AIRTEL NETWORKS ZAMBIA PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

AIRTEL NETWORKS ZAMBIA PLC
(incorporated in Zambia)

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AIRTEL NETWORKS ZAMBIA PLC

DIRECTORS' REPORT
for the year ended 31 December 2022

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 2022.

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 **K561.600 million** made up of an interim dividend for 2022 of K312.000 million and K249.600 million final dividend for the financial year ended 31 December 2021 (2021: Nil). Further, Directors have proposed a final dividend for the year ended 31 December 2022 of **K572.000 million** (2021: K249.600 million).

RESULTS

The profit for the year ended 31 December 2022 amounted to **K921.484 million** (2021: Profit K693.293 million) and the operating profit for the year ended 31 December 2022 amounted to **K1,792.608 million** (2021: K1,253.647 million).

Roaming revenue is earned from foreign telephone operators when their subscribers utilise the Company's network. The Company accrued roaming revenue amounting to K19.758 million (2021: K14.214 million).

The Company continues to accelerate its revenue growth momentum with a 24.30% year-on-year growth led by growth across all its product lines. In the new world order post COVID-19, the Company remains excited about the business and continues to invest to ensure strong and sustainable growth.

ALLOTMENT OF RADIO SPECTRUM

The Zambia Information and Communications Technology Authority ("ZICTA") allotted 10Mhz in the 800Mhz frequency band and 50Mhz in the 2600Mhz frequency band at a total cost of USD29 million on 19 July 2022 paid for in full as at 31 December 2022. The Company was also a successful bidder of 40Mhz in the 2600 Mhz band at a cost of USD12.06 million of which an initial deposit of USD0.40 million has been made as at 31 December 2022 and balance payment shall be made in February 2023.

A competitive process was used in which all telecom operators participated and the Company emerged as the winner. The increased spectrum allocation will assist to make a more robust telecom network and thus providing best in class services to the subscribers. The allotment of the spectrum will help keep pace with the recent exponential growth in mobile voice and data traffic which is expected to continue as more social economic activities are increasingly conducted entirely on online platforms.

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
Apoorva Mehrotra (ED)	Managing Director	Resigned on 1 October 2022
Manu Sood (ED)	Managing Director	Appointed on 1 October 2022
Jaideep Paul (Non-ED)	Board Member	Appointed on 2 November 2016
Ian Ferrao (Non-ED)	Board Member	Resigned on 1 October 2022
Rogany Ramiah (Non-ED)	Board Member	Resigned on 18 July 2022
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 RENUMERATION

The total remuneration of employees during the year amounted to **K253.763 million** (2021: K231.203 million). The average number of employees for each month of the year was as follows:

Month	2022	2021
January	214	199
February	198	198
March	198	196
April	196	198
May	197	196
June	196	195
July	194	192
August	191	190
September	193	187
October	192	184
November	193	200
December	192	201

HEALTH AND SAFETY

The Company has policies and procedures to safeguard the occupational health, safety and welfare of its employees. To safeguard its employees against the Covid-19 pandemic, the Company has measures in place in line with the Country's health guidelines which are monitored regularly.

The Covid-19 pandemic has interrupted business growth across the world, however, the telecom sector remained a pivot sector amidst tough times providing unabated connectivity of network and data. Our network response team was quick to respond to customers' demand across the country to ensure uninterrupted service for our customers while ensuring complete safety for our field staff. Partnering with our strategic and operations partners, we continuously worked to keep the network running to provide essential telecom service across Zambia. Based on the Company's assessment, no material impact has been noted due to the pandemic.

GIFTS AND DONATIONS

During the year the Company made donations of **K2.281 million.** (2021: K0.053 million).

PROPERTY, PLANT AND EQUIPMENT

The Company purchased property, plant and equipment amounting to **K715.594 million** (2021: K555.698 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 made payment towards the purchase of international bandwidth on indefeasible right of use (IRU) basis amounting to **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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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 33 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: 23 February 2023
LUSAKA

STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022

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 2022;
- 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 2022;
- 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 5 to 8.

Approval of the financial statements

The financial Statements of the Company as indicated above, were approved by the Directors on 23 February 2023 and signed on behalf of the Board by:

K. Monica Musonda	*Manu Sood*
CHAIRPERSON	MANAGING DIRECTOR

Deloitte.

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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 9 to 48, which comprise the statement of financial position as at 31 December 2022, 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 significant accounting policies.

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 2022, 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 Code)") and other independence requirements applicable to performing audits of financial statements in Zambia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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	As set out in note 8, revenue of **K4.5 billion** (2021: K3.6 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). 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 interference in the transfer of data. 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.

How the scope of our audit responded to the key audit matter	Our procedures involved: • 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.
Key observations	Based on our work, we noted no significant issues on the accuracy of revenue recorded in the year.

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 of the Companies Act, 2017, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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.

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.

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: 28 February 2023

AIRTEL NETWORKS ZAMBIA PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Kwacha'000	Note	For the year ended 31 December 2022	31 December 2021
Income			
Revenue	8	4 450 420	3 580 387
Other income	9	930	1 513
		4 451 350	3 581 900
Expenses			
Network operating expenses		(624 144)	(650 827)
Depreciation and amortisation	12(b)	(590 429)	(506 572)
Other expenses	12(a)	(377 225)	(295 959)
Sales and marketing expenses		(474 850)	(355 684)
Employee benefits expenses		(253 763)	(231 203)
Impairment loss on financial assets		(3 369)	-
Access charges		(159 692)	(131 072)
Licence fee/spectrum usage charges		(175 270)	(156 936)
		(2 658 742)	(2 328 253)
Operating profit before foreign exchange (losses)/gains		1 792 608	1 253 647
Finance income	11(b)	429	86
Net exchange (losses)/gains	10	(55 180)	71 844
Finance costs	11(a)	(277 504)	(222 494)
Profit before tax		1 460 353	1 103 083
Income tax expense	13	(538 869)	(409 790)
Profit and total comprehensive income for the year		921 484	693 293
Basic and diluted earnings per share (Kwacha)	14	8.86	6.67

AIRTEL NETWORKS ZAMBIA PLC

STATEMENT OF FINANCIAL POSITION

Kwacha'000	Note	As of 31 December 2022	As of 31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	17	2 178 038	1 934 899
Capital work-in-progress	17	185 549	107 448
Right-of-use assets	18	686 389	523 490
Intangible assets	19	648 819	240 124
Deferred tax asset	16	-	18 874
Other non-current assets	20	150 449	183 225
		3 849 244	3 008 060
Current assets			
Inventories	21	5 304	4 183
Derivative financial instruments	36	57 130	-
Trade and other receivables	22	254 090	159 911
Contract assets	24	40 345	33 439
Cash and cash equivalents	25	116 339	41 507
Other current assets	23	318 647	151 126
		791 855	390 166
Total assets		4 641 099	3 398 226
EQUITY AND LIABILITIES			
Equity			
Share capital	15	1 040	1 040
Share premium	15	24 962	24 962
Retained earnings/ (accumulated losses)		647 329	287 445
Total equity		673 331	313 447
Non-current liabilities			
Borrowings	29	500 250	328 698
Lease liabilities	32	832 102	842 734
Deferred tax Liability	16	111 942	-
Contract liabilities	28	6 000	6 558
		1 450 294	1 177 990
Current liabilities			
Borrowings	29	1 094 410	446 560
Lease liabilities	32	284 632	225 331
Derivative financial instruments	36	636	39 241
Trade and other payables	26	726 598	793 764
Contract liabilities	27	135 062	118 221
Current tax payable	13	137 477	159 242
Other current liabilities	28	138 659	124 430
		2 517 474	1 906 789
Total liabilities		3 967 768	3 084 779
Total equity and liabilities		4 641 099	3 398 226

The responsibilities of the Company's Directors with regard to the preparation of the financial statements are set out on page 4. The financial statements on pages 9 to 48 were approved for issue by the Board of Directors on 23 February 2023 and were signed on its behalf by:

K. Monica Musonda
CHAIRPERSON

Manu Sood
MANAGING DIRECTOR

AIRTEL NETWORKS ZAMBIA PLC

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

Kwacha'000

	Share capital	Share premium	Retained earnings	Total
Balance at 1 January 2021	1 040	24 962	(405 848)	(379 846)
Total comprehensive income for the year	-	-	693 293	693 293
Balance at 31 December 2021	1 040	24 962	287 445	313 447
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

AIRTEL NETWORKS ZAMBIA PLC

STATEMENT OF CASH FLOWS

Kwacha'000	Note	For the year ended 31 December 2022	For the year ended 31 December 2021
Cash flows from operating activities			
Profit/ (loss) before income tax		1 460 353	1 103 083
Adjustments for:			
Finance income	11	(429)	(86)
Finance costs	11	277 504	222 494
Depreciation and amortisation	12(b)	590 429	506 572
Impairment loss recognised on trade receivables	22	3 369	3 317
Net exchange losses/(gains)	10	55 180	(71 844)
Gain on disposal of property, plant and equipment	9	(95)	(84)
Other adjustments (i)		-	(2 313)
Operating cash flows before changes in working capital		2 386 311	1 761 139
Changes in working capital:			
(Increase)/decrease in trade and other receivables		(101 425)	140 652
Increase in inventories		(1 121)	(407)
Decrease in trade and other payables		(55 379)	(121 598)
Increase in other current and non current assets		(141 651)	(10 403)
Decrease in other liabilities		(54 961)	(266 858)
Net cash generated from operations before tax		2 031 774	1 502 525
Income tax paid (ii)	13	(429 818)	(227 294)
Net cash generated from operating activities		1 601 956	1 275 231
Cash flows from investing activities			
Purchase of property and equipment (iii)	17	(711 149)	(555 698)
Interest received	11	429	86
Proceeds from disposal of property and equipment		1 683	40 471
Purchase of intangible assets	19	(458 345)	(192 398)
Net cash flows used in investing activities		(1 167 382)	(707 539)
Cash flows from financing activities			
Proceeds from borrowings	29	710 250	240 000
Repayment of borrowings	29	(413 818)	(403 494)
Interest paid on borrowings	11	(157 207)	(73 377)
Interest paid on lease liabilities	11	(120 297)	(149 117)
Repayment of lease liabilities	32	(347 191)	(261 252)
Dividends paid to shareholders		(561 600)	-
Net cash flows used in financing activities		(889 863)	(647 240)
Net decrease in cash and cash equivalents		(455 289)	(79 548)
Cash and cash equivalents at beginning of the year		(199 933)	(121 834)
Effects of currency translation on cash and cash equivalents		7 151	1 449
Cash and cash equivalents at end of the year	25	(648 071)	(199 933)

(i) Includes reversal of provision for capital work in progress and effects of retirement of right-of-use assets /lease liabilities.

(ii) Income tax paid include recoveries from WHT for K0.000 million (2021 : K1.65 million).

(iii) Reflects actual payments made.

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 2022 were authorised for issue in accordance with a resolution of the Directors on 23 February 2023.

2. GOING CONCERN

The Company ended the year 2022 with strong underlying operational performance with revenue growth of 24.30%. On account of a strong underlying operational performance, the Company recorded a net profit of **K921.484 million** (2021: Profit of K693.293 million). As at 31 December 2022, accumulated profits were **K647.329 million** (2021:K287.445 million) and the Company was in a net current liability position of **K1,725.619 million** (2021: K1,516.623 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 2022; and

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 25 to the financial statements.

On the basis of cash flow 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 2022. 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 16 Property, Plant and Equipment—Proceeds before Intended Use	The Company has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.
Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract	The Company has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle	The Company has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards. **IFRS 9 Financial Instruments** The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. **IFRS 16 Leases** The amendment removes the illustration of the reimbursement of leasehold improvements.

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	*Classification of Liabilities as Current or Non-current*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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

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 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 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 a 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 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.

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

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

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

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

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

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

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. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

a A change in accounting estimate that results from new information or new developments is not the correction of an error.

b The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

3 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

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

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

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

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

a A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:

– Right-of-use assets and lease liabilities.
– Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost

b The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONITINUED)

(b) Basis of accounting (Continued)

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

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONITINUED)

(c) Revenue recognition (continued)

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.

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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

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.

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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (continued)

(a) The Company as lessee (continued)

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.

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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(l) 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments

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

• 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.

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. Hedging activities

I. Fair value hedge

The Company uses derivative financial instruments (e.g. interest rate/currency swaps) to manage/mitigate their exposure to the risk of change in fair value of the borrowings. The Company designates certain interest swaps to hedge the risk of changes in fair value of recognised borrowings attributable to the hedged interest rate risk. The effective and ineffective portion of changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit and loss within finance income/finance costs, together with any changes in the fair value of the hedged liability that is attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortised to profit or loss over the period to remaining maturity of the hedged item.

II. Cash flow hedge

The Company uses derivative financial instruments (e.g. foreign currency forwards, options, swaps) to manage their exposure to foreign exchange and price risk. Further, the Company designates certain derivative financial instruments (or its components) as hedging instruments for hedging the exchange rate fluctuation risk attributable to either a recognised item or a highly probable forecast transaction ('Cash flow hedge'). The effective portion of changes in the fair value of derivative financial instruments (or its components) that are designated and qualify as cash flow hedges, are recognised in other comprehensive income and held as cash flow hedge reserve ('CFHR') – within other components of equity. Any gains/(losses) relating to the ineffective portion, are recognised immediately in profit or loss within finance income/finance costs. The amounts accumulated in equity are re-classified to the profit and loss in the periods when the hedged item affects profit/(loss).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (continued)

iv. Hedging activities (continued)

II. Cash flow hedge (continued)

When a hedging instrument expires or is sold, or when a cash flow hedge no longer meets the criteria for hedge accounting, any cumulative gains/(losses) existing in equity at that time remains in equity and is recognised (on the basis as discussed in the above paragraph) when the forecast transaction is ultimately recognised in the profit and loss. However, at any point of time, when a forecast transaction is no longer expected to occur, the cumulative gains/(losses) that were reported in equity is immediately transferred to the profit and loss within finance income/finance costs.

v. 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.

(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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Taxation (continued)

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.

(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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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:

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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 2022, the loss allowance on trade receivables would have been **K2.265 million** (2021: K2.490 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 2022, the loss allowance on trade receivables would have been **K1.418 million** (2021: K0.582 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.

Deferred tax assets

Deferred tax assets are recognised by the Company, for the unused tax losses and temporary differences for which there is probability of utilisation against the taxable profit. Uncertainties exist in determination of the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, future tax planning strategies and recent business performances and developments. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date. For details, refer to Note 16.

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.

(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 11.46% for USD leases and 16.23% 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 2022 and 31 December 2021.

At 31 December 2022, 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 **K42.093 million** (2021: K40.802 million) lower/higher, mainly as a result of US dollar denominated trade receivables, payables, lease liability and borrowings. There would be no impact on equity.

Exposure to currency risk

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

Exposure to currency risk

	2022 K'000	2021 K'000
Cash and cash equivalents (net)	**55 547**	7 220
Trade and other receivables	**127 138**	112 198
Trade and other payables	**(169 664)**	(129 261)
Lease liabilities	**(854 886)**	(806 192)
	(841 865)	(816 035)

The following US Dollar exchange rates applied during the period:

	2022	2021
Average Rate	17.631	16.752
Closing Rate	18.075	16.651

(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 **K764.410 million** (2021: K241.440 million) and the borrowing of **K830.250 million** at year end (2021: K533.818 million). The Company regularly monitors financing options available to ensure optimum interest rates are obtained. At 31 December 2022, if effective interest rates on borrowings had been 2% higher/lower with all other variables held constant, pre tax profit would have been **K31.893 million** (2021: K15.505 million) lower/higher.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 2022 is made up as follows:

	Note	2022 K'000	2021 K'000
Cash and cash equivalents	25	**116 339**	41 507
Contract assets	24	**40 345**	33 439
Amounts due from related parties	33	**174 043**	95 813
Trade receivables (net)	22	**80 047**	64 098
		410 774	234 857

Amounts due from related parties are assessed regarding credit risk at each reporting date. As the same are closely monitored and controlled by the same management, there is no provision matrix being followed on ageing basis. There have been no instances observed in the past where collection are assumed to be at risk for such related party receivable. The group companies have sufficient liquid assets to repay the receivables if demanded by the Company at the reporting date.

Impairment losses

The ageing of trade receivables at the reporting date was:

	2022 K'000 Gross amount	2022 K'000 Impaired	2021 K'000 Gross amount	2021 K'000 Impaired
30 days	**28 363**	-	11 638	-
60 days	**45 308**	-	49 799	-
90 days and above	**97 249**	**90 873**	88 963	86 302
	170 920	**90 873**	150 400	86 302

Collateral is held for some of the above assets namely distributors with bank guarantees of **K8.050 million, K1.101 million** post-paid deposits and **nil** channel partner deposits as at 31 December 2022 (2021: K10.170 million distributors with bank guarantees, K1.089 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.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.

	2022	2021
Past due but not impaired:	K'000	K'000
- by up to 30 days	26 424	31 588
- by 31 to 90 days	18 083	17 018
- by 91 days and over	5 148	2 661
Total past due but not impaired	49 655	51 267

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

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 2022					
- Trade and other payables	26	726 598	-	-	-
- Bank overdrafts	25	764 410	-	-	-
- Term loans	29	330 000	500 250	-	-
At 31 December 2021					
- Trade and other payables	26	793 764	-	-	-
- Bank overdrafts	25	241 440	-	-	-
- Term loans	29	205 120	328 698	-	-

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 2022 and 31 December 2021 were as follows:

	2022	2021
Total borrowings (including bank overdraft and lease	2 711 395	1 843 323
Less: cash and cash equivalents	(116 339)	(41 507)
Net debt	2 595 056	1 801 816
Total equity	673 331	313 447
Total capital	3 268 386	2 115 263
Gearing ratio	79%	85%

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.

	2022	2021
Analysis of revenue by category:		
Airtime revenue	2 148 588	1 903 101
Data revenue	1 827 886	1 315 748
Interconnect revenue	280 025	205 162
Other services	104 819	87 292
Value added services content	72 804	67 313
Short Messaging Services	57 626	73 563
Handsets and accessories	22 862	13 331
Connection revenue	22 457	16 841
Roaming revenue	19 758	14 214
Trade discount	(106 405)	(116 178)
	4 450 420	3 580 387
Revenue recognised over time:		
Airtime revenue	2 148 588	1 903 101
Data revenue	1 827 886	1 315 748
Interconnect revenue	280 025	205 162
Other services	104 819	87 292
Value added services content	72 804	67 313
Short Messaging Services	57 626	73 563
Roaming revenue	19 758	14 214
Trade discount	(106 405)	(116 178)
	4 405 101	3 550 215
Revenue recognised at a point in time:		
Handsets and accessories	22 862	13 331
Connection revenue	22 457	16 841
	45 319	30 172

Performance obligations that are unsatisfied (or partially unsatisfied) amounting to **K141.062 million** at 31 December 2022 and K124.779 million as at 31 December 2021 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 **K118.221 million** (2021: K101.829 million). Transfers from contract assets recognized at the beginning of the period to receivables is **K33.439 million** for the year ended 31 December 2022 (2021: K23.239 million).

9. OTHER INCOME

	2022	2021
Gain on disposal of property, plant and equipment	95	84
Other operating income	835	1 429
	930	1 513

10. NET EXCHANGE (LOSSES)/GAINS

Net exchange (losses)/gains arose on:

	2022	2021
Lease liabilities	(76 372)	256 490
Borrowings and cash and cash equivalents	7 151	98 587
Other balances	14 041	(283 233)
	(55 180)	71 844

Kwacha'000

11. FINANCE COST AND INCOME

	2022	2021
(a) Finance costs		
Interest on lease liability	120 297	149 117
Interest expense on borrowings	157 207	73 377
	277 504	222 494
(b) Finance income		
Interest income on deposits	(429)	(86)

12. PROFIT BEFORE TAX

Profit before tax is stated after debiting:

	2022	2021
(a) Other expenses		
Content charges	185 868	114 465
Management fees	95 666	74 699
IT expenses	34 908	52 604
Other expenses	35 026	38 128
Cost of goods sold	21 989	12 534
Auditors' remuneration	3 768	3 529
	377 225	295 959
(b) Depreciation and amortisation		
Depreciation on property and equipment (Note 17)	392 767	341 560
Depreciation on right-of-use assets (Note 18)	148 012	130 872
Amortisation of intangible assets (Note 19)	49 650	34 140
	590 429	506 572

13. INCOME TAX

	2022	2021
Current income tax	416 307	310 303
Deferred income tax (Note 16)	130 816	107 189
Prior year (over) provision	(8 254)	(10 301)
Other adjustments	-	2 599
Income tax expense	538 869	409 790

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:

	2022	2021
Profit before income tax	1 460 353	1 103 083
Tax calculated at the statutory income tax rate of 40%	584 141	441 233
Tax effect of:		
Expenses not deductible for tax purposes (net)	(35 726)	(23 741)
Other adjustments	(1 292)	2 599
Prior year (over) provision	(8 254)	(10 301)
Income tax expense	538 869	409 790

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13. INCOME TAX (CONTINUED)

Income tax payable

	2022	2021
Current income tax movement in the statement of financial position:		
At January	159 242	83 935
Current income tax charge	416 307	310 303
Prior year (over) provision	(8 254)	(10 301)
WHT recoveries in respect of current year	-	(1 649)
Payments during the year	(429 818)	(225 645)
Other adjustments	-	2 599
At end of the year	137 477	159 242

Income tax provisional returns have been filed with the Zambia Revenue Authority ("ZRA") for the year ended 31 December 2022. Quarterly payments for the year ended 31 December 2022 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 2022 and 31 December 2021. Diluted earnings per share is therefore the same as basic earnings per share.

	2022	2021
Profit attributable to the equity holders of the Company	921 484	693 293
Weighted average number of ordinary shares (Nos '000)	104 000	104 000
Basic/diluted earnings per share (Kwacha)	8.86	6.67

15. SHARE CAPITAL

	Number of shares (million)	Ordinary shares (K 000)	Share premium (K 000)
At 31 December 2022	104	1 040	24 962
At 31 December 2021	104	1 040	24 962

The total authorised number of ordinary shares is **150 million** (2021: 150 million) with a par value of K0.01 per share. The issued and fully paid ordinary shares is **104 million** (2021: 104 million).

Kwacha'000

16. DEFERRED TAX

Deferred tax liability is calculated using the enacted income tax rate of 40%. However, following change of income tax rate to 35% enacted for the period starting 1 January 2023, deferred tax as at 31 December 2022 was calculated at 35% in line with IAS 12. The balances on the deferred tax account are as follows:

	2022	2021
1 January	(18 874)	(126 063)
Charge/ (credit) to profit or loss	130 816	107 189
At 31 December	111 942	(18 874)

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 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	(18 874)	130 816	111 942
31 December 2021			
Deferred tax liabilities			
Property and equipment	245 119	5 981	251 100
Unrealised exchange gains	27 366	(28 734)	(1 368)
Deferred tax assets			
Other temporary deductible differences	(42 483)	(119 567)	(162 050)
Other provisions	(50 785)	2 487	(48 298)
Unrealised exchange losses	(2 853)	6 834	3 981
Leases	(302 427)	240 188	(62 239)
Net deferred tax	(126 063)	107 189	(18 874)

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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 2021	115 299	19 699	3 947 277	684 017	4 766 292	174 133
Additions	-	-	-	-	-	555 698
Transfers	-	(47)	570 849	51 522	622 324	(622 324)
Adjustments/ disposals	-	-	(23 389)	(62 382)	(85 771)	(59)
At 31 December 2021	115 299	19 652	4 494 737	673 157	5 302 845	107 448
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	82 174	637 493	(637 493)
Adjustments/ disposals	-	-	(2 959)	(359)	(3 318)	
At 31 December 2022	115 299	21 918	5 044 831	754 972	5 937 021	185 549
Depreciation						
At 1 January 2021	44 768	15 707	2 427 905	583 390	3 071 770	-
Charge for the year	5 757	1 896	297 202	36 705	341 560	-
Adjustments/ disposals	-	-	(22 848)	(22 536)	(45 384)	-
At 31 December 2021	50 525	17 603	2 702 259	597 559	3 367 946	-
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	-
Carrying amount:						
At 31 December 2022	59 017	3 625	2 011 687	103 709	2 178 038	185 549
At 31 December 2021	64 774	2 049	1 792 478	75 598	1 934 899	107 448

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 2022 and 2021 is K185.549 million and K107.448 million respectively, which mainly pertains to telecom equipment. In 2022 and 2021, adjustments/disposals include reversal of provision due to deployment of aged inventory.

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18. RIGHT-OF-USE ASSETS

	Leasehold buildings	Network and Telecom equipment	Motor vehicles	Total
Cost				
At 1 January 2021 (i)	8 105	1 122 411	6 160	1 136 676
Additions	5 379	20 837	-	26 216
Asset retirement	-	(13 876)	-	(13 876)
At 31 December 2021	13 484	1 129 372	6 160	1 149 016
At 1 January 2022	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
Depreciation				
At 1 January 2021 (i)	5 845	489 272	5 974	501 091
Charge for the year	3 716	126 971	185	130 872
Asset retirement	-	(6 437)	-	(6 437)
At 31 December 2021	9 561	609 806	6 159	625 526
At 1 January 2022	9 561	609 806	6 159	625 526
Charge for the year	3 919	144 093	-	148 012
At 31 December 2022	13 480	753 899	6 159	773 538
Carrying amount:				
At 31 December 2022	6 286	680 102	1	686 389
At 31 December 2021	3 923	519 566	1	523 490

Kwacha'000

19. INTANGIBLE ASSETS

	Cellular license	Internet service provider license	Total	Intangible assets under developmen t
Cost				
At 1 January 2021	7 046	125	7 171	79 275
Additions	192 398	-	192 398	-
Adjustments/disposals (i)	79 275	-	79 275	(79 275)
At 31 December 2021	278 719	125	278 844	-
At 1 January 2022	**278 719**	**125**	**278 844**	-
Additions*	**458 345**	-	**458 345**	-
At 31 December 2022	**737 064**	**125**	**737 189**	-
Amortization				
At 1 January 2021	4 330	125	4 455	-
Charge for the year	34 140	-	34 140	-
Adjustments/disposals (i)	125	-	125	-
At 31 December 2021	38 595	125	38 720	-
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**	-
Carrying amount				
At 31 December 2022	**648 819**	-	**648 819**	-
At 31 December 2021	240 124	-	240 124	-

(i) Mainly consists of reversal of gross carrying value and accumulated depreciation on retirement of intangibles.

*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 on 19 July 2022. As of 31 December 2022, the Company paid the license fees in full and the amount was transferred to Cellular license. Furthermore, the Company has been awarded additional 40MHz radio spectrum in the 2600MHz frequency band at the cost of USD12 million on 28 November 2022. An initial deposit of USD0.4 million was made at the time of application.

The weighted average remaining amortisation period of the Company's licences as of 31 December 2022 and 2021 is 5.39 years and 6.39 years respectively.

20. OTHER NON-CURRENT ASSETS

	2022	2021
Prepayments **(i)**	128 613	162 523
Deferred customer acquisition cost **(ii)**	21 836	20 702
	150 449	183 225

(i) Prepayments

At 31 December		
- Current prepayment*	17 653	17 653
- Non-current prepayment	128 613	162 523
	146 266	180 176

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20. OTHER NON-CURRENT ASSETS (CONTINUED)

(ii) Deferred customer acquisition cost

	2022	2021
At the beginning of the year	71 323	42 618
Expenses deferred	96 159	76 144
Amortisation	(72 805)	(47 439)
At the end of the year	94 677	71 323
Deferred customer acquisition cost		
- Current prepayment*	72 841	50 621
- Non-current prepayment	21 836	20 702
	94 677	71 323

* Current prepayment is included in prepayments under other current assets in note 23.

21. INVENTORIES

	2022	2021
Merchandise held for sale	15 138	18 376
Less provision for obsolete stock	(9 834)	(14 193)
	5 304	4 183

The cost of inventories recognized as an expense and included in 'other expenses' amounted to K0.67 million (2021: K0.03 million).

22. TRADE AND OTHER RECEIVABLES

	2022	2021
Trade receivables	170 920	150 400
Less provision for impairment losses	(90 873)	(86 302)
Net trade receivables	80 047	64 098
Amounts due from related parties (refer note 33)	174 043	95 813
	254 090	159 911

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.

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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.

	2022	2021
Balance as at 1 January	86 302	82 985
Transfer to credit-impaired	3 369	3 317
Foreign exchange loss	1 202	-
Balance as at 31 December	90 873	86 302

Trade Receivables - Days Past Due

At 31 December 2022

	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	28 363	25 962	19 346	6 376	2 181	88 692	170 920
Lifetime ECL	-	-	-	-	2 181	88 692	90 873

At 31 December 2021

	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	11 638	32 750	17 049	2 661	1 595	84 707	150 400
Lifetime ECL	-	-	-	-	1 595	84 707	86 302

23. OTHER CURRENT ASSETS

	2022	2021
Prepayments (Note 20)	260 469	105 286
Others assets	44 716	41 165
Advances to suppliers	13 462	4 675
	318 647	151 126

24. CONTRACT ASSETS

Revenue from interconnect customers	14 258	17 850
Revenue from post paid customers	10 139	8 484
Revenue from sale of handsets to corporate/enterprise customers	15 147	6 710
Revenue from roaming customers	801	395
Current	40 345	33 439
Non-Current	-	-

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.

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25. CASH AND CASH EQUIVALENTS

	2022	2021
Balances in banks		
- Current accounts	95 764	16 905
Cash on hand	20 575	24 602
	116 339	41 507

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

Cash and bank balances	116 339	41 507
Bank overdrafts	(764 410)	(241 440)
	(648 071)	(199 933)

The Company has seven overdraft/ facilities with limits of up to K875 million and US$12 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	$ 11 million	3 Months SOFR + 1.75% (MPR+ liquidity premium + 1.5% margin)
(ii)	Standard Chartered Bank Zambia Plc	$ 1 million	1 Months LIBOR + 2% (MPR+ 9%)
(iii)	Absa Bank Zambia Plc	K 50 million	MPR +liquidity premium + 1.5%
(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 175 million	MPR +5%

The Company had drawn amounts as at the year-end of **K764.410 million** and **US$ Nil** (2021: K241.44 million and US$ Nil).

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

26. TRADE AND OTHER PAYABLES

	2022	2021
Trade payables	392 207	503 100
Amounts due to related parties (refer note 33)	312 693	269 442
Accrued expenses	21 698	21 222
	726 598	793 764

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.

27. CONTRACT LIABILITIES

Amounts received in advance from prepaid customers for delivery of internet and voice service.

Deferred income	141 062	124 779
Current	135 062	118 221
Non-current	6 000	6 558
	141 062	124 779

Revenue relating to internet and voice services is recognised over time, when a customer makes use of the talk-time that was carried forward.

28. OTHER CURRENT LIABILITIES

Other taxes payable	138 659	124 430

Other taxes payable mainly include Value Added Tax of **K76.886 million** and Excise Duty of **K52.353** million as at 31 December 2022.

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29. BORROWINGS

	2022	2021
Non-current		
Term loans	830 250	533 818
Less : current	(330 000)	(205 120)
	500 250	328 698
Current maturity of long term debts	330 000	205 120
Current		
Bank overdraft (Note 25)	764 410	241 440
	764 410	241 440
Total current borrowings	1 094 410	446 560

The term loans are due to the following commercial banks:

	First National Bank Zambia Plc	Standard Chartered Bank Zambia Plc	Citibank Zambia Limited	ABSA Bank Zambia Plc.	ABSA Bank Mauritius Limited	Total
At 1 January 2021	-	-	-	381 336	413 114	794 450
Drawn down during the yea	160 000	80 000	-	-	-	240 000
Repayments in the year	-	(19 228)	-	(199 819)	(184 447)	(403 494)
Refinancing- loan transfer	-	-	-	178 155	(178 155)	-
Exchange gain	-	-	-	(46 626)	(50 512)	(97 138)
At 31 December 2021	160 000	60 772	-	313 046	-	533 818

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

> The Company agreed with ABSA Bank Zambia Plc to convert the existing medium term credit facility of US$50 million lent jointly by ABSA Bank Zambia Plc (USD24 million) and ABSA Bank Mauritius Limited (USD26 million) in July 2019. The outstanding balance of USD18.75 million of the above facility was converted to Kwacha on 24 December 2021 at the rate of K16.69 per dollar which was the ABSA Bank Zambia Plc spot rate on the effective date resulting into a new facility of K313 million. The loan carried an interest rate of Monetary Policy Rate + 6.25% per annum. This facility was fully repaid as at 31 December 2022. The loan was guaranteed by Bharti Airtel International (Netherlands) BV (Step up parent) and is unsecured.

> In March 2021, the Company obtained a short term credit facility from Standard Chartered Bank Zambia Plc for K80 million which was a monthly revolving facility. On 3 December 2021, the revolving facility was K60.77 million and was rolled over on revised terms. The loan carried an interest rate of Monetary Policy Rate + 6.5 % per annum. The facility was repayable on 3 March 2022 and was unsecured. The facility was fully repaid as at 31 December 2022.

> 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 + 9% per annum. The facility will be repayable within 36 months. The loan is backed by a comfort letter from Bharti Airtel International (Netherlands) BV (Step up 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 carries an interest rate of Monetary Policy Rate + Liquidity Premium + 1.55% per annum. The facility will be repayable within 12 months. The loan is unguaranteed and is unsecured.

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29. BORROWINGS (CONTINUED)

> 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. The facility will be repayable within 24 months. The loan is unguaranteed and is unsecured.

> 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 will be repayable within 96 months. The loan is guaranteed by Bharti Airtel International (Netherlands) BV (Step up parent) and is unsecured.

30. CONTINGENT LIABILITIES

Legal proceedings

The Company had some pending legal proceedings as at 31 December 2022. 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** (2021: K0.361 million) arising from pending proceedings against the Company will crystalise.

Tax proceedings

At 31 December 2022, there were open assessments issued by the Zambia Revenue Authority (ZRA) relating to Income tax, Withholding tax, Excise Duty and Value Added Tax (VAT). Management evaluated the individual assessments to determine and provide for the expected eventual liability.

Based on management's evaluation, assessments totalling **K0.000 million** (2021: K2.060 million) were deemed probable and provided for. As at 31 December 2022, there was **K17.271 million** assessments identified under contingent liability (2021: K17.271 million), as the possibility of pay-out on remaining assessments was deemed remote.

Taxes , duties and other demands (Under adjudication / appeal / dispute)	2022	2021
Income tax	17 271	17 271
TOTAL	17 271	17 271

31. CAPITAL COMMITMENTS

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

At 31 December	287 181	347 746

32. LEASE LIABILITIES

(a) Analysed as:

Non-current	832 102	842 734
Current	284 632	225 331
	1 116 734	1 068 065

(b) Maturity analysis:

Less than one year	411 353	350 509
Later than one year but not later than two years	379 205	326 458
Later than two years but not later than five years	377 776	569 293
Later than five years but not later than nine years	219 264	81 436
Later than nine years	31 030	16 953
Total undiscounted lease liabilities	1 418 628	1 344 649
Lease liabilities included in the statement of financial position	1 116 734	1 068 065

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32. LEASE LIABILITIES (CONTINUED)

(c)The movement for the year is as follows:

	2022	2021
At the beginning of the year	1 068 065	1 569 410
Additions during the year	319 571	26 216
Retirement during the year	(83)	(9 819)
Repayments during the year	(347 191)	(261 252)
Exchange losses/(gains)	76 372	(256 490)
Net obligations under lease liabilities	1 116 734	1 068 065

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

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

33. RELATED PARTY DISCLOSURES

The Company is owned by Bharti Airtel Zambia Holdings BV (BAZHBV) which has 96.36% shareholding. The remaining 3.64% is owned by public investors. The Company is listed on the Lusaka Stock Exchange (LuSE).

The shareholding of the Company as at 31 December 2022 and 2021 is as stated below:

	2022 and 2021	
Name of shareholder	**Number of shares**	**% shareholding**
Bharti Airtel Zambia Holdings BV	100 215 630	96.36%
Public (institutions and individual investors)	3 784 370	3.64%
	104 000 000	100.00%

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	2022	2021
Airtel Mobile Commerce Zambia Limited	Zambia	Fellow subsidiary	495 803	342 467
Airtel Africa Telesonic Limited	United Kingdom	Fellow subsidiary	153 794	-
Bharti Airtel (UK) Limited	United Kingdom	Fellow subsidiary	20 133	28 365
Network i2i Ltd.	Mauritius	Step up parent	9 118	19 902
Centum Learning Limited	India	* Other related	3 225	3 796
Nxtra Data Limited	India	Fellow subsidiary	1 819	471
Bharti Airtel Limited	India	Step up parent	1 646	137
Airtel Malawi plc	Malawi	Fellow subsidiary	1 490	3 012
Airtel Congo (RDC) S.A.	Congo (DRC)	Fellow subsidiary	1 225	2 150
Airtel Networks Limited	Nigeria	Fellow subsidiary	1 136	230
Airtel Networks Kenya Limited	Kenya	Fellow subsidiary	244	324
Airtel Tanzania plc	Tanzania	Fellow subsidiary	135	957
Airtel Uganda Limited	Uganda	Fellow subsidiary	66	127
Airtel Rwanda Limited	Rwanda	Fellow subsidiary	25	91
Airtel Gabon S.A.	Gabon	Fellow subsidiary	16	0
Airtel Congo S.A	Congo B	Fellow subsidiary	12	6
Airtel (Seychelles) Limited	Seychelles	Fellow subsidiary	3	5
Airtel Madagascar S.A.	Madagascar	Fellow subsidiary	1	1
Total			689 891	402 041

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33. RELATED PARTY DISCLOSURES (CONTINUED)

ii) Sale of goods and services

Name of related party	Country of incorporation	Relationship to Company	2022	2021
Airtel Mobile Commerce Zambia Limited	Zambia	Fellow subsidiary	81 326	40 314
Bharti Airtel (UK) Limited	United Kingdom	Fellow subsidiary	58 093	87 967
Airtel Africa Telesonic Limited	United Kingdom	Fellow subsidiary	30 515	-
Airtel Congo (RDC) S.A.	Congo (DRC)	Fellow subsidiary	11 376	13 300
Airtel Malawi plc	Malawi	Fellow subsidiary	10 862	15 859
Network i2i Ltd.	Mauritius	Step up parent	4 307	-
Bharti Airtel Limited	India	Step up parent	3 619	36
Airtel Networks Limited	Nigeria	Fellow subsidiary	3 098	2 622
Airtel Networks Kenya Limited	Kenya	Fellow subsidiary	663	1 194
Airtel Tanzania plc	Tanzania	Fellow subsidiary	410	536
Airtel Uganda Limited	Uganda	Fellow subsidiary	159	227
Airtel Rwanda Limited	Rwanda	Fellow subsidiary	31	10
Jersey Airtel Limited	Jersey	Fellow subsidiary	1	2
Total			204 460	162 067

iii) Management fees expenses

			2022	2021
Bharti Airtel International (Netherlands) BV	Netherlands	Step up parent	95 666	74 699

iv) Receivable from related parties

Name of related party	Country of incorporation	Relationship to Company	2022	2021
Bharti Airtel (UK) Limited	United Kingdom	Fellow subsidiary	58 814	66 532
Airtel Malawi plc	Malawi	Fellow subsidiary	36 048	12 974
Airtel Africa Telesonic Limited	United Kingdom	Fellow subsidiary	30 515	-
Airtel Mobile Commerce Zambia Limited	Zambia	Fellow subsidiary	21 456	-
Airtel Congo (RDC) S.A.	Congo (DRC)	Fellow subsidiary	8 779	13 278
Airtel Tchad S.A.	Chad	Fellow subsidiary	4 893	-
Network i2i Ltd.	Mauritius	Step up parent	4 390	-
Airtel Networks Limited	Nigeria	Fellow subsidiary	2 606	400
Airtel Networks Kenya Limited	Kenya	Fellow subsidiary	2 393	1 095
Bharti Airtel Limited	India	Step up parent	2 076	1 280
Airtel Congo S.A	Congo B	Fellow subsidiary	859	11
Airtel Rwanda Limited	Rwanda	Fellow subsidiary	608	19
Airtel Tanzania plc	Tanzania	Fellow subsidiary	385	124
Bharti Hexacom Limited	India	Fellow subsidiary	75	-
Airtel Uganda Limited	Uganda	Fellow subsidiary	66	28
Bharti Airtel Services Limited	India	Fellow subsidiary	60	56
Airtel Gabon S.A.	Gabon	Fellow subsidiary	16	15
Jersey Airtel Limited	Jersey	Fellow subsidiary	2	-
Airtel (Seychelles) Limited	Seychelles	Fellow subsidiary	2	-
Bharti Airtel Lanka (Private) Limited	Sri Lanka	Fellow subsidiary	-	1
Total			174 043	95 813

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33. RELATED PARTY DISCLOSURES (CONTINUED)

v) Payable to related parties

Name of related party	Country of incorporation	Relationship to Company	2022	2021
Airtel Africa Telesonic Limited	United Kingdom	Fellow subsidiary	153 794	-
Airtel Mobile Commerce Zambia Limited	Zambia	Fellow subsidiary	98 241	178 586
Bharti Airtel International (Netherlands) BV	Netherlands	Step up parent	23 803	68 412
Airtel Africa Services (UK) Limited	United Kingdom	Step up parent	11 662	-
Network i2i Ltd.	Mauritius	Step up parent	5 578	5 250
Airtel Networks Limited	Nigeria	Fellow subsidiary	5 063	4 664
Airtel Tanzania plc	Tanzania	Fellow subsidiary	3 763	2 923
Airtel Networks Kenya Limited	Kenya	Fellow subsidiary	3 211	2 977
Bharti Airtel (UK) Limited	United Kingdom	Fellow subsidiary	2 629	902
Bharti Airtel Limited	India	Step up parent	2 378	2 064
Airtel Rwanda Limited	Rwanda	Fellow subsidiary	1 313	1 152
Airtel Malawi plc	Malawi	Fellow subsidiary	820	1 088
Airtel Congo (RDC) S.A.	Congo (DRC)	Fellow subsidiary	252	170
Airtel Madagascar S.A.	Madagascar	Fellow subsidiary	121	180
Bharti Hexacom Limited	India	Fellow subsidiary	31	28
Airtel Uganda Limited	Uganda	Fellow subsidiary	12	21
Africa Towers N.V.	Netherlands	Fellow subsidiary	10	-
Nxtra Data Limited	India	Fellow subsidiary	7	898
Airtel Tchad S.A.	Chad	Fellow subsidiary	3	2
Airtel (Seychelles) Limited	Seychelles	Fellow subsidiary	2	2
Bharti Airtel Zambia Holdings BV	Netherlands	Holding Company	-	10
Airtel Ghana Limited (JV)	Ghana	* Other related party	-	113
Total			312 693	269 442

No provisions for impairment losses have been required in 2022 and 2021 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.

vi) Key management compensation	2022	2021
Salaries and other short-term employment benefits	67 923	51 708

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33. RELATED PARTY DISCLOSURE (CONTINUED)

vii) 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

Compensation of directors for the year ended 31 December 2021

	Sitting Fees	Basic Salary	Performance Bonus	Out of Country Allowance	Housing Allowance	*Others	Total
Non-Executive							
Jito Kayumba	588	-	-	-	-	-	588
Monica K. Musonda	812	-	-	-	-	-	812
Executive							-
Apoorva Mehrotra	-	5 162	4 272	-	1 023	8 415	18 872
	1 400	5 162	4 272	-	1 023	8 415	20 272

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

34. 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).

34. FAIR VALUE AND 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.

For the hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount, life and underlying) of the foreign exchange forward contracts and their corresponding hedged items are the same, the Company performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates.

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.

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

		Carrying value	Fair value
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)
31 December 2021			
Derivative financial Liability	Level 2	(39 241)	(39 241)
Cash and bank balances		41 507	41 507
Trade and other receivables		159 911	159 911
Contract assets		33 439	33 439
Bank overdraft		(241 440)	(241 440)
Trade and other payables		(793 764)	(793 764)
Term loans		(533 818)	(533 818)

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 2022 and year ended 31 December 2021 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.

35. EMPLOYEE BENEFIT EXPENSE

The following contributions to pensions/funds were included within the employee benefits expenses:	31 December 2022	31 December 2021
Aon Zambia Pension Fund Administrators Limited	9 151	9 155
National Pension Scheme Authority	4 302	4 402

36. DERIVATIVE FINANCIAL INSTRUMENTS

	2022	2021
The details of derivative financial instruments are as follows:		
Foreign currency forward contracts (assets)	57 130	-
Foreign currency forward contracts (liabilities)	(636)	(39 241)

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 2022. 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.