

Eaton Towers Limited

Directors' Report and Financial Statements

31 December 2012

Registered Number 07724924 (England and Wales)



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Directors' Report for the year ended 31 December 2012

The directors present their directors' report and financial statements for the year ended 31 December 2012

The company was incorporated on 1 August 2011. Eaton Towers Limited is domiciled and incorporated in the United Kingdom.

Principal activities and future developments

During the year ended 31 December 2012, the principal activity of the company was that of a holding company. The Eaton Towers Limited group ("The group") is an Africa-focused tower management business that manages and builds telecom towers for mobile network operators in Africa. During the year under review the Group conducted business in Ghana, Uganda and South Africa.

Business review

Significant progress was made during 2012 in Uganda where Eaton Towers Uganda Limited ('Eaton Uganda') signed agreements with both Warid Telecom Uganda Limited and Orange Uganda Limited to acquire and manage their passive network infrastructure, representing in total around 700 towers. In addition Eaton Uganda secured USD 60 million in debt financing from Standard Bank and International Finance Corporation (IFC) to partly finance these towers and to build and develop new and existing telecom towers across Uganda.

The results for the year and the financial position at the year-end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

Principal risks & uncertainties

The group and company are required to give a description of the principal risks and uncertainties which they face. These principal risks are set out below:

- The group faces competition in its markets from other tower companies and if it fails to compete successfully it will not deliver its expected growth.
- The group is subject to economic, political and other risks that could significantly affect revenues or financial position, including risks associated with fluctuations in foreign exchange rates.
- The group derives a substantial portion of its revenue from a small number of tenants. If any of these tenants is unwilling or unable to perform their obligations under our agreements with them, group revenues, financial position and liquidity could be materially and adversely affected.
- Technological change may adversely impact the demand for the services provided by the group.

The management team has extensive experience of successfully managing the above risks in Africa, while delivering growth.

Key performance indicators

Turnover reached USD 31.8 million by the end of the year which generated a gross profit of USD 6.8 million. The board monitors the financial performance of the group at the monthly board meetings and, considering the relatively early stage of the business and the progress that has been made during 2012, are satisfied with the financial position at the year end.

Dividends

No dividends were declared or paid to shareholders during the year (2011, nil).

Charitable and political donations

No charitable or political donations were paid during the year (2011, nil).

Directors' Report (continued)

Directors

The following directors have held office during the year

Sanjiv Ahuja

Runa Alam Resigned 25 June 2012

Alan Harper

Eduardo Gutierrez Ibanez

Martin Diaz Plata Appointed 23 May 2012

Terence Rhodes

Christian Skaanild

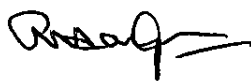
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

A resolution will be put to the shareholder regarding the reappointment of KPMG LLP

By order of the Board



Alan Harper
Director
On behalf of Eaton Towers Limited

Fifth Floor
55 Baker Street
London W1U 8AN

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law the directors have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether the group financial statements and parent company financial statements have been prepared in accordance with IFRS as adopted by the EU and those parts of the Companies Acts 2006 applicable to companies reporting under IFRS
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and of the group and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



Independent auditor's report to the shareholders of Eaton Towers Limited

We have audited the group and company financial statements ("the financial statements") of Eaton Towers Limited for the year ended 31 December 2012 set out on pages 6 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's loss for the period then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company's financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of Companies Act 2006, and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

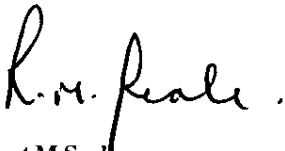
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Robert M Seale
Senior Statutory Auditor
For and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
15 Canada Square
London
EC14 5GL

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2012 USD 000	Period ended 31 December 2011 USD 000
Revenue		31,761	7,676
Cost of sales		(24,959)	(4,909)
Gross profit		<u>6,802</u>	<u>2,767</u>
Administrative expenses	3	(19,247)	(6,103)
Other expenses	4	(2,807)	-
Operating loss		<u>(15,252)</u>	<u>(3,336)</u>
Finance income		42	17
Finance costs		(3,790)	(968)
Net finance costs	6	<u>(3,748)</u>	<u>(951)</u>
Loss before tax		<u>(19,000)</u>	<u>(4,287)</u>
Taxation	7	3,007	218
Loss for the period		<u>(15,993)</u>	<u>(4,069)</u>
Other comprehensive income			
Foreign currency translation differences - foreign operations		(5,668)	277
Total Comprehensive Income for the period		<u>(21,661)</u>	<u>(3,792)</u>

Notes from pages 10-30 form part of these financial statements

Consolidated Statement of Financial Position

	Note	31 December 2012 USD 000	31 December 2011 USD 000
Non-current assets			
Property, plant and equipment	8	67,980	9,839
Intangible assets	9	104,136	41,689
Restricted cash deposits	11	1,500	-
Deferred tax assets	12	3,258	394
		<u>176,874</u>	<u>51,922</u>
Current assets			
Inventories	13	2,245	1,143
Trade and other receivables	14	20,756	7,107
Cash and cash equivalents	15	6,326	12,014
		<u>29,327</u>	<u>20,264</u>
Total assets		<u>206,201</u>	<u>72,186</u>
Equity			
Share capital	20	48,101	48,101
Foreign currency translation reserve	20	(5,391)	277
Accumulated losses	20	(20,062)	(4,069)
Total equity		<u>22,648</u>	<u>44,309</u>
Non-current liabilities			
Loan from shareholders	16	117,467	9,391
Other Interest-bearing borrowings	17	43,745	10,000
Total non-current liabilities		<u>161,212</u>	<u>19,391</u>
Current liabilities			
Bank overdraft	15	1,982	-
Other Interest-bearing borrowings	17	445	-
Trade and other payables	18	13,689	7,739
Deferred income		6,225	747
Total current liabilities		<u>22,341</u>	<u>8,486</u>
Total liabilities		<u>183,553</u>	<u>27,877</u>
Total equity and liabilities		<u>206,201</u>	<u>72,186</u>

These financial statements were approved by the board of directors on **26.3.13** and were signed on its behalf by



Alan Harper
 Director
 On behalf of Eaton Towers Limited
 Company registered number 07724924

Notes from pages 10-30 form part of these financial statements

Consolidated Statement of changes in equity

	Share capital USD 000	Translation reserve USD 000	Retained earnings USD 000	Total equity USD 000
Issue of shares	48,101			48,101
Total comprehensive income for the period ended 31 December 2011				
Loss for the period			(4,069)	
Other comprehensive income		277		277
Balance at 31 December 2011	<u>48,101</u>	<u>277</u>	<u>(4,069)</u>	<u>44,309</u>
Total comprehensive income for the year ended 31 December 2012				
Loss for the year			(15,993)	(15,993)
Other comprehensive income		(5,668)		(5,668)
Balance at 31 December 2012	<u>48,101</u>	<u>(5,391)</u>	<u>(20,062)</u>	<u>22,648</u>

Notes from pages 10-30 form part of these financial statements

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2012 USD 000	Period ended 31 December 2011 USD 000
Cash flows from operating activities			
Loss from continuing operations		(15,993)	(4,069)
Adjustments for			
Depreciation, amortisation and impairment	8, 9	3,312	650
Financial income	6	(42)	(17)
Finance costs	6	3,790	968
Taxation	7	(3,007)	(218)
		(11,940)	(2,686)
Changes in			
Trade and other receivables		(8,502)	(3,018)
Inventories		229	(159)
Trade and other payables		5,114	(607)
Deferred income		5,478	747
Cash generated from operating activities		(9,621)	(5,723)
Finance costs		(3,990)	-
Tax paid		(811)	(419)
Net cash used in operating activities		(14,422)	(6,142)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	2
Interest received		42	17
Net cash acquired as part of business combination		-	570
Acquisition of businesses in Uganda	2	(121,383)	-
Acquisition of property, plant and equipment	8	(13,986)	(4,500)
Acquisition of intangible assets	9	(767)	(158)
Net cash used in investing activities		(136,094)	(4,069)
Cash flows from financing activities			
Proceeds from new bank borrowings	17	36,000	10,000
Proceeds from finance leases	17	297	-
Proceeds from issue of shares		-	11,225
Additional shareholders' loans	16	108,076	1,000
Payment of finance lease liabilities	17	(27)	-
Movement in restricted cash deposits	11	(1,500)	-
Net cash from financing activities		142,846	22,225
Net increase in cash and cash equivalents		(7,670)	12,014
Cash and cash equivalents (including bank overdraft) at 1 January		12,014	-
Cash and cash equivalents (including bank overdraft) at 31 December	15	4,344	12,014

Notes from pages 10-30 form part of these financial statements

Notes to the consolidated financial statements

1. Accounting policies

Eaton Towers Limited is a private limited company under the Companies Act 2006. It is incorporated and domiciled in the UK.

The group financial statements consolidate those of the company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates. The parent company financial statements present information about the company as a separate entity and not about its group.

Statement of compliance

Both the parent company financial statements and the group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The accounting policies have been applied consistently by group entities. The comparatives relate to the period from the incorporation of the company on 1 August 2011 to 31 December 2011.

Basis of measurement

The financial statements are prepared on the historical cost basis except for certain financial instruments measured at fair value.

Functional and presentation currency

The consolidated financial statements are presented in US Dollars, which is the parent company's functional and presentation currency.

Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision 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.

Information about significant areas of estimation uncertainty in particular, and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 9 – goodwill impairment review
- Notes 7 and 12 – utilisation of tax losses, capital allowances and other deductible temporary differences
- Note 19 – exposure to credit risk
- Note 24 - contingencies

Notes to the consolidated financial statements

1. Accounting policies (continued)

Going concern

In September 2011 the company's parent, Eaton Towers Holdings Limited entered into a subscription and investment agreement with its investors. Under that agreement an investor committed to invest or to procure the investment of up to \$150m within three years of the agreement. In February 2013, Eaton Towers Holdings Limited entered into a further subscription and investment agreement with its investors whereby an investor committed to invest or to procure the investment of up to an additional \$200m within two years of the agreement. The funds raised are to be used in accordance with the 10 year plan which shows the group becoming profitable within the next few years and which is also used as the basis for the goodwill impairment testing set out in note 9. The company has and will continue to submit funding requests to Eaton Towers Holdings Limited whom, by virtue of the subscription and investment agreements, should be able to meet those requests. The directors have accordingly a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation

Investment in subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Inter-company balances and any unrealised gains and losses or income and expenses arising from inter-company transactions are eliminated in preparing the consolidated financial statements.

Investments in subsidiary companies are stated at cost less accumulated impairment losses in the company's separate financial statements.

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, US Dollars, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the translation reserve, net of amounts previously attributed to non-controlling interests, is recycled to profit or loss as part of the gain or loss on disposal.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve.

Notes to the consolidated financial statements

1. Accounting policies (continued)

Plant and equipment

Recognition and measurement

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Borrowing costs

In respect of borrowing costs relating to qualifying assets, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

- Plant and machinery 5 to 15 years
- Furniture and Equipment 3 to 6 years
- Motor vehicles 4 to 5 years
- Leasehold Property (Buildings) Over period of lease

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Leased assets

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as property, plant and equipment and liabilities in the statement of financial position at amounts equal to the fair value of the assets acquired or, if lower, the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset or the lease term, whichever is the shortest. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term, using the effective interest rate method, which is charged against profit or loss over the lease period.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset.

Notes to the consolidated financial statements

1. Accounting policies (continued)

Business combinations

The group measures goodwill as the fair value of the consideration transferred (including the fair value of any previously held equity interest in the acquiree) and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in the Income Statement.

Transaction costs, other than those associated with the issue of debt or equity securities that the group incurs in connection with business combinations, are expensed as incurred.

Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Intangible assets

Intangible assets are recognised and measured at cost less accumulated amortisation and less accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- | | |
|---------------------------|----------------|
| • Customer contracts | 15 years |
| • Computer software | 3 to 5 years |
| • Regulatory licences | 10 to 15 years |
| • Other intangible assets | 4 to 5 years |

Inventories and work in progress

Inventories are stated at the lower of cost and net realisable value.

Work in progress represents the cost of materials and direct labour incurred in the process of completing projects where the risks and rewards have not yet passed to the customer.

Deferred Revenue

Deferred revenue represents invoicing in advance of services provided.

Impairment

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes to the consolidated financial statements

1. Accounting policies (continued)

Impairment (continued)

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial instruments

Initial recognition

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

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

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Notes to the consolidated financial statements

1. Accounting policies (continued)

Financial instruments (continued)

Loans to/ (from) group companies

These include loans to holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs. Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the loan's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the loan at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised. Loans to/ (from) group companies are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Interest-bearing borrowings

Interest-bearing borrowings are initially measured at fair value less attributable transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the costs and the redemption of interest-bearing borrowings is recognised over the term of the interest-bearing borrowings on an effective interest basis.

Shareholders' loans

Shareholders' loans are initially recognised at fair value, and are subsequently carried at amortised cost, using the effective interest rate method.

Trade and other receivables

Trade and other receivables are initially recognised at fair value, and are subsequently carried at amortised cost, using the effective interest rate method.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the company recognises any impairment loss on the assets associated with that contract.

Notes to the consolidated financial statements

1. Accounting policies (continued)

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax

Revenue from the provision of services is recognised when all the following conditions have been satisfied

- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the company,
- the stage of completion of the transaction at the end of the reporting period can be measured reliably, and
- The costs incurred for the transaction and the costs to complete the transaction can be estimated reliably

Service revenue is recognised in profit or loss by reference to the stage of completion of the transaction at the reporting date

Revenue from tower management, including rental from co-location of sites, is recognised in the income statement on a monthly basis as the service is rendered. Installation revenue is recognised when the installation is completed

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset

Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised

Share capital

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity

Notes to the consolidated financial statements

1. Accounting policies (continued)

Adopted IFRS not yet applied

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2010)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted.

- IFRS 13 Fair Value Measurement (2011)

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs.

Notes to the consolidated financial statements

2. Acquisitions of business in Uganda

In March 2012 Eaton Towers Uganda Limited entered into a transfer of business agreement with Warid Telecom Uganda Limited ('Warid') to purchase certain business assets comprising towers, tower sites and related assets as well as to transfer certain tenant leases and simultaneously entered into a master site agreement with Warid to provide site management services. The total consideration in respect of this transaction was USD 99.6m settled in cash. This business combination had the following effect on the Group's assets and liabilities:

	Note	USD 000
Identifiable assets acquired		
Property, plant and equipment	8	30,496
Intangible assets	9	36,983
Inventories		323
Trade and other receivables		3,826
		<u>71,628</u>
Goodwill on acquisition		27,975
Consideration paid in cash		<u>99,603</u>

The Group has assessed the fair value of the assets acquired at USD 71.6 million based on appropriate valuation methodology. All the revenue relating to the business combination was included in the consolidated statement of comprehensive income for the reporting period. The goodwill is mainly attributable to the future lease uprate potential of the sites acquired.

In March 2012 Eaton Uganda Limited entered into a transfer of business agreement with Orange Uganda Limited ('Orange') to purchase certain business assets comprising towers, tower sites and related assets as well as to transfer certain tenant leases and simultaneously entered into a master site agreement with Orange to provide site management services. The total consideration in respect of this transaction was USD 21.8m settled in cash. This business combination had the following effect on the Group's assets and liabilities:

	Note	USD 000
Identifiable assets acquired		
Property, plant and equipment	8	19,796
Inventories		1,008
Trade and other receivables		976
		<u>21,780</u>
Goodwill on acquisition		-
Consideration paid in cash		<u>21,780</u>

The Group has assessed the fair value of the assets acquired at USD 21.8 million based on appropriate valuation methodology. All the revenue relating to the business combination was included in the consolidated statement of comprehensive income for the reporting period.

The group incurred acquisition-related costs of USD 483,000 related to the above business combinations. These costs have been included in other expenses in the group's consolidated statement of comprehensive income.

Notes to the consolidated financial statements

3. Administrative expenses and auditor's remuneration

Included in the loss are the following

	Year ended 31 December 2012 USD 000	Period ended 31 December 2011 USD 000
Depreciation	2,301	434
Amortisation	1,011	155
Lease payments	990	53
Bad debt expense/(credit)	(40)	1,309
Auditor's remuneration (Audit of these financial statements)		
Amounts receivable by auditors and their associates in respect of audit of financial statements of subsidiaries pursuant to legislation	125	109

4. Other expenses

These comprise

	Year ended 31 December 2012 USD 000	Period ended 31 December 2011 USD 000
Acquisition costs relating to Uganda (Note 2)	483	-
Financing costs for Uganda, including stamp duty on issue of preference shares by Eaton Uganda	2,324	-

5. Staff numbers and costs

The average number of persons employed by the group (including Directors) during the period was as follows

	Number of Employees	
	2012	2011
Administration, Operations and Sales	150	90

The aggregate payroll costs of these persons were as follows

	Year ended 31 December 2012 USD 000	Period ended 31 December 2011 USD 000
Wages and salaries	9,647	2,318
Social security costs	738	45
Pension costs	100	-
	10,485	2,363

Notes to the consolidated financial statements

6. Finance Income and costs

These comprise

	Year ended 31 December 2012 USD 000	Period ended 31 December 2011 USD 000
Finance Income		
Interest income on cash deposits	42	17
Finance Cost		
Interest expense on financial liabilities measured at amortised cost	(1,828)	-
Net foreign exchange loss	(1,962)	(968)
Total finance cost	(3,790)	(968)
Net finance costs	(3,748)	(951)

7 Taxation

Income tax represents the sum of the current tax and deferred tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes 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 is recognised on differences between the carrying amounts of assets and liabilities in the 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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.

The tax expense recognised in the income statement is analysed as follows

	Year ended 31 December 2012 USD 000	Period ended 31 December 2011 USD 000
Current tax expense		
Current tax on income for the period	-	-
Deferred tax credit		
Origination and reversal of temporary differences	3,424	218
Adjustment for prior years	(417)	-
	3,007	218
Total tax credit	3,007	218

Notes to the consolidated financial statements

7. Taxation (continued)

Reconciliation of effective tax rate

	Year ended 31 December 2012 USD 000	Period ended 31 December 2011 USD 000
Loss before taxation	(19,000)	(4,287)
Tax credit using UK corporation tax rate of 24.5% (2011, 26%)	4,655	1,115
Effect of tax rates in foreign jurisdictions	195	-
Current year losses for which no deferred tax asset was recognised	(2,173)	(514)
Recognition of previously unrecognised deferred tax assets	675	-
Non-deductible expenses	72	(424)
Change in estimates related to prior years	(417)	-
Other adjustments	-	41
Total tax credit	3,007	218

8. Property, plant and equipment

	Plant and Machinery USD 000	Furniture and Equipment USD 000	Motor Vehicles USD 000	Under construction USD 000	Leasehold improvements USD 000	Total USD 000
Cost						
Balance on acquisition	3,512	325	290	2,487	142	6,756
Additions	4,191	36	-	265	8	4,500
Transfers	2,484	-	-	(2,484)	-	-
Disposals	-	-	(2)	-	-	(2)
Fixed asset written off	-	-	-	(61)	-	(61)
Effect of movements on exchange rates	(273)	(32)	(23)	(193)	(13)	(534)
Balance at 31 December 2011	9,914	329	265	14	137	10,659
Balance at 1 January 2012	9,914	329	265	14	137	10,659
Acquisitions through business combinations (Note 2)	50,292	-	-	-	-	50,292
Other additions	8,707	390	856	3,953	80	13,986
Transfers	14	-	-	(14)	-	-
Effect of movements on exchange rates	(3,941)	(37)	(73)	(2)	(18)	(4,071)
Balance at 31 December 2012	64,986	682	1,048	3,951	199	70,866
Depreciation and impairment						
Balance on acquisition	320	46	34	-	18	418
Depreciation charge for the period	371	35	18	-	10	434
Effect of movements on exchange rates	(24)	(4)	(2)	-	(2)	(32)
Balance at 31 December 2011	667	77	50	-	26	820
Balance at 1 January 2012	667	77	50	-	26	820
Depreciation charge for the year	1,945	168	158	-	30	2,301
Effect of movements on exchange rates	(211)	(12)	(9)	-	(3)	(235)
Balance at 31 December 2012	2,401	233	199	-	53	2,886
Net book value						
At 31 December 2012	62,585	449	849	3,951	146	67,980
At 31 December 2011	9,247	252	215	14	111	9,839

Notes to the consolidated financial statements

9. Intangible assets

	Goodwill	Customer Contracts	Regulatory and other Licences	Website costs	Computer Software	Other	Total
	USD 000	USD 000	USD 000	USD 000	USD 000	USD 000	USD 000
Cost							
Balance on acquisition	-	-	201	403	1,098	-	1,702
Acquisitions through business combinations	40,324	-	-	-	-	-	40,324
Other additions	-	-	-	158	-	-	158
Effect of exchange rate	-	-	(16)	(31)	(131)	-	(178)
Balance at 31 December 2011	40,324	-	185	530	967	-	42,006
Balance at 1 January 2012	40,324	-	185	530	967	-	42,006
Acquisitions through business combinations (Note 2)	27,975	36,436	-	-	-	547	64,958
Additions	-	-	100	48	259	360	767
Effect of exchange rate	(879)	(1,145)	(33)	(82)	(104)	(83)	(2,326)
Balance at 31 December 2012	67,420	35,291	252	496	1,122	824	105,405
Amortisation and impairment							
Balance on acquisition	-	-	6	76	98	-	180
Amortisation for the period	-	-	6	38	111	-	155
Impairment	-	-	-	-	-	-	-
Effect of exchange rate	-	-	-	(7)	(11)	-	(18)
Balance at 31 December 2011	-	-	12	107	198	-	317
Balance at 1 January 2012	-	-	12	107	198	-	317
Amortisation for the year	-	459	9	131	346	66	1,011
Impairment	-	-	-	-	-	-	-
Effect of exchange rate	-	(14)	(2)	(17)	(23)	(3)	(59)
Balance at 31 December 2012	-	445	19	221	521	63	1,269
Net book value							
At 31 December 2012	67,420	34,846	233	275	601	761	104,136
At 31 December 2011	40,324	-	173	423	769	-	41,689

Impairment

For the purpose of impairment testing goodwill is allocated to the group's operations in each country. The aggregate carrying amount of goodwill allocated to cash-generating units ('CGU') is as follows:

	2012 USD 000	2011 USD 000
Ghana	38,275	38,275
South Africa	2,049	2,049
Uganda	27,096	-
	67,420	40,324

Goodwill is tested annually for impairment by determining the recoverable amount based on a value in use calculation for the appropriate CGU. These calculations are based on a detailed 10 year financial model (this period matches the typical customer contract period for tower management) by country which is prepared by management and approved by the board.

The key assumptions for the 10 years projections are:

- Number of towers under management at the end of each year. This is based on estimates of the number of tower opportunities in the relevant markets and the expected growth in these markets.
- Lease upgrade or number of tenants per tower.
- Operating cost and capital expenditure assumptions over the 10 years.

Notes to the consolidated financial statements

9. Intangible assets (continued)

Impairment (continued)

Ten years of cash flows were included in the discounted cash flow model. A long term growth rate of 4% has been applied to extrapolate the cash flow projections into perpetuity, based on management's estimate of the long-term annual growth rates in EBITDA (earnings before interest, taxes, depreciation and amortisation).

From the financial model a net present value was derived using a discount rate of 15% and compared to the goodwill carrying value. The discount rate was based on past experience and an industry average weighted average cost of capital assuming debt leveraging of 40% and a market interest rate of 8%. Management has concluded from its work on the above that no impairment of goodwill is required.

10 Subsidiaries

The consolidated financial statements include the financial statements of Eaton and its subsidiaries. The significant subsidiaries are

	Country of Incorporation	Ownership interest 2012	Ownership interest 2011
<i>Eaton Towers (Pty) Limited</i>	<i>South Africa</i>	<i>100 %</i>	<i>100 %</i>
<i>Eaton Towers Ghana Limited</i>	<i>Ghana</i>	<i>100 %</i>	<i>100 %</i>
<i>Eaton Towers Uganda Limited</i>	<i>Uganda</i>	<i>100%</i>	<i>100%</i>
<i>Eaton Towers Kenya Limited</i>	<i>Kenya</i>	<i>100%</i>	<i>100%</i>

11. Restricted cash deposits

These comprise deposits held in restricted bank accounts for the purposes of securing the servicing of the bank loans referred to in note 17 and are therefore not freely available to the group other than to secure certain bank borrowings.

12. Deferred tax assets

Recognised deferred tax assets

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
	USD 000	USD 000	USD 000	USD 000	USD 000	USD 000
Property, plant and equipment	454	166	(10,811)	(213)	(10,357)	(47)
Tax loss carry-forwards	12,523	257	-	-	12,523	257
Accruals	468	36	-	(2)	468	34
Unrealised losses on foreign exchange	624	150	-	-	624	150
Tax assets /(liabilities) before set off	14,069	609	(10,811)	(215)	3,258	394
Set off of tax	(10,811)	(215)	10,811	215	-	-
Net tax assets	3,258	394	-	-	3,258	394

Movement in deferred tax balances during the period

	Balance on acquisition	Recognised in profit or loss	Exchange difference	Balance 31 December 2011	Recognised in profit or loss	Exchange difference	Balance 31 December 2012
	USD 000	USD 000	USD 000	USD 000	USD 000	USD 000	USD 000
Property, plant and equipment	77	(113)	(11)	(47)	(10,300)	(10)	(10,357)
Tax loss carry-forwards	107	165	(15)	257	12,500	(234)	12,523
Accruals and provisions	22	15	(3)	34	436	(2)	468
Unrealised losses on foreign exchange	(1)	151	-	150	371	103	624
	205	218	(29)	394	3,007	(143)	3,258

Notes to the consolidated financial statements

12 Deferred tax assets (continued)

The Group has USD 4,299,000 of unrecognised deferred tax assets in respect of tax losses and temporary differences at 31 December 2012 (2011, USD 509,000). Deferred tax assets have not been recognised in respect of these items because it is not yet probable that future taxable profit will be available against which the group can utilise the benefits therefrom.

13. Inventories

	2012 USD 000	2011 USD 000
Work in progress	274	533
Equipment, spares and consumables	1,971	610
	<u>2,245</u>	<u>1,143</u>

Work-in-progress relates to site permitting costs that are anticipated to be transferred to tangible assets once customer contracts have been finalised for the sites concerned.

Work-in-progress and finished goods recognised as cost of sales in the period amounted to USD 251,000 (2011, USD 4,445,000).

14. Trade and other receivables

	2012 USD 000	2011 USD 000
Receivables due from related parties	-	11
Trade receivables	11,897	4,073
Other receivables	1,463	185
Income tax assets	1,308	497
Prepayments and accrued income	6,088	2,341
Current	<u>20,756</u>	<u>7,107</u>

15. Cash and cash equivalents

	2012 USD 000	2011 USD 000
Cash and cash equivalents - bank balances	6,326	12,014
Bank overdrafts used for cash management purposes	(1,982)	-
Cash and cash equivalents in the statement of cashflows	<u>4,344</u>	<u>12,014</u>

16 Shareholders' loan

	2012 USD 000	2011 USD 000
Shareholders loans from Eaton Towers Holdings Limited	<u>117,467</u>	<u>9,391</u>

The shareholder loans are interest free and repayable on demand.

Notes to the consolidated financial statements

17. Interest-bearing borrowings

	Currency	Nominal interest rate	Maturity	2012 USD 000	2011 USD 000
Non-current					
Uganda secured bank loan	USD	Libor +7% to Libor +9%	2014-2020	34,265	-
Ghana secured bank loan	USD	Libor +6%	2014-2016	9,264	10,000
Finance lease liabilities (Ghana)	GHS	6.5%	2014-2017	216	-
				<u>43,745</u>	<u>10,000</u>
Current					
Ghana secured bank loan	USD	Libor +6.0%	2013	391	-
Finance lease liabilities (Ghana)	GHS	6.5%	2013	54	-
				<u>445</u>	<u>-</u>

The Ghana bank loan is secured by a negative share pledge and a guarantee from the sole shareholder, Eaton Towers Ghana (M) Limited, a company incorporated in Mauritius. The facility is for USD 30 million and is divided into two main tranches, the first for USD 20 million is to finance the build out of new sites and the second for USD 10 million is for Operations and Maintenance (O&M) to finance the upgrade of existing sites. Eaton Towers Ghana Limited drew down US\$10 million relating to the O&M facility on 30 December 2011. The facility is repayable in 5 years from date of disbursement.

The Uganda bank loan, which has a face value of USD 36 million, is secured by a fixed and floating charge over the assets of Eaton Towers Uganda Limited (Eaton Uganda), a limited guarantee by Eaton Towers Limited and a share pledge. The facility is for USD 60 million is divided into three tranches, the first for USD 36 million is to finance the acquisition of existing sites, the second for USD 12 million to finance the upgrade of existing sites and the third for USD 12 million to finance the build out of new sites. Eaton Uganda has drawn down USD 36 million in respect of this facility representing the whole of the first tranche.

Finance lease liabilities are payable as follows

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2012 USD 000	2011 USD 000	2012 USD 000	2011 USD 000	2012 USD 000	2011 USD 000
Less than one year	69	-	15	-	54	-
Between one and five years	227	-	11	-	216	-
	<u>296</u>	<u>-</u>	<u>26</u>	<u>-</u>	<u>270</u>	<u>-</u>

18. Trade and other payables

	2012 USD 000	2011 USD 000
Trade payables	7,078	2,200
Accruals	5,611	5,315
Other payables	1,000	224
Current	<u>13,689</u>	<u>7,739</u>

Notes to the consolidated financial statements

19. Financial Instruments

Overview

The group has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and process for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, investment securities and loans to group entities.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's main customers are a small number of mobile network operators most of whom are subsidiaries of large international groups and are not therefore considered a high credit risk. Services are rendered to these customers based on long-term contracts with a typical length of 10 years.

Allowance for impairment

The Group established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

Investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with major financial institutions.

Guarantees

The Group's policy is to provide limited financial guarantees in certain circumstances for the benefit of group companies.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2012 USD 000	2011 USD 000
Trade and other receivable	20,756	7,107
Cash and cash equivalents	6,326	12,014
	<u>27,082</u>	<u>19,121</u>

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2012 USD 000	2011 USD 000
Ghana	8,842	3,988
Uganda	2,757	-
South Africa	298	76
Mauritius	-	9
	<u>11,897</u>	<u>4,073</u>

Notes to the consolidated financial statements

19. Financial Instruments (continued)

Credit risk (continued)

The ageing of trade receivables at 31 December that were not impaired was

	2012 USD 000	2011 USD 000
Neither past due nor impaired	6,570	884
Past due 1-30 days	1,469	362
Past due 31-90 days	983	2,633
Past due 91-120 days	2,024	54
Past due greater than 120 days	851	140
	<u>11,897</u>	<u>4,073</u>

The movement in the allowance for impairment in respect of trade receivables was as follows

	2012 USD 000	2011 USD 000
Beginning balance	1,309	-
Impairment loss recognised	(39)	1,309
Balance at 31 December	<u>1,270</u>	<u>1,309</u>

The Group believes that the unimpaired amounts that are past due by more than 30 days are collectible in full, based on historic payment behaviour and the group's monitoring of customer credit risk

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation

	Carrying Amount USD 000	Contractual cash flows USD 000	12 months or less USD 000	More than 12 months USD 000
31 December 2012				
Non-derivative financial liabilities				
Loans from shareholders	117,467	117,467	-	117,467
Interest bearing loans	44,190	44,190	445	43,745
Trade and other payables	13,689	13,689	13,689	-
Bank overdraft	1,982	1,982	1,982	-
Balance at 31 December 2012	<u>177,328</u>	<u>177,328</u>	<u>16,116</u>	<u>161,212</u>
31 December 2011				
Non-derivative financial liabilities				
Loans from shareholders	9,391	9,391	-	9,391
Interest bearing loans	10,000	10,000	-	10,000
Trade and other payables	7,739	7,739	7,739	-
Balance at 31 December 2011	<u>27,130</u>	<u>27,130</u>	<u>7,739</u>	<u>19,391</u>

Notes to the consolidated financial statements

19. Financial instruments (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments

Currency risk

The Group is exposed to currency risk on sales, purchases, payables, receivables and borrowings that are denominated in currencies other than the functional currency. The Group seeks to reduce its foreign currency exposure through a policy of matching, as far as possible, assets and liabilities denominated in foreign currencies. Borrowings are mostly denominated in US Dollars as these are typically the only funding source available on commercial terms. The currencies in which these transactions are denominated are Ghanaian Cedi, Ugandan Shillings, South African Rand, British Pound and US Dollars.

The Group's exposure to foreign currency risk was as follows

	Trade receivables	Cash and bank deposits	Trade payables	Deferred revenue	Loan from shareholder	Interest bearing borrowings	Bank Overdraft
	USD 000	USD 000	USD 000	USD 000	USD 000	USD 000	USD 000
31 December 2012							
US Dollars	2,840	6,959	1,847	-	117,467	44,190	-
Ghanaian Cedi	11,118	-	4,586	4,615	-	-	1,982
Ugandan Shilling	6,172	179	4,484	1,341	-	-	-
South African Rand	467	473	1,105	269	-	-	-
British Pound	159	169	1,653	-	-	-	-
Kenyan Shilling	-	46	14	-	-	-	-
	20,756	7,826	13,689	6,225	117,467	44,190	1,982
31 December 2011							
US Dollars	980	10,303	607	-	9,391	10,000	-
Ghanaian Cedi	5,992	1,618	6,853	747	-	-	-
South African Rand	135	93	279	-	-	-	-
	7,107	12,014	7,739	747	9,391	10,000	

Interest rate risk

As part of the process of managing the group's interest rate risk, interest rate characteristics of new borrowings and the financing of existing borrowings are positioned according to expected movements in interest rates

Fair values

Fair values versus carrying amounts

The fair values of the financial assets and liabilities, together with carrying amounts shown in the statement of financial positions, are as follows

	2012		2011	
	Carrying amount	Fair values	Carrying amount	Fair values
	USD 000	USD 000	USD 000	USD 000
Trade and other receivable	20,756	20,756	7,107	7,107
Cash and bank deposits	7,826	7,826	12,014	12,014
	28,582	28,582	19,121	19,121
Loans from shareholders	(117,467)	(117,467)	(9,391)	(9,391)
Bank overdraft	(1,982)	(1,982)	-	-
Interest-bearing borrowings	(44,190)	(44,190)	(10,000)	(10,000)
Trade and other payables	(13,689)	(13,689)	(7,739)	(7,739)
Deferred revenue	(6,225)	(6,225)	(747)	(747)
	(154,971)	(154,971)	(8,756)	(8,756)

Notes to the consolidated financial statements

19. Financial instruments (continued)

Capital management

The Group is dependent on shareholder funding from its parent company, Eaton Towers Holdings Limited, to maintain a strong capital base and to sustain future development of the business. The directors of the Company have received confirmation from Eaton Towers Holdings Limited of their intention to continue to provide on-going financial support to the Group for at least the next 12 months.

20. Equity

Share capital

	2012 USD 000	2011 USD 000
Allotted, called up and fully paid 48,100,642 Ordinary Shares of \$1 each	48,101	48,101

No shares were issued during 2012 (2011, 48,100,642 Ordinary Shares of \$1 each were issued at par). The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Reserves

	Other reserves USD 000	Retained earnings USD 000	Total USD 000
Balance at 1 August 2011	-	-	-
Loss for the period	-	(4,069)	(4,069)
Translation reserve	277	-	277
Balance at 31 December 2011	277	(4,069)	(3,792)
Balance at 1 January 2012	277	(4,069)	(3,792)
Loss for the year	-	(15,993)	(15,993)
Translation reserve	(5,668)	-	(5,668)
Balance at 31 December 2012	(5,391)	(20,062)	(25,453)

21. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2012 USD 000	2011 USD 000
Less than one year	2,084	63
Between one and five years	11,127	89
More than five years	12,689	-
	25,900	152

The main commitments shown above relate to tower sites under operating leases. The leases for these sites typically run for a period of 10 years, with an option to renew the lease after that date. In addition the group also leases office properties and motor vehicles under operating leases.

Notes to the consolidated financial statements

22. Commitments

The Group had capital commitments in respect of plant and equipment of USD 10,591,000 at 31st December 2012 (2011, nil commitments)

23. Directors' emoluments

Directors' emoluments totalled USD 1,009,000 during the year, which was paid to two directors (2011, USD 315,000). The remaining directors did not receive any emoluments from the Group.

24. Contingencies

In 2012 the Uganda Revenue Authority assessed Eaton Towers Uganda Limited (Eaton Uganda) on stamp duty in respect of the transfer of business agreement between Eaton Uganda and Warid Telecom Uganda Limited, for an equivalent amount of USD 0.9 million. Eaton Uganda has formally objected to the assessment and is in the process of seeking the Courts interpretation of the relevant clauses of the Stamps Act in Uganda. Based on advice from legal and tax advisors the Company considers it has a strong position backed by statutory and case law and accordingly has not made provision in these financial statements for the assessment raised.

Eaton Towers Uganda Limited has entered into a performance guarantee for USD 3 million in relation to the services it provides to one of its customers.

In 2011 USD 207,000 of the bank balance in Ghana was held as collateral for an outstanding letter of credit issued by the local bank.

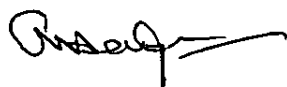
25. Ultimate parent company and parent company of larger group

The immediate parent company is Eaton Towers Holdings Limited, a company incorporated in Jersey, and the ultimate parent company is CIPEF ETW (Jersey) Limited, a limited liability company incorporated in Jersey. The ultimate controlling party is Capital International Private Equity Fund VI L.P., a Cayman Islands exempted limited partnership.

Company Statement of financial position

	Note	2012 USD 000	2011 USD 000
Non-current assets			
Property, plant and equipment	2	43	7
Investments	3	126,843	36,875
Amounts owed by group entities	4	10,359	3,228
		<u>137,245</u>	<u>40,110</u>
Current assets			
Other debtors	5	1,159	258
Cash and cash equivalents	10	4,580	6,969
		<u>5,739</u>	<u>7,227</u>
Total assets		<u>142,984</u>	<u>47,337</u>
Equity			
Share capital	9	48,101	48,101
Accumulated losses	9	(15,846)	(2,540)
Total equity		<u>32,255</u>	<u>45,561</u>
Non-current liabilities			
Loan from shareholders	7	109,076	1,000
Total non-current liabilities		<u>109,076</u>	<u>1,000</u>
Current liabilities			
Trade and other payables	6	1,653	776
Total current liabilities		<u>1,653</u>	<u>776</u>
Total liabilities		<u>110,729</u>	<u>1,776</u>
Total equity and liabilities		<u>142,984</u>	<u>47,337</u>

These financial statements were approved by the board of directors on 26. 3 13 and were signed on its behalf by



Alan Harper
 Director
 On behalf of Eaton Towers Limited
 Company registered number 07724924

Notes from pages 34-36 form part of these financial statements

Company Statement of changes in equity

	Share Capital USD 000	Retained earnings USD 000	Total equity USD 000
Balance at 1 August 2011	-	-	-
Issue of shares	48,101		48,101
Loss for the period	-	(2,540)	(2,540)
Balance at 31 December 2011	48,101	(2,540)	45,561
Balance at 1 January 2012	48,101	(2,540)	45,561
Loss for the year	-	(13,306)	(13,306)
Balance at 31 December 2012	48,101	(15,846)	32,255

Notes from pages 34-36 form part of these financial statements

Company Cash Flow Statement

	Note	Year ended 31 December 2012 USD 000	Period ended 31 December 2011 USD 000
Cash flows from operating activities			
Loss from continuing operations		(13,306)	(2,540)
Adjustments for			
Depreciation, amortisation impairment and write offs		13	-
Financial income		(12)	-
Finance costs		5,174	27
		(8,131)	(2,513)
Changes in			
Trade and other receivables		(901)	(258)
Trade and other payables		877	776
Cash generated from operating activities		(8,155)	(1,995)
Finance costs		(142)	(26)
Net cash used in operating activities		(8,297)	(2,021)
Cash flows from investing activities			
Investment in Uganda redeemable preference shares	3	(95,000)	-
Interest received		12	-
Acquisition of property, plant and equipment	2	(49)	(7)
Net cash used in investing activities		(95,037)	(7)
Cash flows from financing activities			
Proceeds from issue of shares		-	11,225
Additional shareholders' loans	7	108,076	1,000
Loans advanced to subsidiary undertakings	4	(7,131)	(3,228)
Net cash from financing activities		100,945	8,997
Net increase in cash and cash equivalents		(2,389)	6,969
Cash and cash equivalents (including bank overdraft) at 1 January		6,969	-
Cash and cash equivalents (including bank overdraft) at 31 December	10	4,580	6,969

Notes from pages 34-36 form part of these financial statements

Notes to the company financial statements

1 Accounting policies

The accounting policies for the company financial statements are the same as those applied in the consolidated financial statements

2 Tangible fixed assets

	Cost USD 000	Depreciation USD 000	Net Book Value USD 000
At beginning of period	-	-	
Additions	7	-	
At 31 December 2011	<u>7</u>	<u>-</u>	<u>7</u>
At 1 January 2012	7	-	
Additions	49	13	
At 31 December 2012	<u>56</u>	<u>13</u>	<u>43</u>

3. Fixed asset investments

	Shares in group undertakings USD 000
At beginning of period	-
Additions - Ordinary shares acquired in Ghana and South Africa	36,875
At 31 December 2011	<u>36,875</u>
At 1 January 2012	36,875
Additions - redeemable preference shares, Eaton Towers Uganda Limited	95,000
Exchange difference	(5,032)
At 31 December 2012	<u>126,843</u>

The company holds a direct interest in the following group entities

	Country of Incorporation	Investment held	Ownership 2012	Ownership 2011
<i>Eaton Towers South Africa (M) Limited</i>	<i>Mauritius</i>	<i>Ordinary shares</i>	<i>100%</i>	<i>100%</i>
<i>Eaton Towers Uganda Limited</i>	<i>Uganda</i>	<i>Ordinary and preference shares</i>	<i>100%</i>	<i>100%</i>
<i>Eaton Towers Ghana (M) Limited</i>	<i>Mauritius</i>	<i>Ordinary shares</i>	<i>100%</i>	<i>100%</i>
<i>Eaton Towers Kenya Limited</i>	<i>Kenya</i>	<i>Ordinary shares</i>	<i>100%</i>	<i>-</i>

Notes to the company financial statements

4. Amounts owed by group entities

The amounts owed by group entities are interest-free and have no fixed repayment dates

5. Trade and other receivables

	2012 USD 000	2011 USD 000
Amounts placed in escrow deposit account	1,000	-
Other debtors	159	258
	<u>1 159</u>	<u>258</u>

The amounts placed in escrow deposit account were repaid to the company in January 2013

6. Trade and other payables

	2012 USD 000	2011 USD 000
Trade creditors	133	278
Other creditors	146	145
Accruals	1,374	353
	<u>1,653</u>	<u>776</u>

7. Shareholder loans

	2012 USD 000	2011 USD 000
Shareholders loans from Eaton Towers Holdings Limited	<u>109,076</u>	<u>1,000</u>

The shareholder loans are interest free and repayable on demand

8. Staff numbers and costs

The average number of persons employed by the company during the period, analysed by category, was as follows

	Number of Employees	
	2012	2011
Administration and Sales	<u>15</u>	<u>13</u>

The aggregate payroll costs of these persons were as follows

	Year ended 31 December 2012 USD 000	Period ended 31 December 2011 USD 000
Wages and salaries	4,667	1,277
Social security costs	475	93
	<u>5,142</u>	<u>1,370</u>

Notes to the company financial statements

9. Share capital and reserves

Share capital

	2012 USD 000	2011 USD 000
Allotted, called up and fully paid 48,100,642 Ordinary Shares of \$1 each	48,101	48,101

No shares were issued during 2012 (2011, 48,100,642 Ordinary Shares of \$1 each were issued at par)

Accumulated losses

	Accumulated losses USD 000
Balance at 1 August 2011	-
Loss for the period	(2,540)
Balance at 31 December 2011	(2,540)
Balance at 1 January 2012	(2,540)
Loss for the year	(13,306)
Balance at 31 December 2012	(15,846)

10 Net cash at bank and in hand

	2012 USD 000	2011 USD 000
Cash and cash equivalents - bank balances	4,580	6,969

11. Related party disclosures

Services provided to subsidiaries in respect of management fees in the year amounted to USD 714,000 (2011, USD 230,000) and expenses recharged from subsidiaries amounted to USD 618,000 (USD 373,000). In addition in 2012 the Company recharged expenses to subsidiary companies of USD 1,581,000 (2011, USD nil). At the year-end any amounts outstanding with regard to these transactions have been included within amounts owed by group entities shown in the statement of financial position.

12. Control

The immediate parent company is Eaton Towers Holdings Limited, a company incorporated in Jersey, and the ultimate parent company is CIPEF ETW (Jersey) Limited, a limited liability company incorporated in Jersey. The ultimate controlling party is Capital International Private Equity Fund VI L P, a Cayman Islands exempted limited partnership.