

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2018

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

(Incorporated in Zambia)

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AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2018

The Directors present their annual report on the affairs of the company together with the financial statements and auditor's report for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the company is to hold the funds in the Airtel Money infrastructure in trust, for Airtel Money E-value account holders. There have been no significant changes in the company's business during the year.

SHARE CAPITAL

There were no changes to the authorized and issued share capital during the year

RESULTS AND DIVIDEND

The Company had a profit after tax of **K58,245,914** for the year ended 31 December 2018 (2017: K372,915). The directors do not recommend the payment of a dividend for the year under review (2017: Nil).

FINANCIAL STATEMENTS

At the date of this report, the directors were not aware of any circumstances, which would have rendered the values attributed to the assets and liabilities in the financial statements of the company misleading.

DIRECTORS

The following director's held office during the year and to the date of this report.

Rajeev Sethi	Executive Director (appointed on 29 March 2017)
Apoorva Methrotra	Executive Director (appointed on 1 November 2017)

None of the Directors held any shares in the company (2017: Nil)

PROPERTY, PLANT AND EQUIPMENT

During the year, the company acquired plant & equipment of **K1,357,593** (2017: K784,733).

NUMBER OF EMPLOYEES AND REMUNERATION

At the end of the year, the related wages and salaries cost was **K3,318,139** (2017: K 3 776 804). The number of employees for each month of the year was as follows

Month	2018	2017
January	5	9
February	5	9
March	7	9
April	6	9
May	7	9
June	7	9
July	7	8
August	7	8
September	7	8
October	7	7
November	7	6
December	7	6

HEALTH AND SAFETY

The company has policies and procedures to safeguard the occupational health, safety and welfare of its employees.

GIFTS AND DONATIONS

The Company did not make any donations or gifts to charitable organisations and events during the financial year (2017: Nil).

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

DIRECTORS' REPORT (Continued) for the year ended 31 December 2018.

GOING CONCERN

In 2018, the company realised a net profit after income tax of **K58,245,914** (2017: K372,915) for the year. At 31 December 2018 accumulated losses were **K 22,387,153** (2017: K 80,633,067). The company is in a net liability position of **K 20,387,153** (2017: K 78,633,067).

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

- a) Will generate cash inflows from operations of at least the amount projected in the management's annual operating plan. The generation of sufficient cash flows from operations is driven by and dependent on management achieving operational targets on subscriber numbers, churn rate and average revenue per user;
- b) Owing to the increasing profit will be able to obtain third party financing if needed, and
- c) The Directors are implementing various business strategies aimed at improving business performance and enhancing sustainable operations in the foreseeable future.

The directors are confident that the Company will have sufficient working capital to finance its operations and meet financial obligations as and when they fall due and that it is therefore appropriate to prepare the financial statements on a going concern basis.

AUDITORS

The Company's Auditors, Messrs Deloitte & Touche, have indicated their willingness to continue in office. A resolution proposing their reappointment and authorising the Directors to fix their remuneration will be put to the Annual General Meeting.

STATEMENT ON CORPORATE GOVERNANCE

Airtel Mobile Commerce Zambia Limited takes the issue of corporate governance seriously. The Company's focus is to have a sound corporate governance framework that contributes to improved corporate performance and accountability in creating long term shareholder value.

The Board meets at least four times a year and concerns itself with key matters and the responsibilities for implementing the Company's strategy is delegated to management. The Board of Directors continues to provide considerable depth of knowledge and experience to the business.

There is strong focus by the Audit Committee on matters relating to financial operations, fraud, application of accounting and control standards and results. The Audit Committee also meets at least four times a year.

The Company has put in place a Code of Conduct and Anti- Bribery & Anti-Corruption Policy that sets out the standards on how staff should behave with all stakeholders. An effective monitoring mechanism to support management's objective of enforcing the Code of Conduct and Anti- Bribery & Anti-Corruption has been developed and is being used across the Company.

By order of the Board



COMPANY SECRETARY
Sonia Shamwana Chinganya
LUSAKA

Date: 20-March-2019

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2018

The Companies Act, 2017 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its financial performance. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company. The Directors are further required to ensure the Company adheres to the corporate governance principles or practices contained in Part VII's Sections 82 to 122 of the Companies Act, 2017.

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The independent external auditors, Messrs Deloitte & Touche, have audited the financial statements and their report is shown on pages 4 and 5.

The Directors are also responsible for the systems of internal control. These are designed to provide reasonable but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern in the foreseeable future.

In the opinion of the Directors:

- the statement of profit or loss and other comprehensive income is drawn up so as to give a true and fair view of the profit of the Company for the year ended 31 December 2018;
- the statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2018;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due; and
- the financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2017; and
- the Directors have implemented and further adhered to the corporate governance principles or practices contained in Part VII, Sections 82 to 122 of the Companies Act, 2017.

Approval of the financial statements

The financial Statements of the company as indicated above, were approved by the Directors on 20 March 2019 and signed on behalf of the Board by:



Rajeev Sethi
CHAIRPERSON



Apoorva Mehrotra
DIRECTOR

INDEPENDENT AUDITOR'S REPORT

To the members of
Airtel Mobile Commerce Zambia Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Airtel Mobile Commerce Limited (the "Company") set out on pages 7 to 38, which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Banking and Financial Services Act, 1994 (as amended) and the Companies Act, 2017.

Basis for opinion

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

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act, 1994 (as amended). The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2017 and the Banking and Financial Services Act, 1994 (as amended) and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on other legal and regulatory requirements

The Companies Act, 2017 requires that in carrying out our audit, we consider and report to you on the following matter: we confirm that, in our opinion, the accounting and other records and registers have been properly kept in accordance with the Act.

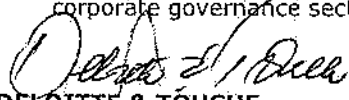
In accordance with section 64(2) of the Banking and Financial Services Act, 1994 (as amended), we report that in our opinion:

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- We are not aware of any transaction that has not been within the powers of the Company or which was contrary to the Act;
- The Company has complied with the provisions of this Act and the regulations, guidelines and prescriptions under this Act, and
- No transactions or conditions affecting the wellbeing of the Company have come to our attention that in our opinion are not satisfactory and require rectification.

Report on other legal and regulatory requirements (Cont'd)

Further, Section 259(3) of the Companies Act, 2017 requires that in carrying out our audit, we consider and report that:

- There is no relationship, interest or debt which we have with and in the Company; and
- There are no serious breaches of corporate governance principles or practices by the Directors. This statement is made on the basis of the corporate governance provisions as enshrined in Part VII - corporate governance section of the Companies Act, 2017.



DELOITTE & TOUCHE



F. NCHIMUNYA (AUD/F0000154)

PARTNER

DATE: *28 March 2019.*

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
for the year ended 31 December 2018

Kwacha	Notes	2018	2017
Revenue	7	193 465 561	25 283 970
Cost of sales		<u>(117 615 926)</u>	<u>(17 243 476)</u>
Gross profit		75 849 635	8 040 494
Distribution expenses		(3 161 983)	(1 363 358)
Administrative expenses		<u>(13 032 676)</u>	<u>(6 419 048)</u>
Operating profit		59 654 976	258 088
Net exchange gain (loss)	8	138 615	(145 739)
Finance income	9	<u>357 197</u>	<u>393 629</u>
Profit before tax	10	60 150 788	505 978
Income tax expense	12	<u>(1 904 874)</u>	<u>(133 063)</u>
Profit and total comprehensive income for the year		<u>58 245 914</u>	<u>372 915</u>

There were no items of other comprehensive income during the year (2017: K nil)

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED**STATEMENT OF FINANCIAL POSITION**

at 31 December 2018

	Notes	2018 K	2017 K
ASSETS			
Non-current assets			
Plant and Equipment	14	687,933	701,967
Intangible Assets	15	27,237	-
Deferred tax asset (net)	13	387,507	-
		<u>1,102,677</u>	<u>701,967</u>
Current assets			
Trade and other receivables	16	5,614,360	989,088
Amounts due from related parties	22	36,660,169	497,627
Income tax recoverable (net)	12	-	395,528
Funds held in trust	17	345,970,838	71,818,714
Bank and cash balances	18	7,064,229	4,553,523
		<u>395,309,596</u>	<u>78,254,480</u>
Total assets		<u>396,412,273</u>	<u>78,956,447</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	19	2,000,000	2,000,000
Accumulated losses		(22,387,153)	(80,633,067)
Shareholders deficiency		(20,387,153)	(78,633,067)
Current liabilities			
Due to customers	20	345,972,786	71,819,618
Trade and other payables	21	5,888,153	5,071,756
Income tax payable (net)	12	1,075,495	-
Amounts due to related parties	22	63,862,992	80,698,140
		<u>416,799,426</u>	<u>157,589,514</u>
Total liabilities		<u>416,799,426</u>	<u>157,589,514</u>
Total equity and liabilities		<u>396,412,273</u>	<u>78,956,447</u>

The responsibilities of the Directors of the company with regard to the preparation of the financial statements are set out in on page 3.

The financial statements on pages 7... to 38 were approved by the board of directors and authorised for issue on 20-March-2019. and signed on their behalf by:



Rajeew Sethi
CHAIRPERSON



Apoorva Mehrotra
DIRECTOR

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018.

Kwacha	Share capital	Accumulated losses	Total
At 1 January 2017	2 000 000	(81 005 982)	(79 005 982)
Profit for the year	-	372 915	372 915
At 31 December 2017	2 000 000	(80 633 067)	(78 633 067)
At 1 January 2018	2 000 000	(80 633 067)	(78 633 067)
Profit for the year	-	58 245 914	58 245 914
At 31 December 2018	2 000 000	(22 387 153)	(20 387 153)

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED**STATEMENT OF CASH FLOWS**

for the year ended 31 December 2018

Kwacha	Notes	2018	2017
Operating activities			
Profit before tax		60 150 788	505 978
<i>Adjustments to reconcile loss before tax to net cash flows:</i>			
Depreciation expense	14	1 371 626	612 415
Amortisation of intangible assets	15	299 605	-
Interest income	9	(357 197)	(393 629)
<i>Working capital adjustments:</i>			
(increase) decrease in trade and other receivables		(4 625 272)	1 826 412
(increase) decrease in amounts due from related parties		(36 162 542)	857 298
Decrease in amounts due to related parties		(16 835 148)	(3 263 526)
Increase in amounts held in trust		(274 152 124)	(49 469 752)
Increase (decrease) in trade and other payables		816 397	(2 009 608)
Increase in amounts due to customers		274 153 168	48 800 636
		4 659 301	(2 533 776)
Income tax paid	12	(821 357)	(119 276)
Net cash flows from operating activities		3 837 944	(2 653 053)
Investing activities			
Interest received	9	357 197	393 629
Purchase of intangible assets	15	(326 842)	-
Purchase of property, plant and equipment	14	(1 357 593)	(784 733)
Net cash flows used in investing activities		(1 327 238)	(391 104)
Net increase (decrease) in cash and cash equivalents		2 510 706	(3 044 157)
Cash and cash equivalents at beginning of the year		4 553 523	7 597 680
Cash and cash equivalents at end of year		7 064 229	4 553 523

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

1. GENERAL INFORMATION

Airtel Mobile Commerce Zambia Limited (the "Company") is a limited company incorporated under the Companies Act, 2017 and domiciled in Zambia. The Company's principal activities are disclosed on page 1 of the Director's report.

The address of the Company's registered office and principal place of business is disclosed below.

Airtel Zambia HQ
Stand 2375
Corner Addis Ababa drive & Great east Road
P.O.Box 320001
Lusaka
Zambia

These financial statements are presented in Zambian Kwacha ("K") and are rounded to the nearest Kwacha.

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 New and amended IFRS Standards that are effective for the current year

2.1.1 Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives.

Additionally, the Company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period.

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

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

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 January 2018 have been restated where appropriate.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments 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:

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.1 New and amended IFRS Standards that are effective for the current year (Continued)

2.1.1 Impact of initial application of IFRS 9 Financial Instruments (Continued)

(a) Classification and measurement of financial assets (Continued)

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Company has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See (b) below.

The directors of the Company reviewed and assessed the Company's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had an insignificant impact on the Company's financial assets as regards their classification and measurement:

Financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

- (1) Debt investments measured subsequently at amortised cost or at FVTOCI;
- (2) Lease receivables;
- (3) Trade receivables and contract assets; and
- (4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

For the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognised on the date of initial application of IFRS 9 (i.e. 1 January 2018), the directors have compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at 1 January 2017.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.1.1 New and amended IFRS Standards that are effective for the current year (Continued)

(b) Impairment of financial assets

The result of the assessment is as follows:

Items existing as at 01/01/18 that are subject to the impairment provisions of IFRS 9	Note	Credit risk attributes 1 January 2017 and 1 January 2018
Amount due from related parties	22	Amounts due from related parties are assessed regarding credit risk at each reporting date. As the same are closely monitored and controlled by the same management, there is no provision matrix being followed on ageing basis. There have been no instances observed in the past where collection are assumed to be at risk for such related party receivable.
Trade and other receivables	16	The Company uses a provision matrix to measure the expected credit loss 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.
Cash and bank	17 and 18	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised.

Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

(d) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Company had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Company has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Company has elected to designate as at FVTPL at the date of initial application of IFRS 9.

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

The Company has adopted IFRS 15, 'Revenue from Contracts with Customers' applying the cumulative effect method applied retrospectively to the contracts that are not completed as of 1 January 2018 (being the date of initial application). Accordingly, the comparative information has not been restated. The effect on adoption of the said standard is insignificant on these financial statements.

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.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.1.2 Impact of application of IFRS 15 Revenue from Contracts with Customers (continued)

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

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

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

2.2 Annual Improvements to IFRS

*IFRIC 22 Foreign
Currency
Transactions and
Advance
Consideration*

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of Consideration an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

2.3 New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

<i>Amendments to IFRS 9</i>	Prepayment Features with Negative Compensation
<i>IFRIC 23</i>	Uncertainty over Income Tax Treatments
<i>Amendments to IAS 19 Employee Benefits</i>	Plan Amendment, Curtailment or Settlement
<i>IFRS 16</i>	Leases

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

2.3.1 IFRS 16 Leases

General Impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Company will be 1 January 2019.

The Company has chosen the full retrospective application of IFRS 16 in accordance with IFRS 16:C5(a). Consequently, the Company will restate the comparative information. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.3 New and revised IFRS Standards in issue but not yet effective (continued)

2.3.1 IFRS 16 Leases (continued)

Impact of the new definition of a lease

The Company will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Company will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Company.

Operating leases

IFRS 16 will change how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Company will:

- a) Recognise right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;
- c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous leases contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 31 December 2018, the Company did not have any non-cancellable operating leases commitments.

Under IAS 17, all lease payments on operating leases are presented as part of cash flows from operating activities.

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial application the Company will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Company's finance leases as at 31 December 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed that the impact of this change will not have an impact on the amounts recognised in the Company's financial statements.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.3.2 Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

2.4 Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Annual Improvements include amendments to four Standards.

2.4.1 IAS 12 Income Taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a Company; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.
- The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

2.4.2 IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

3.1 Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards.

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of preparation (continued)

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 measurement date, regardless of whether that 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 liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets 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 for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements have been prepared on a going concern basis, which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Company recorded a profit after tax of **K 58 245 914** (31 December 2017: K 372 915). At 31 December 2018 accumulated losses were **K 22,387,153** (2017: K 80,633,067). The company is in a net liability position of **K 20,387,153** (2017: K 78,633,067)

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

- a) Will generate cash inflows from operations of at least the amount projected in the management's annual operating plan. The generation of sufficient cash flows from operations is driven by and dependent on management achieving operational targets on subscriber numbers, churn rate and average revenue per user;
- b) Will obtain funding from third parties; and
- c) The Directors are implementing various business strategies aimed at improving business performance and enhancing sustainable operations in the foreseeable future.

The directors are confident that the Company will have sufficient working capital to finance its operations and meet financial obligations as and when they fall due and that it is therefore appropriate to prepare the financial statements on a going concern basis.

3.3 Revenue recognition

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payments and excluding taxes or duty. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the transactions have been resolved.

3.4 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Zambian Kwacha which has been determined to be the entity's functional currency.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Foreign currencies (continued)

(ii) Transactions and balances

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the foreign exchange rate ruling at that date. Exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the closing date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss and other comprehensive income within finance income or cost.

3.5 Borrowings

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.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

3.6 Employee benefits

Retirement benefit obligations

The company operates a defined contribution scheme for all its employees. The company and all its employees also contribute to the National Pension Scheme Fund, which is a defined contribution scheme. A defined contribution plan is a retirement benefit plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions to the defined contribution schemes are recognised in profit or loss in the year in which they fall.

Other entitlements

The estimated liability for employees' accrued gratuity and annual leave entitlement at the reporting date is recognised as an expense accrual.

3.7 Taxation

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

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it also 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 reporting date.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Taxation

(ii) Deferred tax

Deferred tax is recognised on temporary 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. 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.

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 liabilities and assets 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. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity. 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.

(iii) Current and deferred tax for the year

Current tax and deferred tax is recognised as an expense or income in profit or loss, except to the extent that it relate to items credited or debited directly to equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

3.8 Property, plant and equipment

Equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of equipment are required to be replaced in intervals, the Company recognises such parts as separate component of assets with specific useful lives and provides depreciation over their useful life. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised in profit or loss as incurred.

When funds borrowed are specifically for the purpose of obtaining a qualifying asset, the entity determines the amount of the borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of the borrowings.

Gains and losses arising from retirement or disposal of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement and disposal.

The carrying amount of equipment that is disposed of is derecognized when the criteria for sale of goods in IAS 18 is met.

Assets are depreciated to the residual values on a straight-line basis over the estimated useful lives. The asset's residual values and useful lives are reviewed at each financial year end or whenever there are indicators for impairment, and adjusted prospectively. Land is not depreciated:

Categories	Years
Computers	3 years
Furniture and fittings	2 to 5 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end. The effect of any changes in estimate is accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Intangible assets

The Company's intangible assets comprise of licenses. Licenses are recognised as an asset when it is probable that future economic benefits from the asset will flow to the entity and the cost of the license can be reliably measured.

Licenses are initially measured at cost and subsequently amortised on a straight-line basis over their useful lives. Intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation periods are reviewed annually and adjusted prospectively as required. Gains or losses arising from derecognition of licenses are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised. Licenses are amortised over a period of 1 years.

At initial recognition, the separately acquired intangible assets are recognised at cost. Following initial recognition, the intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Gains or losses arising from derecognition of the assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

3.10 Impairment of non financial assets

Equipment and intangible assets

Equipment and intangible assets with definite lives are reviewed for impairment, whenever events or changes in circumstances indicate that their carrying values may not be recoverable. For the purpose of impairment testing, the recoverable amount (that is, higher of the fair value less costs to sell and the value-in-use) is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets, in which case the recoverable amount is determined at the cash-generating-unit ('CGU') level to which the said asset belongs. If such individual assets or CGU are considered to be impaired, the impairment to be recognised in profit or loss is measured by the amount by which the carrying value of the asset / CGU exceeds their estimated recoverable amount and allocated on pro rata basis. Impairment losses, if any, are recognised in statement of profit and loss.

Reversal of impairment losses

Impairment losses are reversed and the carrying value is increased to its revised recoverable amount provided that this amount does not exceed the carrying value that would have been determined had no impairment loss been recognised for the said asset in previous years.

3.11 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 which 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 statement of comprehensive income date, 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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.12 Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

3.13 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of expected cash flows, discounted at the effective financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

3.14 Cash and cash equivalents

Cash and cash equivalent includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts measured at amortised costs.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.15 Statement of cash flow

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.

3.16 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.

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 market.

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial instruments (Continued)

Financial assets (Continued)

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 criteria as measured at FVTPL if doing so eliminates or significantly reduces an

(i) 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.

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;

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial instruments (Continued)

Financial assets (Continued)

- 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.

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.

(i) 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;

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial instruments (Continued)

Financial assets (Continued)

(i) Significant increase in credit risk (Continued)

- 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 obligation

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 30 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

- (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.

(ii) 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.

(iii) 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial instruments (Continued)

Financial assets (Continued)

(iv) Write-off 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 trade receivables has crossed the law of limitation period 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.

(v) 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.

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.

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.

Financial liabilities and equity

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 arrangements and the definitions of a financial liability and an equity instrument.

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 issued by the Company are recognised at the proceeds received, net of direct issue costs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial instruments (Continued)

Financial liabilities and equity (Continued)

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

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.

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.

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.

3.17 Share capital

Issued ordinary shares are classified as 'share capital' in equity when the Company has an unconditional 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.

3.18 Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.19 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.

3.20 Comparatives

Where necessary, comparative figures have been adjusted to confirm with changes in presentation in the current year.

3.21 Dividend

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

3.22 Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a timely 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 useful life of the financial asset to that asset's net carrying amount on initial recognition.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Receivables

Critical estimates are made by the directors in determining the recoverable amount of impaired receivables. Factors taken into consideration in making such judgements include historical trends and the number of days a debt is past its due date for payment. The carrying amount of impaired receivables is set out in Note 16.

Taxes

1 Current income tax

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date.

2 Deferred tax

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date.

Determination of residual values and useful lives

Judgement and estimations are used when determining the residual values and useful lives of property, plant and equipment on annual basis.

(ii) Critical judgements in applying the entity's accounting policies

In the process of applying the company's accounting policies, management has made judgements in determining:

- the classification of financial assets and leases.
- revenue recognition allocation to different components.
- determining whether assets are impaired, or not.

5. Financial risk management objectives and policies

The Company's principal financial instruments comprise cash and cash equivalents, receivables and payables. These instruments arise directly from its operations. The Company does not speculate or trade in derivative financial instruments.

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, liquidity risk and operational risk. The directors review and agree policies for managing these risks.

The directors have overall responsibility for the establishment and oversight of the company's risk management framework. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as foreign exchange rates, interest rates and equity prices. The objective of market risk management is to manage and control market risk exposure within acceptable levels, while optimizing on the return on the risk.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

for the year ended 31 December 2018

5. Financial risk management objectives and policies (Continued)*(i) Foreign exchange risk*

Foreign exchange risk arises from future investment transactions on recognized assets and liabilities. The Company's policy is to record transactions in foreign currencies at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the statement of financial position date. All gains or losses on changes in currency exchange rates are accounted for in the statement of profit or loss.

The Company operates wholly within Zambia and its assets and liabilities are mainly denominated in local currency.

(ii) Interest rate risk

Interest rate risk is the risk that the future profitability and/or cash flows of financial instruments will fluctuate because of changes in the market interest rates. The interest rate exposure arises mainly from the interest rate movements on the borrowings. However, the company does not engage in borrowing activities as its obligation is to hold cash in trust.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trading activities as well as placement and balances with other counterparties, advances to customers, deposits held with various services providers, prepayments and bank balances. The Company does not involve itself in trading activities hence it is not exposed to credit risk.

(i) Concentration of credit risk

Amount due from debtors best represents the company's maximum exposure to the credit risk or concentration of the credit risk. The Company only holds funds in trust, and there is no rating on debtors.

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

Kwacha	Note	Carrying amount	
		2018	2017
Financial assets			
Trade receivables (net)	16	5 614 360	989 088
Amounts due from related parties	22 (a)	36 660 169	497 627
Cash and cash equivalents	18	7 064 229	4 553 523
		49 338 758	6 040 237

As at 31 December, the ageing analysis of trade receivables is, as follows:

	Total	Neither past due nor impaired	Past due but not impaired			Past due and impaired
			< 30 days	30 - 60 days		> 90 days
				60 - 90 days		
	K	K	K	K	K	K
2018:	5 979 687	2 570 623	2 218 602	689 249	135 886	365 327
2017	1 521 169	588 200	315 959	69 280	15 649	532 081

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations from its financial liabilities. The Company'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 Company's reputation.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

for the year ended 31 December 2018

5. Financial risk management objectives and policies (continued)

	Note	Carrying amount	
		2018	2017
Financial liabilities			
Amounts due to related parties	22 (c)	63 862 992	80 698 140
Trade and other payables	21	5 888 153	5 071 756
		69 751 145	85 769 896

The table below summarises the maturity profile of the Company's financial liabilities at the reporting date based on contractual undiscounted payments.

	Within 1 year	Between 1 - 2 years	Between 2 - 5 years	Greater than 5 years	Total
	K	K	K	K	K
31 December 2018					
Amounts due to related parties	63 862 992	-	-	-	63 862 992
Trade and other payables	5 888 153	-	-	-	5 888 153
	69 751 145	-	-	-	69 751 145
31 December 2017					
Amounts due to related parties	80 698 140	-	-	-	80 698 140
Trade and other payables	5 071 756	-	-	-	5 071 756
	85 769 896	-	-	-	85 769 896

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the company's operations and are faced by all business entities.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to management of the Company.

The Company has developed processes of overall company's standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the year assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.

(i) Risk management

Risk is inherent in the company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing viable operations.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

for the year ended 31 December 2018

5. Financial risk management objectives and policies (Cont'd)**Operational risk (Cont'd)****(i) Risk management (Cont'd)**

Exposure to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk arises in the normal course of the company's business.

(ii) Operations

The directors have put in place internal control systems which include instituting ostensibly to ensure adequate accounting records are maintained.

6. Capital management

The primary objectives of the Company is to hold, in trust, the funds owing to the Airtel Mobile Commerce Zambia Limited e-value holders and safeguard the safety and sanctity of these funds. The Company does not trade and is not allowed to deal in these funds otherwise than to settle obligations arising from genuine transaction of Airtel Mobile Commerce Zambia Limited E-value. The principal obligation of the Company is not to maximize wealth but to safeguard third party funds.

The capital structure of the Company consists of share capital and reserves. In order to maintain or adjust the capital structure, the Company may return loan capital to shareholders, issue new shares or sell assets to reduce debt.

7. REVENUE

Kwacha	2018	2017
Transaction charge on cash withdrawals	132 189 526	16 692 999
Airtime recharge transaction fees	21 968 847	2 484 436
Other fees and charges	19 690 933	310 765
Merchant collection service fees	17 045 099	4 254 319
Bulk payment service fees	1 651 310	1 069 023
Service fees on international money transfers	477 667	48 594
Transaction charge on cash withdraw (off net)	373 445	323 289
Bank transfer service fees	68 734	100 546
	<u>193 465 561</u>	<u>25 283 970</u>

8. NET EXCHANGE GAIN/(LOSS)

Net exchange gain/(loss)	<u>138 615</u>	<u>(145 739)</u>
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9. FINANCE INCOME

Interest income on bank balances	<u>357 197</u>	<u>393 629</u>
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10. PROFIT BEFORE TAX

Profit before tax is stated after recognising:

Interest income (note 9)	357 197	393 629
Receivables - reversal of provision for impairment losses (note 16)	166 754	-
and after charging:		
Employee benefits expenses	3 318 139	3 776 804
Depreciation on property, plant and equipment (note 14)	1 371 626	612 415
Amortisation of intangible assets (note 15)	299 605	-
Auditors' remuneration	296 881	721 364
Receivables - provision for impairment losses (note 16)	-	249 484

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

Kwacha	2018	2017
11. EMPLOYEE BENEFIT EXPENSE		
The following contributions to pensions/funds were included within the salaries and wages expenses:		
Aon Zambia Pension Fund Administrators Limited	195 176	230 013
National Pension Scheme Authority	50 258	76 531
	<u>245 434</u>	<u>306 544</u>

12. INCOME TAX EXPENSE

The components of income tax expense for the years ended 31 December 2018 and 2017 are:

Deferred income tax (note 13)	(387 507)	-
Current income tax	2 292 381	133 063
Income tax expense	<u>1 904 874</u>	<u>133 063</u>

The tax charge for the year can be reconciled to the profit before tax as follows:

Profit before income tax	60 150 788	505 978
Tax calculated at the statutory income tax rate of 35%	21 052 776	177 092
Tax effect of:		
Adjustments		
Tax asset in respect of prior year	(19 457 761)	-
Timing differences	-	38 201
Expenses not deductible for tax purposes	309 861	(82 231)
Income tax expense	<u>1 904 874</u>	<u>133 063</u>

Income tax payable (recoverable)

Current income tax movement in the statement of financial position:

At 1 January	(395 528)	(409 315)
Payments during the year	(65 000)	(119 276)
Withholding tax Credits (Tax deducted at source)	(756 357)	-
Current tax charge for the year	2 292 380	133 063
At 31 December	<u>1 075 495</u>	<u>(395 528)</u>

Tax losses are analysed as follows

Charge year	1.1.2018 K	Tax losses utilised K	Expired tax losses K	31.12.2018 K
2013	10 078 310	(10 078 310)	-	-
2014	17 215 661	(17 215 661)	-	-
2015	17 806 813	(17 806 813)	-	-
2016	9 496 303	(9 496 303)	-	-
Total tax losses	<u>54 597 088</u>	<u>(54 597 088)</u>	-	-

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

for the year ended 31 December 2018.

13. DEFERRED TAX

In prior years, deferred tax assets were not recognised because it was considered not probable that future taxable profit would be available against which these would be utilised against or realised.

As it is now considered probable that there will be taxable profits against which the deferred tax assets will be utilised against in the future, deferred tax has been recognised. This has been calculated using the applicable enacted income tax rate of 35%

The following are the major deferred tax assets and liabilities recognised by the company and movements thereof during the current and prior reporting period

Kwacha	2018	2017	
At beginning of year	(19 457 761)	(19 419 559)	
Charge (credit) for the year	19 070 253	(38 202)	
At end of year	<u>(387 507)</u>	<u>(19 457 761)</u>	
	01.01.2018	Movement	31.12.2018
	K	K	K
Deferred tax assets			
Tax losses	(19 317 461)	19 317 461	-
Other provisions	(169 911)	42 047	(127 864)
Property plant and equipment	29 612	(289 255)	(259 643)
Net deferred tax assets	<u>(19 457 761)</u>	<u>19 070 253</u>	<u>(387 507)</u>
	01.01.2017	Movement	31.12.2017
	K	K	K
Deferred tax assets			
Tax losses	(19 108 981)	(208 480)	(19 317 461)
Other provisions	(262 617)	92 706	(169 911)
Property plant and equipment	(147 760)	177 372	29 612
	<u>(19 519 358)</u>	<u>61 598</u>	<u>(19 457 760)</u>
Deferred tax liabilities			
Exchange differences	99 799	(99 799)	-
Net deferred tax assets	<u>(19 419 559)</u>	<u>(38 202)</u>	<u>(19 457 760)</u>

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

for the year ended 31 December 2018

Kwacha

14. PROPERTY, PLANT AND EQUIPMENT

	Computers	Furniture & other equipment	Assets in progress	Total
Cost				
At 1 January 2017	3 660 476	2 574 303	38 414	6 273 193
Additions	-	784 733	-	784 733
Transfer	-	38 414	(38 414)	-
At 31 December 2017	3 660 476	3 397 450	-	7 057 926
At 1 January 2018	3 660 476	3 397 450	-	7 057 926
Additions	-	1 357 593	-	1 357 593
At 31 December 2018	3 660 476	4 755 043	-	8 415 519
Accumulated depreciation				
At 1 January 2017	3 169 242	2 574 302	-	5 743 544
Charge for the year	404 937	207 478	-	612 415
At 31 December 2017	3 574 180	2 781 780	-	6 355 959
At 1 January 2018	3 574 180	2 781 780	-	6 355 960
Charge for the year	86 296	1 285 330	-	1 371 626
At 31 December 2018	3 660 476	4 067 110	-	7 727 586
Net book value				
At 31 December 2018	-	687 933	-	687 933
At 31 December 2017	86 296	615 670	-	701 967

15 INTANGIBLE ASSETS**Cost****At 1 January 2018**

Additions

At 31 December 2018**Amortization****At 1 January 2018**

Charge for the year

At 31 December 2018**At 31 December 2018****Licence fees****Total**

-	-
326 842	326 842
326 842	326 842
-	-
299 605	299 605
299 605	299 605
27 237	27 237

The License fees are payable to Comviva for mobiquity mobile financial services platform which allows for services such as the sending and transfer of money, bulk payments, merchant transactions, savings and loans.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
for the year ended 31 December 2018

Kwacha	2018	2017
16 Trade and other receivables		
Trade receivables	5 979 687	1 521 169
Impairment provision	<u>(365 327)</u>	<u>(532 081)</u>
	<u>5 614 360</u>	<u>989 088</u>

The average credit period on sales of services is 30 days. No interest is charged on outstanding trade receivables. 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. None of the trade receivables that have been written off is subject to enforcement activities.

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.

As at 31 December 2018, trade receivables with an initial carrying value of **K365,327** (2017: K532,081) were impaired and fully provided for. The movement in impairment provisions is as follows:

	Individually impaired	Collectively impaired	Total
	K	K	K
At 1 January 2017	282 597	-	282 597
Charge for the year	<u>249 484</u>	<u>-</u>	<u>249 484</u>
At 31 December 2017	532 081	-	532 081
Credit for the year	<u>(166 754)</u>	<u>-</u>	<u>(166 754)</u>
At 31 December 2018	<u>365 327</u>	<u>-</u>	<u>365 327</u>

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

for the year ended 31 December 2018

Kwacha	2018	2017
17. Funds held in trust		
Cash at bank held in trust	327 480 849	66 788 090
Interest earned on cash at bank held in trust	18 489 989	5 030 624
	345 970 838	71 818 714
Funds held on behalf of customers are held on bank accounts bearing an interest at the annual rates mentioned below:		
Bank	2018	2017
Citi bank	9.50%	9.50%
Atlas Mara Bank	7.75%	N/a
Zambia National Commercial Bank	7.00%	N/a
Barclays Bank	9.50%	N/a
18. Bank and cash balances		
Bank and cash balance	7 064 229	4 553 523
Bank accounts bear interest at the rate of 9.5% per annum (2017: 9.5%). Interest earned has been disclosed in note 9.		
19. Share capital		
Authorised share capital: 200,000,000 ordinary shares of K 0.01 each	2 000 000	2 000 000
Issued and fully paid: 200,000,000 ordinary shares of K 0.01 each	2 000 000	2 000 000
20. Due to customers		
Customer deposits	327 479 947	66 788 090
Interest earned on trust accounts	18 492 839	5 031 528
	345 972 786	71 819 618
21. Trade and other payables		
Trade payables	533 294	1 746 396
Other payables	5 354 859	3 325 360
	5 888 153	5 071 756

Trade payables are non-interest bearing and have an average term of 60 days.

Other payables are non-interest bearing and have an average term of six months.

The company has financial risk management policies in place to ensure that all payables are paid within pre agreed credit terms.

22. Related party disclosures

Airtel Mobile Commerce Zambia Limited's immediate parent company is Airtel Mobile Commerce BV, a company incorporated in Netherlands and Step up parent company is Bharti Airtel Limited, a company incorporated in India.

The shareholding of the Company as at 31 December 2018 and 2017 is as stated below:

Name of shareholder	2018 and 2017	
	Number of shares	% shareholding
Airtel Mobile Commerce Holding BV	2 000 000	1%
Airtel Mobile Commerce BV	198 000 000	99%
	200 000 000	100%

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

22. Related party disclosures (continued)

(a) Amounts due from related parties

Name of related parties	Nature of relationship	Country of incorporation	Nature of transactions	Balance at 31.12.2018
				K
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Cross charges for bulk payment tool	47 915
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Airtime recharge transaction fees	20 395 681
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Churn reduction revenue share	9 693 408
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Cash Collection transaction fees	5 203 303
Airtel Mobile Commerce Limited	Fellow subsidiary	Malawi	International money Transfer	1 285 212
Airtel Mobile Commerce Rwanda Limited	Fellow subsidiary	Rwanda	International money Transfer	34 649
				36 660 169

Name of related parties	Nature of relationship	Country of incorporation	Nature of transactions	Balance at 31.12.2017
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Cross charges for bulk payment tool	497 627

(b) Sale of services to related parties

Name of related parties	Nature of relationship	Country of incorporation	Nature of transactions	Balance at 31.12.2018
				K
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Airtime recharge transaction fees	21 968 847
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Bulk payment transaction fees	224 488
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Churn reduction revenue share	9 693 408
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Cash collection transaction fees	5 203 303
				37 090 046

Name of related parties	Nature of relationship	Country of incorporation	Nature of transactions	Balance at 31.12.2017
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Airtime recharge transaction fees	2 484 436
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Bulk payment transaction fees	229 139
				2 713 575

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

for the year ended 31 December 2018

22. Related party disclosures (continued)**(c) Amounts due to related parties**

Name of related parties	Nature of relationship	Country of incorporation	Nature of transactions	Balance at 31.12.2018
				K
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Expenses paid on behalf	60 204 670
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Management Fees	1 260 410
Airtel Mobile Commerce BV	Immediate parent	Netherlands	Expenses paid on behalf	396 316
Airtel Mobile Commerce Limited	Fellow subsidiary	Malawi	International money transfer	746 873
Airtel Mobile Commerce (Tanzania) Limited	Fellow subsidiary	Tanzania	International money transfer	1 090 932
Airtel Mobile Commerce Rwanda Limited	Fellow subsidiary	Rwanda	International money transfer	163 791
				<u>63 862 992</u>
Name of related parties	Nature of relationship	Country of incorporation	Nature of transactions	Balance at 31.12.2017
				K
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Expenses paid on behalf	80 365 883
Airtel Mobile Commerce BV	Immediate parent	Netherlands	Expenses paid on behalf	332 257
				<u>80 698 140</u>

(d) Purchase of services from related parties

Name of related parties	Nature of relationship	Country of incorporation	Nature of transactions	Balance at 31.12.2018
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Management fees	1 260 410
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	USSD service charge	60 000
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Bulk SMS charges	665 646
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Common cost allocation	457 301
				<u>2 443 357</u>

The above amounts due from / to related parties have no fixed repayment terms and does not carry an interest charge. The related parties reserve the right to demand payment at any time it desires.

There is no impairment of receivables relating to amounts owed by related parties as on 31 December 2018 and 2017.

23. Fair value measurement

Fair value of financial assets (Trade receivable, amount due from related parties, amount held in trust, and bank & cash balance) and financial liabilities (Trade and other payable, amount payable to related parties, and amount due to customer) approximate to their carrying amount as on 31 December 2018 and 2017 on account of their current nature and they are recognised at amortized cost as on 31 December 2018 and 2017.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

24. Capital commitments

There are no material capital commitments as at 31 December 2018 (2017: Nil).

25. Contingent liabilities

There were no known material contingent liabilities as at 31 December 2018 (2017: Nil).

26. Events after the reporting date

There have been no material events after the reporting date which would require disclosure in or adjustment to the financial statements for the year ended 31 December 2018 (2017: Nil).
