations, financial condition or cash flows, particularly in the case of the acquisition of a larger company or a high number of acquisitions. To the extent that the Company issues shares in connection with future acquisitions, existing shareholders may be diluted and earnings per share may decrease.

5.1.20. Current and future competition laws and dominance requirements can impact the Company's growth and subject to the Company investigations or legal proceedings

The competition laws and related regulatory policies in Malawi generally favour increased competition in the telecommunications industry and may prohibit the Company from making further acquisitions or continuing to engage in particular practices. In addition, under s57 of the Communication Act of 2016, MACRA in consultation with the competition regulators can declare a Telecom licensee as a dominant player and under s58 of the same Act, can impose additional requirements or restrictions on the dominant player which would restrict its operations and could have a material adverse effect on our business, financial conditions, results of operations and prospects.

5.1.21. Occurrence of a contingent liability could make it difficult for the Company to meet its financial

obligations

The Company's operations may be impacted by a number of risks from financial risk such as those arising from legal and regulatory requirements, generally accepted standards of corporate behaviour and materialization of contingent liabilities, internal factors such as processes, personnel, technology and infrastructure and also from external factors such as credit, market. The occurrence of any one or more of these risks could impair the Company's ability to run its business and meet its obligations.

5.1.22. The Company's telecommunications licences, permits and frequency allocations may be suspended, modified or terminated by the regulators affecting the future operations of the business

The terms of Airtel's licence, permits and frequency allocations are subject to finite terms, ongoing review and/or periodic renewal and, in some cases, are subject to modification or early termination or may require renewal with the applicable government authorities. While many of these licences provide for terms on which they may be renewed, there can be no assurance that these business arrangements or licences will in all cases be renewed on equivalent or satisfactory terms, or at all. However, there can be no assurance that the Company will be successful in obtaining or funding these licences, or, if licences are awarded, that they can be obtained on terms satisfactory to Airtel.

5.1.23. The Company could be subject to potential litigation post the sale of its towers disrupting its business

The Company relies on towers to provide its services. Airtel currently owns 90 towers and also relies on third party suppliers in particular MT, an affiliate company, for provision of majority of the tower services. Airtel is expected to dispose of the rest of the towers on its books by the end of 2019. Should there be any breaches of the tower service contracts, dispute, litigation or fallout with the new owner of the towers, this could lead to a disruption of the services the Company provides and impact its operations and business.

5.2. Offer Risk Factors

5.2.1. Airtel is required to offer and maintain local shareholding limits. Any failure to meet its requirements could impact the Company's operations and finances

Section 35 of the Communications Act and Regulation 26(21) of the Communications (Telecommunications and Broadcasting Licensing) Regulations 2016 requires that 20% of the shareholding in Airtel should be held and maintained by Malawians. Through this Offer, Airtel hopes to achieve the first part of the requirements to have 20% of the Company held by Malawians, and this would be subject to ongoing regulatory compliance requirements to maintain the 20% shareholding by Malawians.

5.2.2. There has been no public market for the Shares and there is no guarantee that an active trading market for the Shares will develop and continue after the Listing

If no active trading in the Shares develops or continues after the Offer, this could have a material adverse effect on the liquidity and the market price of the Shares. The Offer Price of the Shares may not be indicative of the prices that will prevail in the secondary market of the Shares after the Offer.

5.2.3. An investment in the share market has no guarantee and the market price of the Shares could be volatile and subject to significant fluctuations due to a variety of factors, some of which do not relate to the Company's financial performance

The market price of the Shares could be subject to a number of factors such as changes in general market conditions, the general performance of the exchange operated by the MSE, changes in sentiment in the market regarding the Shares (or securities similar to them), regulatory changes affecting the Company's operations, variations in its operating results, business developments relating to it or its competitors, the operating and share price performance of other companies in the industries and markets in which the Company, its parent company or affiliate companies operate, speculation about its business or the sector in the press, media or the investment community, or changes in the political, social or economic conditions in and/or outside Malawi.

5.2.4. Retention and exercise of control by the Majority Shareholder could conflict with the interest of other shareholders

The current majority shareholder Bharti Airtel Malawi Holdings B.V. ("Majority Shareholder") currently owns all but 0.001% Shares. It is expected that after the Offer, the Majority Shareholder will be diluted by 20% but will continue to be a majority shareholder in the Company and will have three affiliated board members represented on the Company's Board of Directors. As a result, following the completion of the Offer, the Majority Shareholder is expected to continue to be able to exercise control or influence over the Company's management and affairs.

If the Majority Shareholder's interests conflict with the interests of the Company's other shareholders, those other shareholders could be disadvantaged by the actions that the Majority Shareholder may choose to pursue. In addition, if the Majority Shareholder sells its controlling stake in the Company to another investor, the buyer may have different objectives and pursue a different strategy with respect to the Company's business.

5.3. Country Risk Factors

5.3.1. Changes in the local or global economy could have an adverse effect on the Company's operations

Malawi's economy is predominantly agrarian and largely depends on climate and weather and therefore may not be predictable. Access to foreign exchange is needed to source a significant part of the Company's capital and operational requirements and the availability of foreign exchange is dependent upon demand and prices of agricultural exports (particularly income from sale of tobacco) and continuation of donor support. Uncertainty on the exchange rates could put pressure on the financial performance and profitability of the Company.

The Company is exposed to risks associated with any future downturn in the domestic, regional or global economy. Many of the Company's strategic partners and suppliers, some of whom are based outside of Malawi, may, in the event of a global downturn or a downturn in any specific region, experience financial difficulties that could affect their ability to service the Company in a timely and efficient manner. High rates of inflation may also cause consumer purchasing power to decrease, which may reduce consumer demand for the Company's services. Such reduced demand could in turn have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Whilst Airtel will take every effort to mitigate pressures in case of unfavourable outcomes from the economy, Airtel cannot in this regard assure its performance in the event of such unfavourable outcomes materializing.

5.3.2. Changes in the local or regional political climate could affect the Company's ability to carry out its business

The general elections took place on 21st May 2019 and the ruling Democratic Progressive Party retained power. The elections resulted in polarization amongst the country's political factions with the other major opposition parties, the Malawi Congress Party and the United Transformation Movement contesting the elections in the courts. There have been internment incidences where peaceful demonstrations have turned violent as the post-election demonstrations continue to affect commerce. The indication from the courts is that the case will be closed in the first quarter of 2020. Changes in government and significant and unpredictable changes in national economic policies or laws or political instability in the country could lead the Company not being able to carry out its business as currently envisaged thereby impacting its future operational and financial performance.

5.3.3. Currency mismatch between the revenue and costs of the Company exposes it to financial loss

A significant portion of the Company's operational and financial costs are denominated in foreign currency whilst revenue is in Malawian Kwacha, this exposes the Company to foreign exchange risk. Historically, the Company has not used currency hedging to reduce exposure to fluctuations in the Malawian Kwacha exchange rates against foreign currencies, and it expects to continue not to do so. As a result, there can be no assurance that fluctuations in the exchange rates of the Malawian Kwacha against the foreign currencies will not have a material adverse effect on the Company's business, financial condition and results of operations.

6. STATUTORY DISCLOSURES

6.1. Disclosures relating to the Offer

6.1.1. Authority for the IPO

The Offer was approved by resolutions of shareholders of the Company passed at an extraordinary general meeting on 9 December 2019 and at a Board meeting passed on 9 December 2019. Airtel's provisional listing on the MSE was approved in principle by the MSE in a letter dated 16 December 2019. Final approval by the MSE is expected pending the submission of a formal application by the Company after the receipt and processing of subscriptions.

6.1.2. Allotment policy

a. Allotment policy based on subscription

15% of Airtel Shares are available for sale under the Initial Public Offer. An additional 5% will be available under an over-allotment option. All shares will be allotted on a pro-rate basis, first to Malawians and then to other shareholders

In the event of an undersubscription, underwriters will pick up outstanding shares up to 15% on a pro-rata basis period. Preferential entitlement by Airtel employees under ESOS will not form part of the 15% Offer for Sale. Employees will thereafter be allotted shares above the 15% in line with the number of employees that have taken up their preferential entitlement as outlined in Section 6.1.2b below.

In the event of an oversubscription, Airtel employees will still be given preferential entitlement and allotted shares prior to other applicants under the over-allotment option. Any other outstanding subscriptions will be thereafter allotted after all employees that applied for shares have been allotted. Outstanding over-subscribed Shares will be allotted at the sole discretion of the Directors and do reserve the right to amend the allotment policy as deemed fit having regard to the achievement of a broad and balanced Malawian shareholder base after consultation with the relevant advisors listed.

Multiple applications are discouraged, and the Board has resolved to adopt a share allotment policy that negates the benefits of multiple applications. Multiple applications may be rejected at the sole discretion of the Directors.

b. Preferential entitlement – Airtel Employee Share Ownership Scheme (ESOS)

A preferential entitlement, in aggregate, of up to 165,154,204 ordinary shares worth MWK2,095mn representing 1.5% of Airtel's issued share capital post-issue of the Offer Shares and representing 7.5% of the total shares on offer has been set aside for to full time permanent employees of the Company. Prior to the IPO no employees had any beneficial interests in Airtel's share capital.

ESOS Structure overview

- As an incentive for shares subscribed by full time permanent employees up to 100% of average basic salary for each level (as given in table below), loans will be provided at Preferential interest rates
- For shares above 100% of basic up to 200% of basic, a company loan will be provided at market interest rates

Allocation of shares to full time permanent employees

The following are key items to determine how to allocate shares to full time permanent employees

1. Allocation

A range of the shares could be provided as a recommended minimum at 100% of annual basic or maximum at 200% of annual basic. It will be acceptable if an employee is not interested in buying their share allocation.

2. Additional allocation requests

Full time permanent employees can request for additional allocations of shares over and above their allocation. This is at the sole discretion of the Company whether to grant it or not.

ESOS process flow

1. Application forms:

- Full time permanent employees to indicate how many shares they are applying for
- Customized application forms will be made available to full time permanent employees. The forms will outline the terms and conditions of the ESOS
- All applications under the ESOS will be submitted to the Human Resource Department which will be consolidated and submitted to the Transfer Secretary

2. Loan obligations:

- For the preferential allotment, the Company will provide a loan for up to the 95% value of minimum allocation at 50% of the Lomabrd rate "which is currently at 13.9%."
- Employees must pay 5% upfront.
- For any allocation above the minimum grant value, a loan can be availed but at the full Lombard interest rate.
- If an employee leaves the service of the Company within three years of the listing date for any reason whatsoever, interest on the loan will be recalculated at 100% of the Lombard rate.

3. Employee Trust:

- For security of the loans granted, the MSE has confirmed that the current CSD Platform does not have a Pledge Module to embargo employees from selling their shares on the market when they still have outstanding obligations.
- As an alternative, the Transfer Secretary will set up a Nominee Account which shares issued will be under a lien with Airtel and employees will not be permitted to transfer the shares until the loan is repaid.
- The employees share code in the CSD will be styles as John Doe – CUM AIRTEL NOMMINEES

4. Loan Recovery:

- The loan must be repaid by the employee within 48 months
- Interest and Principal on the loans will be recovered monthly by deduction from full time permanent employee's salaries within 48 months

5. Dividends accrued:

- Until the loan is fully repaid, all dividends accruing on shares acquired using loan finance will be placed in an escrow account.
- On full and final settlement of the loan, the shares along with dividend (and any accumulated interest) will be transferred to employee

6. Oversubscription of the IPO:

If the IPO is oversubscribed unless the employees don't subscribe the preferential allotted shares, the preferential allotment cannot be transferred to open market.

The company shall transfer the non-subscribed preferential allotment at the IPO to the open market

7. Tax Implications:

Any taxes arising out of the shares subscribed under this policy, i.e. perquisite tax on differential interest rate of loan (difference of market rate and subsidized rate), income tax etc, are to be borne by the full-time permanent employees completely.

8. Termination:

On termination of employment for whatever reason the total loan amount (including re-calculated interest, if applicable) will become due and payable to The Company. If, at that time, the employee does not elect to settle amounts due from his/her own resources including termination benefits due, The Company will sell the related shares on the MSE. If the proceeds realised are greater than the amount due, the surplus will be payable to the employee and, if the proceeds are less than the amount due, the shortfall will be recovered from any terminal benefits due to the employee.

6.1.3. Commissions paid

No commissions, discounts or brokerages were paid to any party to this Prospectus for acquiring any shares in Airtel within the three preceding years.

6.1.4. Consents

The advisors and consultants named in the Corporate Information Section on pages 2 and 3 have given and have not withdrawn their respective consent to the issue of this Prospectus with the inclusion herein, where applicable, of their reports, the references to those reports, their names and the references to their names, in the form and context in which these, appear respectively.

6.1.5. Documents available for inspection

Copies of the following may be inspected at the head office of Airtel by prior arrangement with the Company Secretary during usual business hours on any business day, for 28 days from the date of the Prospectus:

- Airtel's memorandum of association and articles of association;
- Airtel Malawi Limited's memorandum of association and articles of association;
- The Certificate(s) of Incorporation and registration;
- Management and Technical Services Agreement dated 26/11/2015 between Bharti Airtel International (Netherlands) B.V. and Airtel and first Addendum dated 4/12/2017 to the Management and Technical Services Agreement dated 26/11/2015
- Framework Loan Agreement dated 15/4/16 and made between Bharti Airtel Mw Holdings BV and Airtel and Amendment dated 29/8/2017 to the Framework Loan Agreement dated 15/4/16;
- Asset Purchase Agreement dated 2019 and made between Airtel and AMCL;
- Management Support Service Level Agreement 2019 and made between Airtel and AMCL;
- Master Tower Sharing Agreement dated 5/9/2014 and made between Airtel and MT;
- Underwriting agreements with Old Mutual Investment Group, NICO Asset Managers Limited and National Bank of Malawi Plc;
- The audited financial statements of Airtel for the five financial years ended 31 December 2014 to 2018 and six months ended 30 June 2019 and the auditors' reports thereon;
- The Reporting Accountants' Report on the Profit Forecast and the historic results of Airtel;
- A written statement signed by the reporting accountants setting out the adjustments made by them in arriving at the figures shown in their report giving the reasons therefor;
- Copies of special resolutions;
- Statement of legal compliance;
- Airtel's Licence;
- Letters of appointments of directors; and
- Written consents of advisers.

6.1.6. Minimum subscription

The minimum subscription required to satisfy the minimum listing criteria as prescribed by the MSE is 30 million shares of an offer value of MWK500m and a minimum of 300 shareholders.

6.1.7. Movement in the authorised and issued share capital

The following table illustrates the changes in Airtel's (authorised share) capital for the past 5 years: -

	Ordinary shares	Nominal value per share (MWK)	Nominal value total (MWK)
Authorised share capital			
Opening balance	1,000,000	1.00	1,000,000
Corporate actions	11,000,000,000	1/11,000	1,000,000
Share split	1:11,000		
Increase in share capital	10,999,000,000	-10,999/11,000	Nil
Total authorised and issued share capital	**11,000,000,000**	**1/11,000**	**1,000,000**

Airtel was incorporated with an authorised share capital of MWK1,000,000 which were originally issued at a nominal value of MWK1.00 per share. A share split was effected at a ratio of 1:11,000 to increase the total number of authorised shares to 11,000,000,000 which have all been issued.

The shares in terms of the IPO will be issued at a value of MWK12.69 per share to reflect the past and future earning capacity of the business.

6.1.8. Controlling shareholder

Assuming the IPO is fully sold Airtel's shareholders pre- and post-IPO will be as follows: -

Shareholder	Before the Offer		After the Offer	
	Number of shares	%	Number of shares	%
Bharti Airtel Malawi Holdings BV	10,999,879,000	99.999%	8,799,879,000	79.999%
J.C. Uneken-van de Vreede	110,000	0.001%	110,000	0.001%
Bharti Airtel Africa BV	11,000	<0.000%	11,000	<0.000%
Public	-	-	2,200,000,000	20%

Post the IPO Bharti Airtel Malawi Holdings BV will have 79.999% direct interest in Airtel.

6.1.9. Offer expenses

The expenses of the Offer and listing, inclusive of VAT are estimated at a minimum of MWK942.4mn and include the following:

Nature of fees	Payable to	Amount (MWK'mn)
Advisor fees		
• Reporting Accountant	Deloitte	42.0
• Legal Advisor	Sacranie Gow & Co	81.0
• Transaction Advisor	Standard Bank Plc	366.4
• Sponsoring Broker	Stockbrokers Malawi	30.0
• Transfer Secretary	Standard Bank Plc	20.0
• Receiving Banks	Refer to Corporate Information	86.5
Underwriting fees	Refer to Corporate Information	244.23
Public relations	Brunswick Group	47.8
Listing fees	MSE	24.4

6.1.10. Options over share capital and loan capital

There are no options over Airtel's stated capital.

By a Framework Loan Agreement dated 15th April 2016 and made between Bharti Airtel Malawi Holdings BV and Airtel as amended by an Amendment dated 29th August 2017 to the Framework Loan Agreement dated 15th April 2016, the sum of USD74.05mn was advanced by Bharti Airtel Malawi Holdings BV to Airtel at the rate of 3 months Libor + 450 bps as margin. On 29th August 2017 the agreement was amended with revised loan amount of USD 78,046,865. The loan is repayable by 31st December 2020. Notes 12 and 16 to the Reporting Accountants' Report in Annexure 4 describes Airtel's current indebtedness at 31st December 2018 including the amount owed to Bharti Airtel Malawi Holdings BV.

By an agreement dated 14th March 2018 and made between Bank of America, Hong Kong Branch and Airtel, the Bank of America has given Airtel a revolving facility of USD40mn at the interest rate of Libor plus 1.05%. The facility is guaranteed by Bharti International (Netherlands) B.V. The facility is repayable by 13th March 2020.

6.1.11. Provisions relating to stated capital in the articles

All issued Shares are fully paid-up, not subject to calls for additional payment of any kind and are in definitive registered physical form. These Shares will be dematerialised once the Shares are listed.

General extracts from the Airtel articles of association are provided in Annexure 5.

6.1.12. Use of Offer proceeds

The sale of 2,200,000,000 Shares at MWK12.69 each will raise up to MWK27.92bn before expenses and will be paid to the major shareholder.

6.1.13. Unissued shares

The Shares subject to the Offer are under the control of the Directors and following the full acceptance of the Offer, 11,000,000,000 shares of MWK12.69 each will be issued and fully paid. No other Shares have been placed under the control of the Directors.

6.1.14. Underwriters and minimum application

The Offer of 1,650,000,000 Shares is fully underwritten for a commission totaling MWK244.28m. The underwriters have no interest in the Company.

The individual underwriting commitments of the Underwriters are disclosed below.

Underwriter	Number of Shares	Amount underwritten (MWK)	% of IPO
Old Mutual Investment Group Limited	1,100,000,000	13,959,000,000.00	66.67%
NICO Asset Managers Limited	293,892,829	3,729,500,000.00	17.81%
National Bank of Malawi Plc	256,107,171	3,250,000,000.00	15.52%
Total	**1,650,000,000**	**20,938,500,000.00**	**100.00%**

More details on the Underwriters can be found in Annexure 3.

6.1.15. Investor relations

Airtel has undertaken to provide fair access of information to its shareholders. Investors are invited to register on Airtel's investor relations page [www.airtel.mw/investor relations] and sign up to receive e-mail alerts on all corporate communications, regulatory announcements, annual reports, and other investment related information in accordance with the MSE Listing Requirements.

6.2. Disclosures relating to the Company

6.2.1. Pending Litigation

Airtel is currently involved in litigation proceedings. As at 30 June 2019 the Company was a defendant in several lawsuits. The plaintiffs are claiming damages 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 MWK4,381 million. In the opinion of the Directors and Company's legal counsel, no material liabilities are expected to crystallize from these law suits. Consequently, a provision of MWK1,090 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's financial records for the period January 2013 to January 2016, there were several charges made against Airtel. The MRA has made claims of additional tax to be paid of MWK5.2 billion, of which MWK2.4 billion is additional tax and MWK2.8 billion as interest and penalties. The charges were contested and subsequently MRA revised the claims of additional tax to MWK1.0 billion and penalty to MWK1.4 billion.

The additional tax of MWK1.0 billion has been conceded and paid and same included in the financial statements. An application to waive the interest and penalties has been made to MRA. No provision relating to interest and penalty has been made.

The estimated litigation material claims have not during the preceding 12 months, had a significant effect on the financial position of the Company, nor is the Board aware that any such proceedings are pending or threatened.

6.2.2. Borrowings

Airtel has the following borrowings as on 30 June 2019 as highlighted in Section 6.1.10

Lender	Type of facility	Amount applied for	Tenor	Pricing	Amount outstanding
Bharti Airtel International BV cum Bharti Airtel Malawi Holdings BV	Unsecured term loan	USD 78.04 million	6 years	Libor plus 450 bps	USD19 million
Bank of America NA, Hong Kong	Unsecured revolving credit facility	USD40 million	2 years	3 month Libor plus 105 bps	USD40 million

6.2.3. Contingent liabilities

The Directors confirm that, other than as disclosed in the Reporting Accountants' Report in Annexure 4, there are no outstanding contingent liabilities which the Directors are aware of and which may have a material effect on the Company's financial position.

6.2.4. Material Adverse Change

There have been no material changes in the trading or financial position of Airtel in the last three financial years which the Company is aware of.

6.2.5. Material contracts

Technical and Management Services Agreement

By virtue of a Management and Technical Services Agreement dated 26th November 2015, between Bharti Airtel International (Netherlands) B.V. and Airtel as amended by the first Addendum dated 4th December 2017, Bharti Airtel International (Netherlands) B.V along with its Airtel Kenya Branch provided various management and technical services for a period of 3 years from 1st April 2015. The agreement lapsed on 31st March 2018 and a second amendment agreement was entered on 13 June 2019.

Other than the contracts described above, there are no material contracts outside the ordinary course of business currently in force or which have subsisted during the prior two years.

6.2.6. Material property leases and location of principal Investments

A schedule of Airtel's material properties/ leases and the location of its main data switch and back up appears below: -

Name	Area (hectares)	Rental per annum MWK	Last date of effective lease	Remaining lease term years
Head Office- Bwaila 40/32*	0.5303 hectares	100	17/05/2075	57 years lease
Head Office- Bwaila 40/33**	0.5649 hectares	100	17/05/2075	57 years lease
Limbe Branch Chichiri 1019	0.2771 hectares		N/A	Freehold
Plot 49/1/2120***		TBA		Lease with Malawi Housing Corporation under negotiations

*MWK100 – per annum to be paid to government as per lease certificate attached to this property
** MWK100 – per annum to be paid to government as per lease certificate attached to this property
***There is no agreed rent as of now as the issue is under discussion between Airtel and MHC.

6.2.7. Authorised business

The business which Airtel is authorized to carry on is unrestricted.

6.2.8. Options

Other than those outlined in 6.1.2, there are no contracts or arrangements or proposed contracts or arrangements, whereby any option or preferential right of any kind was or is proposed to be given to any person to subscribe for any securities.

By an agreement dated November 2018 and made between the shareholders of Airtel, subject to compliance of various conditions precedent, Airtel agreed to increase its authorised share capital to MWK1,250,000 and allot 20% of the share capital to Airtel Employees Welfare Limited. The conditions precedent was not fulfilled. By an agreement dated February 2019 by mutual agreement, the parties agreed to terminate the agreement.

6.2.9. Privacy policy

Airtel periodically sends out promotions and marketing announcements to its subscribers by way of SMS/ e-mail. Airtel uses the identity of registrants to communicate to its subscribers.

Airtel does not sell, rent, loan, trade or lease the addresses on its communications platform to anyone under any circumstances. In addition, the communications server software is configured in such a way as to ensure that the e-mail/ mobile number or identity of Airtel's subscribers are not disclosed to anyone without appropriate court order and in compliance with relevant legislation authority.

6.2.10. Related party transactions

Airtel contracts, directly or indirectly, with its group companies at arm's length in various transactions. It is not practical to record the full nature and extent of all, direct and indirect, interests, however material related party transactions and interests are more fully described in Sections 2.2.3 and the Reporting Accountants' Report in Note 12.

6.2.11. Regulatory disclosure

On 3rd September 2018, MACRA issued notice of breach for failure to comply with 20% local shareholding requirement pursuant to Section 35 of the Communications Act of 2016. Despite showing cause why Airtel should not be punished, MACRA imposed a fine on Airtel on 13th December 2018. MACRA ordered that Airtel should pay the fine of MWK500 million and MWK20 million every 14 days it remains in default of the minimum local shareholding requirement. Airtel negotiated with MACRA to withdraw the fine or reduce it on the ground that it has taken steps towards listing. Aside to this, Airtel also informed MACRA that the MSE had granted Airtel a waiver to submit an application to list using a two-year profit history in lieu of the three-year profit history requirement as per the MSE Listing Rules. However, on 30th July 2019, MACRA upheld the fine and as at 25th July 2019, the total fine payable by Airtel amounted to MWK820 million. On 13th August 2019 Airtel paid the whole amount of MK820million and on this basis requested MACRA to withdraw or minimize the penalty as it will have a severe impact on its reputation and finances. The penalty for the period up to 30 June 2019 amounting to MWK784 million has been accrued in the audited financial statements for the six months ended on that date. Apart from this Airtel also informed MACRA that the MSE has granted Airtel a waiver to submit an application to list using two-year profit history.

6.3. Declarations relating to Directors

6.3.1. Application for shares

Directors are permitted to make direct and indirect applications for shares offered in the IPO but will not receive any preference in the allotment process.

6.3.2. Contracts with Directors

There is no existing or proposed contract between any of the Directors and the Company. No Director currently has entered into or has had any, direct or indirect, beneficial interest in material contracts entered into for the three preceding years.

6.3.3. Details of Directors

Details of other directorships and physical and postal addresses of Directors are shown in Section 2.21.

6.3.4. Remuneration of Directors

The remuneration paid to each Director is approved by the Company in a general meeting. The remuneration payable to each Director in the financial year 2017 and 2018 is as follows-

Director	2017	2018
Plastone Alex Chitsime	Annual Fees of MWK19,400,286.13 Board sitting allowance for each meeting attendance of MWK1,455,140.29 Airtime Credit of USD714	Annual Fees of MWK19,400,286.13 Board sitting allowance for each meeting attendance of MWK1,455,140.29 Airtime Credit of USD714
Charles Mustafa Kamoto	Nil	Nil
Alok Bafna	Nil	Nil
Ian Ferrao	Nil	Nil
Neelesh Pratap Singh	Nil	Nil
Kayisi M'bwana Sadala	Nil	Nil

In line with the Airtel's Governance policy, there is no remuneration for internal directors. There will be no variations in the remuneration being paid by the directors as a consequence of the IPO.

6.3.5. Interest of Directors

As at the date of the prospectus, none of the Directors held any Share in Airtel.

None of the Directors hold any share options or income notes in Airtel as at the date of this prospectus.

None of the Directors has direct or indirect material beneficial interest in any material transactions entered into by Airtel in the last 2 years.

Other than the Managing Director, no other Director is employed by Airtel on a fixed term contract or on a permanent employment basis.

There is no existing or proposed contract between any of the Directors and Airtel.

No payment has been made to any director preceding the date of the issue of the Prospectus as an inducement to become a director.

6.3.6. Equity interests and interests in the promotion of the Company

By virtue of their positions all of the Directors are and will be non-beneficially interested in ordinary shares of the Company pre- and post-IPO as Directors or senior management with regards to being shareholders of Airtel.

No Director has any interest in the promotion of the Company and no sums have been or are to be paid to any Director or promoter in cash or otherwise to induce him to become a member of the Company, or for services rendered by him in connection with the promotion of the Company.

6.3.7. Loans

There are no material loans or guarantees outstanding to any Director of Airtel.

6.3.8. Options

No options to purchase any securities of the Company have been granted to or exercised by a Director within the preceding year.

6.3.9. Pension and compensation for loss of office

No pension or compensation for loss of office is payable to any Director.

6.3.10. Unusual transactions

No Director has an interest in any contract, arrangement or transaction entered into by Airtel which is or was unusual in its nature or conditions or significant in relation to the business of Airtel as a whole and which was affected during the current or immediately preceding financial year or was affected during an earlier financial year and remains in any respect outstanding or unperformed.

6.3.11. Working capital and capital adequacy

As of 30 June 2019, the Company was in a net liability position of MWK42 billion (2018: MWK12 billion) which raises the existence of a material uncertainty and may cast significant doubt about the company's ability to continue as a going concern.

However, the Directors are of the opinion that the Company is a going concern on the basis that the Company: -

- Will generate cash inflows from operations of at least the amount projected in the management's annual operating plan. The generation of sufficient cash flows from operations is driven by and is dependent on management achieving operational targets on subscriber numbers, churn rate and average revenue per user;
- Will obtain some funding from the third parties; and
- The company will be able to obtain from the shareholders any additional funding required to meet its obligations as and when they fall due. A commitment to this effect from the shareholders has been obtained by the company.

The Directors are confident that the funds described above will be available to the Company to support its working capital requirements and the stated capital is adequate to meet its requirements in the foreseeable future.

6.3.12. Responsibility for this Prospectus

The Directors, whose names appear in Section 2 collectively and individually, accept full responsibility and liability for the accuracy of the information given in this Prospectus and certify that, having made all reasonable inquiries, that, to the best of their knowledge and belief, there are no other facts the omissions of which would make any statement in this Prospectus misleading and have duly authorized the undersigned to sign this declaration on their behalf.

Signed on 9th December 2019 by or on behalf of Airtel pursuant to the resolution of the Board dated 9th December 2019.

Plastone Alex Chitsime

Chairman

Charles Mustafa Kamoto

Managing Director

ANNEXURE 1

TERMS AND CONDITIONS OF THE OFFER

Important

Applicants are required to read the information below carefully.

The MSE introduced an Automated Trading System (ATS) in June 2018, which replaced the manual trading system. The ATS has seen the introduction of electronically held shares at RBM's CSD department. ATS allows only securities that have been transferred and registered in the CSD to be traded in the ATS. This IPO will utilize the systems in the CSD and subsequent trading will be through the ATS. The investing public will have to open securities accounts through a stock broker in line with the instructions outlined in this Application Form.

1. **CSD accounts** – Applicants are encouraged to have a CSD account.
   Those that do not have a CSD account will not be able to trade Airtel Shares after the listing of Airtel.

2. **Application forms -** Persons wishing to apply for Shares in Airtel must complete the appropriate Application Form and, where the Applicant does not have a CSD account, they are requested to also complete the CSD Securities Account Opening Form (CSD 1 Form). The Application Form must be completed in accordance with the provisions contained in this Prospectus and the instructions set out in the Application Form and physically handed over to one of the Receiving Bank Branches or registered brokers listed in **Annexure 2** of this Prospectus.

3. **Copies of this Prospectus** with the accompanying Application Form, may be obtained from the registered Brokers and Receiving Banks referred in Annexure 2 of this Prospectus and online at www.airtel.mw;

4. **Save in the case of negligence or willful default** on the part of Airtel, its Advisors or any of the Sponsoring Brokers, neither Airtel, nor any of the Advisors nor any of the Authorized Brokers shall be under any liability whatsoever should an Application Form not be received by the Closing Time on the Closing Date;

5. **An Applicant** shall qualify to apply for Shares in one category only;

6. **Minimum amount of shares** each Applicant shall be eligible to subscribe for a minimum of 500 shares and in multiples of 100 shares thereafter.

7. **Acceptance or rejection**- Airtel reserves the right to accept or reject any application form that has not been completed in compliance with the conditions and instructions contained herein. Nonetheless, presentation of cheques for payment or receipt of funds transferred shall not amount to the acceptance of any Application.

8. **Any material alteration** on the Application Form, other than the deletion of alternatives, must be authenticated by the full signature of the Applicant.

9. **Copies of application** forms will be accepted when validated with funds paid into any of the IPO accounts of the Receiving Banks.

10. **The Receiving Banks** through the branches, a list of which is set out in Annexure 2 will be receiving Applications and payments for the same.

11. **The Receiving Agent** is **Airtel Money**, and all Airtel subscribers that are registered and fully completed their KYC on Airtel Money can use the platform to apply for shares in the IPO.

12. **Estates of a deceased or insolvent person** may not apply for shares. Executors, trustees and individual partners may apply for shares in their own name.

13. **Discrepancies** between the number of shares applied for and the value thereof, will be adjusted to the value received for the application at the sole discretion of the Company.

14. **If no bank details or invalid bank details** are provided on the application form, refund cheques will be posted to the applicant's address which the application submitted on the application form.

15. **Irrevocability.** After the closure of the offer period applications are irrevocable.

16. **Late applications** will not be considered.

17. **Applications on behalf of Minors** and people under legal incapacity should be done by their legal representatives.

18. **Multiple applications are discouraged.** All applications received from a single application will be aggregated and treated as a single application or rejected at the sole discretion of the Directors.

19. **No documentary evidence of capacity** to apply need accompany the application. Airtel reserves the right to call upon any applicant to submit any evidence in support of an applicant's authority to sign the application in a representative capacity. Shareholders will be able to obtain a statement from their appointed broker.

20. **Nominee organizations** may apply on behalf of their clients on one application form but must attach in a separate schedule, the name, address, country of residence and number of shares applied for by each beneficial owner. The schedule must be accompanied by a declaration of the nominee organizations that Know Your Customer (KYC) procedures have been completed satisfactorily in line with Financial Crimes Act No. 14 of 2017.

21. **Payee:** Payments must be made in Kwacha in favour of "Airtel IPO" and submitted to any of one of the receiving bank branches or agencies set out in Annexure 2 no later than 5:00 pm on 31 January 2020

    - The completed application form must be submitted with the requisite cash bank transfers, bankers draft or banker's cheque payments drawn on an operating licensed Malawian bank
    - Where an application is for an amount of less than **MWK100mn (MWK100,000,000)**, payment may be made by way of a bankers' cheque. All bankers' cheques should be drawn on a commercial bank which is a member of the RBM Clearing House
    - For an application above **MWK100mn (MWK100,000,000)**, payments must be remitted to the Receiving Bank through Electronic Funds Transfer (EFT) or Real Time Gross Settlement (RTGS) and should be made payable to the Issuer's account number as specified in the Application Form
    - Applicants must ensure that payments through a bankers' cheque/draft are cleared before the close of the Offer on 31 January 2020

22. **Confirmation slips** at the base of the application form will be given to Applicants following submission of a completed Application Form and the required application money. The receipt and appropriate identification will be required in order for the Transfer Sectary to authorize the CSD to transfer the duly allotted Airtel Shares to applicants or where applicable to refund cheques, if any, from the bank branch through which the application was submitted

23. **Refunds** In the event of rejection of an application, in whole or acceptance for a lesser number of shares than that applied for, refund payments will, subject to 14 above, be made by Airtel to the bank account details as provided on the application form within 14 days of the close of the Offer.

24. **Waiver of conditions.** Airtel reserves the right to alter, relax or waive any of the terms and conditions with respect to share applications as in its sole discretion, may deem fit.

25. **Malawian Nationality.** Every Applicant is required to tick the appropriate box on the Application Form to confirm that he/she is a national;

26. **CSD Account**

    - Applicants are encouraged to open a CSD Account. To open a CSD Account, individual Applicants will be required to complete a CSD Securities Account Opening Form (CSD 1 Form) available from any Sponsoring Broker under Annexure 2 of this Prospectus.
    - Applicants with CSD accounts will only receive issued Shares in electronic or book entry form by way of a credit to their CSD Accounts with the allocated number of Shares.
    - In the case of Joint Applications, the Joint Applicants should have a CSD account in the name of the Joint Applicants;
    - The Sponsoring Broker on behalf of the Issuer will authorise the CSD to credit the respective CSD accounts with the number of Shares allocated to each Applicant within the dates set out in the Offer Timetable;
    - Upon the Applicants CSD Accounts being credited with the issued Shares, each Shareholder in the Issuer shall be capable of dealing with their issued Shares through the CDS; and
    - On acceptance of any Application, the Directors will, as soon as possible after the fulfilment of the conditions relating to Applications and completion of the Application Form, register the allocated Shares in the name of the Applicant concerned;

27. **Notification of allocation -** All Applicants will be notified by letter through the details provided on the Application Form, of

the results of the Offer and the allocation of Shares on the results announcement date in the Offer Timetable.

28. **Foreign jurisdiction.** This Prospectus does not constitute an offer in any jurisdiction in which it is illegal to make such an offer. In such circumstances, this Prospectus and attached Application Form are for information purposes only.

29. **Foreign based Malawian investors** should attach a copy of their Malawian passport and swift confirmation of their funds transfer supporting their application together with their original application form and ensure funds are credited to the appropriate account prior to the closing of the Offer through close liaison with: -

30. **Foreign application funds** will be held in trust in a USD denominated account pending announcement of the results of the Offer.

31. **Interest** will not be paid on any monies held in the trust, whether refunded or utilized for the purchase of Shares.

32. **The number of shares** being applied for by Malawian foreign investors shall be determined on the basis of the ruling RBM mid-rate on the closing Date of the Offer rounded down to the nearest 100 shares.

33. **Refunds to Malawian foreign investors,** if applicable will be determined on the basis of the ruling RBM mid-rate for USD on the Closing Date of the Offer.

34. **WARNING:** Direct transfers to bank accounts of refund amounts due or subsequent dividends are only possible if name of applicant and name of bank account are identical.

ANNEXURE 2

RECEIVING BANKS AND BRANCHES

Standard Bank Plc

Balaka Service Centre P.O. Box 306, Balaka Tel: +265 (1) 552 422 Fax: +265 (1) 552 593 sbmw.balaka@standardbank.co.mw	**Gateway Mall Service Centre** P.O. Box 522, Lilongwe Tel: +265 (1) 762002 Fax: +265(1) 755738	**Mponela Service Centre** P.O. Box 109, Mponela Tel: +265(1) 286422 Fax: +265(1) 286381 sbmw.mponela@standardbank.co.mw
Blantyre branch P.O. Box 1297, Blantyre Tel: +265 (1) 820222 Fax: +265 (1) 824107 sbmw.blantyre@standardbank.co.mw	**Ginnery Corner branch** P.O. Box 30050, Blantyre 3 Tel: +265 (1) 871255 Fax: +265(1) 786497 sbmw.ginnerycorner@standardbank.co.mw	**Mwanza Service Centre** P.O. Box 158, Mwanza Tel: +265(1) 432341 Fax: +265(1)432351 sbmw.mwanza@standardbank.co.mw
Bwaila Service Centre P.O. Box 26, Lilongwe Tel: 265 (1) 724616 Fax: 265 (1) 724614 sbmw.bwaila@standardbank.co.mw	**Kanengo Service Centre** P.O. Box 40137, Kanengo Tel: +265(1) 711770 Fax: +265 (1) 711740	**Mzimba Service Centre** P.O. Box 138, Mzimba Tel: +265(1) 342400 Fax: +265(1)342466 sbmw.mzimba@standardbank.co.mw
Capital City branch P.O. Box 30386, Lilongwe 3 Tel: +265 (1) 770988 Fax: +265 (1) 773497 sbmw.capital@standardbank.co.mw	**Karonga Service Centre** P.O. Box 44, Karonga Tel: +265(1) 362455 Fax: +265 (!)362 433 sbmw.karonga@standardbank.co.mw	**Mzuzu branch** P.O. Box 104, Mzuzu Tel: +265(1) 312366 Fax: +265(1)312574 sbmw.mzuzu@standardbank.co.mw
Chichiri Service Centre P.O. Box 32070, Blantyre 3 Tel: +265 (1) 878170 Fax: +265(1)873462 sbmw.chichiri@standardbank.co.mw	**Kasungu Service Centre** P.O. Box 100, Kasungu Tel: +265(1) 253225 Fax: +265(1)253570 sbmw.kasungu@standardbank.co.mw	**Mzuzu Digital** P.O. Box 104, Mzuzu Tel: +265(1) 312375 Fax: +265(1)312574
City Mall Service Centre P.O. Box 32070, Lilongwe Tel: +265 (1) 754605 Fax: +265 (1) 754606 sbmw.citymall@standardbank.co.mw	**Lilongwe branch** P.O. Box 522, Lilongwe Tel: +265 (1) 755277 Fax: +265(1) 755738 sbmw.lilongwe@standardbank.co.mw	**Nchalo Service Centre** P.O. Box 30050, Blantyre 3 Tel: +265(1) 424417 Fax: +265(1)424333 sbmw.nchalo@standardbank.co.mw
Corporate Banking Centre P.O. Box 1353, Blantyre 3 Tel: +265 (1) 870802 Fax: +265 (1) 876591 sbmw-cbc@standardbank.co.mw	**Limbe branch** P.O. Box 5091, Limbe Tel: +265(1) 01 840166 Fax: +265(1) 844406 sbmw.limbe@standardbank.co.mw	**Ntcheu Service Centre** P.O. Box 312, Ntcheu Tel: +265(1) 235455 Fax: +265(1)235332 sbmw.ntcheu@standardbank.co.mw
Dedza Service Centre P.O. Box 5, Dedza Tel: +265 (1) 223346 Fax: +265 (1) 223634 sbmw.dedza@standardbank.co.mw	**Luchenza Service Centre** P.O. Box 154, Limbe Tel: +265(1) 476448 Fax: +265(1)476078 sbmw.luchenza@standardbank.co.mw	**Salima branch** P.O. Box 26 Salima Tel: +265(1) 262544 Fax: +265(1)262024 sbmw.salima@standardbank.co.mw

Dwangwa Service Centre P.O. Box 62, Dwangwa Tel: +265 (1) 295255 Fax: +265 (1) 295525 sbmw.dwangwa@standardbank.co.mw	**Mangochi Service Centre** P.O. Box 106, Mangochi Tel: +265(1) 594377 Fax: +265(1) 594764 sbmw.mangochi@standardbank. co.mw	**Zomba branch** P.O. Box 302, Zomba Tel: +265(1) 524144 Fax: +265(1)524088 sbmw.zomba@standardbank.co.mw

NBS Bank Plc

Mzuzu Service Centre P.O. Box 315, Mzuzu Tel: + 265 (0) 1 312 171 Fax: + 265 (0) 1 312 036 mzuzu.servicecentre@nbs.mw	**Rumphi Service Centre** P.O. Box, 137, Rumphi Tel: + 265 (0) 1 372 481 rumphi.servicecentre@nbs.mw	**Kanengo Service Centre** P.O.Box 30350, Lilongwe 3 Tel: + 265 (0) 1 710 560 kanengo.servicecentre@nbs.mw
Mzimba Service Centre P.O. Box 46, Mzimba Tel: + 265 (0) 1 342 335 Fax: + 265 (0) 1 342 500 mzimba.servicecentre@nbs.mw	**Karonga Service Centre** P.O Box 399, Karonga Tel: +265 (0)1 362 549 Fax: +265 (0)1 362 521 karonga.servicecentre@nbs.mw	**Kamuzu International Airport** Service Centre P.O. Box 30350, Lilongwe 3 Tel: +265 (0) 1 700 411 Fax: +265 (0) 1 700 481 kia.servicecentre@nbs.mw
Nkhotakota Service Centre P.O. Box 46, Nkhotakota Tel: + 265 (0) 1 292 677 Fax: + 265 (0) 1 292 687 nkhotakota.servicecentre@nbs.mw	**Mchinji Service Centre** P.O.Box 227, Mchinji Tel: + 265 (0) 1 242 464 Fax: + 265 (0) 1 242 464 mchinji.servicecentre@nbs.mw	**Riverside Service Centre** P.O. Box 829, Lilongwe Tel: + 265 (0) 1 750 175 Fax: + 265 (0) 1 750 175 riverside.servicecentre@nbs.mw
Dedza Service Centre P.O. Box 160, Dedza Tel: + 265 (0)1 223 036 Fax: + 265 (0)1 223 199 dedza.servicecentre@nbs.mw	**Ntchisi Service Centre** P.O Box 28, Ntchisi Tel: + 265 (0) 1 285 418 Fax: + 265 (0) 1 285 211 ntchisi.servicecentre@nbs.mw	**Salima Service Centre** P.O Box 350, Salima Tel: + 265 (0) 1 262325 Fax: + 265 (0) 1 262633 salima.servicecentre@nbs.mw
Nkhata Bay Service Centre P.O. Box 29, Nkhata Bay Tel: + 265 (0) 1 352 455/448 Fax: + 265 (0) 1 352 429 nkhatabay.servicecentre@nbs.mw	**Kasungu Service Centre** Private Bag 70, Kasungu Tel: +265 (0)1 253 797 Fax: +265 (0)1 253 230 kasungu.servicecentre@nbs.mw	**Liwonde Service Centre** P.O. Box 137, Liwonde Tel: + 265 (0) 1 542 145 Fax: + 265 (0) 1 542 164 liwonde.servicecentre@nbs.mw
Chitipa Service Centre P.O.Box 33, Chitipa Tel: + 265 (0) 382 425 Fax: + 265 (0) 382 425 chitipa.servicecentre@nbs.mw	**Lilongwe Service Centre** P.O. Box 829, Lilongwe Tel: +265 (0)1 750 175 Fax: +265 (0)1 750 335 lilongwe.servicecentre@nbs.mw	**Blantyre Service Centre** P.O. Box 466, Blantyre Tel: +265 (0)1 824 266 Fax: +265 (0)1 822 716 blantyre.servicecentre@nbs.mw

Dwangwa Service Centre P.O. Box 98, Nkhotakota Tel: + 265 (0)1 295 101 Fax: + 265 (0)1 295 277 chitipa.servicecentre@nbs.mw	**Capital City Service Centre** P.O. Box 30350, Lilongwe 3 Tel: +265 (0)1 774 400 Fax: +265 (0)1 773 963 capitalcity.servicecentre@nbs.mw	**Ginnery Corner Service Centre** P.O. Box 30645, Chichiri Blantyre 3 Tel: +265 (0)1 871 554 Fax: +265 (0)1 875 485 ginco.servicecentre@nbs.mw
Zomba Service Centre P.O. Box 401, Zomba Tel:+265 (0)1 525 641 Fax: +265 (0)1 525 073 zomba.servicecentre@nbs.mw	**Mangochi Service Centre** P.O. Box 298, Mangochi Tel: +265 (0)1 594 608 Fax: +265 (0)1 594 284 mangochi.servicecentre@nbs.mw	**Limbe Service Centre** P.O. Box 51277 Limbe Tel: + 265 (0) 1 840 999 Fax: + 265 (0) 1 842 383 limbe.servicecentre@nbs.mw
Mulanje Service Centre P.O. Box 325, Mulanje Tel: +265 (0)1 466 367 Fax: + 265 (0)1 466 286 mulanje.servicecentre@nbs.mw	**Chichiri Mall Service Centre** P.O. BOX 32251, Chichiri Blantyre Tel: + 265 (0) 1 877 799 Fax: + 265 (0) 1 877 955 chichiri.servicecentre@nbs.mw	**Nchalo Service Centre** P.O. Box 466, Blantyre Tel: + 265 (0) 1 424 261 Fax: + 265 (0) 1 424 261 Email: nchalo.servicecentre@nbs.mw
Ntcheu Service Centre P.O. Box 164, Ntcheu Tel: + 265 (0) 1 235 777 Fax: + 265 (0) 1 235 777 ntcheu.servicecentre@nbs.mw	**Neno Service Centre** P.O Box 466 Tel: + 265 (0) 1 824 266 Fax: + 265 (0) 1 822 716 neno.servicecentre@nbs.mw	**Balaka Service Centre** P.O Box 531 Tel: +265 (0) 1 552 117/118 Fax: +265 (0) 1 552 212 balaka.servicecentre@nbs.mw
Mponela Service Centre P.O. Box 90, Mponela Tel: + 265 (0)1 286 104 mponela.servicecentre@nbs.mw		

National Bank of Malawi Plc

Capital City Service Centre P.O. Box 90, Mponela Tel: + 265 (0)1 286 104 mponela.servicecentre@nbs.mw	**Chichiri Service Centre** P.O. Box 30365 Chichiri Blantyre 3 Tel + 265 (0) 1 870 189 Fax + 265 (0) 1 871 168 chichiri@natbankmw.com	**Salima Agency** P.O. Box 123 Lilongwe Tel +265 (0) 1 262 811 lilongwe@natbankmw.com
Customs Road Service Centre P.O. Box 5054 Limbe Tel +265 (0) 1 844 884 Fax +265 (0) 1 845 469 customs@natbankmw.com	**Kasungu Service Centre** P.O. Box 228 Kasungu Tel +265 (0) 1 253 308 Fax +265 (0) 1 253 692 kasungu@natbankmw.com	**Nchalo Agency** P.O. Box 947 Blantyre Tel +265 (0) 1 428 252 vicavenue@natbankmw.com
Karonga Service Centre P.O. Box 95 Karonga Tel +265 (0) 1 362 326 Fax +265 (0) 1 362 431 karonga@natbankmw.com	**Mangochi Service Centre** P.O. Box 43 Mangochi Tel +265 (0) 1 594 315 Fax +265 (0) 1 594 595 mangochi@natbankmw.com	**Liwonde Agency** P.O. Box 13 Zomba Tel +265 (0) 1 542 866 zomba@natbankmw.com

Lilongwe Service Centre P.O. Box 123 Lilongwe Tel +265 (0) 1 758 052 Fax +265 (0) 1 752 940 lilongwe@natbankmw.com	**Mzuzu Service Centre** P.O. Box 20 Mzuzu Tel +265 (0) 1 312 500 Fax +265 (0) 1 312 467 mzuzu@natbankmw.com	**Mzimba Agency** P.O. Box 20 Mzuzu Tel +265 (0) 1 343 245 mzuzu@natbankmw.com
Mulanje Service Centre P.O. Box 19 Mulanje Tel +265 (0) 1 466 345 Fax +265 (0) 1 466 406 mulanje@natbankmw.com	**Zomba Service Centre** P.O. Box 13 Zomba Tel +265 (0) 1 524 717 Fax +265 (0) 1 524 749 zomba@natbankmw.com	**Thyolo Agency** P.O. Box 5054 Limbe Tel +265 (0) 1 473 234 customs@natbankmw.com
Victoria Avenue Service Centre P.O. Box 947 Blantyre Tel +265 (0) 1 821 010 Fax +265 (0) 1 820 965 vicavenue@natbankmw.com	**Kanengo Agency** P.O. Box 30317 Capital City, Lilongwe 3 Tel +265 (0) 1 710 193 capitalcity@natbankmw.com	**South End Agency** P.O. Box 123 Lilongwe Tel +265 (0) 1 727 188 lilongwe@natbankmw.com
Chichiri Shopping Mall Agency P.O. Box 30365 Chichiri Blantyre 3 Tel +265 (0) 1 877 833 chichiri@natbankmw.com	**KIA Agency** P.O. Box 30317 Capital City Lilongwe 3 Tel +265 (0) 1 700 772 capitalcity@natbankmw.com	**Chileka Airport Agency** P.O. Box 947 Blantyre Tel +265 (0) 1 692 392 vicavenue@natbankmw.com
Mchinji Agency P.O. Box 123 Lilongwe Tel +265 (0) 1 242 236 lilongwe@natbankmw.com		

First Capital Bank Plc

Head Office First Floor, Livingstone Towers Glyn Jones Road Private Bag 122 Blantyre, Malawi +265 1821955/942/943	**Limbe Branch,** First Capital Bank Plc Churchill Road P.O. Box 51938 Limbe, Malawi +265 1 846 262	**Kanengo Agency** Chief M'mbelwa House P.O. Box 30890 Capital City Lilongwe 3, Malawi 1710340
Blantyre Branch Livingstone Towers Glyn Jones Road Private Bag 122 Blantyre, Malawi +265 1 827 093	**Capital City Branch** Chief M'mbelwa House P.O. Box 30890 Capital City Lilongwe 3, Malawi +265 1 772 449	**Area 2 Agency** Private Bag 85 Lilongwe, Malawi +265 1 727 386

Lilongwe Branch Old Kandodo Building Kamuzu Procession Road Private Bag 85 Lilongwe, Malawi +265 1 753 668	**Mzuzu Branch** Orton Chirwa Avenue Private Bag 158 Mzuzu +265 1 312 964	**First Corporate Service** Livingstone Towers Glyn Jones Road Private Bag 122 Blantyre, Malawi +265 1 842 365
Zomba Branch Kamuzu Highway Road P.O. Box 314 Zomba, Malawi +265 1 527 254	**Area 25 Agency** Area 25C, Behind St Francis Catholic Parish Lilongwe +265 1 715 118	**Crossroads Agency** Crossroads Complex Along Kamuzu Procession Road Private Bag 85 Lilongwe +265 1 752 090
Dedza Agency P.O box 331 Dedza +265 1 223 070	**Gateway Mall Agency** Private Bag 85 Lilongwe +2651 761 692	**Karonga Agency** P.O box 314 Karonga +265 1 710 340
Kasungu FMB Agency Next to Kasungu Seventh-Day Adventist Church P.O. Box 342 Kasungu +265 1 253 066	**Likuni Agency** Likuni Road Opposite Energem Filing Station P/Bag 85 Lilongwe +265 1 766 246	**Liwonde Agency** Bakili Muluzi Highway P O Box 195 Liwonde +265 1 542 599/542 211
Mangochi Agency Bakili Muluzi Highway P.O. Box 41 Mangochi +265 1 594 926	**Mchinji Agency** P.O. box 220 Mchinji +265 1 242 478	**Nkhatabay Agency** P.O. box 19 Nkhatabay +265 1 352 288
Mitundu Agency Private Bag A71 Lilongwe	**Mponela Agency** P.O. box 255 Mponela +265 1 286 475	**Mulange Agency** FMB Building Chitakale Limbe – Muloza Road P.O. box 444 Mulanje +265 1 466 706
Ndirande Agency P.O. box 2044 Ndirande Blantyre +265 1 687 155	**Rumphi Agency** P.O. box 135 Rumphi +265 1 372 577	**Salima Agency** Behind Mwambiya Towers P.O. Box 319 Salima +265 1 262 899
Mzimba Agency P.O. Box 143 Mzimba Malawi +265 01 342 461/3420285	**Dwangwa Agency** P.O. Box 19 Dwangwa Malawi +265 01 295 309	**City Mall Agency** Private Bag 85 Lilongwe Malawi +265 01 756 413

Chichiri Agency Chipembere Highway Private Bag 122 Blantyre Malawi +265 01 873 916		

FDH Bank Limited

Umoyo House Service Centre P.O. Box 512 Umoyo House, Victoria Avenue Blantyre Tel: +265 (0)1 832377 Fax: +265 (0)1 823044 umoyo@fdh.co.mw Service Centre Manager: Michael Mavuka MMavuka@fdh.co.mw	**City Centre Service Centre** P.O. Box 30432 Centre Arcade Lilongwe Tel: +265 (0)1 774609 Fax: +265 (0)1 770528 citycentre@fdh.co.mw Service Centre Manager:Louis Chamoto Lchamoto@fdh.co.mw	**Bwaila Service Centre** Mangochi Building P.O. Box 1555 Lilongwe Tel: +265 (0) 885503842 bwaila@fdh.co.mw Service Centre Manager: Getrude Chibweya Gchibweya@fdh.co.mw
Old Town Service Centre P.O. Box 1372 Lilongwe Tel: +265 (0)1 757445 Fax: +265 (0)1757446 oldtown@fdh.co.mw Service Centre Manager: Mary Likoya Mlikoya@fdh.co.mw	**Mzuzu Highway Service Centre** P.O. Box 402 Mzuzu Orton Chirwa Avenue Tel: +265 (0)1 311 290 Fax: +265 (0)1 311 289 mzuzu@fdh.co.mw Service Centre Manager: Charles Kalindekafe Ckalindekafe@fdh.co.mw	**Karonga Service Centre** Bank Street, New Town P.O. Box 440 Karonga Tel: +265 (0)1 362 400/413 Fax: +265 (0)1362 417 karonga@fdh.co.mw Service Centre Manager: Henderson Mkandawire Hmkandawire@fdh.co.mw
Mangochi Service Centre P.O. Box 285 Mangochi Tel: +265 (0) 1 593 111 Fax: +265 (0)1 593 117 mangochi@fdh.co.mw Service Centre Manager: Gedson Kankuwe Gkankuwe@fdh.co.mw	**Nchalo Service Centre** P.O. Box 12 Nchalo Tel: +265 (0) 1 424407/418 Fax: +265 (0)1 424489 nchalo@fdh.co.mw Agency Officer: Winnie Gondwe Wgondwe@fdh.co.mw	**Mponela Service Centre** P.O. Box 31 Mponela Tel: +265 (0) 1 286 466/484 Fax: +265 (0)1 286360 mponela@fdh.co.mw
Blantyre Service Centre P.O. Box 521 Blantyre FDH House, Victoria Avenue Blantyre@fdh.co.mw Tel: +265 (0)1 831 218 Fax: +265 (0)1 831 2174 Service Centre Manager: Fanizo Chinkombero Fchinkombero@fdh.co.mw	**Limbe Service Centre** Private Bag 5395 Limbe Tel: +265 (0)1 846 364/365/366 Fax: +265 (0)1 846 367 Pmwale@fdh.co.mw Service Centre Manager: Penelope Mwale	**Ntcheu Service Centre** P.O. Box 7 Ntcheu Tel: +265 (0)1 235 227 Fax: +265 (0)1 235 227 Dkambadya@fdh.co.mw Team Leader: Diana Kambadya

Phalombe Service Centre C/O FDH Head Office P.O. Box 512 Blantyre Tel: +265 (0)1 480 111/203 Fax: +265 (0)1 480 203 Vbwanali@fdh.co.mw Agency Officer: Victor Bwanali	**Zomba Main Service Centre** P.O. Box 893 Zomba Tel: +265 (0) 1 526 278 Fax: +265 (0) 526278 Jbandawe@fdh.co.mw Service Centre Manager: Joy Bandawe	**Lunzu Service** C/O FDH Head Office P.O. Box 512 Blantyre Tel: +265 (0) 1 1162 0369 Fax: +265 (0)1 694 493 Cnthara@fdh.co.mw Service Centre Manager: Chimwemwe Nthara
Balaka Service Centre P.O. Box 315 Balaka Tel: + 265 (0) 1 543 399 Fax: + 265 (0) 1 543 399 AKuyewawa@fdh.co.mw Agency Officer: Alfred Kuyewawa	**Mwanza Service Centre** P.O. Box 230 Mwanza Tel: +265 (0) 1 432 343 Fax: +265 (0)1 432 343 MMalikebu@fdh.co.mw Agency Officer: Mercy Malikebu	**Chichiri** P.O. Box 30187 Chichiri, Blantyre 3 Tel: +265 (0) 1 874 440 Service Centre Manager: Julia Mvula JMvula@fdh.co.mw
Chitipa Service Centre P.O. Box 42, Chitipa Tel: + 265 (0) 1 382 306 Bphuwani@fdh.co.mw Agency Officer: Blessings Mphuwani	**Gateway Mall Service Centre** P.O. Box 1372 Lilongwe Tel: 265 (0) 1 762 752 gateway@fdh.co.mw	**Mulanje Service Centre** P.O. Box 149 Mulanje Tel: + 265 (0) 1 466 566 TChiwambo@fdh.co.mw Agency Officer: Tinason Chiwambo
Liwonde Service Centre P.O. Box 49, Liwonde Tel: + 265 (0) 1 542 298 TMathanga@fdh.co.mw Agency Officer: Tinyade Mathanga	**Ntaja Service Centre** C/O FDH Head Office P.O. Box 512 Blantyre Tel: + 265 (0) 1 554 780 Wmukundi@fdh.co.mw Agency Officer: Wanangwa Mkundi	**Rumphi Service Centre** P.O. Box 402 Mzuzu Tel: + 265 (0) 1 330 365 CMwafulirwa@fdh.co.mw Agency Supervisor: Corness Mwafulirwa
Cross Roads Service Centre P.O. Box 30432 Lilongwe Tel: +265 (0) 1 750 875 PIshmael@fdh.co.mw Team Leader: Priscilla Ishmael	**Thyolo Service Centre** C/O FDH Head Office P.O. Box 512 Blantyre Tel: + 265 (0) 1 473 493 RChunga@fdh.co.mw Agency Officer: Roy Chunga	**Nkhata-Bay Service Centre** P.O. Box 402 Nkhata-Bay Tel: + 265 (0) 1 352 313 RMumbuza@fdh.co.mw Agency Supervisor: Rodrick Mumbuza
Dedza Service Centre C/O FDH Head Office P.O. Box 512 Blantyre Tel: + 265 (0) 1 223 071 AChipembere@fdh.co.mw Agency Officer: Augustine Chipembere	**Salima Service Centre** C/O FDH Head Office P.O. Box 512 Blantyre Tel: + 265 (0) 1 262 123 Szuze@fdh.co.mw Agency Officer: Sem Zuze	**Dowa Service Centre** C/O FDH Head Office P.O. Box 512 Blantyre Tel: + 265 (0) 1 282 375 MMbewe@fdh.co.mw Agency Officer: Madalitso Mbewe
Mzimba Service Centre P.O. Box 402 Mzuzu Tel: + 265 (0) 1 342 351 FMaluwa@fdh.co.mw Agency Supervisor: Foster Maluwa	**Kasungu Service Centre** P.O. Box 2 Kasungu Tel: + 265 (0) 1 253 607 PSandula@fdh.co.mw Agency Supervisor: Peter Sandula	**Mchinji Service Centre** C/O FDH Head Office P.O. Box 512 Blantyre Tel: + 265 (0) 1 275 077 Tbwanali@fdh.co.mw Agency Supervisor: Tendai Bwanali

ANNEXURE 3

UNDERWRITERS

Old Mutual Investment Group Limited	NICO Asset Managers Limited	National Bank of Malawi Plc
Old Mutual Building 30 Glyn Jones Road P.O. Box 393 Blantyre, Malawi	Chibisa House Glyn Jones Road P.O. Box 3017 Blantyre, Malawi	NBM Towers 7 Henderson Street P.O. Box 945 Blantyre, Malawi
	Date of incorporation	
30th June 1998 Blantyre, Malawi	January 2002 Blantyre, Malawi	7 June 1971 Blantyre Malawi
	Directors	
Mrs. Edith Jiya (Chairperson) Mr. Alfred Majamanda Mr. Chancellor Kaferapanjira Mr. Mark Mikwamba	Mr. Vizenge Kumwenda - Chairman Mr. Chifundo Chiundira Mr. Wilson Manjano Chirwa Mr. John Suzi Banda Mr. Ryan Scharar Mrs. Memory Chipembere - Company Secretary	Dr George Partridge Mr. Elias J. Kambalame Mr. John Biziwick Mrs. Elizabeth Mafeni Mr. James Mhura Mr. Jim Nsomba Mr. Raymond Banda Ms. Maureen Kachingwe Mrs. Dorothy Ngwira Mr. Chrispin Mzengereza Mrs. Bessie Nyirenda Mr. Mcfussy Kawawa Mr. Harold Jiya Mrs. Zunzo Mitole – Company Secretary
	Auditors	
Deloitte	Deloitte	Deloitte
	Bankers	
National Bank of Malawi Plc	NBS Bank Plc	Reserve Bank of Malawi
	Issued share capital	
2 shares of MWK1 million nominal value each all fully paid up	100,000,000 authorised shares and 50,000,000 issued shares of MK0.05 each	Authorised 500,000,000 Ordinary Shares of K1 each Issued and fully paid 466,931,738 Ordinary Shares of K1 each
	Value underwritten	
MWK13,959,000,000	**MWK3,729,500,000**	**MWK3,250,000,000**

ANNEXURE 4

REPORTING ACCOUNTANT REPORT

The Directors

Airtel Malawi Plc

Airtel Complex, Off Conversion Drive

P.O Box 57

LILONGWE

Members of the Board

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION INCLUDED IN THE PROSPECTUS OF AIRTEL MALAWI Plc

We have compiled the accompanying historical financial information of Airtel Malawi Plc based on information you have provided. The historical financial information comprises the statement of financial position as at 30 June 2019, and the statements of comprehensive income for the six months period ended 30 June 2019 and for each of the years ended 31 December 2018 and 31 December 2017, statement of changes in equity and statement of cash flows and, a summary of significant accounting policies and related explanatory information.

Deloitte, Chartered Accountants (Malawi) of P.O. Box 30364 were the external auditors of Airtel Malawi Plc for the six months period ended 30 June 2019 and for the years ended 31 December 2018 and 31 December 2017 and reported on the financial statements for the aforementioned period and years without qualification. However, the audit report in respect of the financial statements for the six months period ended 30 June 2019 includes an emphasis of matter on going concern status of the company. As disclosed on note 34 to the financial statements, although the company made a profit after taxation of K2.0 billion for the 6 months period ended 30 June 2019 (2018: K 2.3 billion for the 12 months period), the company had current liabilities of K95 billion (2018: K53 billion) against current assets of K53 billion (2018: K41 billion) as of 30 June 2019.Therefore the company was in net liability position of K42 billion (2018: K12 billion). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

The material uncertainty regarding the going concern of the company stems from classification of a loan from Bank of America from non-current to current and the adoption of IFRS 16 Leases.

The full financial statements from which the financial information has been derived are available for inspection at Airtel Malawi Plc registered office located in City Centre, Airtel Complex, and Lilongwe during the offer period.

No financial statements have been made up since the end of the last financial period reported on.

Responsibilities of the Reporting Accountant

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of the historical financial information in compliance with the Malawi Stock Exchange Listing requirements. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile this historical financial information. Accordingly, we do not express an audit opinion or a review conclusion on this historical financial information.

Responsibilities of those charged with Governance

The Directors of Airtel Malawi Plc are responsible for the preparation of the historical financial statements from which the Reporting Accountant's Report has been prepared. The directors are also responsible for the preparation of the prospectus to which this report relates and the information contained therein.

We consent to the inclusion of this report which forms part of the prospectus to be issued on ……. in the form and content in which it appears

Deloitte

Chartered Accountants

Nkondola Uka

Partner

16 December 2019

STATEMENT OF FINANCIAL POSITION

AS AT 30 June 2019

	Notes	30 June 2019 K'000	31 December 2018 K'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	56 049 154	50 736 876
Intangible assets	6	825 946	3 471 638
Right of use assets	7	8 226 147	-
Deferred tax assets	9	6 422 246	4 503 265
Other noncurrent assets	10	45 000	45 000
Investment – long term	11	81 000	81 000
Total non-current assets		71 649 493	58 837 779
Current assets			
Inventories	12	126 163	97 581
Amounts due from related parties	13.1	22 373 106	20 610 854
Trade and other receivables	14	21 257 701	11 964 865
Income tax recoverable	15	4 415 706	6 092 747
Cash and cash equivalents	16	4 459 011	2 478 458
Total current assets		52 631 687	41 244 505
Total assets		124 281 180	100 082 284
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		1 000	1 000
Share premium		398 375	398 375
Retained earnings		1 458 689	3 398 567
Total shareholders' equity		1 858 064	3 797 942
Non-current liabilities			
Borrowings-Bharti Airtel Malawi Holdings BV	13.2	14 370 633	13 881 304
Lease liabilities	18	13 040 378	
Borrowings – Bank of America	17		29 158 835
Total Non-current liabilities		27 411 011	43 040 139
Current liabilities			
Borrowings – Bank of America	17	30 792 880	107 783
Borrowings-Bharti Airtel Malawi Holdings BV	13.2	257 746	246 384
Amounts due to related parties	13.3	16 967 535	7 083 870
Lease Liability	18	1 312 661	-
Trade and other payables	19	43 019 635	37 121 162
Provisions	20	1 061 719	416 148
Dividends payable	21	1 599 929	8 268 856
Total current liabilities		95 012 105	53 244 203
Total liabilities		122 423 116	96 284 342
Total equity & liabilities		124 281 180	100 082 284

STATEMENTS OF COMPREHENSIVE INCOME

For the six months period ended 30 June 2019

	Notes	6 months to 30 June 2019 K'000	12 months to 31 December 2018 K'000	12 months to 31 December 2017 K'000
Operating revenue	22	41 229 635	92 921 729	84 709 529
Operating expenses	23	(25 962 602)	(55 684 547)	(56 116 601)
		15 267 033	37 237 182	28 592 928
Depreciation charge	5,6&7	(6 038 619)	(8 719 911)	(10 610 636)
Foreign exchange (loss)/gain	24	(4 045 199)	(650 121)	518 313
Interest expenses		(454 873)	-	-
Waiver of loan	27	-	(19 086 502)	-
Profit from operating activities		4 728 342	8 780 648	18 500 605
Other operating loss		(80 683)	(24 815)	(29 542)
		4 647 659	8 755 833	18 471 063
Interest income	26	107 059	4 090 863	5 258 980
Finance cost	25	(1 216 021)	(2 795 555)	(3 976 173)
Profit before tax		3 538 697	10 051 141	19 753 870
Income tax expense	28	(1 522 849)	(7 741 205)	(7 208 878)
Profit for the period	-	2 015 848	2 309 936	12 544 992
Basic and diluted earnings				
per share (MK)	32	2 016	2 310	12 545

There were no items of other comprehensive income during the six months period ended 30 June 2019 (12 months to 31 December 2018: nil)

STATEMENT OF CHANGES IN EQUITY

For the 6 months period ended 30 June 2019

	Share capital K'000	Share premium K'000	Retained earnings K'000	Total K'000
Period ended 30 June 2019				
At beginning of the period	1 000	398 375	3 398 567	3 797 942
Adjustments for IFRS 15	-	-	151 415	151 415
*IFRS 16 restatement	-	-	(4 107 141)	(4 107 141)
Total comprehensive profit for the period	-	-	2 015 848	2 015 848
At end of the period	1 000	398 375	1 458 689	1 858 064
Year ended 31 December 2018				
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)
At end of the year	1 000	398 375	3 398 567	3 797 942

	2019 K'000	2018 K'000
SHARE CAPITAL		
Authorised SharCapital		
Ordinary shares of K1 each	1 250	1 250
Issued and fully paidshare Capital		
1 000 000 Ordinary shares of K1 each	1 000	1 000
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 of 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	23 071	23 071
	398 375	**398 375**

* IFRS 16 restatement

This relates to a modified retrospective restatement on transition from IAS 17 leases to IFRS 16 Leases adoption as at 1 January 2019 adjusted with the impact of deferred tax thereof.

STATEMENT OF CASH FLOWS

For the period ended 30 June 2019

	Notes	6 months to 30 June 2019 K'000	12 months to 31 December 2018 K'000
Cash flows from operating activities			
Profit before taxation		3 538 697	10 051 141
Adjustments for:			
Depreciation	5&7	5 949 367	8 250 965
Interest receivable		(82 535)	(4 090 863)
Amortisation of intangible assets	6	89 252	468 946
Unrealised exchange losses on borrowings from related party	13.1	722 653	201 196
Unrealised exchange losses on borrowings from Bank of America	17	1 532 673	331 395
Fair value loss on other financial assets/liability	25	-	(131 888)
Movement in provisions		545 571	(74 812)
Loss on disposal of plant and equipment		80 683	31 476
Interest payable	25	1 205 398	2 909 447
Bank charges	25	10 623	17 996
Operating profit before working capital changes		13 592 382	17 964 999
Movement in trade and other receivables		(9 292 838)	515 236
Movement in inventories		(28 582)	(97 581)
Movement in amounts due from related parties		(1 762 252)	62 470 818
Movement in trade and other payables		5 998 473	14 816 857
Movement in amounts due to other related parties		9 883 665	(36 826 089)
Cash generated from operations		18 324 890	58 844 240
Income tax paid	15	(65 958)	(8 980 644)
Net cash generated from operating activities		18 324 890	49 863 596
Cash flows from investing activities			
Purchase of plant and equipment and intangibles	5 &6	(15 056 718)	(26 608 460)
Increase in Right of Use Assets	7	(9 140 714)	-
Adjustment in opening retained earnings (IFRS 15& 16)		(5 654 554)	-
Long term investment in Natswitch Limited	11	-	(81 000)
Interest received		82 535	4 090 863
IFRS 16 adjustments to property, plant and equipment		(413 784)	-
Transfer of Bandwidth to Prepaid		7 134 529	-
Proceeds from sale of property, plant and equipment		464 653	1 365 654
Net cash flow used in investing activities		(22 584 055)	(21 232 943)

STATEMENT OF CASH FLOWS (CONTINUED)

For the period ended 30 June 2019

Cash flows from financing activities			
Repayment of borrowings	13.2 &17	(1 282 840)	(32 617 373)
Interest payment		(1 205 398)	(2 909 447)
Dividends paid		(6 668 927)	(10 296 144)
Bank charges		(10 623)	(17 996)
Interest on borrowings capitalised	13.2 &17	1 054 467	2 547 952
Increase in Lease liability		14 353 039	-
Credit notes and other borrowings adjustments	13.2	-	(14 314 226)
Borrowings proceeds	13.2 &17	-	28 828 300
Net cash flow from/(used in) financing activities		6 239 718	(28 778 934)
Net increase/(decrease) in cash and cash equivalents		1 980 553	(148 280)
Cash and cash equivalents at the beginning of the period		2 478 458	2 626 738
Cash and cash equivalents at the end of the period	16	4 459 011	2 478 458

1. Corporate information

Airtel Malawi Plc was incorporated in Malawi under the Malawi 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, and 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.

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 company 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 2019.

Impact of initial application of IFRS 16 Leases

The company has applied IFRS 16 using the modified retrospective approach with effect from April 1, 2016. The company elected to apply the practical expedient included in IFRS 16 and therefore retained its existent assessment under IAS 17 and IFRIC 4 as to whether a contract entered or modified before April 1, 2016 contains a lease.

At inception of a contract, the company assesses a contract as, or containing, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company assesses whether the contract involves the use of an identified asset, the company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the company has the right to direct the use of the asset.

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.

Impact of Adopting IFRS 16 Leases

The impact of this change in accounting policy as at 1 January 2019 has been to decrease retained earnings by K5 879 million. The amount has been adjusted by lease rental equalisation of K 8.209 million and deferred tax credit of K 1 763 million.

Below are notes relating to the impact of adoption of IFRS 16 leases:

	1 Jan 2019 K'000
Right of Use assets IFRS 16- Gross Block Building	175 244
Right of Use assets IFRS 16- Gross Block Plant and Machinery	7 037 583
Right of Use assets IFRS 16- Gross Block Vehicles	171 948
Finance Lease obligation IFRS 16 - Building	(187 925)
Finance Lease obligation IFRS 16 – Plant and Machinery	(12 881 881)
Finance Lease obligation IFRS 16 – Vehicles	(194 041)

Adjustments - retained earnings	**5 879 072**
Lease rental equalization	(8 209)
Deferred tax credit IFRS 16 impact (note 9)	(1 763 722)
Total – retained earnings	**4 107 141**

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

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 2020, 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:

Effective date	**Standard, Amendment or Interpretation**
Annual periods beginning on or after 1 January 2020	Amendments to References to the Conceptual Framework in IFRS Standards. 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.
Annual reporting periods beginning on or after 1 January 2020	Definition of a Business (Amendments to IFRS 3) 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: • 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; • 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; • add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; • remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and • add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.
Annual reporting periods beginning on or after 1 January 2020	Definition of Material (Amendments to IAS 1 and IAS 8) 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.

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

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

Annual reporting periods beginning on or after 1 January 2021	IFRS 17 Insurance Contracts 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 Insurance Contracts as of 1 January 2021.

The directors anticipate that, these Standards and Interpretations in future periods will have no significant impact on the financial statements of the company.

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.

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 reconised 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.

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 off net) 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 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.

3.7 Leasing

The Company has applied IFRS 16 using the modified retrospective approach with effect from April 1, 2016. The Company elected to apply the practical expedient included in IFRS 16 and therefore retained its existent assessment under IAS 17 and IFRIC 4 as to whether a contract entered or modified before April 1, 2016 contains a lease.

3.8 Leasing

At inception of a contract, the Company assesses a contract as, or containing, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the contract involves the use of an identified asset, the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Company has the right to direct the use of the asset.

a. Company as a lessee.

On initial application of IFRS 16, the Company recognised a lease liability measured at the present value of all the remaining lease payments, discounted using the lessee's incremental borrowing rate at April 1, 2016 whereas the Company has elected to measure right-of-use asset at its carrying amount as if IFRS 16 had been applied since the lease commencement date, but discounted using the lessee's incremental borrowing rate at April 1, 2016. The Company has elected not to recognise a lease liability and a right-of-use asset for leases for which the lease term ends within twelve months of April 1, 2016 and has accounted for these leases as short-term leases.

For new lease contracts, the Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee in the statement of financial position. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), variable lease payments that are based on consumer price index ('CPI'), the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments including due to changes in CPI or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or when the lease contract is modified and the lease modification is not accounted for as a separate lease. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the related right-of-use asset has been reduced to zero.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

Subsequent to initial recognition, right-of-use asset are stated at cost less accumulated depreciation and any impairment losses and adjusted for certain re-measurements of the lease liability. Depreciation is computed using the straight-line method from the commencement date to the end of the useful life of the underlying asset or the end of the lease term, whichever is shorter. The estimated useful lives of right-of-use assets are determined on the same basis as those of the underlying property and equipment.

In the statement of financial position, the right-of-use assets and lease liabilities are presented separately.

When a contract includes lease and non-lease components, the Company allocates the consideration in the contract on the basis of the relative stand-alone prices of each lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short term leases of machinery that have a lease term of 12 months or less and leases of low value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

b. Company as a lessor

Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under a finance lease are recognised as receivables at an amount equal to the net investment in the leased assets. Finance lease income is allocated to the periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

The Company enters into 'Indefeasible right to use' ('IRU') arrangements wherein the right to use the assets is given over the substantial part of the asset life. However, as the title to the assets and the significant risks associated with the operation and maintenance of these assets remains with the Company, such arrangements are recognised as operating lease. The contracted price is recognised as revenue during the tenure of the agreement. Unearned IRU revenue received in advance is presented as deferred revenue within liabilities in the statement of financial position.

3.9 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.

3.10 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.

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.

3.11 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.

3.12 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.

3.13 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.

3.14 Dividend

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

3.15 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.

3.16 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.

3.17 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.

3.18 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.

3.18.1. 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.

3.18.2. 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).

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 crite ria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3.18.3 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.

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.

3.18.4 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.

3.18.5 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.

3.18.5.1. 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.

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.

3.18.5.2. 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.

3.18.5.3. 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.

3.18.5.4. 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.

3.18.5.5. 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.

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

3.18.5.6. 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.

3.19. 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.

3.20 Financial liabilities and equity instruments

3.20.1 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.

3.20.2 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. 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.

3.20.3 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.

3.20.4 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.

3.20.5 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.

3.20.6 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.

3.21 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.

3.22 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.

3.22.1 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.

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.

3.22.2 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.

3.23 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.

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.

3.24 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.

Critical accounting judgements and key sources of estimation uncertainty

4.1 Critical accounting judgements made by management

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.

4.2.2 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.

STATEMENT OF CHANGES IN EQUITY

For the 6 months period ended 30 June 2019

	Network equipment K'000	Office equipment K'000	Land and Buildings equipment K'000	Motor vehicles buildings K'000	Leasehold improve-ments K'000	Capital Work in Pro-gress K'000	Total K'000
For the six months period ended 30 June 2019							
Cost							
At the beginning of the period	69 016 142	17 857 571	4 633 956	341 812	437 113	11 369 446	103 656 040
Airtel Mobile Commerce Limited	-	(332 483)	-	-	-	-	(332 483)
Additions	10 573 718	1 741 911	18 012	-	-	(1 581 876)	10 751 765
Transfers to Malawi Towers Limited	-	-	-	-	-	(416 678)	(416 678)
Reclassifications with Bandwidth							
(Note 6)	1 189 505	-	-	-	-	-	1 189 505
Reclassifications	(556 834)	556 834	-	-	-	-	
At the end of the period	80 222 531	19 823 833	4 651 968	341 812	437 113	9 370 892	114 844 149
Accumulated depreciation							
At the beginning of the period	35 479 771	15 232 507	1 560 204	323 845	322 837	-	52 919 164
Airtel Mobile Commerce Limited		(203 825)	-	-	-	-	(203 825)
Charge for the period	4 195 160	698 046	99 266	13 110	29 218	-	5 034 800
Reclassifications with Bandwidth							
(Note 6)	(331 194) 1 353 025	5 485	4 857	16 683		-	1 048 856
At end of the period	39 343 737	17 079 753	1 664 955	341 812	368 738	-	58 798 995
Carrying amount **As at 30 June 2019**	**40 878 794**	**2 744 080**	**2 987 013**	**-**	**68 375**	**9 370 892**	**56 049 154**

STATEMENT OF CHANGES IN EQUITY

For the 6 months period ended 30 June 2019

	Network equipment K'000	Office equipment K'000	Land and Buildings equipment K'000	Motor vehicles buildings K'000	Leasehold improve-ments K'000	Capital Work in Pro-gress K'000	Total K'000
For the year ended 31 December 2018							
Cost							
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 Malawi Towers							
Limited	-	-	-	-	-	(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	69 016 142	17 857 571	4 633 956	341 812	437 113	11 369 446	103 656 040
Accumulated depreciation							
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 assets	45 334	-	99	-116	1	(450 982)	(405 664)
At end of the year	35 479 771	15 232 507	1 560 204	323 845	322 837	-	52 919 164
NBV 31 December 2018	**33 536 371**	**2 625 064**	**3 073 752**	**17 967**	**114 276**	**11 369 446**	**50 736 876**

	30-Jun 2019 K'000	31-Dec 2018 K'000
Cost		
At the beginning of the period/year	6 654 777	6 489 562
Transfer to Airtel Mobile Commerce Limited	(835 696)	-
Additions	4 304 953	165 215
Reclassification to Network equipment (Note 5)	(1 189 505)	-
Adjustment- IFRS 16	(7 134 529)	-
	1 800 000	**6 654 777**
Amortisation		
At the beginning of the period / year	3 183 139	2 714 193
Transfer to Airtel Mobile Commerce Limited	(835 697)	-
Charge for the year	89 252	468 946
IFRS 16 adjustment	(413 784)	-
Bandwidth reclassification (Note 5)	(1 048 856)	-
	974 054	3 183 139
Net book value	**825 946**	**3 471 638**

Included in the intangible assets are the software and billing system that as at year-end these were fully depreciated. In 2019, the reclassifications were for bandwidth that has been reclassified to Network equipment under Property, plant and equipment.

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

The company's intangible asset of indefeasible right of use (IRU) of K 7 134 million with its related amortisation of K 0.413 million that were in prior year recognised as intangible assets and that have a long term lease have been classified to Leases under IFRS 16 and have been recognised as Right of Use assets. These have been included under note 7 to the financial statements.

For the period ended 30-Jun-19	Asset (liability) Opening balance K'000	Charged/ (credited) to income K'000	Closing balance K'000
Property, plant and equipment	(4 229 276)	(368 288)	(4 597 564)
Provision and fair value loss	2 141 471	2 104 240	4 245 711
Carry forward tax losses	948 078	(948 078)	-
Unrealised exchange losses and deferred			
revenue	5 642 992	1 131 107	6 774 099
	4 503 265	1 918 981	6 422 246
Deferred tax movement analysis			
Less impact of IFRS 16 credit to retained earnings			(1 763 722)
Credit to income statement(note 28)			(155 259)
Total movement as above		(1 918 981)	

For the year ended 31-Dec-18	Asset (liability) Opening balance K'000	Charged/ (credited) to income K'000	Closing balance K'000 K'000
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	13 147 286	(7 504 294)	5 642 992
	12 244 470	(7 741 205)	4 503 265

10. 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 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.

11. Long term investment in National Switch Limited

Long-term investment relate to shares in National Switch Limited. In 2018, the company invested by acquiring 30 million shares of National Switch Limited at price of K2.70 per share. In addition, the company also paid a joining fee of USD 50,000 that was expensed off in the year of payment.

12. Inventories

	30-Jun 2019 K'000	31-Dec 2018 K'000
Handsets	91 209	170 800
Phone accessories	188 645	91 645
Provision	(153 691)	(164 864)
	126 163	97 581

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

13. Related party disclosures

13.1 Bharti Airtel Malawi Holdings B.V. borrowings

The movement is analysed as follows: -

	30-Jun 2019 K'000	31-Dec 2018 K'000
At the beginning of the period/ year	14 127 688	58 417 062
Interest charges	507 778	1 939 546
Repayments	(729 740)	(32 115 890)
Credit notes and other adjustments	- (14 314 226)	
Exchange difference	722 653	201 196
	14 628 379	14 127 688
Current portion	257 746	246 384
Non-current portion	14 370 633	13 881 304
Total	14 628 379	14 127688

The debt denominated in US Dollars amounted to USD 19 million (2018: USD 19 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 a revised loan amount of USD 78,046,865. The loan is repayable by 31st December 2021.

13.2 Related party transactions

	30-Jun 2019 K'000	31-Dec 2018 K'000
Management fees	1 029 815	2 115 152
Interest expense on related party borrowings	507 778	1 939 546
Interest income on related party receivables	1 574 028	
Expense paid by group	182 362	292 412
Loan repayment	729 740	32 115 890
Sales to related party	327 500	874 423
Rent expenses on sites owned by related party	3 039 176	5 975 503

13.3 Amount due from other related parties

Name of the related party	Relationship	30-Jun 2019 K'000	31-Dec 2018 K'000
Airtel Money Trust (Mw)	Fellow subsidiary	619 167	2 216 217
Malawi Towers Limited	Fellow subsidiary	17 736 941	15 719 623
Airtel Tanzania Limited	Fellow subsidiary	2 071 594	2 056 972
Bharti Airtel (UK) Limited	Fellow subsidiary	1 691 191	298 574
Airtel Gabon S.A	Fellow subsidiary	6	-
Airtel Networks Limited	Fellow subsidiary	181 038	250 078
Airtel (Ghana) Limited*	Joint Venture	61 457	2
NXTRA Data Limited	Fellow subsidiary	-	58 739
Airtel Tchad S.A.	Fellow subsidiary	802	738
Airtel (Seychelles) Limited	Fellow subsidiary	10 910	9 911
		22 373 106	**20 610 854**

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%.

Name of the related party	Relationship	30-Jun 2019 K'000	31-Dec 2018 K'000
Airtel Networks Zambia Plc	Fellow subsidiary	1 036 028	760 078
Airtel Networks Kenya Ltd	Fellow subsidiary	1 133 952	1 047 156
Airtel Uganda Limited	Fellow subsidiary	227 919	113 538
Airtel Rwanda Limited	Fellow subsidiary	112 642	107 328
Airtel Congo S.A.	Fellow subsidiary	88 097	55 212
Airtel Congo (RDC) S.A.	Fellow subsidiary	4 920	2 120
Airtel Mobile Commerce	Joint Venture	61 457	2
Zambia Limited	Fellow Subsidiary	-	49 433
Airtel Madagascar S.A.	Fellow subsidiary	27 621	26 245
Airtel Mobile Commerce	Fellow subsidiary	10 910	9 911
Rwanda Limited	Fellow subsidiary	-	23 226
Celtel Niger S.A	Fellow subsidiary	5	16
Airtel Gabon S.A	Fellow subsidiary	-	12
Network i2i Limited	Step up Parent	592 670	368 462
Bharti Airtel (France) SAS	Fellow susidiary	5 021 202	174 537
Bharti Airtel Limited	Step up Parent	71 311	126 088
Airtel Mobile Commerce			
Tanzania Limited	Fellow subsidiary	-	118 134
Bharti Airtel services Limited	Fellow subsidiary	62 648	53 492
Centum learning Limited	Other related party**	27 286	52 167
Bharti Airtel Sri Lanka (Pvt) Ltd	Fellow Subsidiary	2	7
Bharti Airtel Malawi Holdings	Holding Company	2 900 557	2 576 458
Airtel Mobile commerce Malawi			
Limited	Fellow subsidiary	3 136 113	-
Airtel Tchad	Fellow subsidiary	-	-
Nxtra Data Limited	Fellow subsidiary	7 409	-
Emtel Mauritius	Other related party**	43	-
Bharti Airtel (Netherlands) BV	Step up parent	2 517 110	1 430 161
		16 967 535	**7 083 870**

* 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.

14. Trade and other receivables

	30-Jun 2019 K'000	31-Dec 2018 K'000
Trade receivables	13 321 122	13 147 322
Less: provision for impairment	(5 451 012)	(5 173 955)
	7 870 110	7 973 367
Other prepayments	6 813 657	3 974 720
Bandwidth prepayments	6 526 930	-
Claims receivables	4 770	5 458
Other receivables	42 234	11 320
	21 257 701	**11 964 865**

Trade and other receivables are further analysed as follows:-

	Unimpaired carrying amounts K'000	Of which: neither impaired nor past due K'000	Not more than three months K'000	More than three months and not more than six months K'000
As at 30 June 2019				
Trade Receivables	7 870 109	7 870 109	-	-
Bandwidth prepayments	6 526 930	6 526 930	-	-
Other Receivables	6 860 662	6 860 662	-	-
	21 257 701	21 257 701	-	-
As at 31 December 2018				
Trade Receivables	7 973 367	7 973 367	-	-
Other Receivables	3 991 498	3 991 498	-	-
	11 964 865	11 964 865	-	-

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.

Expected credit losses of receivables is further analysed as follows:-

	30-Jun 2019 K'000	31-Dec 2018 K'000
At the beginning of the period/ year	5 173 955	4 369 241
Transfer to Airtel Money Limited	(25 223)	-
Provision for impairment	302 280	804 714
Total	**5 451 012**	**5 173 955**

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

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. Lease 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.

At 30 June 2019, the lifetime expected loss provision for trade receivables was as follows:

Expected credit loss rate	**1-30days**	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**181 to 360 days**	**>360 days**
Airtel shops	0.00%	0.00%	0.00%	100.00%	100.00%	100.00%
Channel partner	0.00%	0.00%	0.00%	100.00%	100.00%	100.00%
Enterprise	0.00%	0.00%	0.00%	100.00%	100.00%	100.00%
Interconnect*0.00%	0.00%	0.00%	0.00%	0.00%	45.00%	
Lease line	0.00%	0.00%	0.00%	100.00%	100.00%	100.00%
Postpaid	0.00%	0.00%	0.00%	100.00%	100.00%	100.00%
Roaming	0.00%	0.00%	0.00%	100.00%	100.00%	100.00%
Site sharing	0.00%	0.00%	0.00%	39.00%	3.00%	2.00%
Other receivables**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

** 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.

14. Trade and other receivables (Continued)

14. Trade and other receivables (Continued)

Gross carrying amount	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	414 814	59	1 983	10 608	56 414	16 532	500 410
Channel partner	121 508	-42	-800	-86	2 149	749 221	871 950
Enterprise	66 676	46 846	145 322	157 990	277 400	649 011	1 343 245
Interconnect*	1 122 904	199 664	213 693	44 104	266 496	2 268 829	4 115 690
Lease line	149 773	77 179	121 819	215 981	153 982	415 644	1 134 378
Postpaid	284 367	208 566	458 035	114 775	137 631	1 210 279	2 413653
Roaming	82 499	14 743	28 836	15 529	37 752	178 267	357 626
Site sharing	-	-	25 534	20 883	43 655	2 896 070	2 986 142
Other receivables**	126 334	141 182	(26 995)	(100 389)	(349 721)	(192 383)	(401 972)
Total	**2 368 875**	**688 197**	**967 427**	**479 395**	**625 758**	**8 191 470**	**13 321 122**

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	-	-	-	12 155	56 414	16 532	85 101
Channel partner	-	-	-	-	29	363 749	363 778
Enterprise	-	-	-	157 990	277 400	649 010	1 084 400
Interconnect*	-	-	-	-	-	1 366 569	1 366 569
Lease line	-	-	-	218 779	153 982	415 644	788 405
Postpaid	-	-	-	114 775	137 631	1 210 279	1 462 685
Roaming*	-	-	-	15 528	37 752	178 267	231 547
Site sharing	-	-	-	764	1 520	66 243	68 527
Other receivables	-	-	-	-	-	-	-
Totals	**-**	**-**		**519 991**	**664 728**	**4 266 293**	**5 451 012**

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

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
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%

Gross carrying amount	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	43 188	90 729	80 131	116 313	38 306	498	369 165
Channel partner	509 670	-76	-	-	11	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**	(1 014 778)	(22 876)	(21 036)	(6 009)	-	-	(1 064 699)
Total	**1 199 697**	**1 113 906**	**903 759**	**780 422**	**1 397 331**	**7 752 207**	**13 147 322**

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	955 853
Interconnect*	-	-	-	-	-	1 340 805	1 340 805
Lease line	-	-	-	191 529	291 442	228 943	711 914
Postpaid	-	-	-	103 208	112 631	1 152 854	1 368 693
Roaming*	-	-	-	23 523	11 830	167 287	202 640
Site sharing	-	-	-	10 610	16 944	47 605	75 773
Other receivables	-	-	-	-	-	-	-
Totals	**-**	**-**	**-**	**630 239**	**722 133**	**3 821 669**	**5 173 955**

15.Income tax recoverable / payable

	30-Jun 2019 K'000	31-Dec 2018 K'000
Balance at the beginning of the period/year	(6 092 747)	2 887 897
Withholding tax paid during the period/year	(27 831)	(2 280 644)
Provisional tax paid during the period /year	(38 127)	(6 700 000)
Charge for the period/year (note 27)	1 742 999	-
Income tax recoverable	**(4 415 706)**	**(6 092 747)**

16. Cash and cash equivalents

	30-Jun 2019 K'000	31-Dec 2018 K'000
Short term deposit accounts	-	10 205
Current bank accounts	3 324 561	1 516 157
FCDA account	993 540	78 521
Cash in hand	140 910	109 066
Airtel money E-value		764 509
Totals	**4 459 011**	**2 478 458**

Included in bank balances and cash are foreign currency denominated balances valued at K 993.5 million (2018: K78.5 million) at 30 June 2019. The balances were earning nil % in 2019 (2018: nil %) per annum. The rest of bank balances are denominated in Malawi Kwacha and were earning interest between 5-10% per annum (2018: 5 -10%).

The carrying amount of K4 459 million (2018: K2 478 million) is a reasonable approximation of fair value.

17. Borrowings (Bank of America)

	2019 K'000	2018 K'000
At the beginning of the period / year	29 266 618	-
Addition	-	28 828 300
Interest charges capitalised	546 689	608 406
Exchange difference	1 532 673	331 395
Repayment of interest	(553 100)	(501 483)
	30 792 880	29 266 618
Current portion	30 792 880	107 783
Non-current portion	-	29 158 835

In 2018, the company took 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 on 20 May 2020. 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.

18. Lease liability

As at 30 June 2019, the company had the following IFRS 16 lease liabilities:-

	30-Jun 2019 K'000	31-Dec 2018 K'000
Current portion of IFRS 16 Leases	1 312 661	-
Non-current portion of IFRS 16 leases	13 040 378	-
Total IFRS 16 lease liability	14 353 039	-

Incremental borrowing rate used for IFRS 16 application (IBR)

IFRS 16 requires a lessee to measure a right of use asset and a lease liability, with the liability being established at the present value of the lease payments that are to be paid over the life of the lease, at the commencement date. A key input into the same calculation is the discount rate. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

Definition of Incremental Borrowing Rate

The rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Determination of Incremental Borrowing Rate (IBR)

The incremental borrowing rate (IBR) has been determined considering following three key components applying practical expedients from the standard and various IBR determination approach guidelines -

a) Currency

The African entities operate in multi currencies. The IBR should be the rate that reflects how the contract is priced. Hence, the IBR is determined so that it matches to the currency in which the major lease cash flows are denominated in the contract and adjusted for the differential rate in which it is paid by the entity.

b) Economic environment

African entities operate under complex and dynamic economic environment altogether in comparison to Indian entities of Airtel. The volatility in economies with factors like interest rates, inflation rates and currency fluctuations impact the earnings and operations of the African entity.

c) Term

A lessee may apply a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with similar remaining lease term for a similar class of underlying asset in a similar economic environment). Maturity analysis of all leases have been done to understand the remaining maturity of the existing leases as on the date of transition.

The company has arrived at the below IBR which has been applied to all the leases as at the date of transition:-

Name of the company	Local Currency Leases	USD Leases
Airtel Malawi Plc	9.13%	6.30%

Undiscounted Maturity Schedule

Maturity analysis of lease liabilities

Lease liability Aging	Period	Totals K'000
0-1 year	2020	3 503 575
1st year	2021	3 314 415
2nd Year	2022	3 072 772
3rd Year	2023	3 029 804
4th Year	2024	2 882 126
5th Year	2025	783 778
More than 5 years	2026	1 615

19. Trade and other payables

	30-Jun 2019 K'000	31-Dec 2018 K'000
Trade payable	16 080 446	11 148 238
Deferred income	4 170 720	3 790 348
Other payables & accrued expenses	22 768 469	22 182 576
	43 019 635	37 121 162

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, PAY E, 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.

20. Provisions

For the 6 months period ended and as at 30 June 2019

	At the beginning the period K'000	Addition in the period K'000	Reversed/ transferred in the period K'000	Utilised in the period K'000	At the end of the period K'000
Bonus provision	283 153	181 349	(11 184)	(361 511)	91 807
Tevet provision	17 030	26 732	-	-	43 762
Asset retirement obligation	9 093	-	-	-	9 093
Penalty from MACRA	100 000	684 286	-	-	784 286
Provision for leave	106 872	25 899	-	-	132 771
	416 148	918 266	(11 184)	(361 511)	1 061 719
Current amount payable within 12 months	416 148	918 266	(11 184)	(338 511)	1 061 719

For the year ended and as at 31 December 2018

	At the beginning the period K'000	Addition in the period K'000	Reversed/ transferred in the period K'000	Utilised in the period K'000	At the end of the period K'000
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
MACRA penalty	-	100 000	-	-	100 000
Provision for leave	164 185	-	-	(57 313)	106 872
	416 148	918 266	(11 184)	(361 511)	1 061 719
	490 960	408 943	(139 780)	(343 975)	516 148
	416 148	918 266	(11 184)	(338 511)	1 061 719
Current amount payable within 12 months	490 960	408 943	(139 780)	(343 975)	516 148

21. Dividend payable

	30-Jun 2019 K'000	31-Dec 2018 K'000
At beginning of the period/ year	8 268 856	2 565 000
Dividend declared	-	16 000 000
Dividend paid	(6 668 927)	(10 296 144)
At the end of the period / year	1 599 929	8 268 856

22. Operating Revenue

	6 months to 30 June 2019 K'000	12 months to 31 December 2018 K'000	12 months to 31 December 2017 K'000
Prepaid	21 781 637	44 546 315	42 629 890
Internet	11 678 432	18 454 921	14 023 394
Interconnect	3 589 618	10 803 032	12 902 123
Airtel money	-	10 603 935	6 579 980
VAS	2 476 415	4 518 953	4 223 924
Post-paid	643 707	1 330 938	1 586 611
Out roaming	291 401	713 952	794 279
Roaming	318 763	591 519	772 128
Activation revenue	50 612	697 736	636 891
Site sharing	188 620	492 981	384 423
Other fees and charges	85 470	-	-
Handset & accessories	124 960	167 447	175 886
Total	41 229 635	92 921 729	84 709 529

6 months to 12 months to 12 months to			
30 June 31 December 31 December			
	2019	2018	2017
	K'000	K'000	K'000
	Prepaid	21 781 637	44 546 315
	Internet	11 678 432	18 454 921
	Interconnect	3 589 618	10 803 032
	Airtel money	-	10 603 935
	VAS	2 476 415	4 518 953
	Post-paid	643 707	1 330 938
	Out roaming	291 401	713 952
	Roaming	318 763	591 519
	Activation revenue	50 612	697 736
	Site sharing	188 620	492 981
	Other fees and charges	85 470	-
	Handset & accessories	124 960	167 447
Total	41 229 635	92 921 729	84 709 529

23. Operating expenses

	6 months to 30 June 2019 K'000	12 months to 31 December 2018 K'000	12 months to 31 December 2017 K'000
Network operation & maintenance	6 730 705	14 138 543	14 830 339
Interconnect & roaming charges	2 350 240	5 848 734	6 728 599
Sales and distribution	2 037 668	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 8)	3 630 220	7 288 854	5 160 896
Staff cost	1 618 620	3 385 682	3 781 403
IT cost	1 033 490	2 379 281	3 070 801
Management fees	1 029 815	2 115 152	1 905 044
Marketing expenses	382 969	1 733 720	1 685 387
Directors' remuneration – for managerial services	766 790	1 310 269	1 586 418
For services as Director	13 487	28 681	30 409
Change in loss allowance (Note 14)	301 581	804 714	1 263 273
VAS & content charges	2 192 775	1 008 526	1 243 431
Travel expenses	758 407	998 144	852 770
Administrative expenses	1 280 664	1 327 995	718 412
Customer services expenses	384 958	699 466	543 403
Provision for VAT/WHT & others	1 204 139	1 016 296	144 260

Billing and collection expenses	219 266	97 019	118 582
Corporate social responsibility	-	21 368	-
Auditors' remuneration	26 808	198 536	98 968
Total	25 962 602	55 684 547	56 116 601

24. Foreign exchange gains and losses

	6 months to 30 June 2019 K'000	12 months to 31 December 2018 K'000	12 months to 31 December 2017 K'000
Foreign exchange gain	377 936	1 732 981	1 029 290
Foreign exchange loss	(4 423 135)	(2 383 102)	(510 977)
Net foreign exchange (loss)/gain	(4 045 199)	(650 121)	518 313

25. Finance cost – Net

	6 months to 30 June 2019 K'000	12 months to 31 December 2018 K'000	12 months to 31 December 2017 K'000
Interest payable	1 205 398	2 909 447	3 868 043
Bank charges	10 623	17 996	16 188
Fair value (gain)/ loss on embedded derivative	-	(131 888)	91 942
	1 216 021	2 795 555	3 976 173

26.Other income

Interest receivable	82 535	4 090 863	5 258 980
Loss allowance recovered (note14)	24 524	-	-
Interest receivable	107 059	4 090 863	5 258 980

27. Waiver of loan

	6 months to 30 June 2019 K'000	12 months to 31 December 2018 K'000	12 months to 31 December 2017 K'000
Waiver of unrealised exchange gains		19 086 502	

The amount of K19 billion relates to an amount that was receivable from Malawi Towers Limited that Airtel Malawi Plc has waived during the year ended 31 December 2018. This amount accrued on account of revaluation of unpaid balances and interest thereon that Malawi Towers Limited, owed Airtel Malawi Plc on sale of towers in 2014 and revaluation of interest thereon.

28.Taxation

	6 months to 30 June 2019 K'000	12 months to 31 December 2018 K'000	12 months to 31 December 2017 K'000
Income tax expense			
Current income charge – note 15	1 742 999	-	-
Other tax credit	(64 891)	-	8 506 562
Deferred tax (credit)/charge – note 9	(155 259)	7 741 205	(1 297 684)
	1 522 849	7 741 205	7 208 878
A reconciliation between tax expense and accounting Profit is as follows:			
Profit before tax	3 538 697	10 051 141	19 753 870
Income tax at 30%	1 061 609	3 015 342	5 926 161
Expenses not deductible for tax purposes	461 240	4 725 863	1 282 717
	1 522 849	7 741 205	7 208 878

29. Compensation of key management personnel

	6 months to 30 June 2019 K'000	12 months to 31 December 2018 K'000	12 months to 31 December 2017 K'000
Salaries	356 781	633 798	723 500
Benefits	238 108	432 870	605 238
Bonuses	171 901	243 601	257 680
	766 790	1 310 269	1 586 418

Key management personnel are:

EMPLOYEE NAME	DESIGNATION
1 Mr. Charles Kamoto	Managing Director
2 Mr. Indradip Mazumdar	Finance Director
3 Ms. Hlupekire Chalamba	Legal & Regulatory Director
4 Mr. Alick Sikelo	Human Resource & Administration Director
5 Mr. Aashish Dutt	Sales & Distribution Director
6 Mr. Allan Banda	IT Director
7 Mr. Frank Magombo	Marketing Director
8 Mr.Beston Ndhlovu	Supply Chain Management Director
9 Ms. Sibusiso Twea Nyasulu	Customer Experience Director
10 Mr. Bruce Masamba	Network Director

30. Defined contribution plan expenses

	137 549	273 441	306 110

31. Capital commitments

Capital expenditure

Estimate amount of contract expenditure to be incurred	14 605 120	11 381 185	20 397 699

This expenditure will be financed from internal resources.

32. Earnings per share

The calculation of basic and diluted earnings per share for the Six months period (2017 and 2018 year) was based on the (loss)/profit attributable to ordinary shareholders of K2 016 million (2018: K2 310 million) (2017: K12 545 million) and the weighted average number of ordinary shares in issue for the period ended 30 June 2019. 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.

	6 months to 30 June 2019 K'000	12 months to 31 December 2018 K'000	12 months to 31 December 2017 K'000
Profit attributable to ordinary shareholders			
for the period/year (K'000)	2 015 848	2 309 936	12 544 992
Weighted average number of shares	1 000 000	1 000 000	1 000 000
Basic earnings per share (MK)	2 016	2 310	12 545
Diluted earnings per share (MK)	2 016	2 310	12 545
Average number of shares	1 000 000	1 000 000	1 000 000

33. 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 30 June 2019 the Company was a defendant in several lawsuits. The plaintiffs are claiming damages 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 K4.381 million. In the opinion of the Directors and Company's legal counsel, no material liabilities are expected to crystallize from these law suits. Consequently, a provision of K 1 090 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 K5.2 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 statements. An application to waive the interest and penalties has been made to MRA. No provision relating to interest and penalty has been made.

34 Going Concern

The company made a profit after taxation of K2.0 billion for the 6 months period ended 30 June 2019 (2018: K 2.3 billion for the 12 months period),the company had current liabilities of K95 billion (2018: K53 billion) against current assets of K53 billion (2018: K41 billion) as of 30 June 2019.Therefore the company was in net liability position of K42 billion (2018: K12 billion). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

However, the directors are of the opinion that the company is a going concern on the basis that the company: -

g. Will generate cash inflows from operations of at least the amount projected in the management's annual operating plan. The generation of sufficient cash flows from operations is driven by and is dependent on management achieving operational targets on subscriber numbers, churn rate and average revenue per user;

h. Will obtain some funding from the third parties; and

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

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

35. Financial risk management

35.1 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.

	30-Jun 2019 K'000	31-Dec 2018 K'000
Financial assets		
Trade and other receivables	7 870 109	7 973 367
Amount due from related parties	22 373 106	20 610 854
Investment – long term	81 000	81 000
Bank balance and cash	4 459 011	2 478 458
	34 510 226	**31 143 679**
Financial liabilities		
Loan due to bank of America	30 792 880	29 266 618
Loan due to holding company	14 628 379	14 127 688
Amount due to related parties	16 967 535	7 083 870
Trade and other payables	38 848 915	33 230 814
Lease liability	14 353 039	
Total	115 590 748	83 708 990

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

35 .2 Financial risk management objectives and policies

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 period ended 30 June 2019.

(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.

(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 15th April 2016 & 29th 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 analysed at each reporting date. Additionally, a large number of minor receivables is grouped into homogenous groups and assessed for impairment collectively. Refer note 14 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 June 30, 2019 and December 31, 2018 is the carrying amounts as reflected in Note 14.

(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.

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

	Less than 1 Month K'000	1 to3 Months K'000	4 to12 Months K'000	Over 1 year K'000	Carrying amount and fair value K'000
For the period ended 30 June 2019 Liabilities					
Loan due to Bank of America	-	30 792 880			30 792 880
Loan due to holding company	-		257 746	14 370 633	14 628 379
Amounts due to related parties		16 967 535			16 967 535
Trade and other payables		38 848 915			38 848 915
Deferred income	4 170 720				4 170 720
Total liabilities	**4170720**	**55 816 450**	**31 050 626**	**14 370 633**	**105 408 429**
At 31st December 2018 Liabilities					
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	-	33 230 813	-	-	33 230 813
Deferred income	3 790 348	-	-	-	3 790 348
Total liabilities	**3 790 348**	**40 314 683**	**34 167**	**43 040 139**	**87 499 337**

36. 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.

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

36.1 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.

36.2 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).

36.3 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.

	2019 Carrying amount	2019 Fare Value	2018 Carrying amount	2018 Fare Value
Financial assets classified at amortized cost				
Trade and other receivables	7 870 109	7 870 109	7 973 368	7 973 368
Amount due from related parties	22 373 106	22 373 106	20 610 854	20 610 854
Total	**30 234 215**	**30 234 215**	**28 584 222**	**28 584 222**
Financial assets classified at FVTPL Investment	81 000	81 000	81 000	81 000
Financial liabilities at amortized cost				
Loan due to Bank of America	30 792 880	30 792 880	29 266 618	29 266 618
Loan due to holding company	14 628 379	14 628 379	14 127 688	14 127 688
Amounts due to related parties	16 967 535	19 967 535	7 083 870	7 083 870
Trade and other payables	38 848 915	38 848 915	33 330 814	33 330 814
Lease liability	14 353 039	14 353 039	-	-
Total	**115 590 748**	**115 590 748**	**83 808 990**	**83 808 990**
Fair value hierarchy for the period ended 30 June 2019				
		Level 1 K'000	Level 2 K'000	Total K'000
Financial assets classified at FVTPL Investment			81 000	81 000
Total			**81 000**	**81 000**
Fair value hierarchy as at 31 December 2018:				
Financial assets classified at FVTPL Investments			81 000	81 000
Total			**81 000**	**81 000**

37.Economic factors

The average of the year-end buying and selling rates of the foreign currencies most affecting the performance of the company is stated below, together with the increase in the National Consumer Price Index for the year, which represents an official measure of inflation.

	30 June 2019	**31 December 2018**
Kwacha/US Dollar	731.67	727.0
Inflation	9.3%	9.9%

Subsequent to report period-end, on 14 November 2019, the above economic factors had moved as follows:

Kwacha/US Dollar	733.25
Inflation (September 2019)	9.2%

No adjustments arising from the movement of the exchange rates after the reporting period -end have been made in the financial statements.

37.Comparatives

Where necessary, certain comparative figures have been reclassified to conform with changes in the presentation in the current period.

The Directors

Airtel Malawi plc

Airtel Complex (Off Convention Road)

P. O Box 57

Lilongwe

Members of the Board

NDEPENDENT REPORTING ACCOUNTANT'S COMPILATION REPORT ON THE PRO FORMA FINANCIAL STATEMENTS

We have compiled the accompanying pro forma financial information of Airtel Malawi plc based on information you have provided. The pro forma financial information comprises the pro forma statement of financial position as at 31 December 2018, and the pro forma statements of comprehensive income for each of the years ended 31 December 2016, 31 December 2017 and 31 December 2018, and a summary of significant accounting policies and related explanatory information.

Pro forma financial information

Prior to 2019, Airtel Malawi Plc comprised of the GSM business and the Mobile Money business. Following a directive from the Reserve Bank of Malawi, the Mobile Money business has, from 1 January 2019 operated in a separate company. Airtel Malawi plc sold the assets of the Mobile money business to its shareholders and it does not have any shareholding interest in this company. The Company that is to be listed will therefore not include the Mobile Money business. The pro forma financial information has been prepared to illustrate the financial performance of Airtel Malawi Plc for the three years ended 31 December 2016, 31 December 2017, 31 December 2018 excluding the operations of the Mobile Money (as if the directive had come into force on 1 January 2016) and its assets and liabilities on 31 December 2018, being the date to which the latest audited financial statements of the company had been drawn up, for purposes of the Statement of Financial Position.

Basis of preparation

The pro forma financial information has been prepared using financial policies that comply with IFRS and that are consistent with those applied in the Annual Financial Statements of Airtel Malawi Plc. The significant policies have been disclosed in the Reporting Accountant's Report on historical financial information. The deviations from these policies are discussed in the statement of adjustments paragraph below.

Deloitte, Chartered Accountants (Malawi) of P.O. Box 30364 were the external auditors of Airtel Malawi Plc for the years ended 31 December 2017 and 31 December 2018 and reported on the financial statements for these years without qualification.

The full financial statements from which the financial information has been derived are available for inspection at Airtel Malawi Plc registered office located in City Centre, Airtel Complex, Lilongwe during the offer period.

No audited accounts have been made up since the end of the last financial period reported on.

Statement of the adjustments

Prior to 2019, Airtel Money operated within the Company and its financial information was included in the audited financial statements of the Company. Following a directive from the Reserve Bank of Malawi, Airtel Money has from 1 January 2019 operated in a separate company. Airtel Malawi Plc does not own any shares in the company housing the Mobile Money business. As the company to be listed excludes the Mobile Money business, the income and expenses and the assets and liabilities of Airtel Money have been excluded in the financial information included in this report.

The historical financial statements have also been adjusted for IFRS 16 Leases. This standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 will supersede the current lease guide including IAS 17 Leases and the related interpretations when it becomes effective. The adjustments have been made to ensure that the historic financial statements are prepared on the same basis as the forecast financial information. These adjustments have been disclosed in Notes 4 and 5.

Responsibilities of the Reporting Accountant

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of this pro forma financial information in compliance with the Malawi Stock Exchange Listing requirements. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile this pro forma financial information. Accordingly, we do not express an audit opinion or a review conclusion on this pro forma financial information.

Responsibilities of those charged with Governance

The Airtel Malawi Plc Board is responsible for the preparation of the Prospectus to which this report relates and the information contained therein.

We consent to the inclusion of this report which forms part of the prospects to be issued on .... in the form and content in which it appears.

Deloitte

Chartered Accountants

Nkondola Uka

Partner

16 December 2019

	Note	2018 K'000	2017 K'000
ASSETS			
Non-current assets			
Property, plant and equipment		50 691 923	33 729 622
Right-of-use asset	3.3	14 953 234	17 643 553
Intangible assets		3 387 934	3 775 369
Deferred tax asset		6 316 200	13 212 170
Other non-current assets		45 000	45 000
Investments- Long term		81 000	
Total non-current assets		75 475 291	68 405 714
Current assets			
Inventories		97 583	-
Amount due from related companies		18 394 637	76 841 091
Trade and other receivables		11 869 286	419 434
Income tax recoverable		5 246 996	-
Cash and cash equivalents		1 033 431	2 640 710
Total current assets		36 641 933	91 901 235
Total assets		112 117 224	160 306 949
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		1 000	1 000
Share premium		398 375	398 375
Retained earnings		4 629 483	22 988 365
Total shareholders' equity		5 028 858	23 387 740
Non-current liabilities			
Borrowings-Bharti Airtel holdings BV		13 881 304	41 758 440
Borrowings-Bank of America		29 158 835	-
Derivative financial liability		-	87 917
Lease liability	3.4	10 735 297	12 765 108
Total Non-current liabilities		53 775 436	54 611 465
Current liabilities			
Borrowings-Bharti Airtel Malawi holdings BV		246 384	16 658 622
Amounts due to related companies		9 545 250	35 537 020
Borrowings-Bank of America		107 783	-
Derivative financial liability		-	43 971
Trade and other payables		32 674 915	21 387 795
Lease liability		2 076 185	1 927 735
Provisions		393 557	490 960
Dividends payable	3.4	8 268 856	2 565 000
Income tax payable		-	3 696 641
Total current liabilities		53 312 930	82 307 744
Total liabilities		107 088 366	136 919 209
Total equity & liabilities		112 117 224	160 306 949

	2018 K'000	2017 K'000	2016 K'000
Operating revenue	84 741 141	77 478 250	70 997 827
Operating expenses	(49 541 536)	(47 831 823)	(51 579 735)
	35 199 605	29 646 427	19 418 092
Depreciation charge	(11 323 061)	(12 997 680)	(11 566 989)
Foreign exchange (loss)/gain	(649 181)	518 627	(4 176 293)
Waiver of loan	(19 086 502)	-	-
Profit from operating activities	4 140 861	17 167 374	3 674 810
Other operating loss	(24 815)	(33 210)	(308 669)
	4 116 046	17 134 164	3 366 141
Interest income	4 057 678	5 276 980	4 549 242
Finance cost	(3 636 637)	(4 964 355)	(5 588 091)
Profit before tax	4 537 087	17 446 789	2 327 292
Income tax expense	(6 895 870)	(7 071 081)	(263 040)
(Loss)/Profit for the year	(2 358 783)	10 375 708	2 064 252
Basic and diluted (loss)/earnings Per share (MK)	(2 359)	10 376	2 064

NOTES TO THE PRO FORMA FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. Introduction

1.1 General information

Airtel Malawi Plc was incorporated in Malawi under the Malawi 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, and 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.

1.2. Basis for preparation of the proforma financial statements

The Proforma financial statements have been prepared in accordance with Section 8.23 of the listing requirements and in accordance with the accounting policies as outlined in the Reporting Accountant's Report on the historical financial information.

2. Accounting policies

The accounting policies applied in preparing the Pro forma financial statements are those as set out on pages 8 to 21. The only additional policy which has arisen as a result of the early adoption IFRS 16 is disclosed below.

3. Additional notes to the pro forma financial statements

3.1 Leases

The company assesses whether a contract is or contains a lease at the inception of the contract. The company recognises the right-to-use asset and a corresponding lease liability with respect to all lease arrangements in which it is a lessee.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

3.2 Critical accounting judgements and key sources of estimation

Application of IFRS 16 requires significant judgements and certain key estimations:

Critical judgements

- Identifying whether a contract (or part of the contract) includes a lease;
- Determining whether it is reasonably certain that an extension or termination option will be exercised;

- Classification of the lease;
- Determination of variable payments are in-substance fixed;
- Determine whether there are multiple leases in an arrangement; and
- Determining the stand-alone selling prices of lease and non-lease components.

Key estimations

- Estimation of the lease term;
- Determination of the appropriate rate to discount the lease payments; and
- Assessment of whether a right-of-use asset is impaired.

3.3 Lease of Towers

Airtel Malawi Plc entered into lease agreements to lease towers with Malawi Towers Limited and shops across the country. The non-cancellable term of these leases is 10 years. For the purposes of applying the modified retrospective approach to these leases, the company elects to:

- Measure the right-of-use asset at an amount equal to the lease liability at the date of initial application;
- Apply the practical expedient to apply a single discount rate to a portfolio of leases with similar characteristics; and
- Apply the practical expedient to exclude initial direct costs from right of use asset.

3.4 Right-of-use assets

	2018 K'000	2017 K'000
Cost		
At the beginning of the year	26 446 499	26 278 985
Additions	64 437	167 513
	26 510 936	**26 446 499**
Depreciation		
At the beginning of the year	8 802 946	6 084 818
Charge for the year	2 754 756	2 718 128
At the end of the year	**11 557 702**	**8 802 946**
Net carrying amount	**14 953 234**	**17 643 553**

3.5 Lease liabilities

	2018 K'000	2017 K'000
Amounts due for settlement within 12 months	2 076 185	1 927 735
Amounts due for settlement after 12 months	10 735 297	12 765 108
	12 811 482	**14 692 843**
Maturity Analysis		
Not later than 1 year	2 076 185	1 927 735
Later than one year and not later than 5 years	10 515 834	11 027 647
Later than 5 years	219 463	1 737 461
	12 811 482	**14 692 843**

For the year ended 31 December 2018 (Continued)

4. Reconciliation between the audited statements of financial positions and Pro forma statement of financial position

	2018				2017			
Description	Per audited financial statements	Removal of Airtel Money	IFRS 16 Adjustment	Per the accountants report	Per audited financial statements	Removal of Airtel Money	IFRS 16 Adjustment	Per the accountants report
Property, plant and equipment	50 736 876	(44 953)	-	50 691 923	33 941 727	(212 105)	-	33 729 622
Deferred tax asset	4 503 265	1 570 248	242 687	6 316 200	12 244 470	1 245 701	(278 001)	13 212 170
Right- of use-asset	-		14 953 234	14 953 234	-		17 643 553	17 643 553
Amount due from related companies	20 610 854	(2 216 217)	-	18 394 637	83 081 672	(6 240 581)		76 841 091
Trade and other receivables	11 964 865	(95 579)	-	11 869 286	12 480 101	(60 667)		12 419 434
Income tax recoverable	6 092 747	(845 751)	-	5 246 996	-	-		-
Cash and cash equivalents	2 478 458	(1 445 027)	-	1 033 431	2 626 738	13 972		2 640 710
Retained earnings	3 398 567	1 230 916	-	4 629 483	17 088 631	5 899 734		22 988 365
Lease liability	-		12 811 482	12 811 482	-		14 692 843	14 692 843
Amounts due to related companies	7 083 870	2 461 380	-	9 545 250	43 909 959	(8 372 939)		35 537 020
Trade and other payables	37 121 162	(4 446 247)	-	32 674 915	22 304 305	(7 611 462)		14 692 843
Provisions	416 148	(22 591)	-	393 557	490 960	-		490 960

1) The assets and liabilities of the Mobile Money business have been excluded from the Statement of Financial position of Airtel Malawi Plc to reflect the position as if the Mobile Money business was not part of the operations of the Company;

2) The forecast which has been included on page 52 of the Prospectus has been prepared on the basis of IFRS 16 leases a standard which became effective on January 2019. In order to ensure consistency the historical financial statements have been restated as if the standard was applicable over the entire period. The impact on the statement of financial position has also been reflected by capitalising the applicable lease commitments in each of the years from the year 2014. The pro-forma statement of financial position has excluded the impact of shops leased by Airtel Plc as the lease liability is not emanating from this is not significant.

NOTES TO THE PRO FORMA FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2018 (Continued)

5. Reconciliation between the audited statements of comprehensive income and pro forma statements of comprehensive income

	2018				2017				2016			
Description	Per audited financial statements K'000	Removal of Airtel Money K'000	IFRS 16 Adjustment	Per the accountants report K'000	Per audited financial statements K'000	Removal of Airtel Money K'000	IFRS 16 Adjustment	Per the accountants report K'000	Per audited financial statements K'000	Removal of Airtel Money K'000	IFRS 16 Adjustment	Per the accountants report K'000
Operating revenue	92 921 729	(8 180 588)	-	84 741 141	84 709 529	(7 231 279)	-	77 478 250	75 615 642	(4 617 815)		70 997 827
Operating expenses	(55 684 547)	3 335 259	2 807 752	(49 541 536)	(56 116 601)	5 521 684	2 763 094	(47 831 823)	(61 767 252)	4 669 586	5 517 931	(51 579 735)
Depreciation and amortization	(8 719 911)	151 606	(2 754 756)	(11 323 061)	(10 610 636)	331 084	(2 718 128)	(12 997 680)	(9 162 711)	283 191	(2 687 469)	(11 566 989)
Foreign exchange (loss)/ gain	(650 121)	940	-	(649 181)	518 313	314	-	518 627	(4 188 875)	12 582		(4 176 293)
Waiver of the loan	(19 086 502)			(19 086 502)	-	-	-	-	-	-	-	-
Other operating loss	(24 815)	-	-	(24 815)	(29 542)	(3 668)	-	(33 210)	(311 349)	2 680		(308 669)
Interest income	4 090 863	(33 185)	-	4 057 678	5 258 980	18 000	-	5 276 980	4 549 242	-		4 549 242
Finance cost	(2 795 555)	20 872	(861 954)	(3 636 637)	(3 976 173)	(16 547)	(971 635)	(4 964 355)	(4 444 948)		(1 143 143)	(5 588 091)
Income tax expense	(7 741 205)	602 648	242 687	(6 895 870)	(7 208 878)	137 797	(278 001)	(7 071 081)	(692 953)	(76 283)	506 196	(263 040)
(Loss)/profit for the year	2 309 936	(4 102 448)	(566 271)	(2 358 783)	12 544 992	(1 242 615)	(926 669)	10 375 708	(403 204)	273 941	2 193 515	2 064 252

1) Income and expenses associated with Airtel Money which were included in the financial statements for the three years being reported on have been exclude from the audited financial statements;

2) Intergroup charges between Airtel Malawi Plc and Mobile Money business which were previously netted off will now be incurred and included in the income statement of Airtel Malawi Plc; and

3) The forecast which has been included on page 52 of the Prospectus has been prepared on the basis of IFRS 16 leases, a standard which became effective on January 2019. In order to ensure consistency the historic financial statements have been restated as if the standard was applicable over the entire period.

The Directors

Airtel Malawi Plc

Airtel Complex, Off Conversion Drive

P.O Box 57

LILONGWE

Members of the Board

REPORTING ACCOUNTANT'S REPORT ON THE PROFIT FORECAST OF AIRTEL MALAWI Plc

We have examined the profit forecast of Airtel Malawi Plc for the years ending 31 December 2019 and 2020 in accordance with the International Standard on Assurance Engagements (ISAE) 3400, the examination of prospective financial information. The directors are solely responsible for the forecast including the assumptions on which it is based.

Our responsibility is to express an opinion on the reasonableness of the forecast. Since the forecast relates to the future, actual results are likely to be different from the forecast results because events and circumstances frequently do not occur as expected, and the differences may be material.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that the underlying assumptions do not provide a reasonable basis for the forecast. Further, in our opinion, the forecast is properly prepared on the basis of the assumptions and is presented on a basis consistent with the accounting policies normally adopted by Airtel Malawi Plc.

Deloitte

Chartered Accountants

Nkondola Uka

Partner

16 December 2019

PROFIT FORECASTS FOR THE YEARS ENDING 31 DECEMBER 2019 AND 31 DECEMBER 2020

	2019 K'000	2020 K'000
Operating revenue	93 455 329	107 033 617
Operating expenses	(53 891 237)	(59 442 263)
	39 564 092	**47 591 354**
Depreciation and Amortization	(12 353 534)	(13 095 314)
Profit from operating activities	27 210 558	34 496 040
Other income	1 964 725	-
Finance expense	(2 961 276)	(1 781 756)
Profit before tax	**26 214 007**	**32 714 284**
Income tax expense	(8 126 342)	(10 141 428)
Profit for the year	**18 087 665**	**22 572 856**

These projections have been generated based on certain assumptions. Actual results achieved may differ from those Projected.

Assumptions

Airtel Malawi Plc has prepared the above profit forecasts for 2019 and 2020 based on the following assumptions:

1. Revenue is projected to increase by 10 % and 15% in 2019 and 2020 respectively. This will mainly be driven by subscriber growth.
2. The entity will expand its investment in distribution and network infrastructure through investment in sites.
3. Data usage is projected to grow annually by at 77%. This will mainly be driven by network expansion through broad band base stations.
4. Operating expenses is expected to grow in line with headline inflation rate of between 10% and 15%.
5. Capital expenditure is projected to be at an average of 20% of gross revenue in 2019 and 2020.
6. Tax rate is assumed flat at 31 % of profit before tax.
7. The sale of towers to a related party for K1.9 billion will go through before 31 December 2019.

ANNEXURE 5

EXTRACTS FROM THE CONSTITUTION

Article number and content	Article extract
3(2) and 104 (2) **Right to vote**	The holder of ordinary shares confers upon its holders-, (a) the right to one vote per share on a poll at a meeting of the company on its resolution; (b) the right to an equal share in dividends authorised by the directors; (c) the right to an equal share in the distribution of the surplus assets of the company. A person is able to exercise the right to vote at a general meeting when- that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.
20 (2) Joint holders	Joint holders of a share are jointly and severally liable to pay all calls in respect of that share.
37(4) No interim dividend is preferential dividend is in arrears	If the company's share capital is divided into different classes, no interim dividend may be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears.
107(2) Voting	Subject to any rights or restrictions for as to voting attached to any special class of shares, on a show of hands every individual present and entitled to vote shall have one vote and on a poll every member present or represented by proxy shall have one vote for each share of which he is the holder.
Modification of rights 123	(1) The provisions of the articles relating to general meetings apply, with any necessary modifications, to meetings of the holders of any class of shares. (2) A quorum for a variation of class rights meeting is – (a) for a meeting other than an adjournment meeting, two persons present holding at least one third of the issued shares of the class in question, excluding any shares of that class held as treasury shares; and (b) for an adjournment meeting, one person present holding of the class of shares of the class in question. (3) For the purposes of paragraph (2), where a person is present by a proxy or proxies, he is treated as holding only the shares in respect of which those proxies are authorized to exercise voting rights. (4) At a variation of class rights meeting, any holder of shares of the class in question present may demand a poll. (5) For the purposes of this article – (a) any amendment of a provision contained in a company's constitution for the variation of the rights attached to a class of shares, or the insertion of any such provisions into the constitution is itself to be treated as a variation of those right; and (b) a reference to variation of rights attached to a class of shares shall include reference to their abrogation.
37/(4) (5) Rights of shares and procedure for declaring dividends	If the company's share capital is divided into different classes, no interim dividend may be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears. The directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.
5(4)	Where the equity share capital includes shares with different voting rights, the designation of each class of shares, other than those with most favourable voting rights shall include the words 'restricted voting' or 'limited voting'; All equity shares shall have unrestricted right to vote at general meetings of the company.

Article number and content	Article extract
4(1) Issue of further shares	The directors may by ordinary resolution issue shares (and rights or options to acquire shares) of any class at any time, to any person and in such numbers, with such rights or restrictions as approved by ordinary resolution.
4(2) Power to issue redeemable preference shares	The company may issue shares which are to be redeemed or are liable to be redeemed at the option of the company or the holder, and the directors may determine the terms, conditions and manner of redemption of any such shares.
7(1) Power to issue further shares	Subject to these Articles, but without prejudice to the rights attached to any issues different existing share, the company may issue shares with such rights or restrictions as classes of may be determined by ordinary resolution.
33. Consolidation and subdivision	Where there has been a consolidation or division of shares; and) as a result, members are entitled to fractions of shares the directors may: - (a) sell the shares representing the fractions to any person including the company for the best price reasonably obtainable; (b) in the case of a certificated share, authorize any person to execute an instrument of transfer of the shares to the purchaser or a person nominated by the purchaser; and (c) distribute the net proceeds of sale in due proportion among the holders of the shares.
5(1) Pre-emptive right to new issue	(1) Where a company issues shares which rank equally with, or in priority to existing shares as voting or distribution rights, those shares shall be offered to the holders of the existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders. (2) An offer made under paragraph one (1) above shall remain open for acceptance for a reasonable time, which shall not be less than fourteen days. If the offer is not accepted by the holders of the existing shares within the stipulated time or declined, the directors may dispose of these shares in such manner as they think most beneficial to the company.
27(1) Transfer of shares	Certificated shares may be transferred by means of an instrument of transfer certificated in any usual form or any other form approved by the directors, which is executed by or on behalf of: (a) the transferor; and (b) if any of the shares is partly paid, the transferee.
27(5) Directors may decline to register of transfer	The directors may refuse to register the transfer of a certificated share If: (a) the share is not fully paid; (b) the transfer is not lodged at the company's registered office or such other place as the directors have appointed; (c) the transfer is not accompanied by the certificate for the shares to which it relates, or such other evidence as the directors may reasonably require to show the transferor's right to make the transfer, or evidence of the right of someone other than the transferor to make the transfer on the transferor's behalf; (d) the transfer is in respect of more than one class of share; or (e) the transfer is in favour of more than four transferees.
34 Notice of Refusal	When a transfer of shares in a company has been lodged the company must – (1) either register the shares; or (2) give the transferee notice of refusal to register a transfer within sixty days after the date on which the transfer was lodged with the Company, together with reasons for the refusal.

Article number and content	Article extract
37. Declaration of dividends	The company may by ordinary resolution declare dividends, and the directors declaring m a y decide to pay interim dividends. A dividend shall not be declared unless the directors have made a recommendation as to its amount. Such a dividend shall not exceed the amount recommended by the directors. No dividend may be declared or paid unless it is in accordance with members' respective rights.
37(1). Directors power to declare interim dividends	The directors may from time to time pay the members such interim dividends as appear to the directors to be justified by the profits of the company.
38	If an interim dividend is paid prior to the publication of annual financial statements, the dividend notice given to members shall contain a statement of the ascertained or estimated combined net trading profits of the company or group for the year, and any abnormal receipts or payments, detail appropriation of those profits, and also particulars of any amounts appropriated from reserves, capital profits, accumulated profits of the past years or other special source, to provide wholly or partly for the dividend
39	If the directors do not recommend payment of a dividend in any year, the Secretary of the Malawi Stock Exchange shall be notified
51. Borrowing powers	The directors may exercise all the powers of the company to borrow money, and to mortgage or charge its undertaking and property or any part thereof, and to issue debentures, debenture stock, and other securities whether outright or as security for any debt, liability or obligation of the company or of any third party: Provided undischarged of moneys borrowed by the company and its subsidiary companies (apart from temporary loans obtained from the company's bankers in the ordinary course of business and excluding inter-company loans) shall not exceed a reasonable fixed amount or percentage of paid up share capital and reserves of the company except with the consent of the company in general meeting by means of an ordinary resolution and the directors will procure that the aggregate amount at any time owing in respect of monies borrowed by the company (including overdue creditors) will not without such consent exceed the said limit.
55. Power to appoint Executive Directors	The directors may from time to time appoint one or more persons as executive directors for a period not exceeding five years at any one time on such terms as they think fit, and, subject to the terms of any agreement entered into in any particular case, may revoke such appointment or appointments. The executive directors shall be eligible to be reappointed.
75. Retiring director eligible	A retiring director shall be eligible for re-election.
73A. Persons eligible for re-election	No person other than a director retiring at the meeting shall unless recommended by the directors be eligible for election to the office of director at any general meeting unless not less than seven nor more than twenty-one days before the date appointed for the meeting there shall have been left at the registered office of the company notice in writing, signed by a member duly qualified to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election, and also notice in writing signed by that person of his willingness to be elected. Nominations received by fax or email shall also be acceptable.
48 Directors **63 Meetings where total number of directors are less than the Quorum**	Subject to the provisions of section 169 of the Act unless and until otherwise determined by the company in general meeting, the directors shall be not less than 3 and no more than 9.

Article number and content	Article extract
73. Method of Appointing directors **73(b) may appoint additional directors**	20. Any person who is willing to act as a director, and is permitted by law to do so, may be appointed to be a director (a) by ordinary resolution; or (b) by a decision of the directors which decision shall be sanctioned at the next annual general meeting of the company.
74 Retirement of Directors by rotation	(1) At every general meeting one – third of the directors for the time being, (but excluding any executive directors and a managing director) during their terms of appointment of such offices) or if their number is not three or a multiple of three then the number just exceeding one – third shall retire from office. (2) The directors to retire in every year under paragraph (1)shall be those who have been longest in office since their last election, but as between persons who become directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.
75 Retiring director Eligible	A retiring direct or shall be eligible for re-election.
76(1) Directors to be appointed separately **76(2) Motion for resolution of appointment of a director**	(1) At a general meeting a motion for the appointment of two or more persons as directors of the company by a single resolution shall not be made, unless a resolution that it shall be so made has been first agreed to by the meeting without any vote being against it. (2) The motion for the resolution of appointment of a director and consent of the person willing to be nominated and be appointed as a director shall be given to the company at least seven days before the date of the meeting appointed for such election.
77 Termination of directors' appointment	A person ceases to be a director as soon as:- (a) that person ceases to be a director by virtue of any provision of the Act or is prohibited from being a director by law; (b a bankruptcy order is made against that person; (c) a composition is made with that person's creditors generally in satisfaction of that person's debts; (d) a registered medical practitioner who is treating that person gives a written opinion to the company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months; (e) by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have; or (f) notification is received by the company from the director that the director is resigning from office as director, and such resignation has taken effect in accordance with its terms.
78 Power to Remove directors	The company may by ordinary resolution at a general meeting, of which special notice has been given in accordance with Section 169 of the Act, remove any director before the expiration of his period of office notwithstanding anything in these articles or in any agreement between the company and such director. Such removal shall be without prejudice to any claim such director may have for damages for breach of contract of service between him and the company.
72. Qualification	There shall be no shareholding qualification for directors.

Article number and content	Article extract
56 remuneration of executive directors	Executive director shall each receive such remuneration and pension contributions from the company as the directors may determine subject to confirmation by the company in general meeting.
37 Declaration of dividends	The company may by ordinary resolution declare dividends, and the directors declaring may decide to pay interim dividends. A dividend shall not be declared unless the directors have made a recommendation as to its amount. Such a dividend shall not exceed the amount recommended by the directors. No dividend may be declared or paid unless it is in accordance with members' respective rights. A dividend shall be payable to all the respective members registered at a date subsequent to the date of declaration or date of confirmation of the dividend, whichever is the later. A period of at least fourteen days shall be allowed between the date of declaration or the date of confirmation of the dividend, whichever is the later, and the date of the closing of the transfer registers in respect of such dividend.
41(1) Payment of dividends and other distributions	Where a dividend or other sum which is a distribution is payable in respect of a share, it shall be paid by one or more of the following means- (a) transfer to a bank account specified by the distribution recipient, either in writing or as the directors may otherwise decide; (b) sending a cheque made payable to the distribution recipient by post to the distribution recipient at the distribution recipient's registered address (if the distribution recipient is a holder of the share), or (in any other case) to an address specified by the distribution recipient either in writing or as the directors may otherwise decide; (c) sending a cheque made payable to such person by post to such person at such address as the distribution recipient has specified either in writing or as the directors may otherwise decide; or (d) any other means of payment as the directors agree with the distribution recipient either in writing or by such other means as the directors decide.
44(3). Unclaimed dividends	If- (a) twelve years have passed from the date on which a dividend or other sum became due for payment; and (b) the distribution recipient has not claimed it, the distribution recipient shall no longer be entitled to that dividend or other sum and it shall cease to remain owing by the company.

THE **SMARTPHONE** NETWORK

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