

AIRTEL NETWORKS ZAMBIA PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2023

AIRTEL NETWORKS ZAMBIA PLC

(incorporated in Zambia)

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2023

CONTENTS	PAGES
Directors' report	1 - 2
Statement of responsibility for the annual financial statements	3
Independent auditor's report	4 - 7
Financial statements:	
Statement of profit or loss and other comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the financial statements	12 – 50

AIRTEL NETWORKS ZAMBIA PLC

DIRECTORS' REPORT

for the year ended 31 December 2023

The Directors present their annual report on the affairs of Airtel Networks Zambia Plc (the 'Company') together with the financial statements and the auditor's report for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the provision of cellular radio telecommunication services. 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.

DIVIDEND

The Company paid dividends during the year amounting to **K1,372.800 million** made up of an interim dividend for 2023 of K800.800 million and K572.000 million final dividend for the financial year ended 31 December 2022 (2022: K249.600 million). Further, Directors have proposed a final dividend for the year ended 31 December 2023 of **K364.000 million** (2022: K572.000 million).

RESULTS

The profit for the year ended 31 December 2023 amounted to **K1,139.233 million** (2022: K921.484 million) and the operating profit for the year ended 31 December 2023 amounted to **K2,275.591 million** (2022: 1,792.608 million).

Roaming revenue is earned from foreign telephone operators when their subscribers utilise the Company's network. The Company accrued roaming revenue amounting to K32.640 million (2022: K19.758 million).

The Company continues to accelerate its revenue growth momentum with a 26.73% year-on-year growth led by growth across all its product lines.

DIRECTORS

The following Directors held office during the year and to the date of this report:

Name	Role	Date of appointment/resignation
K. Monica Musonda (Non-ED)	Chairperson	Appointed on 23 March 2016
Hussameidin Baday(ED)	Managing Director	Appointed on 6 September 2023
Manu Sood (ED)	Managing Director	Resigned on 6 September 2023
Jaideep Paul (Non-ED)	Board Member	Appointed on 2 November 2016
Lynda Mataka (Non-ED)	Board Member	Appointed on 16 February 2022
Monicah Kambo (Non-ED)	Board Member	Appointed on 18 July 2022
Apoorva Mehrotra (Non-ED)	Board Member	Appointed on 1 October 2022

NUMBER OF EMPLOYEES AND REMUNERATION

The total remuneration of employees during the year amounted to **K277.123 million** (2022: K253.763 million). The average number of employees for each month of the year was as follows:

Month	2023	2022
January	190	214
February	187	198
March	186	198
April	187	196
May	189	197
June	189	196
July	191	194
August	189	191
September	187	193
October	190	192
November	193	193
December	190	192

AIRTEL NETWORKS ZAMBIA PLC

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

During the year the Company made donations of K0.438 million. (2022: K2.281 million).

PROPERTY, PLANT AND EQUIPMENT

The Company purchased property, plant and equipment amounting to K1,006.965 million (2022: K715.594 million) during the year. In the opinion of the Directors, the recoverable amount of property, plant and equipment is not less than the carrying value. During the year the Company's investment in international bandwidth on indefeasible right of use (IRU) basis was nil (2022: K84.093 million).

AUDITORS

The Company's Auditor, Messrs Deloitte & Touche, 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 Networks Zambia plc takes the issue of corporate governance seriously in compliance with the LuSE Corporate Governance Code. The Company's focus is to have a sound corporate governance framework that contributes to improved corporate performance and accountability in creating long term shareholder value.

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

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

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

None of the Directors had a material interest in any significant contracts concluded during the year. Further, no Director held any shares in the Company during the year.

RELATED PARTY TRANSACTIONS

The related party transactions entered during the year with the related parties and resultant year end balances have been disclosed in Note 34 to the financial statements

SUBSEQUENT EVENTS

There are no material facts or subsequent events after the reporting date which would require adjustments or disclosure in the accompanying financial statements.

By order of the Board.



Sonia Shamwana-Chinganya
Company Secretary

Date: 22 February 2024

LUSAKA

AIRTEL NETWORKS ZAMBIA PLC

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's Sections 82 to 122 of the Companies Act, 2017 and Securities Act of Zambia.

The Directors accept responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act, 2017 and the Securities Act, 2016.

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 Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. In preparing the company's financial statements, the Directors are required to make an assessment of the Company's ability to continue as a going concern.

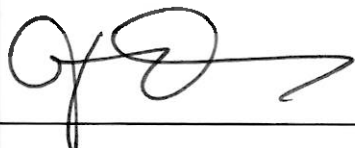
In the opinion of the Directors:

- 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 year 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;
- based on the assessments, the Company should continue to adopt a going concern basis of accounting in preparing the financial statements;
- 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 Securities Act of Zambia; 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 and the Securities Act of Zambia.

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 7.

Approval of the financial statements

The financial Statements of the Company as indicated above, were approved by the Directors on 22 February 2024 and signed on behalf of the Board by:



K. Monica Musonda
CHAIRPERSON



Hussameldin Baday
MANAGING DIRECTOR

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

Airtel Networks Zambia Plc

Report on the financial statements

Opinion

We have audited the financial statements of Airtel Networks Zambia Plc set out on pages 8 to 50, which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of Airtel Networks Zambia Plc 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 Securities Act of Zambia.

Basis of 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 Code¹) 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources on the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	
Description	<p>As set out in note 8, revenue of K5.6 billion (2022: K4.5 billion) is derived from the provision of telecommunication services. The majority of the customers of the Company subscribe to the services on a prepaid basis. Telecommunication service revenues mainly pertain to usage, subscription and customer onboarding charges, which include activation charges and charges for voice, data, messaging and value-added services. The Company's accounting policies on prepaid revenue is set out in note 4 (c).</p> <p>There is a presumed fraud risk around the accuracy of revenue recorded due to the complexity of the Company's revenue recording systems, the volume of customer data and manual nature of recording of revenue into the general ledger. We have therefore identified a key audit matter in relation to (i) the incorrect set up of system tariffs (ii) volume of transactional data involved which is complex in nature and (iii) the manual journal posting of revenue from the billing system to the general ledger. Errors in each would impact the accuracy of revenue.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

How the scope of our audit responded to the key audit matter	Our procedures involved: <ul style="list-style-type: none">• Working with our IT specialists to test the IT environment in which the revenue recording systems reside, including interface controls between different IT applications.• Obtaining an understanding of and testing the relevant controls over (a) approvals and maintenance of new plans in the billing system and (b) authorisation of rate changes and the maintenance of rates within the billing systems.• Testing the reconciliation process between the general ledger and revenue recording systems including any manual adjustments posted.• Testing a sample of call record validations to test the accuracy of revenue and the resolution of exceptions.• Sample testing the accuracy of tariff set up in the system.• Performing independent call testing with the objective of testing the accuracy of plans by checking that a sample of each major tariff has been correctly set up.• Detailed substantive testing of journal entries processes around revenue to ensure these were appropriately authorised, complete and accurate.• We assessed management's disclosures around the various revenue streams in the notes to the financial statements.
Key observations	Based on our work, we noted no significant issues on the accuracy of revenue recorded in the year and the disclosures made, in respect of the revenue recognised.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report and the Statement of Directors' responsibilities, as required by the Companies Act, 2017 which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. 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 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 in the manner required by 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.

Auditor's responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (Continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Companies Act, 2017 requires that in carrying out our audit of Airtel Networks Zambia Plc, we report on whether:

- there is a relationship, interest or debt which us, as the Company's auditor, have in the Company;
- there are serious breaches by the Company's Directors, of corporate governance principles or practices contained in Part VII's Sections 82 to 112 of the Zambia Companies Act of 2017; and
- there is an omission in the financial statements as regards 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on other legal and regulatory requirements (Continued)

Rule 18 of the Securities (accounting and financial reporting requirements) Rules of the Securities Act of Zambia requires that we report on whether:

- The annual financial statements of the Company have been properly prepared in accordance with Securities and Exchange Commission rules;
- The Company has, throughout the financial year, kept proper accounting records in accordance with the requirements of Securities and Exchange Commission rules;
- The statement of financial position and statement of comprehensive income are in agreement with the Company's accounting records; and
- We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

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

Deloitte & Touche
DELOITTE & TOUCHE



Alice Jere Tembo
Audit Partner
PC NO: AUD/F000433

Date: 29 February 2024

AIRTEL NETWORKS ZAMBIA PLC


STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Kwacha'000	Note	For the year ended	
		31 December 2023	31 December 2022
Income			
Revenue	8	5 639 928	4 450 420
Other income	9	75 840	930
		<u>5 715 768</u>	<u>4 451 350</u>
Expenses			
Network operating expenses		(835 309)	(624 144)
Depreciation and amortisation	12(a)	(766 575)	(590 429)
Other expenses	12(b)	(537 901)	(377 225)
Sales and marketing expenses		(602 696)	(474 850)
Employee benefits expenses		(277 123)	(253 763)
Impairment loss on financial assets		(13 377)	(3 369)
Access charges		(197 973)	(159 692)
Licence fee/spectrum usage charges		(209 223)	(175 270)
		<u>(3 440 177)</u>	<u>(2 658 742)</u>
Operating profit before foreign exchange losses		2 275 591	1 792 608
Finance income	11(a)	270	429
Net exchange losses	10	(76 408)	(55 180)
Finance costs	11(b)	(428 990)	(277 504)
Profit before tax		1 770 463	1 460 353
Income tax expense	13	(631 230)	(538 869)
Profit and total comprehensive income for the year		<u>1 139 233</u>	<u>921 484</u>
Basic and diluted earnings per share (Kwacha)	14	<u><u>10.95</u></u>	<u><u>8.86</u></u>

AIRTEL NETWORKS ZAMBIA PLC
STATEMENT OF FINANCIAL POSITION

Kwacha'000	Note	As of	
		31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	17	2 754 980	2 178 038
Capital work-in-progress	17	151 787	185 549
Right-of-use assets	18	632 310	686 389
Intangible assets	19	725 505	648 819
Other non-current assets	20	268 477	150 449
		4 533 059	3 849 244
Current assets			
Inventories	21	34 624	5 304
Derivative financial instruments	28	152 529	57 130
Trade and other receivables	22	420 729	254 090
Contract assets	23	41 725	40 345
Cash and cash equivalents	24	81 191	116 339
Other current assets	25	240 359	318 647
		971 157	791 855
Total assets		5 504 216	4 641 099
EQUITY AND LIABILITIES			
Equity			
Share capital	15	1 040	1 040
Share premium	15	24 962	24 962
Retained earnings/ (accumulated losses)		413 762	647 329
Total equity		439 764	673 331
Non-current liabilities			
Borrowings	26	1 060 158	500 250
Lease liabilities	27	765 703	832 102
Deferred tax Liability	16	229 509	111 942
Contract liabilities	30	5 442	6 000
		2 060 812	1 450 294
Current liabilities			
Borrowings	26	1 282 350	1 094 410
Lease liabilities	27	421 290	284 632
Derivative financial instruments	28	-	636
Trade and other payables	29	763 758	726 598
Contract liabilities	30	142 117	135 062
Current income tax payable	13	178 585	137 477
Other current liabilities	31	215 540	138 659
		3 003 640	2 517 474
Total liabilities		5 064 452	3 967 768
Total equity and liabilities		5 504 216	4 641 099

The responsibilities of the Company's Directors with regard to the preparation of the financial statements are set out on page 3. The financial statements on pages 8 to 50 were approved for issue by the Board of Directors on 22 February 2024 and were signed on its behalf by:


 K. Monica Musonda
 CHAIRPERSON


 Hussameldin Baday
 MANAGING DIRECTOR

AIRTEL NETWORKS ZAMBIA PLC**STATEMENT OF CHANGES IN EQUITY**
for the year ended 31 December 2023

Kwacha'000

	Share capital	Share premium	Retained earnings	Total
Balance at 1 January 2022	1 040	24 962	287 445	313 447
Total comprehensive income for the year	-	-	921 484	921 484
Final dividend declared for 2021	-	-	(249 600)	(249 600)
Interim dividend declared for 2022	-	-	(312 000)	(312 000)
Balance at 31 December 2022	1 040	24 962	647 329	673 331
Balance at 1 January 2023	1 040	24 962	647 329	673 331
Total comprehensive income for the year	-	-	1 139 233	1 139 233
Final dividend declared for 2022	-	-	(572 000)	(572 000)
Interim dividend declared for 2023	-	-	(800 800)	(800 800)
Balance at 31 December 2023	1 040	24 962	413 762	439 764

AIRTEL NETWORKS ZAMBIA PLC

STATEMENT OF CASH FLOWS

Kwacha'000	Note	For the year ended	
		31 December 2023	31 December 2022
Cash flows from operating activities			
Profit before income tax		1 770 463	1 460 353
Adjustments for:			
Finance income	11	(270)	(429)
Finance costs	11	428 990	277 504
Depreciation and amortisation	12(a)	766 575	590 429
Impairment loss recognised on trade receivables	22	13 377	3 369
Net exchange losses	10	76 408	55 180
Gain on disposal of property, plant and equipment	9	(506)	(95)
Operating cash flows before changes in working capital		3 055 037	2 386 311
<i>Changes in working capital:</i>			
Increase in trade and other receivables		(77 418)	(101 425)
Increase in inventories		(29 320)	(1 121)
Increase/(decrease) in trade and other payables		9 937	(55 379)
Increase in other current and non current assets		(41 120)	(141 651)
Decrease in other liabilities		(78 235)	(54 961)
Net cash generated from operations before tax		2 838 881	2 031 774
Income tax paid	13	(469 821)	(429 818)
Net cash generated from operating activities		2 369 060	1 601 956
Cash flows from investing activities			
Purchase of property and equipment (i)	17	(1 043 817)	(711 149)
Interest received	11	270	429
Proceeds from disposal of property and equipment		506	1 683
Purchase of intangible assets	19	(232 992)	(458 345)
Net cash flows used in investing activities		(1 276 033)	(1 167 382)
Cash flows from financing activities			
Proceeds from borrowings	26	990 000	710 250
Repayment of borrowings	26	(357 448)	(413 818)
Interest paid on borrowings	11	(303 491)	(157 207)
Interest paid on lease liabilities	11	(125 499)	(120 297)
Repayment of lease liabilities	27	(337 591)	(347 191)
Dividends paid to shareholders		(1 372 800)	(561 600)
Net cash flows used in financing activities		(1 506 829)	(889 863)
Net decrease in cash and cash equivalents		(413 802)	(455 289)
Cash and cash equivalents at beginning of the year		(648 071)	(199 933)
Effects of currency translation on cash and cash equivalents		263 357	7 151
Cash and cash equivalents at end of the year	24	(798 516)	(648 071)

(i) Reflects actual payments made.

AIRTEL NETWORKS ZAMBIA PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

1. CORPORATE INFORMATION

Airtel Networks Zambia plc (the 'Company') was incorporated in Zambia under the Companies Act, 2017 as a public limited Company, and is domiciled in Zambia. The Company is listed on the Lusaka Stock Exchange and was incorporated in 1997 as Celtel Zambia Plc. In April 2013, the Company changed its name and the registered office address to:

Airtel Networks Zambia plc
Airtel House
Corner of Addis Ababa Drive
and Great East Road, Stand 2375
P.O. Box 320001
Lusaka

The Company's principal activities are disclosed on page 1 of the Director's report.

The financial statements for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Directors on 22 February 2024.

2. GOING CONCERN

The Company ended the year 2023 with strong underlying operational performance with revenue growth of 26.73%. On account of a strong underlying operational performance, the Company recorded a net profit of **K1,139.233 million** (2022: Profit of K921.484 million). As at 31 December 2023, accumulated profits were **K413.762 million** (2022: K647.329 million) and the Company was in a net current liability position of **K2,032.483 million** (2022: K1,725.619 million).

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Directors are of the opinion that the Company is a going concern on the basis that the Company:

- a) Will generate cash inflows from operations of at least the amount projected in the management's annual operating plan. The generation of sufficient cash flows from operations is driven by and is dependent on stability of the Kwacha/US Dollar exchange rate and on management achieving revenue growth targets. In their assessment, the Directors have assumed that the Kwacha will not depreciate significantly against the US Dollar and that the Company will achieve a revenue growth of at least similar to revenue growth for 2023;
- b) Has access to financing facilities and will obtain sufficient funding from banks and holding company to meet its obligations as and when they fall due. The terms of the facilities are disclosed in note 26 to the financial statements;
- c) Has a prudent liquidity risk management measure, in which the Company closely monitors its liquidity position and deploys a robust cash management system as disclosed under Note 6 to the financial statements; and
- d) The Company has a Framework Loan Agreement with Bharti Airtel Zambia Holdings B.V dated 21 April 2016, in which a Committed facility of US\$50 million is in place. The Company is entitled to make a drawdown request under the Facility at any time before 31 December 2026. However, the Company has never had to call on this facility as the business has been able to generate adequate cash to settle its obligations as and when they fall due.

On the basis of the above information, the Directors consider that the Company will continue to operate for the foreseeable future within the available financial resources. Accordingly, the Directors are of the opinion that the preparation of these financial statements on the going concern basis is appropriate and confident that the funds described above will be available to the Company to support its obligations as required.

3 ADOPTION OF NEW AND REVISED STANDARDS

3.1 New and amended 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.

3 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

3.1 New and amended Standards that are effective for the current year (continued)

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 the Company’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, the Company 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, the Company 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.

Amendments to IAS 12 Income Taxes— International Tax Reform—Pillar Two Model Rules

The Company has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the Company is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

3 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)**3.1 New and amended Standards that are effective for the current year (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.
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3.2 New and revised Standards in issue but not yet effective

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

Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 21	<i>The Effects of Changes in Foreign Exchange Rates</i>
IFRS S1	<i>General Requirements for Disclosure of Sustainability-related Financial</i>
IFRS S2	<i>Climate-related Disclosures</i>

The Directors of the Company do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except if indicated below.

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 the Company 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 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If the Company applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early.

The Directors of the Company anticipate that the application of these amendments may have an impact on the 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 Company is required to comply with on or before the end of the reporting period affect the Company’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 Company’s financial position at the reporting date that is assessed for compliance only after the reporting date).

3 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

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

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 the Company only has to comply with a covenant after the reporting period. However, if the Company's right to defer settlement of a liability is subject to the Company complying with covenants within twelve months after the reporting period, the Company 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 Company is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the Company may have difficulties complying with the covenants.

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

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

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements

The amendments add a disclosure objective to IAS 7 stating that the Company is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the Company's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about the Company's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which the Company would be required to provide the information.

To meet the disclosure objective, the Company will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the Company's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which the Company applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

3 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback (continued)

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15, is a lease liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the Company first applied IFRS 16.

Amendments to IAS 21 - The Effects of Changes in Foreign Exchange Rates

The amendments require entities to use a spot exchange rate when translating foreign currency transactions. However, there are instances where an appropriate exchange rate cannot be determined due to the currency not being exchangeable. Prior to the amendment the standard was not clear on when the currency is not exchangeable and did not provide a definition of exchangeability but instead defined the closing rate as the spot exchange rate at

The amendments require entities to apply a consistent two-step approach in assessing whether a currency can be exchanged into another currency and when it cannot. The first step in the approach is to assess whether the foreign currency meets the definition of exchangeability. A currency is exchangeable into another currency when the Company is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create an enforceable rights and obligation.

If the currency does not meet the definition of exchangeability mentioned above, then the next step in the approach is to estimate the spot exchange rate using either an observable exchange rate without adjustment or another estimation technique. Comparative financial statements shall not be restated. The amendments require the Company to provide additional disclosures when the foreign currency or the functional currency is not exchangeable.

IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information

The Company's ability to generate cash flows over the short, medium and long term is inextricably linked to its interactions with its stakeholders, society, the economy and the natural environment throughout its value chain. As a result, sustainability-related risks and opportunities rise due to the Company's dependencies and impacts on resources and relationships in the value chain.

Therefore, the purpose of IFRS S1 is to prescribe disclosure requirements for sustainability-related risks and opportunities disclosures that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the company. Entities are required to identify sustainability-related risk and opportunities that could reasonably be expected to affect its prospects, including across the value chain.

3 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

IFRS S2 - Climate-related Disclosures

As part of generating cashflows over the short, medium term and long term, the Company would interact with the natural environment. Its interaction with the natural environment creates sustainability-related risks and opportunities. As result, IFRS S2 require companies to disclose information about its climate-related risks and opportunities that is useful to primary users of general-purpose financial reports

The standard incorporates and builds on the TCFD recommendations and should be applied alongside IFRS S1.

4. SUMMARY OF 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 years presented, unless otherwise stated.

(a) Statement of compliance

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

(b) Basis of accounting

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

(c) Revenue recognition

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

Revenue is recognised upon transfer of control of promised products or services to the customer at the consideration which the Company has received or expects to receive in exchange of those products or services, net of any taxes/duties and discounts. When determining the consideration to which the Company is entitled for providing promised products or services via intermediaries, the Company assesses whether the intermediary is a principal or agent in the onward sale to the end customer. To the extent that the intermediary is considered a principal, the consideration to which the Company is entitled is determined to be that received from the intermediary. To the extent that the intermediary is considered an agent, the consideration to which the Company is entitled is determined to be the amount received from the customer; the discount provided to the intermediary is recognised as a cost of sale.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONITINUED)

The Company has entered into certain multiple-element revenue arrangements which involve the delivery or performance of multiple products, services or rights to use assets. At the inception of the arrangement, all the deliverables therein are evaluated to determine whether they represent distinct performance obligations, and if so, they are accounted for separately. Total consideration related to the multiple element arrangements is allocated to each performance obligation based on their relative standalone selling prices. The stand-alone selling prices are determined based on the list prices at which the Company sells equipment and network services separately. Revenue is recognised when, or as, each distinct performance obligation is satisfied.

Service revenue is derived from the provision of telecommunication services to customers. The majority of the customers of the Company subscribe to the services on a pre-paid basis. Telecommunication service revenues mainly pertain to usage, subscription and customer onboarding charges, which include activation charges and charges for voice, data, messaging and value added services.

Telecommunication services (comprising voice, data and SMS) are considered to represent a single performance obligation as all are provided over the Company's network and transmitted as data representing a digital signal on the network. The transmission consumes network bandwidth and therefore, irrespective of the nature of the communication, the customer ultimately receives access to the network and the right to consume network bandwidth.

A contract liability is recognised for amounts received in advance, until the services are provided or when the usage of services becomes remote.

The Company recognises revenue from these services when performance obligation has been met. Revenue is recognised based on actual units of telecommunication services provided during the reporting period as a proportion of the total units of telecommunication services consumed.

Subscription charges are recognised over the subscription pack validity period. Customer onboarding revenue is recognised upon successful onboarding of customer i.e. upfront.

Revenues recognised in excess of amounts invoiced are classified as unbilled revenue.

Service revenues also includes revenue from interconnection/roaming charges for usage of the Company's network by other operators for voice, data, messaging and signalling services. These are recognised upon transfer of control of services being transferred over time.

Revenues from long distance operations comprise of voice services and bandwidth services (including installation), which are recognised on provision of services and over the period of respective arrangements.

The Company has interconnect agreements with local and foreign operators. This allows customers from either network to originate or terminate calls to each others' network. Revenue is earned and recognised as per bilateral agreements when other operators' calls are terminated to the Company's network i.e. the service is rendered.

The Company has estimated that the historic average customer life is longer than 12 months and believes that its churn rate provides the best indicator of anticipated average customer life and costs are deferred over the expected average customer life.

Equipment sales mainly pertain to sale of telecommunication equipment and related accessories for which revenue is recognised when the control of equipment is transferred to the customer i.e. transferred at a point in time.

(d) Segment Reporting

Management has determined the operating segments based on the reports reviewed by the Managing Director that are used to make strategic decisions. The Managing Director considers the business as a single operating segment, being Zambia operations, as the information reported to the Managing Director for the purpose of strategic decision making is not presented per product line. The Company does not at present, have distinguishable business segments.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONITINUED)

(d) Segment Reporting (continued)

The Managing Director reviews financial information based on the performance of the Company as a single operating segment with revenue analysed by category whilst expenses and assets are reported on a combined basis for the entire operating unit. The financial information does not include profit or loss information for the individual product lines. The Managing Director and the Board assess the performance of the Company based on profit for the period or year.

(e) Foreign currencies

The financial statements are presented in Zambian Kwacha, being the currency of the primary economic environment in which the Company operates (the functional currency). Transactions in foreign currencies are converted into Zambia Kwacha using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the foreign exchange rate ruling at that date. Exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the closing date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevalent, at the date of initial recognition (in case they are measured at historical cost) or at the date when the fair value is determined (in case they are measured at fair value) – with the resulting foreign exchange difference, on subsequent re-statement/settlement, recognised in the profit and loss, except to the extent that it relates to items recognised in the other comprehensive income or directly in equity.

(f) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost. All property, plant and equipment is subsequently measured at historical cost less accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The expenditures that are incurred after an item of property, plant and equipment has been put to use, such as repairs and maintenance, are normally charged to the profit or loss 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 significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts as a separate component of each asset. When an item of property, plant and equipment is replaced, then its carrying amount is de-recognised from the statement of financial position and cost of the new item is recognised.

Assets are depreciated to the residual values on a straight-line basis over the estimated useful lives. The assets' residual values, depreciation method 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	
Buildings	20	
Leasehold	10	or period of lease, as applicable, which ever is less.
Network equipment	3 – 25	
Computer equipment	3 - 5	
Office furniture and equipment	1 – 5	

An item of property, plant and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains and losses arising from retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement and disposal.

4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(f) Property, plant and equipment (continued)

Property, plant and equipment in the course of construction is carried at cost, less any accumulated impairment and presented separately as capital work-in-progress ('CWIP') including capital advances in the statement of financial position until capitalised. Such cost comprises of purchase price (including non-refundable duties and taxes but excluding any trade discounts and rebates), and any directly attributable cost.

(g) Borrowing costs

When funds borrowed are specifically for the purpose of obtaining a qualifying asset, the Company 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.

All other borrowing costs are recognised in the profit and loss in the period in which they are incurred.

(h) Leases

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

(a) The Company as lessee

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

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

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

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

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

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

4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(h) Leases (continued)

(a) The Company as lessee (continued)

i. Short-term leases

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

(b) The Company as lessor

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

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term. When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

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

(i) Inventories

Inventories are stated at the lower of cost (determined using the first-in-first-out method) and net realisable value. The costs comprise its purchase price and any directly attributable cost of bringing it to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated variable costs necessary to make the sale

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

(j) Cash and cash equivalents

In the statement of financial position cash and cash equivalents include cash in hand, wallet balances, bank balances, cheques in hand and any deposits with original maturities of three months or less (that are readily convertible to known amounts of cash and cash equivalents and subject to an insignificant risk of changes in value). Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

However, for the purpose of the statement of cash flows, in addition to above items, any bank overdrafts which are repayable on demand and form any integral part of the Company's cash management are also included as a component of cash and cash equivalents.

(k) Statement of cash flows

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

4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(I) Financial instruments

i. 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 classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

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

Financial assets with embedded derivatives are considered in their entirety for determining the contractual terms of the cash flow and accordingly, embedded derivatives are not separated. However, derivatives embedded in non-financial instrument/financial liabilities (measured at amortised cost) host contracts are classified as separate derivatives if their economic characteristics and risks are not closely related to those of the host contracts.

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.

ii. Measurement - Non-derivative financial instruments

I. Initial measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Other transaction costs are expensed as incurred in the Statement of Comprehensive Income.

II. Subsequent measurement - financial assets

The subsequent measurement of non-derivative financial assets depends on their classification as follows:

- Financial assets measured at amortised cost

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.

- Financial assets at fair value through profit or loss ('FVTPL')

All equity instruments and financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ('FVTOCI') are measured at FVTPL. Interest (basis EIR method) and dividend income from financial assets at FVTPL is recognised in the profit and loss within finance income/finance costs separately from the other gains/losses arising from changes in the fair value.

4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(l) Financial instruments (continued)

ii. Measurement - Non-derivative financial instruments (continued)

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and debt instrument carried at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. If credit risk has not increased significantly, 12 month expected credit loss ('ECL') is used to provide for impairment loss, otherwise lifetime ECL is used.

However, only in case of trade receivables, the Company applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables. Provision is made for outstanding amounts over 90 days and 270 days for interconnect receivables.

Financial liabilities are subsequently measured at amortised cost using the EIR method (if the impact of discounting/any transaction costs is significant).

iii. Measurement - derivative financial instruments

Derivative financial instruments, including separated embedded derivatives that are not designated as hedging instruments in a hedging relationship are classified as financial instruments at fair value through profit or loss. Such derivative financial instruments are initially recognised at fair value. They are subsequently measured at their fair value, with changes in fair value being recognised in profit or loss within finance income/finance costs.

iv. 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.

(m) Share capital and Share premium

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

(n) Employee benefits

1. Defined Contribution Plan

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 employees are made. A defined contribution plan is a retirement benefit plan under which the Company pays fixed contributions into a separate company. 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.

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

2. Other entitlements

The estimated liability for employees' accrued gratuity and 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 exchange for that service.

4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(o) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except: When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. 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 Company.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised, except:

when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Intangible assets

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

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

4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(q) Impairment of non-financial assets

Property, plant and equipment (PPE), right-of-use assets (ROU) and intangible assets

PPE, ROU 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 the statement of profit and 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.

(r) Reversal of impairment losses of non-financial assets

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.

(s) Operating profit

Operating profit is stated as revenue less operating expenditure including depreciation and amortisation and operating exceptional items. Operating profit excludes finance income, finance costs, other non-operating income and foreign exchange gains and losses.

(t) Dividends

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

(u) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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 the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a 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.

(v) Contingencies

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

4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(w) Earning per share (EPS)

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Critical accounting estimates and assumptions

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

Receivables

Critical estimates are made by the Directors in determining the recoverable amount of impaired receivables. The Company uses a provision matrix to measure the expected credit loss of trade receivables. Factors taken into consideration in making such judgments include historical trends and the number of days a debt is past its due date for payment.

When measuring the expected credit loss (ECL), the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. If the ECL rates on trade receivables between 61 and 90 days past due had been 5% higher/lower as of December 2023, the loss allowance on trade receivables would have been K0.087 million (2022: K2.265 million) higher/lower. If the ECL rates on trade receivables between 31 and 60 days past due had been 5% higher/lower as of December 2023, the loss allowance on trade receivables would have been K0.306 million (2022: K1.418 million) higher/lower. The carrying amount of impaired receivables is set out in Note 22.

On the basis of an assessment made no impairment has been made or been found to be necessary on related party balances, contract assets and other receivables.

Contingent liabilities and provisions

The Company is involved in various legal, tax and regulatory matters, the outcome of which may not be favourable to the Company. Management in consultation with the legal, tax and other advisers assess the likelihood that a pending claim will succeed. The Company has applied its judgement and has recognised liabilities based on whether additional amounts will be payable and has included contingent liabilities where economic outflows are considered possible but not probable. However, given the nature of these matters, there may be a risk of a material change within the next financial year.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(ii) Critical judgments in applying the Company's accounting policies

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

(a) Determining the incremental borrowing rate for lease contracts

The Company has recognised lease liabilities at present value using the incremental borrowing rate (IBR) based on considerations specific to the lease agreement. Since determination of incremental borrowings is not directly available for the given markets in which Company operates, the Company has used judgement in determining the IBR by taking into consideration risk free borrowing rate based on US\$ bonds and adjusting it for country and Company specific risk premiums. The IBR used across the Company is 15.33% for USD leases and 20.25% for ZMW leases.

(b) Separating lease and non-lease components

The consideration paid by the Company in telecommunication towers lease contracts include the use of land, passive infrastructure as well as maintenance, security services, etc. Therefore, in determining the allocation of consideration between lease and non-lease components, for the additional services that are not separately priced, the Company performs detailed analysis of cost split to arrive at relative stand-alone prices of each of the components.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: Market risk (including Foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors.

Market risk

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities.

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 of the statement of profit/loss before tax is the effect of the assumed changes in the respective market risks. This is based on the financial assets and financial liabilities held as of 31 December 2023 and 31 December 2022.

At 31 December 2023, if the Kwacha had weakened/strengthened by 5% against the US dollar with all other variables held constant, profit before tax for the period would have been K46.128 million (2022: K42.093 million) lower/higher, mainly as a result of US dollar denominated trade receivables, payables, lease liability and borrowings.

AIRTEL NETWORKS ZAMBIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

Exposure to currency risk

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

Exposure to currency risk

	2023	2022
	K'000	K'000
Cash and cash equivalents (net)	19 640	55 547
Trade and other receivables	330 464	127 138
Trade and other payables	(327 948)	(169 664)
Lease liabilities	(944 726)	(854 886)
	<u>(922 570)</u>	<u>(841 865)</u>

The following US Dollar exchange rates applied during the period:

Average Rate	24.827	17.631
Closing Rate	<u>25.709</u>	<u>18.075</u>

(ii) Price risk

The Company does not hold any financial instruments subject to price risk.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt interest obligations with floating interest rates.

The Company's interest bearing financial liabilities were the overdraft of **K879.707 million** (2022: K764.410 million) and the borrowing of **K1,462.802 million** at year end (2022: K830.250 million). The Company regularly monitors financing options available to ensure optimum interest rates are obtained. At 31 December 2023, if effective interest rates on borrowings had been 2% higher/lower with all other variables held constant, pre tax profit would have been **K46.850 million** (2022: K31.893 million) lower/higher.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Company and arises from cash equivalents and deposits with financial institutions and principally from credit exposures to customers relating to outstanding receivables. For banks and financial institutions, only reputable institutions are used.

The Company is not significantly exposed to credit risk on the retail side since the majority of its customers are on the prepaid plan and majority of the distributors /dealers are primarily on cash basis, or their credit is covered by a bank guarantee.

The interconnection between the Company and other telecommunications operators (both local and foreign) is on credit basis and the number of credit days is governed by the agreement between the parties. The utilisation of credit limits is regularly monitored.

The amount that best represents the Company's maximum exposure to credit risk at 31 December 2023 is made up as follows:

	Note	2023	2022
		K'000	K'000
Cash and cash equivalents	24	81 191	116 339
Contract assets	23	41 725	40 345
Amounts due from related parties	34	345 562	174 043
Trade receivables (net)	22	75 167	80 047
		<u>543 645</u>	<u>410 774</u>

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

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.

Impairment losses

The ageing of trade receivables at the reporting date was:

	2023 K'000	2023 K'000	2022 K'000	2022 K'000
	Gross amount	Impaired	Gross amount	Impaired
30 days	38 927	-	28 363	-
60 days	34 492	-	45 308	-
90 days and above	<u>106 631</u>	<u>104 883</u>	<u>97 249</u>	<u>90 873</u>
	<u>180 050</u>	<u>104 883</u>	<u>170 920</u>	<u>90 873</u>

Collateral is held for some of the above assets namely distributors with bank guarantees of K6.550 million, K1.101 million post-paid deposits and nil channel partner deposits as at 31 December 2023 (2022: K8.050 million distributors with bank guarantees, K1.101 million post-paid deposits and nil million channel partner deposits). Trade receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

Based on the industry practices and the business environment in which the Company operates, management considers trade receivables are credit impaired if the payments are more than 270 days past due in case of interconnect customers and 90 days past due in other cases. In determining the amount of impairment, management considers the collateral against such receivables and any amount payable to such customers.

	2023 K'000	2022 K'000
Past due but not impaired:		
- by up to 30 days	18 909	26 424
- by 31 to 90 days	6 050	18 083
- by 91 days and over	<u>6 995</u>	<u>5 148</u>
Total past due but not impaired	<u>31 954</u>	<u>49 655</u>

Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its financial obligations as they become due. Accordingly, as a prudent liquidity risk management measure, the Company closely monitors its liquidity position and deploys a robust cash management system. It maintains adequate sources of financing including term loans and overdraft facility from both domestic and international banks at an optimised cost and the availability of funding from the principal shareholders. For details on going concern and borrowings, refer to Notes 2 and 26 respectively.

AIRTEL NETWORKS ZAMBIA PLC**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
for the year ended 31 December 2023**6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)***Liquidity risk (continued)*

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

	Note	Less than 1 year K'000	Between 1 and 2 years K'000	Between 2 and 5 years K'000	Over 5 years K'000
At 31 December 2023					
- Trade and other payables	29	763 758	-	-	-
- Bank overdrafts	24	879 707	-	-	-
- Term loans	26	402 643	692 284	302 812	65 063
At 31 December 2022					
- Trade and other payables	26	726 598	-	-	-
- Bank overdrafts	25	764 410	-	-	-
- Term loans	29	330 000	500 250	-	-

7. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may limit the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

The gearing ratios at 31 December 2023 and 31 December 2022 were as follows:

	2023	2022
Total borrowings (including bank overdraft and lease liabilities)	3 529 501	2 711 394
Less: cash and cash equivalents	(81 191)	(116 339)
Net debt	<u>3 448 310</u>	<u>2 595 055</u>
Total equity	<u>439 764</u>	<u>673 331</u>
Total capital	<u>3 888 074</u>	<u>3 268 386</u>
Gearing ratio	<u>89%</u>	<u>79%</u>

AIRTEL NETWORKS ZAMBIA PLC**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2023

Kwacha'000

8. REVENUE

The Company derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines.

Analysis of revenue by category:

	2023	2022
Airtime revenue	2 580 176	2 148 588
Data revenue	2 532 260	1 827 886
Interconnect revenue	288 649	280 025
Other services	98 521	104 819
Value added services content	91 640	72 804
Short Messaging Services	72 910	57 626
Roaming revenue	32 640	19 758
Connection revenue	26 325	22 457
Handsets and accessories	21 025	22 862
Trade discount	<u>(104 218)</u>	<u>(106 405)</u>
	<u>5 639 928</u>	<u>4 450 420</u>

Revenue recognised over time:

Airtime revenue	2 580 176	2 148 588
Data revenue	2 532 260	1 827 886
Interconnect revenue	288 649	280 025
Other services	98 521	104 819
Value added services content	91 640	72 804
Short Messaging Services	72 910	57 626
Roaming revenue	32 640	19 758
Trade discount	<u>(104 218)</u>	<u>(106 405)</u>
	<u>5 592 578</u>	<u>4 405 101</u>

Revenue recognised at a point in time:

Connection revenue	26 325	22 457
Handsets and accessories	21 025	22 862
	<u>47 350</u>	<u>45 319</u>

Performance obligations that are unsatisfied (or partially unsatisfied) amounting to **K147.559 million** at 31 December 2023 and **K141.062 million** as at 31 December 2022 will be satisfied within a period of one year, respectively.

Revenue recognised that was included in the contract liability balance at the beginning of the year is **K135.062 million** (2022: **K118.221 million**). Transfers from contract assets recognized at the beginning of the period to receivables is **K40.345 million** for the year ended 31 December 2023 (2022: **K33.439 million**).

9. OTHER INCOME

Gain on disposal of property, plant and equipment	506	95
Other operating income	<u>75 334</u>	<u>835</u>
	<u>75 840</u>	<u>930</u>

10. NET EXCHANGE (LOSSES)/GAINS

Net exchange (losses)/gains arose on:

Lease liabilities	(315 290)	(76 372)
Borrowings and cash and cash equivalents	263 357	7 151
Other balances	<u>(24 475)</u>	<u>14 041</u>
	<u>(76 408)</u>	<u>(55 180)</u>

AIRTEL NETWORKS ZAMBIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

Kwacha'000

	2023	2022
11. FINANCE COST AND INCOME		
(a) Finance income		
Interest income on deposits	<u>(270)</u>	<u>(429)</u>
(b) Finance costs		
Interest on lease liability	125 499	120 297
Interest expense on borrowings	<u>303 491</u>	<u>157 207</u>
	<u>428 990</u>	<u>277 504</u>
12. PROFIT BEFORE TAX		
Profit before tax is stated after debiting:		
(a) Depreciation and amortisation		
Depreciation on property and equipment (Note 17)	461 335	392 767
Depreciation on right-of-use assets (Note 18)	148 934	148 012
Amortisation of intangible assets (Note 19)	<u>156 306</u>	<u>49 650</u>
	<u>766 575</u>	<u>590 429</u>
(b) Other expenses		
Content charges	267 024	185 868
Management fees	169 078	95 666
IT expenses	41 770	34 908
Other expenses	38 369	35 026
Cost of goods sold	17 503	21 989
Auditors' remuneration	<u>4 157</u>	<u>3 768</u>
	<u>537 901</u>	<u>377 225</u>
13. INCOME TAX		
Current income tax	494 088	416 307
Deferred income tax (Note 16)	117 567	130 816
Prior year under (over) provision	19 414	(8 254)
Rental turnover tax	<u>161</u>	<u>-</u>
Income tax expense	<u>631 230</u>	<u>538 869</u>
The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:		
Profit before income tax	<u>1 770 463</u>	<u>1 460 353</u>
Tax calculated at the statutory income tax rate of 35% / 40%	619 662	584 141
Tax effect of:		
Expenses not deductible for tax purposes (net)	5 641	(35 726)
Other adjustments	(13 487)	(1 292)
Prior year under (over) provision	<u>19 414</u>	<u>(8 254)</u>
Income tax expense	<u>631 230</u>	<u>538 869</u>

AIRTEL NETWORKS ZAMBIA PLC

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

Kwacha'000

13. INCOME TAX (CONTINUED)	2023	2022
Current income tax payable		
<i>Current income tax movement in the statement of financial position:</i>		
At January	137 477	159 242
Current income tax charge	494 088	416 307
Prior year under (over) provision	19 414	(8 254)
WHT recoveries in respect of current year	(2 573)	-
Payments during the year	<u>(469 821)</u>	<u>(429 818)</u>
At end of the year	<u>178 585</u>	<u>137 477</u>

Income tax provisional returns have been filed with the Zambia Revenue Authority ("ZRA") for the year ended 31 December 2023. Quarterly payments for the year ended 31 December 2023 were made on the due dates during the year.

14. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. There were no potentially dilutive shares outstanding at 31 December 2023 and 31 December 2022. Diluted earnings per share is therefore the same as basic earnings per share.

	2023	2022
Profit attributable to the equity holders of the Company	<u>1 139 233</u>	<u>921 484</u>
Weighted average number of ordinary shares (Nos '000)	<u>104 000</u>	<u>104 000</u>
Basic/diluted earnings per share (Kwacha)	<u>10.95</u>	<u>8.86</u>

15. SHARE CAPITAL

	Number of shares (million)	Ordinary shares (K 000)	Share premium (K 000)
At 31 December 2023	<u>104</u>	<u>1 040</u>	<u>24 962</u>
At 31 December 2022	<u>104</u>	<u>1 040</u>	<u>24 962</u>

The total authorised number of ordinary shares is 150 million (2022: 150 million) with a par value of K0.01 per share. The issued and fully paid ordinary shares is 104 million (2022: 104 million).

AIRTEL NETWORKS ZAMBIA PLC

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

Kwacha'000

16. DEFERRED TAX

Deferred tax liability is calculated using the enacted income tax rate of 35% for the period starting 1 January 2023. Therefore, deferred tax as at 31 December 2023 was calculated at 35% in line with IAS 12. The balances on the deferred tax account are as follows:

	2023	2022
1 January	111 942	(18 874)
Charge to profit or loss (Note 13)	<u>117 567</u>	<u>130 816</u>
At 31 December	<u>229 509</u>	<u>111 942</u>

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax (assets) liabilities, deferred tax charge/(credit) in profit or loss, and deferred tax charge/(credit) in equity are attributable to the following items:

	At 1 January	Charged/ (credited) to income statement	At 31 December
31 December 2023			
Deferred tax liabilities			
Property and equipment	376 728	93 158	469 886
Unrealised exchange gains	812	47 111	47 923
Deferred tax assets			
Other temporary deductible differences	(145 768)	85 119	(60 649)
Other provisions	(48 538)	(4 416)	(52 954)
Unrealised exchange losses	4 998	(29 953)	(24 955)
Leases	(76 290)	(73 452)	(149 742)
Net deferred tax	<u>111 942</u>	<u>117 567</u>	<u>229 509</u>
31 December 2022			
Deferred tax liabilities			
Property and equipment	251 100	125 628	376 728
Unrealised exchange gains	(1 368)	2 180	812
Deferred tax assets			
Other temporary deductible differences	(162 050)	16 282	(145 768)
Other provisions	(48 298)	(240)	(48 538)
Unrealised exchange losses	3 981	1 017	4 998
Leases	(62 239)	(14 051)	(76 290)
Net deferred tax	<u>(18 874)</u>	<u>130 816</u>	<u>111 942</u>

AIRTEL NETWORKS ZAMBIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

Kwacha'000

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold Improvements	Telecom equipment	Fixture, fittings, office & other IT equipment	Total	Capital work in progress (i)
Historical Cost :						
At 1 January 2022	115 299	19 652	4 494 737	673 157	5 302 845	107 448
Additions	-	-	-	-	-	715 594
Transfers	-	2 266	553 053	82 173	637 493	(637 493)
Adjustments/ disposals	-	-	(2 959)	(359)	(3 318)	-
At 31 December 2022	115 299	21 918	5 044 831	754 972	5 937 020	185 549
At 1 January 2023	115 299	21 918	5 044 831	754 972	5 937 020	185 549
Additions	-	-	-	-	-	1 006 965
Transfers	-	394	963 360	76 973	1 040 727	(1 040 727)
Adjustments/ disposals	-	-	(57 326)	(10 175)	(67 501)	-
At 31 December 2023	115 299	22 312	5 950 865	821 770	6 910 246	151 787
Depreciation						
At 1 January 2022	50 525	17 603	2 702 259	597 559	3 367 946	-
Charge for the year	5 757	690	332 258	54 062	392 767	-
Adjustments/ disposals	-	-	(1 372)	(358)	(1 730)	-
At 31 December 2022	56 282	18 293	3 033 145	651 263	3 758 983	-
At 1 January 2023	56 282	18 293	3 033 145	651 263	3 758 983	-
Charge for the year	5 757	575	391 560	63 443	461 335	-
Adjustments/ disposals	-	-	(54 877)	(10 175)	(65 052)	-
At 31 December 2023	62 039	18 868	3 369 828	704 531	4 155 266	-
Carrying amount:						
At 31 December 2022	53 260	3 444	2 581 037	117 239	2 754 980	151 787
At 31 December 2023	59 017	3 625	2 011 687	103 709	2 178 038	185 549

A schedule listing of the properties as required by section 279 and the second schedule of the Companies Act, 2017 is available for inspection by the members or their authorised representatives at the registered office of the Company.

(i) The carrying value of CWIP as at 31 December 2023 and 2022 is K151.787 million and K185.549 million respectively, which mainly pertains to telecom equipment. In 2023 and 2022, adjustments/disposals include reversal of provision due to deployment of aged inventory.

AIRTEL NETWORKS ZAMBIA PLC

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

Kwacha'000

18. RIGHT-OF-USE ASSETS

Cost	Leasehold buildings	Telecom equipment	Motor vehicles	Total
At 1 January 2022 (i)	13 484	1 129 372	6 160	1 149 016
Additions	6 282	304 712	-	310 994
Asset retirement	-	(83)	-	(83)
At 31 December 2022	19 766	1 434 001	6 160	1 459 927
At 1 January 2023	19 766	1 434 001	6 160	1 459 927
Additions	3 029	92 425	-	95 454
Asset retirement	-	(2 894)	-	(2 894)
At 31 December 2023	22 795	1 523 532	6 160	1 552 487
Depreciation				
At 1 January 2022 (i)	9 561	609 806	6 159	625 526
Charge for the year	3 919	144 093	-	148 012
Asset retirement	-	-	-	-
At 31 December 2022	13 480	753 899	6 159	773 538
At 1 January 2023	13 480	753 899	6 159	773 538
Charge for the year	4 276	144 658	-	148 934
Asset retirement	-	(2 295)	-	(2 295)
At 31 December 2023	17 756	896 262	6 159	920 177
Carrying amount:				
At 31 December 2023	5 039	627 270	1	632 310
At 31 December 2022	6 286	680 102	1	686 389

AIRTEL NETWORKS ZAMBIA PLC

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

Kwacha'000

19. INTANGIBLE ASSETS	Cellular license	Internet service provider license	Total	Intangible assets under development
Cost				
At 1 January 2022	278 719	125	278 844	-
Additions	458 345	-	458 345	-
At 31 December 2022	737 064	125	737 189	-
At 1 January 2023	737 064	125	737 189	-
Additions*	232 992	-	232 992	-
At 31 December 2023	970 056	125	970 181	-
Amortization				
At 1 January 2022	38 595	125	38 720	-
Charge for the year	49 650	-	49 650	-
At 31 December 2022	88 245	125	88 370	-
At 1 January 2023	88 245	125	88 370	-
Charge for the year	156 306	-	156 306	-
At 31 December 2023	244 551	125	244 676	-
Carrying amount				
At 31 December 2023	725 505	-	725 505	-
At 31 December 2022	648 819	-	648 819	-

*Additions under Cellular license relate to the amount of spectrum awarded to the Company. The Zambia Information and Communications Technology Authority ("ZICTA") allotted 10Mhz and 50Mhz radio spectrums in the 800Mhz and 2600Mhz frequency bands respectively at a cost of USD29 million in July 2022 this was fully paid up in October 2023 and the amount was transferred to Cellular license. An additional 40MHz radio spectrum in the 2600MHz frequency band was awarded to the Company at a cost of USD12 million in November 2022. An initial deposit of USD0.4 million was made at the time of application. As of 31 December 2023, the Company had paid the license fees in full in February 2023 and the amount was transferred to Cellular license.

The weighted average remaining amortisation period of the Company's licences as of 31 December 2023 and 2022 is 4.39 years and 5.39 years respectively.

20. OTHER NON-CURRENT ASSETS	2023	2022
Prepayments (i)	216 870	128 613
Deferred customer acquisition cost (ii)	51 607	21 836
	<u>268 477</u>	<u>150 449</u>
(i) Prepayments		
At 31 December		
- Current prepayment*	25 954	17 653
- Non-current prepayment	216 870	128 613
	<u>242 824</u>	<u>146 266</u>

AIRTEL NETWORKS ZAMBIA PLC

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

Kwacha'000

20. OTHER NON-CURRENT ASSETS (CONTINUED)	2023	2022
(ii) Deferred customer acquisition cost		
At the beginning of the year	94 677	71 323
Expenses deferred	147 626	96 159
Amortisation	(96 441)	(72 805)
At the end of the year	<u>145 862</u>	<u>94 677</u>
Deferred customer acquisition cost		
- Current prepayment*	94 255	72 841
- Non-current prepayment	51 607	21 836
	<u>145 862</u>	<u>94 677</u>

* Current prepayment is included in prepayments under other current assets in note 25.

21. INVENTORIES

Merchandise held for sale	42 443	15 138
Less provision for obsolete stock	(7 819)	(9 834)
	<u>34 624</u>	<u>5 304</u>

The cost of inventories recognized as an expense and included in 'other expenses' amounted to **K11.378 million** (2021: K0.67 million).

22. TRADE AND OTHER RECEIVABLES

Trade receivables	180 050	170 920
Less provision for impairment losses	(104 883)	(90 873)
Net trade receivables	75 167	80 047
Amounts due from related parties (refer note 34)	345 562	174 043
	<u>420 729</u>	<u>254 090</u>

The average credit period on sales of goods is 30 days. No interest is charged on outstanding trade receivables. The expected credit loss (ECL) is mainly based on the ageing of the receivable balances and historical experience. The receivables are assessed on an individual basis or grouped into homogeneous groups and assessed for impairment collectively, depending on their significance. Moreover, trade receivables are written off on a case to case basis if deemed not to be collectible on the assessment of the underlying facts and circumstances.

The Company uses a provision matrix to measure the expected credit loss of trade receivables. Based on the industry practices and the business environment in which the Company operates, management considers that the trade receivables are credit impaired if the payments are more than 90 days past due (Interconnect more than 9 months).

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

AIRTEL NETWORKS ZAMBIA PLC**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

for the year ended 31 December 2023

Kwacha'000

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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 receivable has crossed the law of limitation period past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

As the 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 base.

	2023	2022
Balance as at 1 January	90 873	86 302
Transfer to credit-impaired	13 377	3 369
Foreign exchange loss	633	1 202
Balance as at 31 December	<u>104 883</u>	<u>90 873</u>

Trade Receivables - Days Past Due**At 31 December 2023**

	Not Past Due	<30	31-60	61-90	91-120	>120	Total
Expected credit loss rate	0%	0%	0%	0%	100%	100%	
Estimated total gross carrying amount at default	38 927	28 441	6 050	1 749	2 209	102 674	180 050
Lifetime ECL					2 209	102 674	<u>104 883</u>

At 31 December 2022

Expected credit loss rate	0%	0%	0%	0%	100%	100%	
Estimated total gross carrying amount at default	28 363	25 962	19 346	6 376	2 181	88 692	170 920
Lifetime ECL	-	-	-	-	2 181	88 692	<u>90 873</u>

23. CONTRACT ASSETS

Revenue from sale of handsets to corporate/enterprise customers	16 440	15 147
Revenue from interconnect customers	16 170	14 258
Revenue from post paid customers	7 489	10 139
Revenue from roaming customers	1 626	801
Current	<u>41 725</u>	<u>40 345</u>
Non-Current	<u>-</u>	<u>-</u>

Amounts relating to contract assets are balances due from customers under Sale of Bundled Handsets Contracts, Post Paid contracts, Interconnect Contract and Roaming Contract that arise when the Company receives payments from customers in line with a series of performance related milestones. The Company will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

The Directors of the Company always measure the Expected Credit Loss on the amounts due from customers, taking into account the ageing of receivables, historical default experience and the industry practices and the business environment in which the Company operates. None of the amounts due from customers at the end of the reporting period is past due.

AIRTEL NETWORKS ZAMBIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

Kwacha'000

24. CASH AND CASH EQUIVALENTS	2023	2022
Balances in banks		
- Current accounts	57 602	95 764
Cash on hand	23 589	20 575
	<u>81 191</u>	<u>116 339</u>

For the purpose of the statement of cash flows, cash and cash equivalents are as follows:

Cash and bank balances	81 191	116 339
Bank overdrafts	(879 707)	(764 410)
	<u>(798 516)</u>	<u>(648 071)</u>

The Company has seven overdraft facilities with limits of up to K1 billion and US\$13 million as shown below. These facilities are subject to annual review. Overdraft facilities from Citibank Zambia Limited and Standard Chartered Bank Zambia Plc are available for utilization in both USD and ZMW.

(i)	Citibank Zambia Limited	\$ 12 million MPR+ liquidity premium + 1.5% margin
(ii)	Standard Chartered Bank Zambia Plc	\$ 1 million MPR + 9%
(iii)	Absa Bank Zambia Plc	K 50 million MPR + liquidity premium + 2.05%
(iv)	Stanbic Bank Zambia Limited	K 200 million MPR +liquidity premium + 1.5%
(v)	Ecobank Zambia Limited	K 250 million MPR +5%
(vi)	Indo Zambia Bank Plc	K 200 million MPR +5%
(vii)	Zambia National Commercial Bank Plc	K 300 million MPR +5.35%

The Company had drawn amounts as at the year-end of K879.707 million and US\$ Nil (2022: K764.410 million million and US\$ Nil).

The overdraft limit was not exceeded at any time during the period and all the overdraft facilities are unsecured.

25. OTHER CURRENT ASSETS	2023	2022
Prepayments (Note 20)	169 722	260 469
Others assets	63 693	44 716
Advances to suppliers	6 944	13 462
	<u>240 359</u>	<u>318 647</u>

26. BORROWINGS		
Non-current		
Term loans	1 462 801	830 250
Less : current	(402 643)	(330 000)
	<u>1 060 158</u>	<u>500 250</u>
Current maturity of long term debts	<u>402 643</u>	<u>330 000</u>
Current		
Bank overdraft (Note 24)	879 707	764 410
	<u>879 707</u>	<u>764 410</u>
Total current borrowings	<u>1 282 350</u>	<u>1 094 410</u>

The term loans are due to the following commercial banks:

	First National Bank Zambia Plc	Standard Chartered Bank Zambia Plc	Stanbic Bank Zambia Limited	ABSA Bank Zambia Plc.	International Finance Corporation	Access Bank Zambia Limited	Total
At 1 January 2022	160 000	60 772	-	313 046	-	-	533 818
Drawn down during the year	-	-	200 000	250 000	260 250	-	710 250
Repayments in the year	(40 000)	(60 772)	-	(313 046)	-	-	(413 818)
At 31 December 2022	<u>120 000</u>	<u>-</u>	<u>200 000</u>	<u>250 000</u>	<u>260 250</u>	<u>-</u>	<u>830 250</u>

AIRTEL NETWORKS ZAMBIA PLC

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

Kwacha'000

26. BORROWINGS (CONTINUED)

	First National Bank Zambia Plc	Standard Chartered Bank Zambia Plc	Stanbic Bank Zambia Limited	ABSA Bank Zambia Plc.	International Finance Corporation	Access Bank Zambia Limited	Total
At 1 January 2023	120 000	-	200 000	250 000	260 250	-	830 250
Drawn down during the year	-	190 000	200 000	400 000	-	200 000	990 000
Repayments in the year	(80 000)	-	-	(250 000)	-	(27 448)	(357 448)
At 31 December 2023	40 000	190 000	400 000	400 000	260 250	172 552	1 462 802

> In September 2021, the Company obtained a long term credit facility from First National Bank Zambia Limited for K160 million. The loan carries an interest rate of Monetary Policy Rate + 7% per annum. The facility is repayable within 36 months. The loan is backed by a comfort letter from Bharti Airtel International (Netherlands) BV (Immediate parent) and is unsecured.

> In October 2022, the Company obtained a short term credit facility from Absa Bank Zambia Limited for K250 million. The loan carried an interest rate of Monetary Policy Rate + Liquidity Premium + 1.55% per annum. The facility was repayable within 12 months and had been fully repaid as at 31 December 2023.

> In October 2022, the Company obtained a medium term credit facility from Stanbic Bank Zambia Limited for K200 million. The loan carries an interest rate of Monetary Policy Rate + Liquidity Premium + 1.50% per annum. This facility was merged with additional facility of K200 million obtained in March 2023.

> In December 2022, the Company obtained a long term credit facility from the International Finance Corporation for K260.25 million. The loan carries a fixed interest rate of 18.50% per annum. The facility is repayable within 96 months. The loan is guaranteed by Bharti Airtel International (Netherlands) BV (Immediate parent) and is unsecured.

> In May 2023, the Company obtained a medium term credit facility from Access bank Zambia for K200 million. The loan carries an interest rate of Monetary Policy Rate + 4.75 % per annum. The facility is repayable semi-annually within 36 months and as of 31 December 2023, the outstanding balance was K173 million.

> In March 2023, the Company obtained an additional revolving credit facility from Stanbic bank Zambia for K400 million. The revolving credit facility interest rate is split as follows:

1. K200 Million interest is Monetary Policy Rate + Liquidity Premium + Margin per annum.
2. K200 Million interest Bank Policy rate (8.5%) + Margin (5.5%)

The facility is to be repaid at maturity on 20 March 2025 and as of 31 December 2023, the outstanding balance was K400 million.

> In September 2023, the Company obtained a medium term credit facility from Absa Bank Zambia Limited for K400 million. The loan carries an interest rate of Monetary Policy Rate + 4.75% per annum. The facility is repayable semi-annually within 36 months and as of 31 December 2023, the outstanding balance was K400 million.

> In December 2023, the Company obtained a short term credit facility from Standard Chartered Bank Zambia Limited for K190 million. The loan carries an interest rate of Monetary Policy Rate + 4% per annum. The facility is to be repaid 3 months from drawdown date and as of 31 December 2023, the outstanding balance was K190 million.

> There was no breach of any loan agreement during the year.

27. LEASE LIABILITIES

2023 2022

(a) Analysed as:

Non-current	765 703	832 102
Current	421 290	284 632
	1 186 993	1 116 734

AIRTEL NETWORKS ZAMBIA PLC

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

Kwacha'000

27. LEASE LIABILITIES (CONTINUED)	2023	2022
(b) Maturity analysis:		
Less than one year	547 584	411 353
Later than one year but not later than two years	393 140	379 205
Later than two years but not later than five years	322 805	377 776
Later than five years but not later than nine years	271 071	219 264
Later than nine years	<u>16 155</u>	<u>31 030</u>
Total undiscounted lease liabilities	<u>1 550 755</u>	<u>1 418 628</u>
Lease liabilities included in the statement of financial position	<u>1 186 993</u>	<u>1 116 734</u>
(c) The movement for the year is as follows:		
At the beginning of the year	1 116 734	1 068 065
Additions during the year	95 454	319 571
Retirement during the year	(2 894)	(83)
Repayments during the year	(337 591)	(347 191)
Exchange losses	<u>315 290</u>	<u>76 372</u>
Net obligations under lease liabilities	<u>1 186 993</u>	<u>1 116 734</u>
The Company enters into leasing arrangements. The average term of lease liabilities entered into is 10 years. Unguaranteed residual dues of assets leased under the finance leases at the balance sheet date are estimated at K Nil.		
The interest rate inherent in the leases is fixed/variable at the contract date for all of the lease term.		
The Directors consider that the fair value of the leases is equal to their carrying values as reflected in the balance sheet.		
28. DERIVATIVE FINANCIAL INSTRUMENTS	2023	2022
The details of derivative financial instruments are as follows:		
Foreign currency forward contracts (assets)	152 529	57 130
Foreign currency forward contracts (liabilities)	<u>-</u>	<u>(636)</u>
29. TRADE AND OTHER PAYABLES		
Trade payables	488 255	392 207
Accrued expenses	19 347	21 698
Amounts due to related parties (refer note 34)	<u>256 156</u>	<u>312 693</u>
	<u>763 758</u>	<u>726 598</u>
Trade payables are non interest bearing and are normally settled on 60 day average terms. Accrued expenses and other payables are non interest bearing and have an average term of six months.		
The carrying amount of the above payables and accrued expenses approximate their fair values because of their short term nature.		
30. CONTRACT LIABILITIES		
Amounts received in advance from prepaid customers for delivery of internet and voice service.		
Deferred income	147 559	141 062
Current	<u>142 117</u>	<u>135 062</u>
Non-current	<u>5 442</u>	<u>6 000</u>
	<u>147 559</u>	<u>141 062</u>
Revenue relating to internet and voice services is recognised over time, when a customer makes use of the talk-time that was carried forward.		

AIRTEL NETWORKS ZAMBIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

Kwacha'000

31. OTHER CURRENT LIABILITIES	2023	2022
Other taxes payable	<u>215 540</u>	<u>138 659</u>

Other taxes payable mainly include Value Added Tax of K95.106 million and Excise Duty of K70.051 million as at 31 December 2023.

32. CONTINGENT LIABILITIES

Legal proceedings

The Company had some pending legal proceedings as at 31 December 2023. The management is of the opinion, having obtained relevant legal advice, that it is possible, but not probable, that contingent liability of K0.002 million (2022: K0.002 million) arising from pending proceedings against the Company will crystallise.

Tax proceedings

At 31 December 2023, there was one open assessment issued by the Zambia Revenue Authority (ZRA) relating to Income tax, Excise Duty and Value Added Tax (VAT).

Based on management's evaluation, K15.870 million (2022: K17.271 million) assessments have been identified under contingent liability, pending outcome of tax proceedings.

33. CAPITAL COMMITMENTS

Capital expenditure contracted (gross) for at the reporting date but not recognised in the financial statements is as follows:

	2023	2022
At 31 December	<u>274 861</u>	<u>287 181</u>

34. RELATED PARTY DISCLOSURES

The Company is owned by Bharti Airtel Zambia Holdings BV (BAZHBV) which has 96.13% shareholding. The remaining 3.87% is owned by public investors. The Company is listed on the Lusaka Stock Exchange (LuSE).

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

Name of shareholder	2023		2022	
	Number of shares	% shareholding	Number of shares	% shareholding
Bharti Airtel Zambia Holdings BV	99 975 835	96.13%	100 215 630	96.36%
Public (institutions and individual investors)	4 024 165	3.87%	3 784 370	3.64%
	<u>104 000 000</u>	<u>100.00%</u>	<u>104 000 000</u>	<u>100.00%</u>

Please refer to Note 2 for Credit line available to the Company from the shareholder.

The following transactions were carried out with related parties:

i) Purchase of goods and services

Name of related party	Country of incorporation	Relationship to Company	2023	2022
Airtel Mobile Commerce Zambia Limited	Zambia	Fellow subsidiary	708 126	495 803
Airtel Africa Telesonic Limited	United Kingdom	Fellow subsidiary	46 616	153 794
Bharti Airtel (UK) Limited	United Kingdom	Fellow subsidiary	17 895	20 133
Network i2i Ltd.	Mauritius	Immediate parent	7 019	9 118
Nxtra Data Limited	India	Fellow subsidiary	4 760	1 819
Centum Learning Limited	India	*Other related party	2 858	3 225
<i>Balance carried forward</i>			<u>787 274</u>	<u>683 892</u>

AIRTEL NETWORKS ZAMBIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

Kwacha'000

34. RELATED PARTY DISCLOSURES (CONTINUED)

i) Purchase of goods and services (continued)

Name of related party	Country of incorporation	Relationship to Company	2023	2022
<i>Balance carried forward</i>			787 274	683 892
Airtel Malawi plc	Malawi	Fellow subsidiary	2 071	1 490
Airtel Tanzania plc	Tanzania	Fellow subsidiary	1 497	135
Airtel Networks Kenya Limited	Kenya	Fellow subsidiary	1 188	244
Airtel Congo (RDC) S.A.	Congo (DRC)	Fellow subsidiary	1 110	1 225
Airtel Networks Limited	Nigeria	Fellow subsidiary	396	1 136
Airtel Rwanda Limited	Rwanda	Fellow subsidiary	185	25
Airtel Uganda Limited	Uganda	Fellow subsidiary	165	66
Bharti Airtel Limited	India	Immediate parent	26	1 646
Emtel Limited	Mauritius	*Other related party	9	-
Airtel (Seychelles) Limited	Seychelles	Fellow subsidiary	7	3
Bharti Hexacom Limited	India	Fellow subsidiary	7	-
Airtel Madagascar S.A.	Madagascar	Fellow subsidiary	6	1
Bharti Airtel Services Limited	India	Fellow subsidiary	4	-
Airtel Congo S.A.	Congo B	Fellow subsidiary	2	12
Airtel Gabon S.A.	Gabon	Fellow subsidiary	1	16
Airtel Tchad S.A.	Chad	Fellow subsidiary	1	-
Total			793 949	689 891

ii) Sale of goods and services

Name of related party	Country of incorporation	Relationship to Company	2023	2022
Bharti Airtel (UK) Limited	United Kingdom	Fellow subsidiary	106 477	58 093
Airtel Mobile Commerce Zambia Limited	Zambia	Fellow subsidiary	72 253	81 326
Airtel Africa Telesonic Limited	United Kingdom	Fellow subsidiary	43 527	30 515
Airtel Congo (RDC) S.A.	Congo (DRC)	Fellow subsidiary	14 769	11 376
Airtel Malawi plc	Malawi	Fellow subsidiary	14 649	10 862
Airtel Tanzania plc	Tanzania	Fellow subsidiary	6 580	410
Airtel Tchad S.A.	Chad	Fellow subsidiary	5 792	-
Bharti Airtel Limited	India	Immediate parent	5 093	3 619
Network i2i Ltd.	Mauritius	Immediate parent	4 253	4 307
Airtel Networks Limited	Nigeria	Fellow subsidiary	3 681	3 098
Airtel Networks Kenya Limited	Kenya	Fellow subsidiary	1 030	663
Airtel Uganda Limited	Uganda	Fellow subsidiary	269	159
Airtel Rwanda Limited	Rwanda	Fellow subsidiary	55	31
Singapore Telecommunications Limited	Singapore	*Other related party	17	-
Airtel (Seychelles) Limited	Seychelles	Fellow subsidiary	14	-
Airtel Congo S.A.	Congo B	Fellow subsidiary	4	-
Jersey Airtel Limited	Jersey	*Other related party	3	1
Bharti Hexacom Limited	India	Fellow subsidiary	3	-
Airtel Gabon S.A.	Gabon	Fellow subsidiary	3	-
Airtel Madagascar S.A.	Madagascar	Fellow subsidiary	3	-
Total			278 475	204 460

AIRTEL NETWORKS ZAMBIA PLC

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

Kwacha'000

34. RELATED PARTY DISCLOSURES (CONTINUED)			2023	2022
iii) Management fees expenses				
Bharti Airtel International (Netherlands) BV	Netherlands	Immediate parent	169 078	95 666
iv) Receivable from related parties				
Name of related party	Country of incorporation	Relationship to Company		
Bharti Airtel (UK) Limited	United Kingdom	Fellow subsidiary	111 120	58 814
Airtel Malawi plc	Malawi	Fellow subsidiary	80 196	36 048
Airtel Africa Telesonic Limited	United Kingdom	Fellow subsidiary	63 014	30 515
Airtel Congo (RDC) S.A.	Congo (DRC)	Fellow subsidiary	29 563	8 779
Airtel Mobile Commerce Zambia Limited	Zambia	Fellow subsidiary	27 808	21 456
Airtel Tanzania plc	Tanzania	Fellow subsidiary	7 295	385
Network i2i Ltd.	Mauritius	Immediate parent	6 247	4 390
Airtel Networks Limited	Nigeria	Fellow subsidiary	4 574	2 606
Airtel Networks Kenya Limited	Kenya	Fellow subsidiary	3 454	2 393
Airtel Zambia Telesonic Limited	Zambia	Fellow subsidiary	3 440	-
Bharti Airtel Limited	India	Immediate parent	3 334	2 076
Airtel Africa Services (UK) Limited	United Kingdom	Fellow subsidiary	2 993	-
Airtel Congo S.A.	Congo B	Fellow subsidiary	1 222	859
Airtel Rwanda Limited	Rwanda	Fellow subsidiary	869	608
Airtel Uganda Limited	Uganda	Fellow subsidiary	272	66
Bharti Airtel Services Limited	India	Fellow subsidiary	86	60
Airtel Gabon S.A.	Gabon	Fellow subsidiary	23	16
Airtel (Seychelles) Limited	Seychelles	Fellow subsidiary	20	2
Bharti International (Singapore) Pte Ltd	Singapore	Fellow subsidiary	18	-
Singapore Telecommunications Limited	Singapore	*Other related party	5	-
Airtel Madagascar S.A.	Madagascar	Fellow subsidiary	3	-
Bharti Hexacom Limited	India	Fellow subsidiary	2	75
Bharti Airtel Lanka (Private) Limited	Sri Lanka	Fellow subsidiary	2	-
Jersey Airtel Limited	Jersey	*Other related	1	2
Airtel Tchad S.A.	Chad	Fellow subsidiary	1	4 893
Total			345 562	174 043
v) Payable to related parties				
Name of related party	Country of incorporation	Relationship to Company		
Airtel Africa Telesonic Limited	United Kingdom	Fellow subsidiary	102 992	153 794
Airtel Africa Services (UK) Limited	United Kingdom	Fellow subsidiary	48 859	11 662
Airtel Mobile Commerce Zambia Limited	Zambia	Fellow subsidiary	40 569	98 241
Bharti Airtel International (Netherlands) BV	Netherlands	Immediate parent	23 064	23 803
Network i2i Ltd.	Mauritius	Immediate parent	9 357	5 578
Airtel Networks Limited	Nigeria	Fellow subsidiary	7 192	5 063
Airtel Tanzania plc	Tanzania	Fellow subsidiary	6 469	3 763
Bharti Airtel (UK) Limited	United Kingdom	Fellow subsidiary	5 543	2 629
Airtel Networks Kenya Limited	Kenya	Fellow subsidiary	5 110	3 211
Bharti Airtel Limited	India	Immediate parent	3 307	2 378
Airtel Rwanda Limited	Rwanda	Fellow subsidiary	1 933	1 313
Airtel Malawi plc	Malawi	Fellow subsidiary	941	820
<i>Balance carried forward</i>			255 336	312 255

AIRTEL NETWORKS ZAMBIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

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34. RELATED PARTY DISCLOSURES (CONTINUED) 2023 2022

v) Payable to related parties

Name of related party	Country of incorporation	Relationship to Company		
Balance brought forward			255 336	312 255
Nxtra Data Limited	India	Fellow subsidiary	274	7
Airtel Congo (RDC)	Congo (DRC)	Fellow subsidiary	272	252
Airtel Madagascar S.A.	Madagascar	Fellow subsidiary	174	121
Airtel Uganda Limited	Uganda	Fellow subsidiary	72	12
Africa Towers N.V.	Netherlands	Fellow subsidiary	20	10
Airtel Tchad S.A.	Chad	Fellow subsidiary	5	3
Airtel (Seychelles) Limited	Seychelles	Fellow subsidiary	2	2
Bharti Hexacom	India	Fellow subsidiary	1	31
Total			256 156	312 693

No provisions for impairment losses have been required in 2023 and 2022 for any related party receivables.

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

* Other related parties' though not 'Related Parties' as per the definition under IAS 24, 'Related party disclosures', have been included by way of a voluntary disclosure, following the best corporate governance practices.

	2023	2022
vi) Key management compensation		
Salaries and other short-term employment	73 498	67 923

vii) Compensation of directors for the year ended 31 December 2023

	Sitting Fees	Basic Salary	Performance Bonus	Out of Country Allowance	Housing Allowance	*Others	Total
Non-Executive							
Lynda Mataka	556	-	-	-	-	-	556
Monica K. Musonda	576	-	-	-	-	-	576
Executive							
Manu Sood	-	3 888	1 747	-	859	2 395	8 889
Hussameldin Baday	-	1 530	-	-	442	436	2 408
	1 132	5 418	1 747		1 301	2 831	12 429

Compensation of directors for the year ended 31 December 2022

	Sitting Fees	Basic Salary	Performance Bonus	Out of Country Allowance	Housing Allowance	*Others	Total
Non-Executive							
Lynda Mataka	338	-	-	-	-	-	338
Monica K. Musonda	818	-	-	-	-	-	818
Executive							
Apoorva Mehrotra	-	4 422	4 619	-	833	7 461	17 335
Manu Sood	-	1 228	-	-	254	2 243	3 725
	1 156	5 650	4 619		1 087	9 704	22 216

* Includes car allowance, medical insurance, long term incentive allowance, airtime and handset allowance.

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35. 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).

AIRTEL NETWORKS ZAMBIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2023

35. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (FINANCIAL INSTRUMENTS) (CONTINUED)

Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Valuation technique(s) and key inputs(s)	Significant unobservable input(s)	Relationship and sensitivity of unobservable inputs to fair value
Foreign currency forward contracts	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

Foreign exchange forward contracts

It is the policy of the Company to enter into foreign exchange forward contracts to manage the foreign currency risk associated with anticipated sales and purchase transactions of the exposure generated.

Foreign currency forward contract assets and liabilities are presented in the line 'Derivative financial instruments' (either as asset or as liabilities) within the statement of financial position.

AIRTEL NETWORKS ZAMBIA PLC

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

Kwacha'000

35. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (FINANCIAL INSTRUMENTS) (CONTINUED)

		Carrying value	Fair value
31 December 2023			
Derivative financial Liability	Level 2	-	-
Cash and bank balances		81 191	81 191
Trade and other receivables		420 729	420 729
Contract assets		41 725	41 725
Bank overdraft		(879 707)	(879 707)
Trade and other payables		(763 758)	(763 758)
Term loans		(1 462 801)	(1 462 801)
31 December 2022			
Derivative financial Liability	Level 2	(636)	(636)
Cash and bank balances		116 339	116 339
Trade and other receivables		254 090	254 090
Contract assets		40 345	40 345
Bank overdraft		(764 410)	(764 410)
Trade and other payables		(726 598)	(726 598)
Term loans		(830 250)	(830 250)

The following methods/assumptions were used to estimate the fair values:

- The carrying value of bank deposits, trade receivables, trade payables, short-term borrowings, other current financial assets and liabilities approximate their fair value mainly due to the short-term maturities of these instruments.
- The fair value of non-current financial assets, long-term borrowings and other financial liabilities is estimated by discounting future cash flows using current rates applicable to instruments with similar terms, currency, credit risk and remaining maturities.
- The fair values of derivatives are estimated by using readily observable market parameters. The valuation reflect the contractual terms of the derivatives (including the period to maturity), and market-based parameters such as foreign exchange rates. The valuation does not contain a high level of subjectivity as the valuation techniques used don't require significant judgement and inputs thereto are readily observable.

During the year ended 31 December 2023 and year ended 31 December 2022 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfer into and out of Level 3 fair value measurements. The fair value of financial assets and liabilities above are classified under level 3 fair value measurement with the exception of derivatives which are classified under level 2 category.

36. EMPLOYEE BENEFIT EXPENSE

<i>The following contributions to pensions/funds were included within the employee benefits expenses:</i>	31 December	31 December
	2023	2022
Aon Zambia Pension Fund Administrators Limited	11 498	9 151
National Pension Scheme Authority	4 841	4 302

37. SEGMENT REPORTING

Management has determined the operating segments based on the reports reviewed by the Executive management committee that are used to make strategic decisions. The committee considers the business as a single operating segment, being Zambia operations, as the information reported to the executive management committee for the purpose of strategic decision making is not presented per product line.

The reportable operating segment derives its revenue primarily from the sale of voice and data services to subscribers of the network and to foreign telephony operators when their subscribers utilise the Airtel Zambia network. Other revenue consists of connection and subscription charges and sale of mobile handsets to customers.

The executive management committee assesses the performance of the operating segment based on a measure of Earnings before Interest Tax, Depreciation and Amortisation.

The breakdown of the revenue from all services is shown in note 8.

38. EVENTS AFTER REPORTING DATE

There were no material subsequent events for the year ended 31 December 2023. The Directors are not aware of any other matter or circumstances since the financial year end and the date of this report, not otherwise dealt with in the financial statements, which significantly affects the financial position of the Company and the results of its operations.
