

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2023

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 2023

The Directors present their financial statements on the affairs of Airtel Mobile Commerce Zambia Limited ("the Company") for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to provide mobile commerce services through Airtel Money infrastructure and to hold the funds in the Airtel Money infrastructure in a 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 authorised and issued share capital during the year.

RESULTS AND DIVIDEND

The Company had a profit after tax of **K1,691,695,190** for the year ended 31 December 2023 (2022: K1,058,316,978). The Company paid dividends during the year amounting to **K1,430,000,000** made up of an interim dividend for 2023 of **K1,130,000,000** and **K300,000,000** final dividend for the financial year ended 31 December 2022. Further, Directors have proposed a final dividend for the year ended 31 December 2023 of **K546,400,000** (2022: K300,000,000).

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 Directors held office during the year and to the date of this report.

| Name | Role | Date of appointment/resignation |
|------------------------|-------------------|--|
| Vimal Ambat (Non-ED) | Chairperson | Appointed on 3 June 2021 |
| Andrew Chuma (ED) | Managing Director | Appointed on 20 May 2022 |
| Arshad Dudhia (Non-ED) | Board Member | Resigned on 13 February 2024 |
| Mukesh Singla (Non-ED) | Board Member | Appointed on 20 May 2022 |
| Joshua Banda (Non-ED) | Board Member | Appointed on 18 January 2024 |

None of the Directors held any shares in the Company (2022: nil).

PROPERTY AND EQUIPMENT

During the year, the Company acquired Property and equipment of **K89,886,550** (2022: K13,410,745).

NUMBER OF EMPLOYEES AND RENUMERATION

At the end of the year, the related wages and salaries cost was **K21,280,686** (2022: K15,096,953). The number of employees for each month of the year was as follows.

| Month | 2023 | 2022 |
|--------------|-------------|-------------|
| January | 17 | 18 |
| February | 18 | 19 |
| March | 20 | 17 |
| April | 20 | 17 |
| May | 20 | 18 |
| June | 21 | 19 |
| July | 21 | 18 |
| August | 22 | 17 |
| September | 22 | 19 |
| October | 22 | 20 |
| November | 22 | 19 |
| December | 24 | 17 |

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

DIRECTORS' REPORT (CONTINUED)

for the year ended 31 December 2023

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 (2022: nil).

AUDITORS

The Company's Auditor, 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 two times a year and concerns itself with key matters. 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.

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.

RELATED PARTY TRANSACTIONS


The Directors confirm full and adequate disclosures of all related party transactions entered during the year with all the related parties and the subsequent year. See details included under Note 24 to the financial statements.

SUBSEQUENT EVENTS

No material subsequent events or transactions have occurred since the date of statement of financial position except as disclosed below:

The Board recommended a final dividend of K546,400,000 on 23 February 2023.

By order of the Board



COMPANY SECRETARY
Sonia Shamwana Chinganya
LUSAKA

Date: 23 February 2024

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2023

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 Sections 82 to 122 of the Companies Act, 2017.

The Directors accept the responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards, requirements of the Companies Act, 2017 and the reporting requirements under the National Payment Systems Act, 2007.

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 performance of the Company for the period ended 31 December 2023;
- 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 2023;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due;
- 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 reporting requirements under the National Payment Systems Act, 2007; 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.

The Auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework described above. Their report is shown on pages 4 to 5.

Approval of the financial statements

The financial Statements of the Company as indicated above, were approved by the Directors on **23 February 2024** and signed on behalf of the Board by:



Vimal Ambat
DIRECTOR



Andrew Chuma
DIRECTOR

INDEPENDENT AUDITOR'S REPORT

To the shareholders 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 6 to 34, which comprise the statement of financial position as at 31 December 2023, 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, 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 Companies Act, 2017 and the reporting requirements under the National Payment Systems Act, 2007.

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 Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Zambia, and 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 and the statement of responsibility as required by the Companies Act, 2017. 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 and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2017, and for such internal control as the Directors determine is necessary to enable the preparation of the 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.

The Directors are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 audit.

Report on other legal and regulatory requirements

The Companies Act, 2017 requires that in carrying out our audit, we consider and report on whether:

- There is a relationship, interest or debt which we as the Company's auditors have, in Airtel Mobile Commerce Zambia Limited;
- There are serious breaches by the Company's Directors of the corporate governance principles or practices contained in Part VII sections 82 to 112 of the Companies Act, 2017; and
- There is an omission in the financial statements as regard particulars of loans made to a Company officer (a director, Company secretary or executive officer of a Company) during the year, and if reasonably possible, disclose such information in our opinion.

In respect of the foregoing requirements, we have no matters to report.


DELOITTE & TOUCHE
CHARTERED ACCOUNTANTS


KUMOYO WAMBULAWAE
ASSOCIATE DIRECTOR
AUD/F006226

Date: 28 February 2024

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

| Kwacha | Notes | For the year ended | |
|---------------------------------|-------|------------------------|---------------------|
| | | 31 December 2023 | 31 December 2022 |
| Revenue | 7 | 4 221 700 273 | 2 821 855 604 |
| Other income | 8 | 12 944 883 | 5 090 511 |
| | | 4 234 645 156 | 2 826 946 115 |
| Expenses | | | |
| Sales and distribution expenses | | (1 552 301 909) | (1 138 921 047) |
| Employee benefit expenses | 11 | (21 280 686) | (15 096 953) |
| Other expenses | 12(a) | (214 064 892) | (118 089 300) |
| Depreciation and amortisation | 12(b) | (38 780 301) | (49 194 209) |
| | | (1 826 427 788) | (1 321 301 509) |
| Operating profit | | 2 408 217 368 | 1 505 644 606 |
| Net exchange (losses) gains | 9 | (3 459 860) | 1 585 686 |
| Finance costs | 10(a) | (690 453) | (605 907) |
| Finance income | 10(b) | 8 362 151 | 2 745 017 |
| Profit before tax | | 2 412 429 206 | 1 509 369 402 |
| Income tax expense | 13 | (720 734 016) | (451 052 424) |
| Profit for the year | | 1 691 695 190 | 1 058 316 978 |

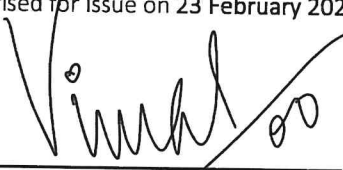
Accounting policies and notes to the financial statements set out on pages 10 to 34 form an integral part of the financial statements.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED
STATEMENT OF FINANCIAL POSITION

| Kwacha | Notes | As of | |
|---------------------------------------|-------|----------------------|----------------------|
| | | 31 December 2023 | 31 December 2022 |
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 15 | 102 424 948 | 87 182 944 |
| Capital work-in-progress | 15 | 50 939 714 | 13 182 295 |
| Intangible assets | 16 | 3 994 409 | 5 887 583 |
| Total non-current assets | | 157 359 071 | 106 252 822 |
| Current assets | | | |
| Trade and other receivables | 17 | 295 783 261 | 310 236 577 |
| Cash and cash equivalent | 20 | 596 968 754 | 323 923 178 |
| Other bank balances | 19 | 100 000 000 | - |
| Balance held under mobile money trust | 18 | 3 658 813 223 | 3 087 977 258 |
| Total current assets | | 4 651 565 238 | 3 722 137 013 |
| Total assets | | 4 808 924 309 | 3 828 389 835 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 21 | 2 000 000 | 2 000 000 |
| Retained earnings | | 618 715 266 | 357 020 076 |
| Shareholders equity | | 620 715 266 | 359 020 076 |
| Non-current Liabilities | | | |
| Deferred tax liability | 14 | 15 330 504 | 8 668 661 |
| Current liabilities | | | |
| Trade and other payables | 23 | 294 252 664 | 233 042 657 |
| Mobile money wallet balances | 22 | 3 654 079 048 | 3 087 977 258 |
| Income tax payable | 13 | 224 546 827 | 139 681 183 |
| Total current liabilities | | 4 172 878 539 | 3 460 701 098 |
| Total liabilities | | 4 188 209 043 | 3 469 369 759 |
| Total equity and liabilities | | 4 808 924 309 | 3 828 389 835 |

Accounting policies and notes to the financial statements set out on pages 10 to 34 form an integral part of the financial statements.

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 6 to 34 were approved by the board of Directors and authorised for issue on **23 February 2024** and signed on their behalf by:



Vimal Ambat
 DIRECTOR



Andrew Chuma
 DIRECTOR

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

**STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2023**

| Kwacha | Share capital | Retained earnings | Total |
|---|--------------------------|------------------------------|--------------------|
| At 1 January 2022 | 2 000 000 | 392 703 098 | 394 703 098 |
| Profit for the year | - | 1 058 316 978 | 1 058 316 978 |
| Dividend declared and paid during the year | - | (1 094 000 000) | (1 094 000 000) |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2022 | 2 000 000 | 357 020 076 | 359 020 076 |
| | <hr/> | <hr/> | <hr/> |
| At 1 January 2023 | 2 000 000 | 357 020 076 | 359 020 076 |
| Profit for the year | - | 1 691 695 190 | 1 691 695 190 |
| Final dividend paid for the year ended 31 December 2022 | - | (300 000 000) | (300 000 000) |
| Interim dividend declared and paid during the year | - | (1 130 000 000) | (1 130 000 000) |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2023 | 2 000 000 | 618 715 266 | 620 715 266 |

The Directors have proposed a final dividend for the year ended 31 December 2023 of **K546,400,000** (2022: K300,000,000).

Accounting policies and notes to the financial statements set out on pages 10 to 34 form an integral part of the financial statements.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

STATEMENT OF CASH FLOWS

| Kwacha | Notes | For the year ended | |
|---|-------|---------------------|---------------------|
| | | 31 December 2023 | 31 December 2022 |
| Cashflow from Operating activities | | | |
| Profit before tax | | 2 412 429 206 | 1 509 369 402 |
| <i>Adjustments for:</i> | | | |
| Depreciation expense | 15 | 41 438 661 | 42 489 192 |
| Amortisation of intangible assets | 16 | 3 506 979 | 6 705 017 |
| Amortisation write-back of intangible assets | 12 | (6 165 339) | - |
| Finance income | | (6 049 840) | (2 745 017) |
| Net exchange (losses) | | (3 034 559) | (13 429 266) |
| Assets written off | 15 | - | 66 073 |
| Operating cash flow before changes in working capital | | 2 442 125 108 | 1 542 455 401 |
| <i>Changes in working capital:</i> | | | |
| Decrease (increase) in trade and other receivables | | 14 453 316 | (109 169 976) |
| Increase in trade and other payables | | 59 234 183 | 171 785 705 |
| Increase in mobile money wallet balances | | 566 101 790 | 1 023 575 070 |
| Cash flows generated from operations | | 3 081 914 397 | 2 628 646 200 |
| Income tax paid (i) | 13 | (629 206 529) | (469 868 317) |
| Net cash flows generated from operating activities | | 2 452 707 868 | 2 158 777 883 |
| Cashflows from investing activities | | | |
| Interest received | | 6 049 840 | 2 745 017 |
| Purchase of intangible assets | 16 | - | (7 328 129) |
| Purchase of property and equipment | | (87 910 726) | (13 410 745) |
| Purchase of other financial assets | 19 | (421 792 950) | - |
| Net cash flows used in investing activities | | (503 653 836) | (17 993 857) |
| Cash flows from financing activities | | | |
| Dividend paid to shareholders | | (1 430 000 000) | (1 094 000 000) |
| Net cash flows used in financing activities | | (1 430 000 000) | (1 094 000 000) |
| Net increase in cash and cash equivalents | | 519 054 032 | 1 046 784 026 |
| Cash and cash equivalents at beginning of the year | | 3 411 900 436 | 2 362 152 993 |
| Effects of foreign exchange rate changes | | (5 137 591) | 2 963 417 |
| Cash and cash equivalents at end of the year (ii) | 20 | 3 925 816 877 | 3 411 900 436 |

(i) Income tax paid include recoveries of withholding tax amounting to K12,652,913 (2022: K10,055,328).

(ii) Cash and cash equivalents held on 31 December includes balance held under mobile money trust of K3,658,813,223 (2022: K3,087,977,258) on behalf of mobile money customers which are not available for use by the Company.

Accounting policies and notes to the financial statements set out on pages 10 to 34 form an integral part of the financial statements.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

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

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 Accounting Standards that are effective for the current year

In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to
IAS 1 Presentation of
Financial Statements
and IFRS Practice
Statement 2
Making Materiality
Judgements—
Disclosure of Accounting
Policies

The Company has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

*Amendments to
IAS 12 Income
Taxes—Deferred
Tax related to
Assets and
Liabilities arising
from a Single
Transaction*

The Company has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The Company has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted.

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

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

Amendments to IAS 1 *Classification of Non-current liabilities with Covenants*

The Directors do not expect that the adoption of the Standard listed above will have a material impact on the financial statements of the Company in future periods.

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.

The Directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods.

Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants (continued)

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

The directors of the Company anticipate that the application of these amendments may have an impact on the Company's consolidated financial statements in future periods.

3. MATERIAL ACCOUNTING POLICY INFORMATION

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 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.

The Company does not hold any financial instruments held at fair value.

3.3 Revenue recognition

The Company recognises revenue from the following major sources:

- Transaction charges on cash withdrawals, merchant collection service fees and airtime recharge transaction fees;
- Churn revenue; and
- Service fees on international money transfers, bank transfer service fees, collection service fees and bulk payment service fees.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when its performance obligation is satisfied.

Revenue arising from transaction charges on cash withdrawals, merchant collection service fees, and airtime recharge transaction fees is based on a fee charged on the transaction values of customers. These fees are recognised as revenue at a point in time on fulfilment of these services by the Company.

The Company charges 'Customer churn reduction charge' from a mobile operator (being a merchant for the Company), for enabling reduction in average customer churn of such mobile operator. This revenue is recognised over time during which such benefit is received by the mobile operator.

Service fees arising from International money transfers, bank transfers, collection services and bulk payments, are recognised as revenue in real time when its performance obligation is satisfied.

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 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (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 recognised 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.

3.5 Employee benefits

Retirement benefit obligations

Payments to defined contribution retirement plans are recognised as an expense when employees have rendered service entitling them to the contributions.

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, a state managed retirement benefit plan, which is a defined contribution scheme. Membership is compulsory and monthly contributions by both employer and employee are made. 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 annual leave entitlement at the reporting date is recognised as an expense accrual, in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in the exchange for that service.

3.6 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. The payment made in excess/ (shortfall) of the income tax obligation for the respective periods are recognized in the statement of financial position under income tax assets/income tax liabilities, respectively.

Any interest, related to accrued liabilities for potential tax assessments are not included in income tax charge or (credit), but are rather recognized within finance costs.

A provision is recognized for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable or based on expected value approach, as applicable and are presented within current tax liabilities. The assessment is based on the judgement of tax professionals within the company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Current tax assets and tax liabilities are offset where the company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.6 Taxation (continued)

(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. However, the deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

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.

3.7 Property and equipment (PPE)

An item is recognised as an asset, if and only if, it is probable that the future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. PPE is initially recognised at cost.

The initial cost of PPE comprises its purchase price (including non-refundable duties and taxes but excluding any trade discounts and rebates), and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Further, it includes assets installed on the premises of customers as the associated risks, rewards and control remain with the Company.

Subsequent to initial recognition, PPE is stated at cost less accumulated depreciation and any impairment losses. When significant parts of PPE are required to be replaced at regular intervals, the Company recognises such parts as separate component of assets. When an item of PPE is replaced, then its carrying amount is derecognised from the statement of financial position and cost of the new item of PPE is recognised. The expenditures that are incurred after an item of PPE has been put to use, such as repairs and maintenance, are normally charged to the statement of comprehensive income in the period in which such costs are incurred. However, in situations where the said expenditure can be measured reliably, and is probable that future economic benefits associated with it will flow to the Company, it is included in the asset's carrying value or as a separate asset, as appropriate.

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.

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 other equipment | 5 years |

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.7 Property and equipment (PPE) (continued)

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.

PPE in the course of construction less any accumulated impairment is carried at cost and presented separately as capital work-in-progress (CWIP) (including capital advances) in the statement of financial position until ready for use at which point it is transferred to PPE and subsequently depreciated. Such cost comprises the purchase price (including non-refundable duties and taxes but excluding any trade discount and rebates), and any directly attributable costs.

3.8 Intangible assets

The Company's intangible asset comprise of software 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.

Software 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 to 5 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.

3.9 Impairment of non financial assets

Property & Equipment and intangible assets

Property & 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.

3.10 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.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.10 Provisions (continued)

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.

3.11 Cash and cash equivalents

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

However, for the purpose of the statement of cash flows, in addition to above items, balance held under mobile money trust are also included as a component of cash and cash equivalents.

3.12 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.

The Company maintains separate bank accounts with Commercial Banks for holding customer funds and are not used for Company's operational purpose. These bank accounts are used only for holding customer funds for the purpose of facilitating money transfer services

3.13 Financial instruments

Recognition, classification and presentation

Financial instruments are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial instruments at initial recognition.

The Company measures its financial assets at amortised cost.

The Company has classified all non-derivative financial liabilities as measured at amortised cost.

Financial assets and liabilities arising from different transactions are off-set against each other and the resultant net amount is presented in the statement of financial position, if and only when, the Company currently has a legally enforceable right to set-off the related recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The amounts held by Airtel Money electronic value (E-value) account holders in their mobile money wallets are presented separately in the statement of financial position as 'Mobile money wallet balance'. The amounts held in bank on behalf of such E-value account holders are restricted for use by the Company and are presented as 'Balance held under mobile money trust'.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.13 Financial instruments(continued)

Measurement - Non-derivative financial instruments

i. Initial measurement

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.

ii. Subsequent measurement - financial assets

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest rate ('EIR') method (if the impact of discounting/any transaction costs is significant). Interest income from these financial assets is included in finance income.

EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability.

iii. Subsequent measurement - financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and allocating interest expense over the relevant period.

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology is a simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Derecognition

Financial liabilities are derecognised from the statement of financial position when the underlying obligations are extinguished, discharged, lapsed, cancelled, expires or legally released. The financial assets are derecognised from the statement of financial position when the rights to receive cash flows from the financial assets have expired, or have been transferred and the Company has transferred substantially all risks and rewards of ownership. The difference in the carrying amount and consideration is recognised in the statement of comprehensive income.

3.14 Share capital

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

3.15 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 unless virtually certain and disclosed only where an inflow of economic benefits is probable.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION(CONTINUED)

3.16 Comparatives

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

3.17 Dividend

Dividends to shareholders of the Company are recognised as a liability and deducted from equity in the year in which the dividends are approved by the shareholders. Interim dividends are deducted from the retained earnings when they are paid.

3.18 Interest income

Interest income from a financial asset is recognised when its 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.

3.19 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is classified as current when it is expected to be realised or intended to be sold or consumed in normal operating cycle, held primarily for the purpose of trading , expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is classified as current when it is expected to be settled in normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the accounting policies, which are described in note 3, the Company is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(i) Critical judgements in applying the Company's accounting policies

During the year 31 December 2023, the Directors did not make critical judgments in the process of applying the Company's accounting policies on the amounts recognised in the financial statements.

(ii) Key sources of estimation uncertainty

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

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

Kwacha

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(ii) Key sources of estimation uncertainty (continued)

Taxation provisions

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.

Determination of residual values and useful lives

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

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 (foreign exchange 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. 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.

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.

Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies and hedging through foreign currency forward contract. Policy is consistent with previous period.

The sensitivity analysis has been prepared on the basis of trade receivables, other receivables and trade and other payables are all constant. The assumption in calculation of the sensitivity analysis is that: the sensitivity of the relevant statements of profit or loss, is the effect of the assumed changes in respective market risk.

At 31 December 2023, if the Kwacha had weakened/strengthened by 5% against the US dollar with all other variables held constant, post tax profit for the period would have been **K9.391 million** (2022: K2.829 million) lower/higher, mainly as a result of US dollar denominated cash balances, trade receivables and trade payables. There would be no impact on equity.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

Kwacha

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows:

Exposure to currency risk

| | As of | |
|---|-------------------------|------------------|
| | 31 December 2023 | 31 December 2022 |
| Cash & cash equivalents (net) | 232 596 543 | 36 015 829 |
| Trade and other receivables | 135 073 374 | 134 356 136 |
| Trade and other payables | (179 846 628) | (113 784 453) |
| | 187 823 289 | 56 587 512 |
| The following US Dollar exchange rates applied during the period: | | |
| Average Rate | 24.827 | 17.631 |
| Closing Rate | 25.709 | 18.075 |

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 credit exposure to customers relating to outstanding receivables and amounts due from related parties. For banks and financial institutions, only reputable institutions are used.

The amount of that best represents the Company's maximum exposure to credit risk at the reporting date was:

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Kwacha

Financial assets

| | Note | Carrying amount 2023 | Carrying amount 2022 |
|--|------|-------------------------|-------------------------|
| Trade and other receivables (financial assets) | 17 | 292 195 781 | 307 888 549 |
| Balance under mobile money trust | 18 | 3 658 813 223 | 3 087 977 258 |
| Held to maturity investments (maturity >90 days after 31 December) | 19 | 100 000 000 | - |
| Bank and cash balances | 20 | 596 968 754 | 323 923 178 |
| | | <u>4 647 977 758</u> | <u>3 719 788 985</u> |

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

| | Days past due | | | | |
|------|---------------|-----------|--------------|--------------|-----------|
| | Not Due | < 30 days | 30 - 60 days | 60 - 90 days | > 90 days |
| 2023 | 103 361 626 | - | - | - | 88 785 |
| | | | | | |
| | | | | | |
| 2022 | 69 482 400 | - | - | - | 88 785 |

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.

Financial liabilities

| | Note | Carrying amount 2023 | Carrying amount 2022 |
|--|------|-------------------------|-------------------------|
| Trade and other payables (financial liabilities) | 21 | 257 360 095 | 201 412 331 |
| Mobile money wallet balance | 22 | 3 654 079 048 | 3 087 977 258 |
| | | <u>3 911 439 143</u> | <u>3 289 389 589</u> |

*The difference between the closing balance disclosed in this note and note 18 is the Company's allocated 10% of the interest earned on the trust account as approved by the Central Bank.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2023

5. Financial risk management objectives and policies (continued)
Kwacha

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

| | On demand | Within 1 1 year | Between 1 - 5 years | Greater than 5 years | Total |
|--|----------------------|--------------------|------------------------|-------------------------|----------------------|
| 31 December 2023 | | | | | |
| Trade and other payables (financial liabilities) | - | 257 360 095 | - | - | 257 360 095 |
| Mobile money wallet balance | 3 654 079 048 | - | - | - | 3 654 079 048 |
| | 3 654 079 048 | 257 360 095 | - | - | 3 911 439 143 |
| 31 December 2022 | | | | | |
| Trade and other payables (financial liabilities) | - | 201 412 331 | - | - | 201 412 331 |
| Mobile money wallet balance | 3 087 977 258 | - | - | - | 3 087 977 258 |
| | 3 087 977 258 | 201 412 331 | - | - | 3 289 389 589 |

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

Kwacha

5. Financial risk management objectives and policies (continued)

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.

Exposure to market risk (currency 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

| | For the year ended | |
|---|----------------------|----------------------|
| | 31 December 2023 | 31 December 2022 |
| Transaction charges on cash withdrawals | 2 452 457 252 | 1 711 898 922 |
| Merchant collection service fees | 916 925 982 | 536 335 930 |
| Airtime recharge transaction fees | 425 526 677 | 297 013 851 |
| Churn revenue | 265 289 627 | 182 741 353 |
| Bank transfer service fees | 70 151 445 | 25 561 006 |
| Service fees on international money transfers | 65 330 715 | 46 491 836 |
| Collection service fees | 16 869 786 | 15 367 116 |
| Bulk payment service fees | 9 148 789 | 6 445 590 |
| | 4 221 700 273 | 2 821 855 604 |

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

Kwacha

| | For the year ended | |
|---|---------------------------|-------------------------|
| | 31 December 2023 | 31 December 2022 |
| 8. OTHER INCOME | | |
| Other income* | 12 944 883 | 5 090 511 |
| *Other income in 2022 arises from realisation of unclaimed security deposits for Airtel Money Booths and UNDP fund. While in the current year it arises from interest income on trust accounts. | | |
| 9. NET EXCHANGE (LOSSES) GAINS | | |
| Exchange gains | 15 599 622 | 5 631 538 |
| Exchange losses | (19 059 482) | (4 045 852) |
| | (3 459 860) | 1 585 686 |

The Zambian Kwacha depreciated against the US Dollar and other major convertible foreign currencies during the year. The impact of the depreciation of the Zambian Kwacha during the year is that the Company recorded exchange losses on its foreign currency denominated monetary assets.

The table below illustrates the movements in the US Dollar exchange rates during the period:

| | | Mid – market exchange rate as at 1 January | Mid – market exchange rate as at 31 December | Movement during the year |
|-----------------------|-------------|---|---|--------------------------------|
| US Dollar (1 US\$ =) | 2023 | 16.65 | 24.83 | (49%) |
| US Dollar (1 US\$ =) | 2022 | 21.19 | 16.65 | 21% |

10. FINANCE COST AND INCOME

| | For the year ended | |
|----------------------------------|---------------------------|-------------------------|
| | 31 December 2023 | 31 December 2022 |
| (a) Finance costs | | |
| Bank charges | 690 453 | 605 907 |
| (b) Finance income | | |
| Interest income on bank balances | 8 362 151 | 2 745 017 |

11. EMPLOYEE BENEFIT EXPENSE

| | | |
|---------------------------|-------------------|------------|
| Salaries | 19 788 733 | 13 875 379 |
| Defined contribution plan | 1 491 953 | 1 221 574 |
| | 21 280 686 | 15 096 953 |

12. PROFIT BEFORE TAX

Profit before tax is stated after charging:

| | | |
|--|--------------------|-------------|
| (a) Other expenses | | |
| Management fees (Note 24(d)) | 147 741 481 | 61 023 387 |
| IT expenses | 36 803 640 | 33 371 909 |
| Legal and professional charges | 10 425 243 | 12 606 446 |
| Other expenses | 17 731 857 | 10 401 886 |
| Auditors' remuneration | 1 362 671 | 685 672 |
| | 214 064 892 | 118 089 300 |
| (b) Depreciation and amortisation | | |
| Depreciation on property and equipment (Note 15) | 41 438 661 | 42 489 192 |
| Amortisation of intangible assets (Note 16) | 3 506 979 | 6 705 017 |
| Amortisation write-back of intangible assets (Note 16) | (6 165 339) | - |
| | 38 780 301 | 49 194 209 |

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

Kwacha

For the year ended
31 December 2023 31 December 2022

13. INCOME TAX EXPENSE

The components of income tax expense for the years ended 31 December 2023 and 2022 are:

| | | |
|---------------------------|--------------------|--------------------|
| Deferred tax (note 14) | 6 661 843 | (2 531 146) |
| Current income tax | 715 975 958 | 453 876 762 |
| Prior year over provision | (1 903 785) | (293 192) |
| | 720 734 016 | 451 052 424 |

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

| | | |
|--|--------------------|--------------------|
| Profit before income tax | 2 412 429 206 | 1 509 369 402 |
| Tax calculated at the statutory income tax rate of 30% | 723 728 762 | 452 810 821 |
| Tax effect of: | | |
| Expenses not deductible for tax purposes (net) | (1 090 961) | (1 465 205) |
| Prior year over provision | (1 903 785) | (293 192) |
| | 720 734 016 | 451 052 424 |

As of

31 December 2023 31 December 2022

Income tax payable

Current income tax movement in the statement of financial position:

| | | |
|---|--------------------|--------------------|
| At 1 January | 139 681 183 | 155 965 914 |
| Current tax charge for the year | 715 975 958 | 453 876 762 |
| Prior year over provision | (1 903 785) | (293 176) |
| WHT recoveries in respect of current year (i) | (12 652 913) | (10 055 328) |
| Payments during the year | (616 553 616) | (459 812 989) |
| | 224 546 827 | 139 681 183 |

(i) Withholding tax recoveries are taxes withheld at source of the receivables which are claimable on annual Corporate Income Tax return.

14. DEFERRED TAX LIABILITIES

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

| | | |
|------------------------------|-------------------|------------------|
| At beginning of year | 8 668 661 | 11 199 807 |
| Charge/(credit) for the year | 6 661 843 | (2 531 146) |
| | 15 330 504 | 8 668 661 |

31 December 2023

Deferred tax liabilities (assets)

| | | | |
|--|------------------|------------------|-------------------|
| Other provisions (i) | (627 616) | (284 488) | (912 104) |
| Net unrealised exchange gains (losses) | 5 304 487 | 3 464 586 | 8 769 073 |
| Property and equipment | 3 991 790 | 3 481 745 | 7 473 535 |
| | 8 668 661 | 6 661 843 | 15 330 504 |

31 December 2022

Deferred tax liabilities (assets)

| | | | |
|-------------------------------|-------------------|--------------------|------------------|
| Other provisions (i) | (471 753) | (155 863) | (627 616) |
| Net unrealised exchange gains | 8 820 479 | (3 515 992) | 5 304 487 |
| Property and equipment | 2 851 081 | 1 140 709 | 3 991 790 |
| | 11 199 807 | (2 531 146) | 8 668 661 |

(i) Other provisions comprise employee related expense provisions.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

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15. PROPERTY AND EQUIPMENT

| | Computers | Furniture & other equipment | Total | Capital work in progress |
|---|-------------------|-----------------------------|--------------------|--------------------------|
| Historical Cost: | | | | |
| At 1 January 2022 | 3 748 521 | 158 380 291 | 162 128 812 | 22 164 058 |
| Additions | - | - | - | 13 410 745 |
| Transfer of assets from | 1 080 773 | 21 311 735 | 22 392 508 | (22 392 508) |
| Assets expensed (i) | - | (66 073) | (66 073) | - |
| At 31 December 2022 | 4 829 294 | 179 625 953 | 184 455 247 | 13 182 295 |
| At 1 January 2023 | 4 829 294 | 179 625 953 | 184 455 247 | 13 182 295 |
| Additions | - | - | - | 89 886 550 |
| Transfers | 24 763 499 | 32 917 837 | 57 681 336 | (57 681 336) |
| Transfer to intangible assets (Note 16) | - | - | - | (613 134) |
| Adjustments (Note 16) | - | - | - | 6 165 339 |
| At 31 December 2023 | 29 592 793 | 212 543 790 | 242 136 583 | 50 939 714 |
| Depreciation | | | | |
| At 1 January 2022 | 3 684 919 | 51 098 192 | 54 783 111 | - |
| Charge for the year | 69 815 | 42 419 377 | 42 489 192 | - |
| At 31 December 2022 | 3 754 734 | 93 517 569 | 97 272 303 | - |
| At 1 January 2023 | 3 754 734 | 93 517 569 | 97 272 303 | - |
| Charge for the year | - | 41 438 661 | 41 438 661 | - |
| Reclassification (Note 16) | 1 047 004 | (46 333) | 1 000 671 | - |
| At 31 December 2023 | 4 801 738 | 134 909 897 | 139 711 635 | - |
| Carrying amount: | | | | |
| At 31 December 2023 | 24 791 055 | 77 633 893 | 102 424 948 | 50 939 714 |
| At 31 December 2022 | 1 074 560 | 86 108 384 | 87 182 944 | 13 182 295 |

The Company rolled out Airtel money branches across the country. These have been presented as part of the furniture and other equipment.

(i) Assets expensed relate to damaged Airtel Money Booths.

16. INTANGIBLE ASSETS

| | Total |
|---|-------------------|
| Cost | |
| At 1 January 2022 | 34 406 291 |
| Additions | 7 328 129 |
| At 31 December 2022 | 41 734 420 |
| At 1 January 2023 | 41 734 420 |
| Transfers from Capital work in progress | 613 134 |
| Adjustments (Note 15) (ii) | (6 165 339) |
| At 31 December 2023 | 36 182 215 |
| Amortization | |
| At 1 January 2022 | 29 141 820 |
| Charge for the year | 6 705 017 |
| At 31 December 2022 | 35 846 837 |

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

for the year ended 31 December 2023

Kwacha

| 16 INTANGIBLE ASSETS (CONTINUED) | Total |
|--|-------------------|
| At 1 January 2023 | 35 846 837 |
| Charge for the year | 3 506 979 |
| Reclassification (Note 15) (i) | (1 000 671) |
| Amortisation write-back (Note 12) (ii) | (6 165 339) |
| At 31 December 2023 | 32 187 806 |
| Net book value | |
| At 31 December 2023 | 3 994 409 |
| At 31 December 2022 | 5 887 583 |

The intangible asset is the software license 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.

i). This relates to depreciation on property and equipment which was allocated to intangible assets in the prior year, now classified correctly in the current year.

ii). During the year, the Company performed a reconciliation with its Suppliers which resulted in identifying an over capitalisation of intangible assets in the prior year. Subsequently, the costs and related depreciation of these assets were reversed to align with the correct asset values at the end of the reporting period.

| 17 TRADE AND OTHER RECEIVABLES | As of | |
|---|---------------------|---------------------|
| | 31 December 2023 | 31 December 2022 |
| Trade receivables | 103 450 411 | 69 571 185 |
| Less: allowance for expected credit losses | (88 785) | (88 785) |
| Net trade receivables | 103 361 626 | 69 482 400 |
| Other receivables | 14 080 094 | 6 134 227 |
| Amounts due from related parties - [Refer note 24(a)] | 174 754 061 | 232 271 922 |
| Total before prepayments and vat receivable | 292 195 781 | 307 888 549 |
| Prepayments and vat receivable | 3 587 480 | 2 348 028 |
| | 295 783 261 | 310 236 577 |

The average credit period on sales of services is 30 days. No interest is charged on outstanding trade receivables.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Company has recognised a loss allowance of 100 per cent against all receivables over 90 days past due because historical experience has indicated that these receivables are generally not recoverable.

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.

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

for the year ended 31 December 2023

Kwacha**17 TRADE AND OTHER RECEIVABLES (CONTINUED)**

The Company 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 at 31 December 2023, trade receivables with an initial carrying value of **K88,785** (2022: K88,785) were impaired and fully provided for. The movement in impairment provisions is as follows:

| | As of | |
|---------------------|-----------------------------|---------------------|
| | 31 December 2023 | 31 December 2022 |
| As at 1 January | 88 785 | 88 785 |
| Charge for the year | - | - |
| As at 31 December | 88 785 | 88 785 |

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.

The following table details the risk profile of trade receivables based on the Company's provision matrix. As the Company'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 Company's different customer segments.

| 31 December 2023 | Trade and other receivables- days past due | | | | |
|----------------------------|---|---------------------|---------------------|---------------------|--------------------|
| | Current | 30 - 60 days | 60 - 90 days | > 90 days | Total |
| Expected credit loss rate | 0% | 0% | 0% | 100% | |
| Estimated total gross | | | | | |
| Carrying amount at default | 103 361 626 | - | - | 88 785 | 103 450 411 |
| Expected credit loss | - | - | - | 88 785 | 88 785 |
| 31 December 2022 | Trade and other receivables- days past due | | | | |
| | Current | 30 - 60 days | 60 - 90 days | > 90 days | Total |
| Expected credit loss rate | 0% | 0% | 0% | 100% | |
| Estimated total gross | | | | | |
| Carrying amount at default | 69 482 400 | - | - | 88 785 | 69 571 185 |
| Expected credit loss | - | - | - | 88 785 | 88 785 |

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

| Kwacha | As of | |
|--|----------------------|----------------------|
| | 31 December 2023 | 31 December 2022 |
| 18. BALANCE HELD UNDER MOBILE MONEY TRUST | | |
| Cash at bank held in trust | 3 611 482 204 | 2 749 912 891 |
| Interest earned on cash at bank held in trust | 47 331 019 | 338 064 367 |
| | 3 658 813 223 | 3 087 977 258 |
| Funds held on behalf of customers are held on bank accounts bearing an interest at the annual rates mentioned below: | | |
| | 2023 | 2022 |
| Bank | | |
| Citi bank Zambia Limited | 4.00% | 4.00% |
| Atlas Mara Zambia | MPR-3% | MPR-2% |
| Zambia National Commercial Bank Plc | 7.00% | 7.00% |
| Absa Bank Zambia Plc | 8.00% | 8.00% |
| Indo Zambia Bank | 7.00% | 7.00% |
| Stanbic Bank Zambia Limited | 7.00% | 7.00% |
| First National Bank Zambia Plc | 7.00% | - |
| National Savings Bank Plc | 7.00% | - |
| 19. OTHER BANK BALANCES | | |
| <i>Investments held to maturity</i> | | |
| Investments comprise term deposits held with the following commercial banks: | | |
| Absa Bank Zambia Plc | 179 965 100 | - |
| Citibank Zambia Limited | 250 000 000 | - |
| | 429 965 100 | - |
| Disclosed in the statement of financial position as: | | |
| Cash and cash equivalents (maturity < 90 days after 31 December) | 329 965 100 | - |
| Held to maturity investments (maturity >90 days after 31 December) | 100 000 000 | - |
| | 429 965 100 | - |
| During the year, the entity placed investments amounting to K421,792,950 (2022: nil) | | |
| Fair value hierarchy of held to maturity investments | | |
| Fixed term deposits | 429 965 100 | - |
| The carrying value of held to maturity investments at amortised cost approximates its fair value. The Company performs an in-depth credit worthy analysis on all new counterparties and only invests with satisfactory credit worthy counterparties. At year end there are no indications that any of the nominal values of the debt instruments are impaired. | | |
| The business model is hold to collect contractual cash flows. The contractual cash flows consist of principal payments as well as interest. The transactions are on general commercial terms. These term deposits meet the SPPI (Solely payments of principal and interest) test. | | |
| 20. CASH AND CASH EQUIVALENTS | | |
| Balance with bank | | |
| On current accounts | 107 611 242 | 123 896 838 |
| Cash in hand | 159 392 412 | 200 026 340 |
| Investments held to maturity < 90 days (Note 19) | 329 965 100 | - |
| | 596 968 754 | 323 923 178 |

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

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20. CASH AND CASH EQUIVALENTS (CONTINUED)

Bank accounts bear interest at the rate of 4% per annum (2022: 4%). Interest earned has been disclosed in note 10.

The company does not hold any physical cash at the premises. The funds reported as cash balance represent the funds held in the form of electronic value on the mobile wallets owned by the company.

| | As of | |
|--|----------------------|----------------------|
| | 31 December 2023 | 31 December 2022 |
| For the purpose of the statement of cashflows, cash and cash equivalents are as follows: | | |
| On current accounts | 107 611 242 | 123 896 838 |
| Cash in hand | 159 392 412 | 200 026 340 |
| Balance held under mobile money trust | 3 658 813 223 | 3 087 977 258 |
| | 3 925 816 877 | 3 411 900 436 |

21. 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

22. MOBILE MONEY WALLET BALANCE

Customer deposits

3 611 481 100

2 749 912 891

Interest earned on trust accounts*

42 597 948

338 064 367

3 654 079 048

3 087 977 258

* The difference between the closing balance disclosed in this note and note 18 is the Company's allocated 10% of the interest earned on the trust account as approved by the Central Bank.

23. TRADE AND OTHER PAYABLES

Trade payables

1 113 759

414 534

Other payables

55 152 322

37 154 192

Amounts due to related parties [Refer note 24(c)]

201 094 014

163 843 605

Total before withholding tax, VAT payable and employee related accruals

257 360 095

201 412 331

Withholding tax payable

25 782 241

25 373 424

VAT payable

8 066 816

3 980 566

Employee related accruals

3 043 512

2 276 336

294 252 664

233 042 657

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 three months.

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

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

for the year ended 31 December 2023

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24. RELATED PARTY DISCLOSURES

Airtel Mobile Commerce Zambia Limited's Holding company is Airtel Mobile Commerce BV, a company incorporated in Netherlands.

The shareholding of the Company as at 31 December 2023 and 2022 is as stated below:

| Name of shareholder | 2023 and 2022 | |
|-----------------------------------|--------------------|----------------|
| | 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% |

(a) Amounts due from related parties

The Company had transacted with the following related party companies during the normal course of business and hence are classified under current assets or current liabilities:

| Name of related parties | Nature of relationship | Country of incorporation | As of | |
|---|-----------------------------|--------------------------|--------------------|------------------|
| | | | 31 December 2023 | 31 December 2022 |
| Bharti Airtel International (Netherlands) B.V | Intermediate parent Company | Netherlands | 1 594 516 | 54 589 509 |
| Airtel Networks Zambia Plc | Fellow subsidiary | Zambia | 40 568 937 | 97 915 792 |
| Airtel Mobile Commerce (Malawi) Limited | Fellow subsidiary | Malawi | 129 752 088 | 78 493 614 |
| Airtel Mobile Commerce Rwanda Limited | Fellow subsidiary | Rwanda | 255 544 | 316 464 |
| Airtel Money Transfer Limited | Fellow subsidiary | Kenya | 755 514 | 506 883 |
| Airtel Zambia Telesonic Limited | Fellow subsidiary | Zambia | 76 084 | - |
| Airtel Mobile Commerce Uganda Limited | Fellow subsidiary | Uganda | 1 751 378 | 449 660 |
| | | | 174 754 061 | 232 271 922 |

(b) Sale of services to related parties

| Name of related parties | Nature of relationship | Country of incorporation | | |
|---|------------------------|--------------------------|--------------------|-------------|
| Airtel Networks Zambia Plc | Fellow subsidiary | Zambia | 708 126 425 | 495 803 340 |
| Airtel Mobile Commerce B.V | Parent Company | Netherlands | 395 848 | 57 212 073 |
| Airtel Mobile Commerce (Malawi) Limited | Fellow subsidiary | Malawi | 51 258 468 | 76 269 483 |
| Airtel Money Tanzania Limited | Fellow subsidiary | Tanzania | 13 294 157 | 97 652 759 |
| Airtel Money Transfer Limited | Fellow subsidiary | Kenya | 7 904 671 | 7 760 442 |
| Airtel Mobile Commerce Uganda Limited | Fellow subsidiary | Uganda | 28 337 723 | 9 161 313 |
| Airtel Mobile Commerce Rwanda Limited | Fellow subsidiary | Rwanda | 7 129 424 | 3 747 876 |
| | | | 816 446 716 | 747 607 286 |

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

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24. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Amounts due to related parties

| Name of related parties | Nature of relationship | Country of incorporation | As of | |
|---|-----------------------------|--------------------------|--------------------|--------------------|
| | | | 31 December 2023 | 31 December 2022 |
| Airtel Mobile Commerce B.V | Parent Company | Netherlands | 15 256 931 | 29 943 172 |
| Bharti Airtel International (Netherlands) B.V | Intermediate parent Company | Netherlands | 854 294 | - |
| Airtel Networks Zambia Plc | Fellow subsidiary | Zambia | 27 807 900 | 21 131 129 |
| Airtel Mobile Commerce (Malawi) Limited | Fellow subsidiary | Malawi | 130 637 478 | 98 168 767 |
| Airtel Money Tanzania Limited | Fellow subsidiary | Tanzania | 7 647 367 | 5 804 259 |
| Airtel Money Transfer Limited | Fellow subsidiary | Kenya | 7 433 567 | 3 896 948 |
| Airtel Mobile Commerce Uganda Limited | Fellow subsidiary | Uganda | 7 373 165 | 2 141 237 |
| Airtel Mobile Commerce Rwanda Limited | Fellow subsidiary | Rwanda | 4 083 312 | 2 758 093 |
| | | | 201 094 014 | 163 843 605 |

(d) Management fees expenses

| | | | | |
|----------------------------|-------------------|-------------|--------------------|-------------------|
| Airtel Mobile Commerce B.V | Parent Company | Netherlands | 94 227 739 | 36 678 188 |
| Airtel Networks Zambia Plc | Fellow subsidiary | Zambia | 53 513 742 | 24 345 199 |
| | | | 147 741 481 | 61 023 387 |

(e) Purchase of services from related parties

| Name of related parties | Nature of relationship | Country of incorporation | | |
|---|------------------------|--------------------------|--------------------|--------------------|
| Airtel Networks Zambia Plc | Fellow subsidiary | Zambia | 18 739 486 | 56 980 385 |
| Airtel Mobile Commerce (Malawi) Limited | Fellow subsidiary | Malawi | 80 020 829 | 109 153 070 |
| Airtel Money Tanzania Limited | Fellow subsidiary | Tanzania | 236 226 727 | 163 065 497 |
| Airtel Money Transfer Limited | Fellow subsidiary | Kenya | 171 628 047 | 94 786 722 |
| Airtel Mobile Commerce Uganda Limited | Fellow subsidiary | Uganda | 105 403 954 | 71 465 028 |
| Airtel Mobile Commerce Rwanda Limited | Fellow subsidiary | Rwanda | 103 265 686 | 63 919 794 |
| | | | 715 284 730 | 559 370 496 |

Amounts due from/to related parties carry no interest, are receivable/payable on demand and are at arms length.

There is no impairment of receivables relating to amounts owed by related parties as on 31 December 2023 and 2022.

(f) Key management compensation

| | | |
|---|-------------------|----------------|
| Salaries and other short-term employment benefits | 11 099 822 | 296 450 |
|---|-------------------|----------------|

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

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25. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (FINANCIAL INSTRUMENTS)

Set out below is a comparison by class of the carrying amount and fair value of the financial instruments that are recognised in the financial statements. The carrying amount of the financial assets and financial liabilities approximate their fair values because of their short term nature as shown below.

Classes and categories of financial instruments and their fair values

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments;
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

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

The carrying value of financial instruments include trade and other receivables, cash and cash equivalent, other bank balances, amounts due from related parties, trade and other payables, mobile money wallet balances and amounts due to related parties approximates fair value because of the short period to maturity of these instruments or as a result of market-related variable interest rates with similar terms, currency, credit risk and remaining maturities.

| <u>31 December 2023</u> | Fair value hierarchy as at 31 December 2023 | | | |
|---------------------------------------|---|---------|-----------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Trade and other receivables | - | - | 292 195 781 | 292 195 781 |
| Cash and cash equivalent | - | - | 596 968 754 | 596 968 754 |
| Other bank balances | - | - | 100 000 000 | 100 000 000 |
| Balance held under mobile money trust | - | - | 3 658 813 223 | 3 658 813 223 |
| Trade and other payables | - | - | (257 360 095) | (257 360 095) |
| Mobile money wallet balances | - | - | (3 654 079 048) | (3 654 079 048) |
| | - | - | 736 538 615 | 736 538 615 |

| <u>31 December 2022</u> | Fair value hierarchy as at 31 December 2022 | | | |
|---------------------------------------|---|---------|-----------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Trade and other receivables | - | - | 307 888 549 | 307 888 549 |
| Cash and cash equivalent | - | - | 323 923 178 | 323 923 178 |
| Balance held under mobile money trust | - | - | 3 087 977 258 | 3 087 977 258 |
| Trade and other payables | - | - | (201 412 331) | (201 412 331) |
| Mobile money wallet balances | - | - | (3 087 977 258) | (3 087 977 258) |
| | - | - | 430 399 396 | 430 399 396 |

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

26. DIVIDEND PAYABLE

| | As of | |
|-----------------------|------------------|------------------|
| | 31 December 2023 | 31 December 2022 |
| At 1 January | - | - |
| Dividends declared | 1 430 000 000 | 1 094 000 000 |
| Dividends paid | (1 430 000 000) | (1 094 000 000) |
| At 31 December | - | - |

27. CAPITAL COMMITMENTS

The Company had capital commitments amounting to **K89,568,981** as at 31 December 2023 (2022: K26,437,096).

28. CONTINGENT LIABILITIES

There is a contingent liability amounting to **K71,877,977** as at 31 December 2023 (2022: 15,139,996).

Competition and Consumer Protection Commission (CCPC)

As at 31 December 2023, the liability amounting to **K15,139,996** (2022: K15,139,996) arises out of a fine by the Competition and Consumer Protection Commission ("CCPC") for anti-competitive business practices in the provision of airtel mobile money services. It was alleged that Airtel had been abusing its dominant position by unfairly increasing its mobile money merchant charges and threatening to terminate the contracts with all sports betting companies that did not comply with the abrupt increase in charges. According to the Commission, the allegations would appear that the Company was in breach of the Competition and Consumer Protection Act No. 24 of 2010 (the "Act"). The investigation by CCPC was triggered by a complaint from one of the Betting entities after a decision was made to increase collection and disbursement charges for the Betting industry.

A notice of appeal has since been submitted to the Commission against the ruling. Management has engaged an external counsel to process written submissions and thereafter represent the Company in the Tribunal. The Company is confident of success on the grounds of legal opinions obtained from external counsel and the available documentation to challenge the allegations.

Property Transfer Tax (PTT) and Value Added Tax (VAT)

As at 31 December 2023, there were two assessments issued by the Zambia Revenue Authority (ZRA) relating to Property Transfer Tax and Value Added Tax (VAT). Based on management's evaluation and assessment, an amount of **K56,737,981** (2022: nil) was deemed not probable for possibility of pay-out as the chances of success were considered high.

29. EVENTS AFTER REPORTING DATE

No material subsequent events or transactions have occurred since the date of statement of financial position except as disclosed below:

The Board recommended a final dividend of K546,400,000 on 23 February 2023.