AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2021

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED
(Incorporated in Zambia)

TABLE OF CONTENTS

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

DIRECTORS' REPORT
for the year ended 31 December 2021

The Directors present their annual report on the affairs of Airtel Mobile Commerce Zambia Limited ("the Company") together with the financial statements and auditor's report for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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

SHARE CAPITAL

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

RESULTS AND DIVIDEND

The Company had a profit after tax of K528,917,620 for the year ended 31 December 2021 (2020: K291,250,433). The directors recommended an interim dividend for the year ended 31 December 2021 amounting K300,000,000 (2020: K250,000,000).

FINANCIAL STATEMENTS

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

DIRECTORS

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

Apoorva Methrotra	Executive Director (Appointed on 1 November 2017)
Jaideep Paul	Executive Director (Resigned 2021)
Ian Ferrao	Executive Director (Resigned 2021)
James Chona	Executive Director (Resigned 2021)
Vimal Ambat	Executive Director (Appointed on 2 June 2021)
Samir Waman	Executive Director (Appointed on 2 June 2021)

None of the Directors held any shares in the company (2020: Nil)

PROPERTY, PLANT AND EQUIPMENT

During the year, the company acquired plant & equipment of K123,343,749 (2020: K43,712,068).

NUMBER OF EMPLOYEES AND RENUMERATION

At the end of the year, the related wages and salaries cost was K8,551,506 (2020: K5,334,509). The number of employees for each month of the year was as follows

Month	2021	2020
January	12	12
February	12	12
March	16	12
April	16	12
May	17	11
June	16	11
July	18	11
August	18	11
September	18	13
October	19	13
November	20	13
December	19	12

HEALTH AND SAFETY

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

COVID-19

The Covid-19 pandemic has had a deep impact on people's lives and livelihoods, as it has everywhere in the world. This crisis is not over, though there are promising signs in terms of treatment and vaccination. While, It is clear that mobile money has been essential to people and economies during the pandemic, Airtel has continued to focus on national financial inclusion objectives. Regulators have also played a key role in promoting the use of digital financial services by promptly approving transaction and balance limit increases. We have seen an increase in the diversified use of mobile money as a means of money transfer and payment for goods and services.

GIFTS AND DONATIONS

The Company did not make any donations or gifts to charitable organisations and events during the financial year (2020: Nil).

AUDITORS

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

STATEMENT ON CORPORATE GOVERNANCE

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

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

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

By order of the Board

COMPANY SECRETARY
Sonia Shamwana Chinganya
LUSAKA

Date: March 2022

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2021

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

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The independent external auditor, Messrs Deloitte & Touche, have audited the financial statements and their report is shown on pages 4 to 6.

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

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

In the opinion of the Directors:

- the statement of profit or loss and other comprehensive income is drawn up so as to give a true and fair view of the performance of the Company for the period ended 31 December 2021;
- 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 2021;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due; and
- the financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Banking and Financial Services Act, 2017 and Companies Act, 2017; and
- the Directors have implemented and further adhered to the corporate governance principles or practices contained in Part VII, Sections 82 to 122 of the Companies Act, 2017.

Approval of the financial statements

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

Apoorva Mehrotra
DIRECTOR

Samir Waman
DIRECTOR

Deloitte.

PO Box 30030
Lusaka
Zambia

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INDEPENDENT AUDITOR'S REPORT

To the members of
Airtel Mobile Commerce Zambia Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Airtel Mobile Commerce Limited (the "Company) set out on pages 7 to 33, which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Banking and Financial Services Act, 2017 and the Companies Act, 2017.

Basis for opinion

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

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report and the statement of responsibility as required by the Companies Act, 2017. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance or conclusion thereon.

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Report on other legal and regulatory requirements

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

In accordance with section 97(2) of the Banking and Financial Services Act, 2017, we report that in our opinion:

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

Report on other legal and regulatory requirements (Continued)

Sections 250 (2) and 259 (3) of the Companies Act, 2017 require that in carrying out our audit, we consider and report on whether:

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

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

Deloitte & Touche

DELOITTE & TOUCHE

F. NCHIMUNYA (AUD/F0000154)
PARTNER

31 March 2022.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Kwacha	Notes	For the year ended	
		31 December 2021	31 December 2020
Revenue	7	1 856 307 065	991 852 652
		1 856 307 065	991 852 652
Expenses			
Sales and distribution expenses		(870 726 018)	(502 997 973)
Employee benefit expenses		(8 551 506)	(5 334 509)
Other expenses		(76 897 669)	(40 678 240)
Net exchange (losses) gains	8	(37 429 124)	14 713 210
Depreciation and amortisation	14&15	(51 466 184)	(20 669 898)
		(1 045 070 501)	(554 967 410)
Operating profit		811 236 564	436 885 242
Finance income	9	4 086 784	9 447 797
Profit before tax		815 323 348	446 333 039
Income tax expense	12	(286 405 728)	(155 082 606)
Profit and total comprehensive income for the year		528 917 620	291 250 433

There were no items of other comprehensive income during the year (2020: K nil)

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED
STATEMENT OF FINANCIAL POSITION

Kwacha	Notes	As of 31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	14	107 345 701	37 943 841
Capital work-in-progress	14	22 164 058	5 373 706
Intangible assets	15	5 264 471	9 565 949
Total non current assets		134 774 230	52 883 496
Current assets			
Trade and other receivables	16	201 066 601	339 305 735
Cash and cash equivalent	18	297 750 805	170 451 001
Balance held under mobile money trust	17	2 064 402 188	1 380 661 420
Total current assets		2 563 219 594	1 890 418 156
Total assets		2 697 993 824	1 943 301 652
EQUITY AND LIABILITIES			
Equity			
Share capital	19	2 000 000	2 000 000
Retained earnings		392 703 098	163 785 478
Shareholders equity		394 703 098	165 785 478
Non-current Liabilities			
Deferred tax liability	13	11 199 807	4 674 738
Current liabilities			
Trade and other payables	21	71 722 817	111 037 306
Mobile money wallet balances	20	2 064 402 188	1 380 661 420
Income tax payable	12	155 965 914	100 631 227
Dividend payable	24	-	180 511 483
Total current liabilities		2 292 090 919	1 772 841 436
Total liabilities		2 303 290 726	1 777 516 174
Total equity and liabilities		2 697 993 824	1 943 301 652

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

The financial statements on pages 7 to 33 were approved by the board of directors and authorised for issue on .... and signed on their behalf by:

Apoorva Mehrotra
DIRECTOR

Samir Waman
DIRECTOR

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

STATEMENT OF CHANGES IN EQUITY

Kwacha	Share capital	Dividend reserve	Retained earnings	Total
At 1 January 2020	2 000 000	-	122 535 045	124 535 045
Profit for the year	-	-	291 250 433	291 250 433
Dividend declared during the year	-	250 000 000	(250 000 000)	-
Transfer to dividend payable	-	(250 000 000)	-	(250 000 000)
At 31 December 2020	2 000 000	-	163 785 478	165 785 478
At 1 January 2021	2 000 000	-	163 785 478	165 785 478
Profit for the year	-	-	528 917 620	528 917 620
Dividend declared during the year	-	300 000 000	(300 000 000)	-
Transfer to dividend payable	-	(300 000 000)	-	(300 000 000)
At 31 December 2021	2 000 000	-	392 703 098	394 703 098

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

STATEMENT OF CASH FLOWS
for the year ended 31 December 2021

Kwacha	Notes	31 December 2021	31 December 2020
Cashflow from Operating activities			
Profit before tax		815 323 348	446 333 039
Adjustments for:			
Depreciation expense	14	37 151 537	8 494 722
Amortisation of intangible assets	15	14 314 647	12 175 176
Trade receivable impairement		-	5 000
Finance income	9	(4 086 784)	(9 447 797)
Operating cash flow before changes in working capital		862 702 748	457 560 140
Changes in working capital:			
Decrease (increase) in trade and other receivables		138 239 134	(221 485 584)
(Decrease) increase in trade and other payables		(39 314 489)	62 109 774
Increase in mobile money wallet balances		683 740 768	801 062 694
Cash flows generated from operations		1 645 368 161	1 099 247 024
Income tax paid	12	(224 545 972)	(91 906 816)
Net cash flows generated from operating activities		1 420 822 189	1 007 340 208
Cashflows from investing activities			
Interest received	9	4 086 784	9 447 797
Purchase of intangible assets	15	(10 013 169)	(16 443 390)
Purchase of property, plant and equipment	14	(123 343 749)	(43 712 068)
Net cash flows used in investing activities		(129 270 134)	(50 707 661)
Cash flows from financing activities			
Dividend paid to shareholders		(480 511 483)	(69 488 517)
Net cash flows used in financing activities		(480 511 483)	(69 488 517)
Net increase in cash and cash equivalents		811 040 572	887 144 030
Cash and cash equivalents at beginning of the year		1 551 112 421	663 968 391
Cash and cash equivalents at end of the year*		2 362 152 993	1 551 112 421

*Cash and cash equivalents held on 31 December includes balance held under mobile money trust of K2,064,402,188 (2020: K 1,380,661,420) on behalf of mobile money customers which are not available for use by the Company.

1. GENERAL INFORMATION

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

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

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

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

2. ADOPTION OF NEW AND REVISED STANDARDS

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

2.1.1 Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16

In the prior year, the Company early adopted Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021. In March 2021, the Board issued Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

In the current financial year, the Company has applied the amendment to IFRS 16 (as issued by the Board in May 2021) in advance of its effective date.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022)
- There is no substantive change to other terms and conditions of the lease

2.2 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 IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments and IFRS 16 Leases.
Amendments to IAS 1 and IFRS	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

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

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

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Noncurrent

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 an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an Company also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

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 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.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise 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 the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

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).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise 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 the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

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 Board 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".

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

• 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

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

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

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

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.

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 Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.

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 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 of the related asset

• 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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Statement of compliance

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

3.2 Basis of preparation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of preparation (continued)

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

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

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

3.3 Revenue recognition

Revenue arises from billing customers for P2P (person to person offnet) transactions; cash out (withdrawal) transactions, Airtel Money to bank transactions, collections of funds for customers purchasing goods and services using Airtel Money and commissions on sale of airtime and business revenue arising from bulk payment transactions. Such commissions are recognised as revenue at a point in time on fulfilment of these services by the Company.

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

3.4 Foreign currencies

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Employee benefits

Retirement benefit obligations

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

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

Other entitlements

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

3.6 Taxation

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

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it also excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by reporting date.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(iii) Current and deferred tax for the year

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

3.7 Property, plant and equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Property, plant and equipment (continued)

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

When funds borrowed are specifically for the purpose of obtaining a qualifying asset, the entity determines the amount of the borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of the borrowings.
Gains and losses arising from retirement or disposal of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement and disposal.

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

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

The estimated useful lives, residual values and depreciation method are reviewed at each year end. The effect of any changes in estimate is accounted for on a prospective basis.
The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in statement of comprehensive income.

3.8 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 entity and the cost of the license can be reliably measured.

Licenses are initially measured at cost and subsequently amortised on a straight-line basis over their useful lives. Intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation periods are reviewed annually and adjusted prospectively as required. Gains or losses arising from derecognition of licenses are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised. Licenses are amortised over a period of 1-5 years .

3.9 Impairment of non financial assets

Property, Plant & Equipment and intangible assets

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

Reversal of impairment losses

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of comprehensive income date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

3.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances 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).

However, for the purpose of the statement of cash flows, in addition to above items, any bank overdrafts that are integral part of the company's cash management and balance held under mobile money trust are also included as a component of cash and cash equivalents.

3.12 Statement of cash flow

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

3.13 Financial instruments

a. 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 Company does not hold any financial assets classified as fair value through other comprehensive income.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUUED)

3.13 Financial instruments (continued)

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

b. 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.

Impairment

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

III. Subsequent measurement - financial liabilities

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

c. Derecognition

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

3.14 Share capital

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Contingencies

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

3.16 Comparatives

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

3.17 Dividend

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

3.18 Interest income

Interest income from a financial asset is recognised when its is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected useful life of the financial asset to that asset's net carrying amount on initial recognition.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Critical accounting estimates and assumptions

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

Receivables

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

Taxes

1. Current income tax

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

2. Deferred tax

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

Determination of residual values and useful lives

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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

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

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Market risk

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

(i) Foreign exchange risk

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

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

(ii) Interest rate risk

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

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trading activities as well as placement and balances with other counterparties, advances to customers, deposits held with various services providers, prepayments and bank balances.

Concentration of credit risk

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

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

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED

Kwacha	Note	Carrying amount 2021	2020
Financial assets			
Trade receivables (net)	16	10 048 564	4 847 563
Amounts due from related parties	22 (a)	181 865 218	331 543 400
Balance under mobile money trust	17	2 064 402 188	1 380 661 420
Bank and cash balances	18	297 750 805	170 451 001
		2 554 066 775	1 887 503 384

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

		Neither past	Past due but not impaired			Past due and impaired
	Total	due nor impaired	< 30 days	30 - 60 days	60 - 90 days	> 90 days
	K	K	K	K	K	K
2021	10 137 349	10 048 564	-			88 785
2020	4 936 348	3 288 071	1 559 492	-	-	88 785

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations from its financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

	Note	Carrying amount 2021	2020
Financial liabilities			
Amounts due to related parties	22 (c)	10 794 529	79 300 200
Trade and other payables	21	60 928 288	31 737 106
Dividend payable	24	-	180 511 483
Mobile money wallet balance	20	2 064 402 188	1 380 661 420
		2 136 125 005	1 672 210 209

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

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

	On demand	Within 1 1 year	Between 1 - 5 years	Greater than 5 years	Total
	K	K	K	K	K
31 December 2021					
Amounts due to related parties	-	10 794 529	-	-	10 794 529
Trade and other payables	-	60 928 288	-	-	60 928 288
Mobile money wallet balance	2 064 402 188	-	-	-	2 064 402 188
	2 064 402 188	71 722 817	-	-	2 136 125 005
31 December 2020					
Amounts due to related parties	-	79 300 200	-	-	79 300 200
Dividend payable	-	180 511 483	-	-	180 511 483
Trade and other payables	-	31 737 106	-	-	31 737 106
Mobile money wallet balance	1 380 661 420	-	-	-	1 380 661 420
	1 380 661 420	291 548 789	-	-	1 672 210 209

5. Financial risk management objectives and policies (continued)

Operational risk

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

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

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

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

·Requirements for appropriate segregation of duties, including the independent authorisation of transactions.

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

(i) Risk management

Risk is inherent in the company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing viable operations.
Exposure to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk arises in the normal course of the company's business.

(ii) Operations

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

6. Capital management

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

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

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7. REVENUE

	2021	2020
Transaction charge on cash withdrawals	1 244 856 611	678 231 659
Merchant collection service fees	248 726 921	119 495 421
Airtime recharge transaction fees	215 895 601	109 720 646
Other value added services	106 750 171	68 996 922
Service fees on international money transfers	16 493 480	6 198 982
Bank transfer service fees	15 268 173	5 033 389
Bulk payment service fees	8 316 108	4 175 633
	1 856 307 065	991 852 652

8. NET EXCHANGE (LOSSES) GAINS

Net exchange (losses) gains	(37 429 124)	14 713 210

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

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

		Mid – market exchange rate as at 1 January	Mid – market exchange rate as at 31 December	Movement during the year
US Dollar (1 US$ =)	2021	21.17	16.67	(21%)
US Dollar (1 US$ =)	2020	13.9	21.19	52%

9. FINANCE INCOME

	2021	2020
Interest income on bank balances	4 086 784	9 447 797

10. EMPLOYEE BENEFIT EXPENSE

The following contributions to pensions/funds were included within the salaries and wages expenses:

Aon Zambia Pension Fund Administrators Limited	727 704	482 782
National Pension Scheme Authority	204 743	135 833
	932 447	618 615

11. PROFIT BEFORE TAX

Profit before tax is stated after charging:

Depreciation on property, plant and equipment (note 14)	37 151 537	8 494 722
Amortisation of intangible assets (note 15)	14 314 647	12 175 176
Directors remuneration in connection with management of the Company	9 531	4 543
Auditors' remuneration	673 360	454 000
	52 149 075	21 128 441

12. INCOME TAX EXPENSE

The components of income tax expense for the years ended 31 December 2021 and 2020 are:

Deferred income tax (note 13)	6 525 069	4 731 406
Current income tax	279 880 659	150 351 200
Income tax expense	286 405 728	155 082 606

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12. INCOME TAX EXPENSE (CONTINUED)

The tax charge for the year can be reconciled to the profit before tax as follows:	2021	2020
Profit before income tax	815 323 348	446 333 039
Tax calculated at the statutory income tax rate of 35%	285 363 172	156 216 564
Tax effect of:		
Deferred income tax (note 13)	6 525 069	4 731 406
Tax return actualisation	-	(1 737 730)
Timing differences	(5 482 513)	(4 127 634)
Income tax expense	286 405 728	155 082 606

Income tax payable

Current income tax movement in the statement of financial position:		
At 1 January	100 631 227	42 186 843
Payments during the year	(221 206 655)	(88 299 582)
Withholding tax credits (Tax deducted at source)	(3 339 317)	(3 607 234)
Current tax charge for the year	279 880 659	150 351 200
At 31 December	155 965 914	100 631 227

13. DEFERRED TAX LIABILITIES/(ASSETS)

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

At beginning of year	4 674 738	(56 668)
Charge for the year	6 525 069	4 731 406
At end of year	11 199 807	4 674 738

	01.01.2021 K	Movement K	31.12.2021 K
Deferred tax liabilities (assets)			
Other provisions	(366 779)	(104 974)	(471 753)
Unrealised exchange gains (losses)	5 112 050	3 708 429	8 820 479
Property plant and equipment	(70 533)	2 921 614	2 851 081
	4 674 738	6 525 069	11 199 807

	01.01.2020 K	Movement K	31.12.2020 K
Deferred tax liabilities (assets)			
Other provisions	(191 977)	(174 802)	(366 779)
Unrealised exchange gains (losses)	-	5 112 050	5 112 050
Property plant and equipment	135 309	(205 842)	(70 533)
	(56 668)	4 731 406	4 674 738

Kwacha

14. PROPERTY, PLANT AND EQUIPMENT

	Computers	Furniture & other equipment	Total	Capital work in progress
Cost				
At 1 January 2020	3 660 476	11 861 868	15 522 344	1 714 709
Additions	-	-	-	43 712 068
Transfers	-	40 053 071	40 053 071	(40 053 071)
At 31 December 2020	3 660 476	51 914 939	55 575 415	5 373 706
At 1 January 2021	3 660 476	51 914 939	55 575 415	5 373 706
Additions	88 045	50 023 776	50 111 821	13 222 244
Transfer of assets from Airtel Networks Zambia Plc	-	56 441 576	56 441 576	3 568 108
At 31 December 2021	3 748 521	158 380 291	162 128 812	22 164 058
Accumulated depreciation				
At 1 January 2020	3 660 476	5 476 376	9 136 852	-
Charge for the year	-	8 494 722	8 494 722	-
At 31 December 2020	3 660 476	13 971 098	17 631 574	-
At 1 January 2021	3 660 476	13 971 098	17 631 574	-
Charge for the year	24 443	37 127 094	37 151 537	-
At 31 December 2021	3 684 919	51 098 192	54 783 111	-
Net book value				
At 31 December 2021	63 602	107 282 099	107 345 701	22 164 058
At 31 December 2020	-	37 943 841	37 943 841	5 373 706

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

During the year Airtel Networks Zambia Plc a fellow subsidiary transferred assets to the Company amounting to K60,009,684.

15 INTANGIBLE ASSETS

	Total
Cost	
At 1 January 2020	7 949 732
Additions	16 443 390
At 31 December 2020	24 393 122
At 1 January 2021	24 393 122
Additions	10 013 169
At 31 December 2021	34 406 291
Amortization	
At 1 January 2020	2 651 997
Charge for the year	12 175 176
At 31 December 2020	14 827 173
At 1 January 2021	14 827 173
Charge for the year	14 314 647
At 31 December 2021	29 141 820
Net book value	
At 31 December 2021	5 264 471
At 31 December 2020	9 565 949

The intangible asset is for the mobiquity mobile financial services platform which allows for services such as the sending and transfer of money, bulk payments, merchant transactions, savings and loans.

Kwacha	2021	2020
16 Trade and other receivables		
Trade receivables	10 137 349	4 936 348
Less :provision for Impairment loss	(88 785)	(88 785)
Net trade receivables	10 048 564	4 847 563
Other receivables	9 152 819	2 914 772
Amounts due from related parties - [Refer note 22(a)]	181 865 218	331 543 400
	201 066 601	339 305 735

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

The Company uses a provision matrix to measure the expected credit loss of trade receivables. Refer below note for details on the impairment of trade receivables. Based on the industry practices and the business environment in which the entity operates, management considers that the trade receivables are credit impaired if the payments are more than 90 days past due.

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

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

The entity writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables has crossed the law of limitation period past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

As the entity's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Entity's different customer base.

As at 31 December 2021, trade receivables with an initial carrying value of K88,785 (2020: K83,785) were impaired and fully provided for. The movement in impairment provisions is as follows:

	Individually impaired	Collectively impaired	Total
	K	K	K
At 1 January 2020	83 785	-	83 785
Charge for the year	5 000	-	5 000
At 1 January 2021	88 785	-	88 785
Charge for the year	-	-	-
At 31 December 2021	88 785	-	88 785

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2021

Kwacha	2021	2020
17. Balance under mobile money trust		
Cash at bank held in trust	1 852 820 501	1 277 014 480
Interest earned on cash at bank held in trust	211 581 687	103 646 940
	2 064 402 188	1 380 661 420

Funds held on behalf of customers are held on bank accounts bearing an interest at the annual rates mentioned below:

Bank	2021	2020
Citi bank Zambia Limited	4.00%	9.50%
Atlas Mara Zambia	MPR-2%	MPR-2%
Zambia National Commercial Bank Plc	7.00%	7.00%
Absa Bank Zambia Plc	8.00%	8.50%
Indo Zambia Bank	MPR+1%	9.75%
Stanbic Bank zambia Limited	8.75%	9.50%

	2021	2020
18. Cash and cash equivalents		
Balance with bank		
On current accounts	246 487 879	148 968 883
Cash in hand	51 262 926	21 482 118
	297 750 805	170 451 001

Bank accounts bear interest at the rate of 9.5% per annum (2020: 9.5%). Interest earned has been disclosed in note 9.

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

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

	2021	2020
Cash and cash equivalents as per balance sheet	297 750 805	170 451 001
Balance held under mobile money trust	2 064 402 188	1 380 661 420
	2 362 152 993	1 551 112 421

	2021	2020
19. Share capital		
Authorised share capital:		
200,000,000 ordinary shares of K 0.01 each	2 000 000	2 000 000
Issued and fully paid:		
200,000,000 ordinary shares of K 0.01 each	2 000 000	2 000 000
20. Mobile money wallet balance		
Customer deposits	1 852 820 501	1 277 014 480
Interest earned on trust accounts *	211 581 687	103 646 940
	2 064 402 188	1 380 661 420

* The amount can be used with a pre approval by the Central Bank, for industry wide projects that promote effective inter-operability, sensitization campaigns to promote mobile money, consumer education campaigns provided such activities do not promote a specific e-money institution.

21. Trade and other payables	2021	2020
Trade payables	556 402	4 726 546
Other payables	60 371 886	27 010 560
Amounts due to related parties [Refer note 22(c)]	10 794 529	79 300 200
	71 722 817	111 037 306

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

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

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

22. Related party disclosures

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

The shareholding of the Company as at 31 December 2021 and 2020 is as stated below:

Name of shareholder	2021 and 2020 Number of shares	2021 and 2020 % shareholding
Airtel Mobile Commerce Holding BV	2 000 000	1%
Airtel Mobile Commerce BV	198 000 000	99%
	200 000 000	100%

(a) Amounts due from related parties

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

Name of related parties	Nature of relationship	Country of of incorporation	Nature of transactions	Balance at 31.12.21 K
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Airtime Recharges, Churn revenue share & Cash collection charges	178 586 142
Airtel Mobile Commerce Limited	Fellow subsidiary	Malawi	International money Transfer	2 224 136
Airtel Mobile Commerce Rwanda Limited	Fellow subsidiary	Rwanda	International money Transfer	230 636
Airtel Money Transfer Limited	Fellow subsidiary	Kenya	International money Transfer	590 724
Airtel Mobile Commerce Uganda Limited	Fellow subsidiary	Uganda	International money Transfer	233 580
				181 865 218

Name of related parties	Nature of relationship	Country of of incorporation	Nature of transactions	Balance at 31.12.2020 K
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Airtime Recharges, Churn revenue share & Cash collection charges	293 962 268
Airtel Mobile Commerce Limited	Fellow subsidiary	Malawi	International money Transfer	36 919 020
Airtel Rwanda Limited	Fellow subsidiary	Rwanda	International money Transfer	177 561
Airtel Money Transfer Limited	Fellow subsidiary	Kenya	International money Transfer	285 856
Airtel Mobile Commerce Uganda Limited	Fellow subsidiary	Uganda	International money Transfer	198 695
				331 543 400

22. Related party disclosures (continued)

(b) Sale of services to related parties

Name of related parties	Nature of relationship	Country of of incorporation	Nature of transactions	Balance at 31.12.2021 K
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Airtime recharge transaction fees	215 895 601
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Bulk payment transaction fees	8 316 108
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Churn reduction revenue share	103 936 716
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Cash collection transaction fees	14 318 452
				342 466 877

Name of related parties	Nature of relationship	Country of of incorporation	Nature of transactions	Balance at 31.12.2020 K
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Airtime recharge transaction fees	133 221 299
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Bulk payment transaction fees	447 923
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Churn reduction revenue share	39 380 423
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Cash collection transaction fees	11 510 086
				184 559 731

(c) Amounts due to related parties

Name of related parties	Nature of relationship	Country of of incorporation	Nature of transactions	Balance at 31.12.2021 K
Airtel Mobile Commerce BV	Holding Company	Netherlands	Expenses paid on behalf	553 309
Airtel Mobile Commerce Limited	Fellow subsidiary	Malawi	International money transfer	3 275 695
Airtel Money Tanzania Limited	Fellow subsidiary	Tanzania	International money transfer	1 569 281
Airtel Money Transfer Limited	Fellow subsidiary	Kenya	International money transfer	2 082 391
Airtel Mobile Commerce Uganda Limited	Fellow subsidiary	Uganda	International money transfer	2 003 163
Airtel Mobile Commerce Rwanda Limited	Fellow subsidiary	Rwanda	International money transfer	1 310 690
				10 794 529

22 Related party disclosures (continued)

(c) Amounts due to related parties (continued)

Name of related parties	Nature of relationship	Country of of incorporation	Nature of transactions	Balance at 31.12.2020 K
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Expenses paid on behalf & Management fees	64 324 252
Airtel Mobile Commerce BV	Holding Company	Netherlands	Expenses paid on behalf	703 967
Airtel Mobile Commerce Limited	Fellow subsidiary	Malawi	International money transfer	1 316 519
Airtel Money Tanzania Limited	Fellow subsidiary	Tanzania	International money transfer	5 474 187
Airtel Money Transfer Limited	Fellow subsidiary	Kenya	International money transfer	1 829 776
Airtel Mobile Commerce Uganda Limited	Fellow subsidiary	Uganda	International money transfer	3 434 917
Airtel Commerce Rwanda Limited	Fellow subsidiary	Rwanda	International money transfer	2 216 582
				79 300 200

(d) Purchase of services from related parties

Name of related parties	Nature of relationship	Country of of incorporation	Nature of transactions	Balance at 31.12.2021 K
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Management fees	31 377 970
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	USSD service charge	60 000
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Bulk SMS charges	4 249 447
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Shop Cash in & Cash out commission	4 626 864
				40 314 281

Purchase of services from related parties

Name of related parties	Nature of relationship	Country of of incorporation	Nature of transactions	Balance at 31.12.2020 K
Airtel Networks Zambia Plc.	Fellow subsidiary	Zambia	Management fees	18 577 187
Airtel Networks Zambia Plc.	Fellow subsidiary	Zambia	USSD service charge	60 000
Airtel Networks Zambia Plc.	Fellow subsidiary	Zambia	Bulk SMS charges	2 725 099
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Shop Cash in & Cash out commission	4 644 805
				26 007 091

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

There is no impairment of receivables relating to amounts owed by related parties as on 31 December 2021 and 2020.

23. Fair value measurements

Fair value of financial assets (Trade receivable, amount due from related parties, amount held in trust, and bank & cash balance) and financial liabilities (Trade and other payable, amount payable to related parties, and amount due to customer) approximate to their carrying amount as on 31 December 2021 and 2020 on account of their current nature and they are recognised at amortized cost as on 31 December 2021 and 2020.

	Carrying Value	Fair Value
31 December 2021		
Cash and bank balances	297 750 805	297 750 805
Trade and other receivables	191 913 782	191 913 782
Balance held under mobile money trust	2 064 402 188	2 064 402 188
Trade and other payables	(57 052 390)	(57 052 390)
Mobile money wallet balance	(2 064 402 188)	(2 064 402 188)
31 December 2020		
Cash and bank balances	170 451 001	170 451 001
Trade and other receivables	336 390 963	336 390 963
Balance held under mobile money trust	1 380 661 420	1 380 661 420
Trade and other payables	(101 150 792)	(101 150 792)
Dividend payable	(180 511 483)	(180 511 483)
Mobile money wallet balance	(1 380 661 420)	(1 380 661 420)

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

The carrying value of bank deposits, trade receivables, trade payables, other current financial assets and liabilities approximate their fair value mainly due to the short-term maturities of these instruments.

During the year ended 31 December 2021 and and the year ended 31 December 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. The fair values above are under Level 3.

24. Dividends proposed and paid

	2021
At 1 January	180 511 483
Dividends declared	300 000 000
Dividends paid	(480 511 483)
At 31 December	-

25. Capital commitments

The company had capital commitments amounting to **K10,729,401** as at 31 December 2021 (2020: ZMW3,201,033).

26. Contingent liabilities

There were no known material contingent liabilities as at 31 December 2021 (2020: Nil).

27. Events after the reporting date

There have been no material events after the reporting date which would require disclosure in or adjustment to the financial statements for the period ended 31 December 2021.